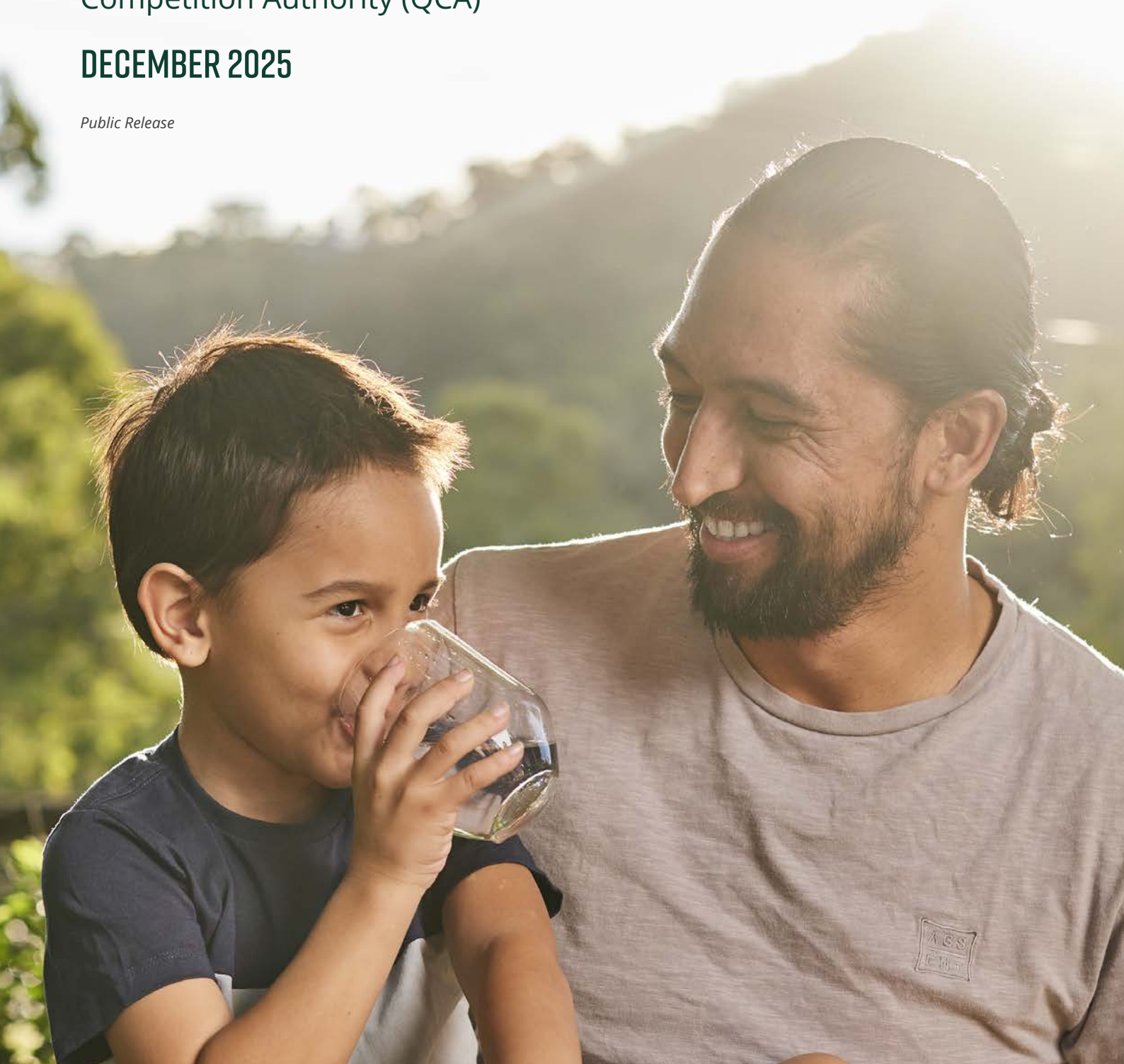
UrbanUtilities

PRICE MONITORING INVESTIGATION FY27

Part 1 Submission to the Queensland Competition Authority (QCA)

DECEMBER 2025

Public Release



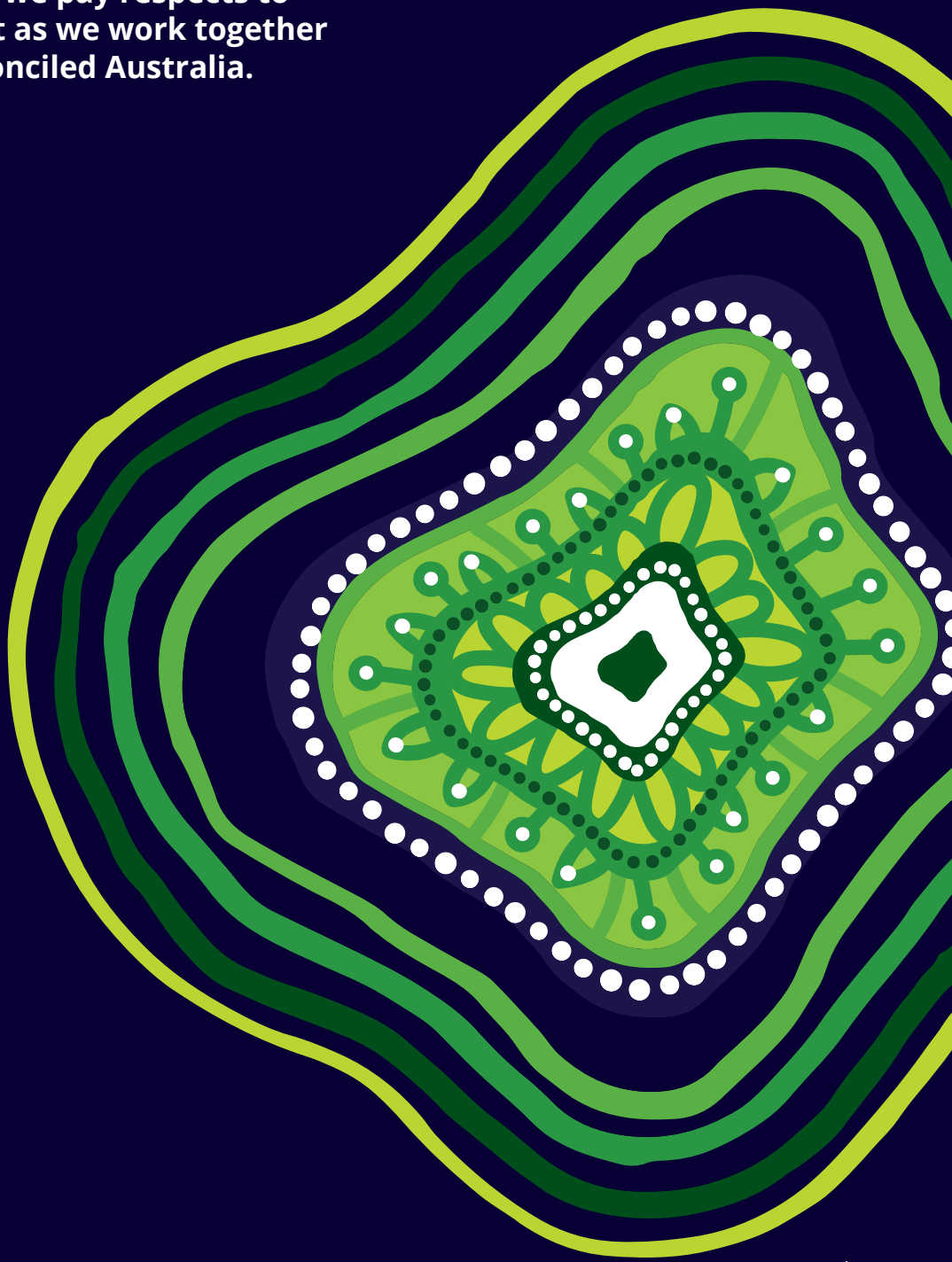
REFERENCE – PART 1 STATED MATTERS

Stated Matters		Section of submission
(1.1)	forecast Total Revenues, Distributor-retailer Prices and Water Bill Impact for the Price Monitoring Period from 1 July 2026 to 30 June 2027	Section 3 – *Achieving a balanced pricing outcome for all* – this section provides a forecast for the FY27 period.
(1.2)	the efficiency of the Businesses' procurement practices by assessing the existence of robust policies and procedures having regard to good industry practice as well as compliance, assessing the robustness of the capital expenditure program planning and delivery processes and procedures in an overall sense and identify any areas for improvement	Section 2 – *Our Performance Journey* – this section outlines the history of both our operating and capital expenditure. Section 4 – *Our ongoing commitment to uplift systems and processes* – this section outlines our approach to procurement, risk, capital planning, asset management, delivery and maintenance.
(1.3)	reasonableness of productivity initiatives aimed at reducing capital expenditure and operating expenditure costs, including but not limited to efficiency improvements, innovation and demand management, and identify any opportunities for productivity targets	Section 5 – *Our pursuit of productivity improvement initiatives* – this section outlines our efficiency programs in relation to both our capital and operating costs.
(1.4)	reasonableness of performance measures, benchmarks and indicators against which progress from initiatives identified under Stated Matter D(1.3) can be assessed	Section 5 – *Our pursuit of productivity improvement initiatives* – this section outlines our benchmarks on a cost basis and the governance mechanisms for the monitoring of productivity improvement initiatives. Section 6 – *The strength of our service quality and reliability* – this section outlines our benchmarks on a service performance basis.
(1.5)	service quality and reliability, consistent with other regulatory obligations using existing and published performance indicators of Urban Utilities for the purpose of assessment of service standards.	Section 6 – *The strength of our service quality and reliability* – this section outlines our achievement of performance indicators relating to service quality and reliability.
For the periodic report, how the forecast Total Revenue, Distributor-retailer Prices and Water Bill Impact compare against the actual Total Revenue, Distributor-retailer Prices and Water Bill Impact for the Price Monitoring Period from 1 July 2026 to 30 June 2027.		This information will be provided once actuals are reconciled for the FY27 period.

CONTENTS

ACKNOWLEDGEMENT OF COUNTRY

Urban Utilities acknowledges the Traditional Custodians of the land on which we connect, share and learn. We recognise the unique and continuing connection of Aboriginal and Torres Strait Islander peoples to land, water and culture, and we pay respects to Elders past and present as we work together towards a just and reconciled Australia.



CEO FOREWORD

Urban Utilities is one of Australia's largest distributor-retailers, delivering essential water and wastewater services to 1.6 million customers across South East Queensland. With more than 20,000km of pipes and critical water and wastewater infrastructure, our network forms the backbone of essential services that support thriving communities.

This submission outlines Urban Utilities' approach to ensuring our essential services remain safe, reliable and affordable, while responding to a rapidly changing operating environment. Key challenges include population growth, ageing infrastructure, evolving customer expectations, climate and extreme weather impacts, and increasing environmental compliance obligations.

Our beginnings and our evolution

Formed in 2010, Urban Utilities brought together five council-operated water businesses, each with different systems, processes and organisational cultures.

From this challenging starting point, Urban Utilities set out to consolidate and streamline the operations of these five organisations, as well as integrate their distinct workplace cultures. This work laid the foundations for realising the anticipated benefits of South East Queensland's water industry reform, in line with the *South East Queensland Water (Restructuring) and Other Legislation Amendment Act 2012*.

In its formative years, Urban Utilities' focus was—and continues to be—building our people, leadership and organisational capability; and reviewing, streamlining and improving our processes, ways of working, legacy systems and assets to continuously improve business performance and service outcomes for our customers.

This steep maturity curve has been achieved despite the challenges posed by a rapidly changing operating environment, rising population growth, unprecedented natural disasters—including three major flood events and a tropical cyclone—and the COVID-19 pandemic.

Balancing affordability today with sustainability for tomorrow

As an essential service provider, we're committed to keeping our prices as low as possible for our customers. We have a proven track record of delivering on this commitment, with Urban Utilities' residential bills remaining the lowest in South East Queensland. Through a focus on continuous improvement and cost efficiencies, we've delivered lasting operational gains and reduced our operating costs per connection. Importantly, we've achieved this as our network has grown—and continues to grow rapidly—while extending the life of our assets and investing appropriately to ensure the health and safety of our people, customers and communities.

Balancing our commitment to customer affordability with the delivery of high quality and reliable water and wastewater services has been a constant focus and a growing challenge. The Urban Utilities component of a typical residential customer bill is lower in real terms than at formation, with Urban Utilities' component of bill increases averaging below Consumer Price Index (CPI) over this period. We've achieved this by managing rising costs while maintaining our network, delivering services and investing in essential infrastructure.

Despite these positive outcomes, Urban Utilities' ability to continue to maintain stable bills for our customers is increasingly constrained by structural funding gaps and external cost pressures. This, in part, is due to growth-related infrastructure costs not being fully recovered under the Maximum Adopted Charges (MAC) and Priority Development Areas (PDAs) charging frameworks. This shortfall is estimated to cost approximately $93 per residential customer connection per year on their water bills, to subsidise these unfunded costs. Additionally, Seqwater's bulk water charges—set by the Queensland Government and passed directly on to our customers without any mark-up—account for more than one-third of our costs.

Our FY26 operating cost budget includes an efficiency target of $35 million (more than 7% of the operating budget). This is an ambitious target which reflects our ongoing commitment to reducing operating costs, and means our pricing already assumes the delivery of these efficiency measures.

While maintaining a focus on affordability, as a well-regulated business, we continue to ensure long-term financial sustainability, maintain an adequate balance sheet and responsibly provide returns to our five shareholding Councils on behalf of their ratepayers, who are also our customers.

We remain firmly committed to delivering safe, reliable and affordable water and wastewater services to our customers—demonstrated by our ability to improve service levels while keeping typical residential bill increases at or below CPI (on average) for more than a decade. However, sustaining this balance is becoming increasingly challenging in the face of significant current and emerging pressures.

Navigating challenges and driving change

Looking ahead, we're entering a period of significant challenge and transformation that will reshape our industry and the way we serve our communities.

Our greatest challenge lies in balancing the renewal of ageing assets with the investment required for new infrastructure to support South East Queensland's rapid growth and withstand increasingly frequent extreme weather events. This trilemma—renewing critical assets, adapting to climate impacts and meeting population growth—is driving a substantial and sustained increase in capital investment to ensure the resilience, reliability and long-term sustainability of our water and wastewater services.

Like all water utilities in Australia, we are seeing costs increase well above CPI across many areas of our business, alongside a capital program that will require significant investment over the next decade and beyond to meet future population growth, compliance obligations and renewal needs across our network.

In addition, emerging infrastructure demands associated with the Brisbane 2032 Olympic and Paralympic Games will place further pressure on the network, requiring careful planning, targeted investment and close coordination with government and other partners to ensure capacity, reliability and resilience are maintained.

At the same time, customer expectations continue to evolve, with increasing emphasis on transparency, sustainability and service reliability. We remain committed to delivering a sustainable operating and capital program focused on customer affordability and the provision of safe and efficient water and wastewater services for communities we serve.

This submission outlines our approach to pricing for FY27 and sets out the pathway toward Part 2 of the price investigation in 2026, where we will present a detailed price path for FY28-FY30.

Paul Arnold
Chief Executive Officer

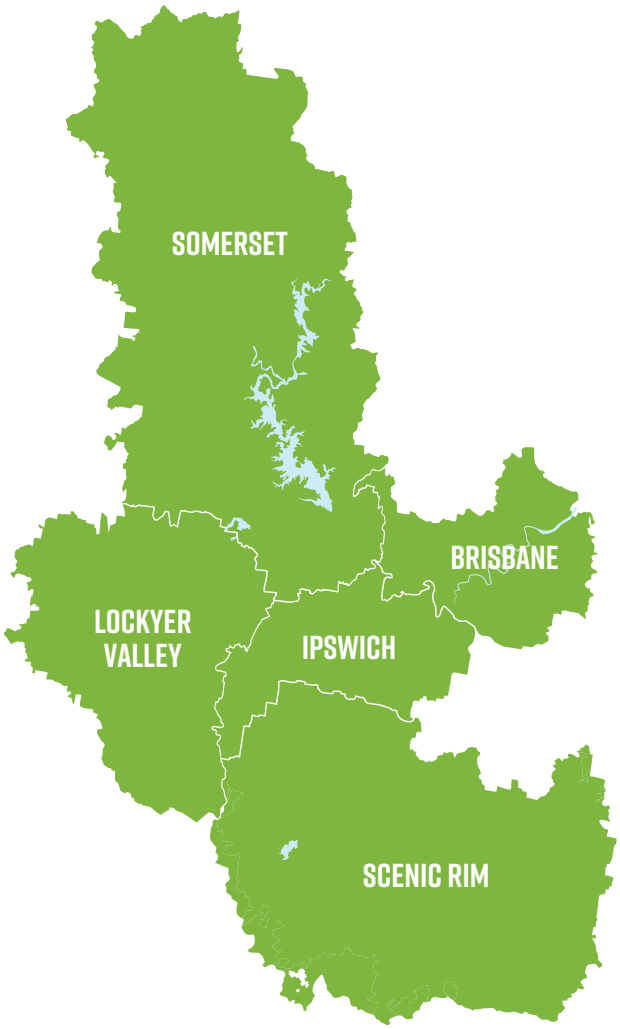
OVERVIEW

Urban Utilities is proud to deliver essential water and wastewater services to **1.6 million customers** across some of the fastest growing areas of South East Queensland. Our network covers more than 14,384 square kilometres spanning five local government areas and serving around two thirds of the region.

We operate over 20,000km of pipes, 115 water reservoirs, 350 pump stations and 26 wastewater treatment plants. This infrastructure is essential to delivering the services that enrich quality of life and support our growing communities.

In the lead-up to the 2032 Brisbane Olympic and Paralympic Games and beyond, significant growth and renewal requirements exist across our entire water and wastewater network. We have been planning for this investment while leveraging innovation and technology to maximise the life and performance of our existing assets, and maintain the excellent water quality and reliability standards our customers expect. However, the combined challenges of climate change, population growth and increasing regulation mean we must make prudent and efficient investments into the future that reflect the true costs of meeting our customers' expectations and our service obligations.

We understand that cost of living is a major concern for households across our region. That's why we've worked hard to keep bills as low as possible while continuing to invest in the infrastructure that delivers reliable water and wastewater services to homes and businesses. However, it remains important that water utilities like Urban Utilities are able to set pricing at levels which allows them to sustainably continue to make those investments.



Boonah Resource Recovery Centre

About this submission

This document is Urban Utilities' **Part 1 submission** to the Queensland Competition Authority's (QCA) price monitoring investigation for the period 1 July 2026 to 30 June 2030. The Minister for Finance referred Urban Utilities and Unitywater to the QCA in September 2025 under the *Queensland Competition Authority Act 1997*.

The price investigation is being conducted in two parts:

- **Part 1 (this submission)** covers FY27 (1 July 2026 to 30 June 2027) and focuses on our forecast prices and bill impacts, our systems and processes for planning and delivering our expenditure programs, our productivity and efficiency initiatives, and our service quality and reliability.
- **Part 2** will be submitted in August 2026 and will cover FY28 to FY30 (1 July 2027 to 30 June 2030). It will outline a price path for the three-year period developed using a detailed building block methodology, including our maximum allowable revenue, efficiency targets, and detailed expenditure forecasts.

The QCA will provide an Interim Report on our Part 1 submission by May 2026, and a Final Report on our Part 2 submission by April 2027. This process ensures independent oversight of our prices and provides transparency for our customers and the community.

How we set prices

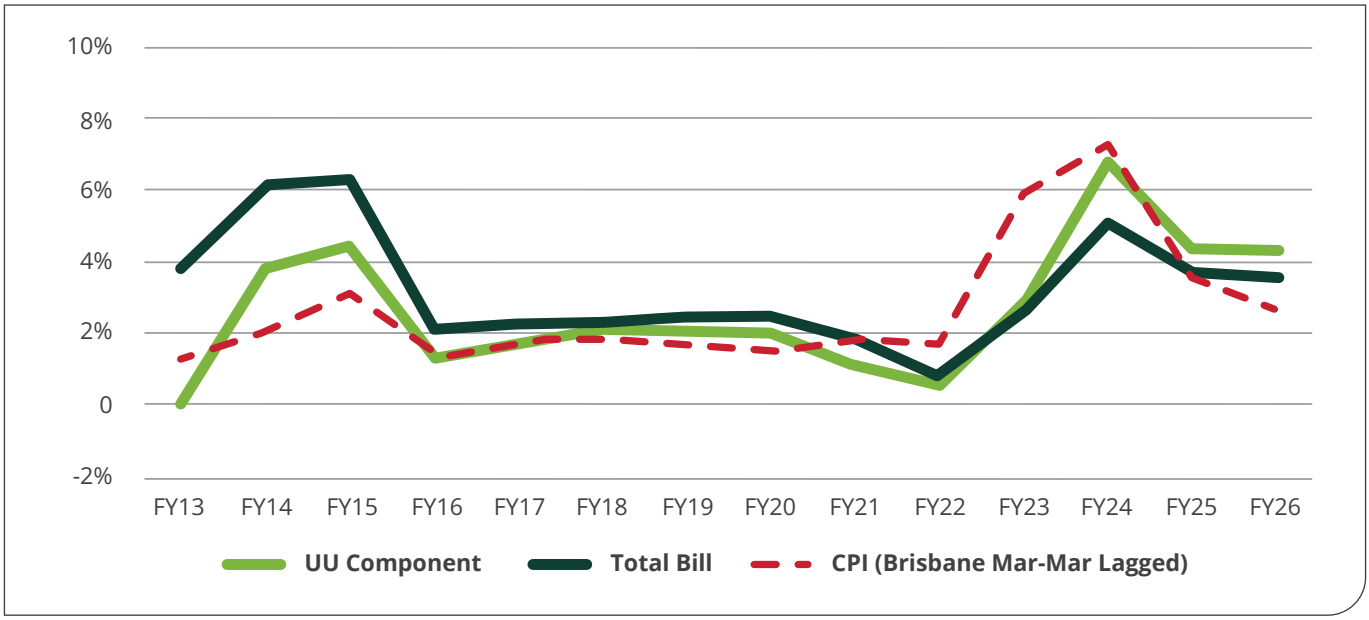
Historically, Urban Utilities has prioritised keeping prices as low as possible for our customers by imposing top-down efficiencies on our costs, while ensuring we can maintain and grow our water and wastewater network through investment in essential infrastructure to support our region's growth.

The Urban Utilities component of a typical residential customer bill is lower in real terms than at formation in 2010, with Urban Utilities' component of bill increases averaging below CPI over this period (see Figure 1).

When setting prices, we consider a variety of factors including our cost to operate, maintain and improve how we deliver safe and reliable water and wastewater services, how our customer base is growing, changing customer usage behaviour, environmental compliance, increasing regulatory requirements and building the essential infrastructure needed for our growing communities.

This pricing forecast has been developed approximately six months earlier than our usual practice based on QCA submission timelines. It remains subject to revision and Urban Utilities Board final approval in June 2026, based on updated assumptions regarding inflation, chargeable quantities, other economic variables and other external factors that may emerge ahead of the pricing period which begins in July 2026.

Figure 1: Annual change in weighted average typical residential customer bill (%)



Our proposal at a glance

We are currently planning for a forecast increase in the Urban Utilities component of a typical residential bill of 4.5% for FY27.

This means the Urban Utilities component of a typical residential bill is increasing by a forecast of 0.8% plus expected inflation for FY27.

The forecast total retail bill outcome proposed for a typical residential customer will remain largely consistent with expected inflation for FY27 (0.1% plus expected inflation). This is inclusive of Seqwater bulk water charges (with bulk water forecast assumed to increase at the rate based on QCA's recommendation for the 2022-26 period) which is subject to Ministerial discretion.

Reflecting the capital-intensive nature of our business, 2.8% of the 4.5% increase in a typical residential bill is driven by an increase in capital related costs (that is, capital investment, depreciation, rate of return and asset inflation). The remaining 1.7% is associated with the impact of inflation on input and operating costs.

Importantly, around 70% of residential customers and 50% of non-residential customers are expected to see bill increases that are lower than the headline 0.8% increase, after accounting for the expected inflationary impact on the Urban Utilities component of the bill.

An estimated 56% of all residential customers will experience a total bill increase below the forecast rate of inflation.

Urban Utilities estimates current under-recovery of infrastructure development charges set by the State Government currently add approximately $93 per annum to the average residential water utility bill.

A top-down efficiency target has been set to constrain costs, with Urban Utilities retaining the risk of not achieving our FY27 target, rather than transferring it to customers.

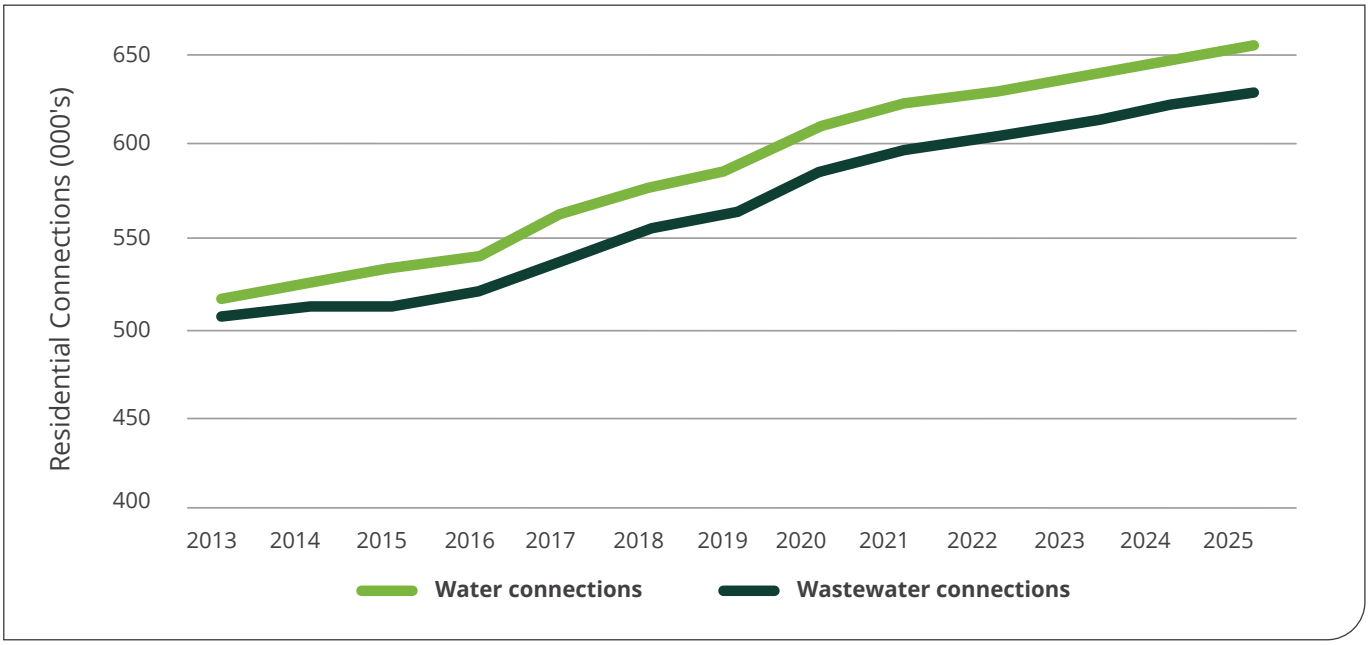
The proposal reflects a balance between customer affordability in the current challenging cost of living environment and our obligation to deliver safe, reliable drinking water and wastewater services that protect public health. It also recognises the significant capital expenditure required to address population growth, ageing infrastructure, increasing environmental obligations and climate change impacts, as well as preparations for the Brisbane 2032 Olympic and Paralympic Games.

Why we need to invest

The population of our service region is expected to grow by around one-third over the next 20 years, with more than half a million additional residents forecast by Queensland Government population projections over the period.[1] Much of this growth is occurring in areas that are more challenging and costly to service, particularly in fast-growing regions like Ipswich, one of Australia's fastest growing local government areas (see Figure 2 for growth in residential connections between FY13 and FY25).

To the west, substantial greenfield residential development is driving the need for entirely new trunk infrastructure networks. Growth in townships across the Lockyer Valley, Scenic Rim and Somerset regions is more dispersed, presenting development patterns with limited economies of scale. In some cases, servicing these trunk infrastructure areas costs up to five times more than the amount we recover from these customers.

Figure 2: Growth in residential connections (000's)



Meeting the needs of diverse communities

- We serve both densely populated urban areas and vast regional environments, each with unique challenges.
- Some parts of our network include century-old assets dating back to the late 19th century that need careful management and renewal.
- New greenfield developments require the construction of completely new trunk infrastructure networks. In many cases, this growth is occurring in regional areas with a higher cost to service.
- Regional townships have dispersed growth patterns with limited economies of scale, making them more expensive to service on a per-customer basis.

Responding to climate challenges

- Our climate is expected to become increasingly extreme, adding further challenges to our operating environment. We must invest in resilience, informed by lessons from the Millennium Drought and flooding events in 2011, 2013 and 2022, which exposed vulnerabilities in our legacy assets and required substantial recovery efforts.
- We need to manage and plan prudently for the growing impact of more frequent and intense wet weather events on our infrastructure and operations.
- Growing community expectations and environmental compliance requirements mean we need to keep investing more in treatment technology, monitoring systems and sustainable operational practices.

[1] *Queensland Government Statisticians Office, 2023 population projections, medium series 2025-2045 indicate a total increase in population of 534,900 persons or 31% across the Brisbane, Ipswich, Lockyer Valley, Somerset and Scenic Rim LGAs over the 20-year period.*

Our performance journey

Urban Utilities was formed in 2010 through the amalgamation of five council water entities, representing the largest water transaction in Australian history at the time. This consolidation created a foundation for enhanced operational efficiency, improved customer service standards and more coordinated planning and operational practices.

Since our formation, we have been on a journey of continuous improvement. How we operate today is vastly different from 15 years ago, and we continue to evolve to meet the changing needs of our customers and communities.

Keeping prices low

We've been committed to putting downward pressure on bills since our formation. Our price path for a typical residential customer has been below average inflation (Brisbane CPI) over this period (see Figure 3). Building on our efficiency improvements, we harmonised prices across our service area from FY22, so all residential customers now pay the same water and sewerage charges regardless of which region they live in.

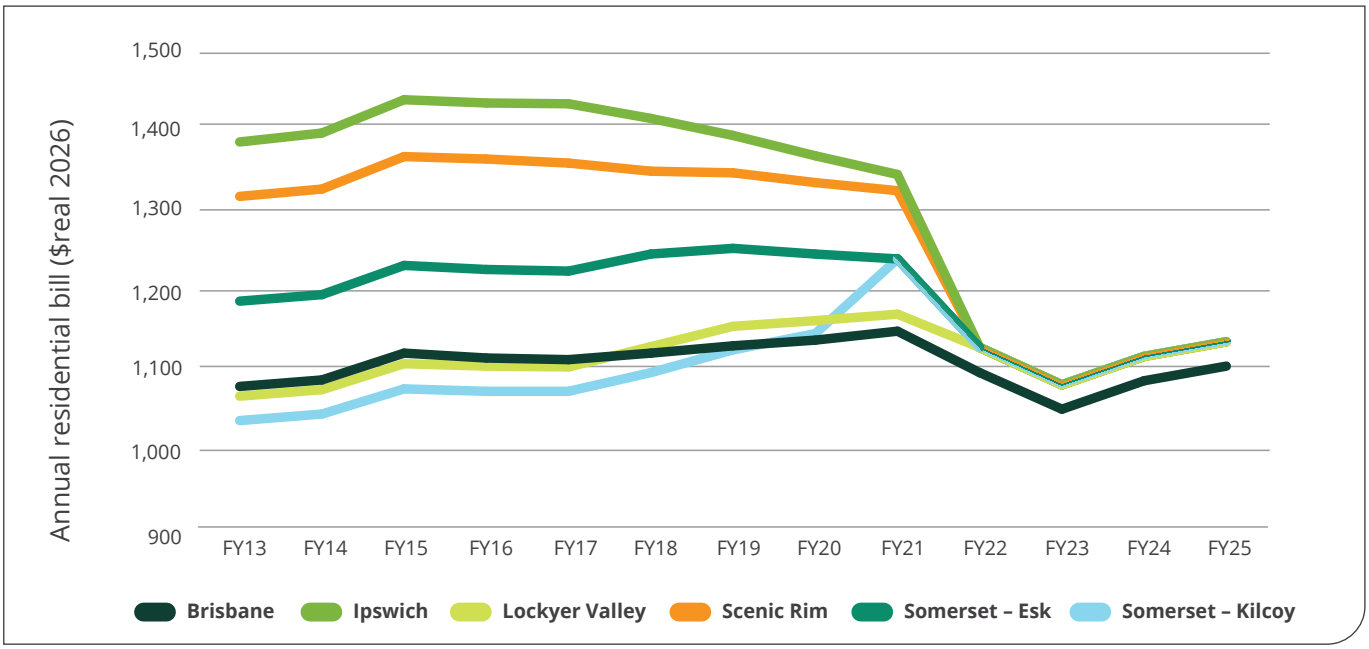
Compared to 2013, the typical bill for customers in most regions across our network is lower now in real terms.

This outcome reflects our focus on cost management and operational efficiency, even as Seqwater's bulk water charges (which we pass on to customers without mark-up) have increased during this period. Bulk water charges represent an unavoidable over one-third of our costs, meaning just under two-thirds of costs we pass on to customers are able to be influenced by Urban Utilities.

What we have achieved

- Reduced pre-market engineering costs from approximately 11% to 5% of project capital expenditure through our Program Management Approach.
- Approximately 90% of infrastructure projects as at October 2025, meet cost and completion outcomes.
- Invested approximately $1.9 billion in real terms in infrastructure during the most recent five-year period.
- Servicing significant growth in our network while maintaining high water quality and reliability, with residential water connections rising by 27% between 2013 and 2025, representing nearly 140,000 additional water connections
- Kept bill increases below inflation for most customers, with many experiencing bill decreases since 2010 in real terms.

Figure 3: Annual Urban Utilities component of residential bill (assuming 150kL/annum consumption, $real2026), excluding bulk water[2]



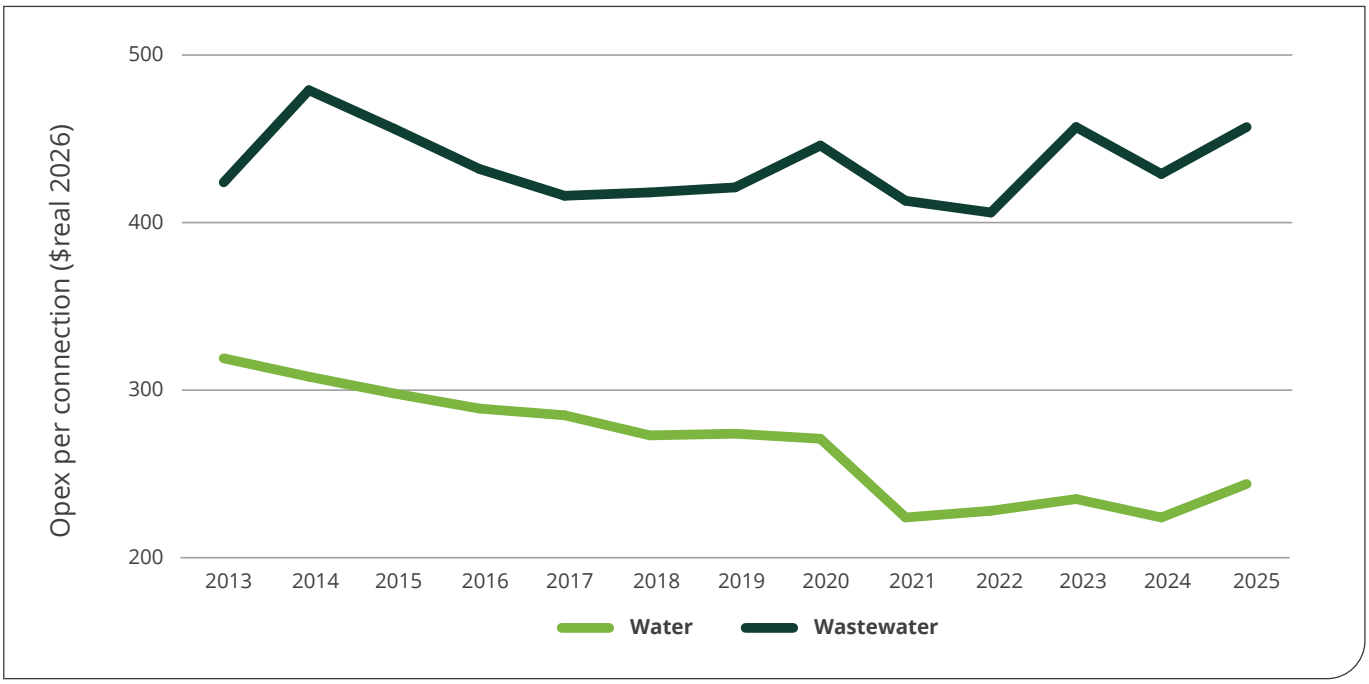
[2] *$real2026 is based on RBA forecast CPI from the November 2025 Statement on Monetary Policy.*

Improving efficiency

Water operating costs (excluding bulk water) have decreased significantly from $319 per connection in 2013 to $244 per connection in 2025, in real terms. This represents a substantial improvement in efficiency while maintaining service standards.

Wastewater operating expenditure has increased from $424 per connection to $457 per connection in 2025 in real terms. The modest increase enabled us to meet growing environmental requirements.

Figure 4: Operating expenditure per connection ($real 2026)[3]



[3] *This analysis has been prepared in real terms on the basis of the latest available Urban Utilities financial statements and connections data, excluding bulk water. Urban Utilities has concerns about the level of consistency of this information against publicly-available NPR benchmark data and we will be undertaking further analysis to examine the basis of any differences.*

Our investment plans

Our proposed investment will support critical infrastructure needs while keeping prices as affordable as possible. We have embedded productivity initiatives and self-imposed constraints into our operating budget for FY27, continuing to apply top-down efficiency targets each year on operating expenditure from FY25 to FY29, as well as identifying bottom-up savings opportunities.

Water infrastructure

We expect water capital expenditure to increase, in real FY26 terms, by 16% or $25.5 million from approximately $160.5 million in FY26 to $186 million in FY27.[4] This investment will support critical renewals of ageing infrastructure, provide capacity for growth in high demand areas and maintain service reliability for existing customers, including:

- Renewing and augmenting the distribution network to maintain reliable supply.
- Upgrading reservoirs to ensure adequate storage capacity for our growing communities.
- Enhancing chemical dosing systems to maintain water quality standards.

Wastewater infrastructure

We expect wastewater capital expenditure to increase, in real FY26 terms, by 12% or $29.9 million from $246.3 million in FY26 to $276.2 million in FY27.[5] This investment will continue our focus on environmental compliance, growth servicing and network renewal, including:

- Treatment plant upgrades to meet environmental standards and protect waterways.
- Trunk wastewater infrastructure to support urban development in growth areas.
- Strategic renewal of critical wastewater assets to maintain service reliability.

Innovative solutions to minimise costs

Our approach to investment increasingly emphasises innovative solutions that provide better value than traditional infrastructure. We are finding smarter ways to deliver services and minimise costs for our customers, including:

- Using nutrient offset schemes and treatment wetlands where they provide better environmental outcomes at lower cost.
- Pursuing treatment plant intensification to maximise capacity within existing sites.
- Expanding recycled water and demand management to reduce network pressures.
- Deploying advanced digital monitoring and control systems for real time optimisation.
- Using trenchless technologies to renew and expand networks with minimal community disruption.

[4] Capital expenditure figures for FY27 are as forecast in the Capital Investment Plan and will be reviewed as part of the annual budget process

[5] Capital expenditure figures for FY27 are as forecast in the Capital Investment Plan and will be reviewed as part of the annual budget process

How we are improving

We are continuing to evolve and improve our systems and processes to ensure our expenditure is responsible and delivers value for our customers. Our continuous improvement culture is now embedded in how we operate and plan for the future.

Smarter asset management

Our integrated asset management approach, aligned with international standards, guides investment decisions across the entire asset lifecycle from planning through to disposal.

For example:

- All investments undergo rigorous assessment at defined decision points, with detailed evaluation of costs, benefits, risks, and alternatives.
- Every project is tested by multiple internal teams including our Investment Assurance Group, Investment Committee, Strategic Asset Management Committee and the Urban Utilities Board to ensure efficient use of resources.
- We develop long term strategic asset plans spanning 30 to 50 years to guide our investment priorities.

Better procurement

We have enhanced our procurement processes.

For example:

- We have implemented a new category management approach to achieve better value for money outcomes.
- Our Next Generation for Delivery (NG4D) program builds stronger performance incentives, lower commercial fees and enhanced productivity through early partner involvement and innovation. This ensures that every dollar invested delivers maximum value for our customers and the community.

Ongoing efficiency initiatives

Our Operational Efficiency Program focuses on delivering business efficiencies to ensure our cost base meets evolving community needs and expectations whilst keeping prices as low as possible.

For example:

- We will continue to apply top-down efficiency targets for lowering operating expenditure between FY25 to FY29.
- We will continue to implement zero-based budgeting to confirm our operating cost base.
- We will continue to identify bottom-up savings through licensing and subscription rationalisation, digital portfolio optimisation, and maintenance improvements.
- We are improving efficiencies through contract renegotiations and innovative partnerships.
- We have put in place cost containment measures including no new (additional) full time equivalent positions.
- Program and financial performance are monitored through monthly reporting to the Executive Leadership Team (ELT) and our Board.

Our commitment to service quality

We are committed to listening to our customers and delivering services that meet their needs. Understanding our customers' views and preferences is essential to how we plan and operate our business.

How we serve our customers and communities

We provide emergency support through our 24-hour, 7-day-a-week Brisbane-based contact centre.

We handle over 250,000 customer enquiries and complaints per year.

We deliver responsive frontline services to resolve faults and emergencies in a timely manner.

We conduct up to 10,000 customer surveys annually to understand their needs and expectations.

What our customers have told us

Our research shows that residential customers prioritise reliable services, proactive communications and affordable bills. They have a strong expectation that we will keep downward pressure on costs while planning for the future.

Commercial customers value the same reliability alongside pricing transparency and assistance in meeting environmental objectives. Development customers need flexible, efficient processes that minimise costs and delays.

Growing customer confidence

Customer satisfaction and trust metrics demonstrate our improving performance and growing community confidence in our services:

- Customer trust has increased from 59% in 2022 to 65% in 2025, the highest level since measurement began.
- Perceptions of value for money have improved from 5.9 to 6.3 out of 10 over the same period. These results have been achieved through a targeted approach to understand what is most important to customers in the delivery of our services.

What happens next

This Part 1 submission focuses on our prices for FY27, our systems and processes, and our productivity and efficiency initiatives. The QCA will provide an Interim Report on this submission by May 2026.

We will submit our Part 2 proposal in August 2026, which will outline a price path for FY28 to FY30, developed using a detailed building block methodology. The QCA will publish a Draft Report by December 2026 and a Final Report by April 2027.

Listening to our customers' voices

We are committed to ensuring our customers' voices genuinely influence how we balance competing priorities in our investment planning. For example:

- Integrate findings from our Voice of the Customer Program.
- Building on our Customer Engagement Pathway, we will expand our customer research and community consultation activities.
- This feedback will inform future key trade-off decisions, particularly where productivity initiatives or capital investment deferrals may affect service outcomes.

Our ongoing commitment

We remain committed to maintaining close engagement with the QCA throughout this investigation and to provide comprehensive, transparent justification for all material forecasts.

Our goal is to continue putting downward pressure on bills, while delivering the infrastructure and services our growing region needs. We will continue to seek out additional cost efficiencies to maintain financial sustainability rather than passing the full costs to our customers.

Our proposed FY27 prices balance the need for critical infrastructure investment with our commitment to customer affordability. We are here to enrich quality of life for our customers and communities, today and for future generations.

SECTION 1

URBAN UTILITIES OPERATES IN A DYNAMIC ENVIRONMENT

1. URBAN UTILITIES OPERATES IN A DYNAMIC ENVIRONMENT

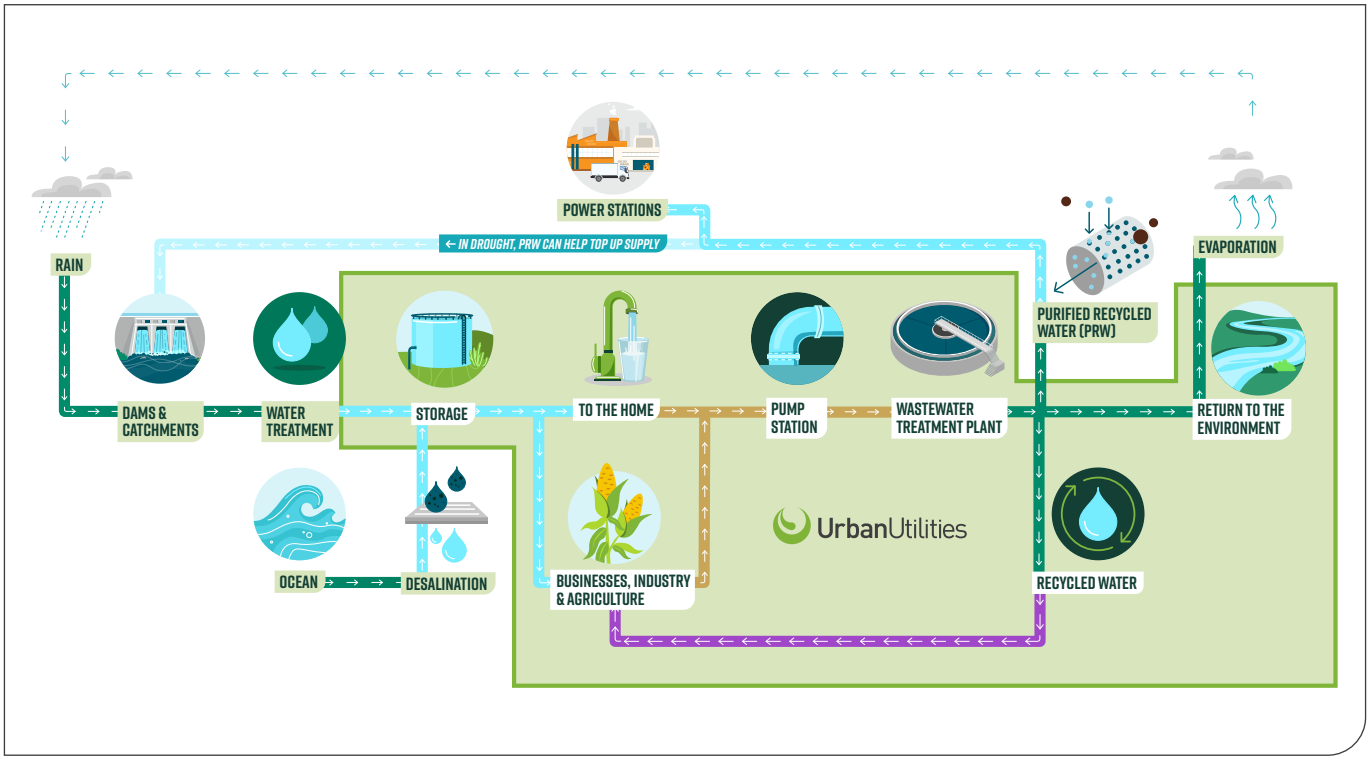
Urban Utilities delivers essential water and wastewater services to over 1.6 million customers across South East Queensland within a complex and evolving operating environment. Understanding this environment is fundamental to assessing our business cost and investment requirements, service delivery challenges, and strategic priorities.

In this section, we describe Urban Utilities' origins as a regional utility formed from five council-operated water businesses, the scale and diversity of the network we now manage, and the key challenges we face including population growth, ageing infrastructure, climate variability, and rising customer expectations. We also outline the increasingly complex regulatory framework within which we operate and our strategic approach to delivering reliable, efficient services whilst managing these challenges.

As a distributor-retailer we serve as the custodian of a diverse range of water and wastewater assets on behalf of our customers. From purchasing treated bulk water from Seqwater, our role persists throughout the water lifecycle, right through to helping manage the environmental sensitivity of Moreton Bay (see Figure 1.1 below).

Together, these elements provide essential context for understanding our operating and capital expenditure proposals and the investment decisions required to meet our service obligations to the community.

Figure 1.1: Urban Utilities role in the water cycle



Urban Utilities was born out of five local council water and wastewater operations

Urban Utilities was established on 1 July 2010 as a statutory authority under the *South East Queensland Water (Distribution and Retail Restructuring) Act 2009*, bringing together the water and wastewater operations of five local councils: Brisbane, Ipswich, Lockyer Valley, Scenic Rim, and Somerset. This merger represented the largest water transaction in Australian history at that time.

The creation of Urban Utilities resulted from the Queensland Government's structural reforms of the South East Queensland water sector, driven largely by the region's experience during the Millennium Drought. This prolonged period of water scarcity exposed the limitations of fragmented local water management and highlighted the need for coordinated, regional water supply planning and infrastructure.

The reform process began in May 2007 when the Queensland Water Commission released the Urban Water Supply Arrangements Report, initially proposing a single distribution and three retail entities. The drought had necessitated the development of the South East Queensland Water Grid, which was planned to be a coordinated bulk water supply system connecting dams, treatment plants, and distribution networks across the region.

This grid infrastructure required corresponding reforms to retail distribution to ensure efficient, integrated water management across South East Queensland. The model established Queensland Urban Utilities and two other distributor-retailer authorities (now one, Unitywater) to align with the new regional water supply framework.

The amalgamation of five separate council-operated water businesses created a foundation for enhanced operational efficiency, customer service standards, economies of scale, coordinated planning, and unified practices which continue to benefit our diverse communities today. These benefits would not have been achievable by five separate council water businesses operating independently. The path to realising these efficiency gains required considerable time for effective systems integration including establishing new ICT infrastructure, process harmonisation, replacing and consolidating legacy council systems, and organisational maturity, serving over 1.6 million customers across diverse regions.

Urban Utilities developed shared corporate systems for billing, payroll, procurement, and asset management to consolidate and replace the disparate council systems.

The Regulatory Asset Base (RAB) value for Urban Utilities was $3,945 million as at 1 July 2008,[6] and was established by Ministerial direction, with each shareholding council's assets allocated based on written down values in their respective fixed asset registers. This consolidated asset base brought together infrastructure of varying ages and condition—some dating back to the late 19th century—requiring standardised approaches to maintenance, replacement, and capital investment planning.

In summary, the formation of Urban Utilities created opportunities for:

Standardised asset management practices across a unified network.

Optimised capital investment through coordinated and integrated regional planning rather than duplicated local projects.

Consolidated procurement leveraging greater purchasing power.

Shared technical expertise and resources across a larger operational footprint.

Streamlined corporate functions introducing efficiencies and eliminating duplication across five separate organisations.

[6] *https://statements.qld.gov.au/statements/49989; QCA, Final Report, SEQ Interim Price Monitoring for 2010/11, Part B – Detailed Assessment, March 2011, p. 16.*

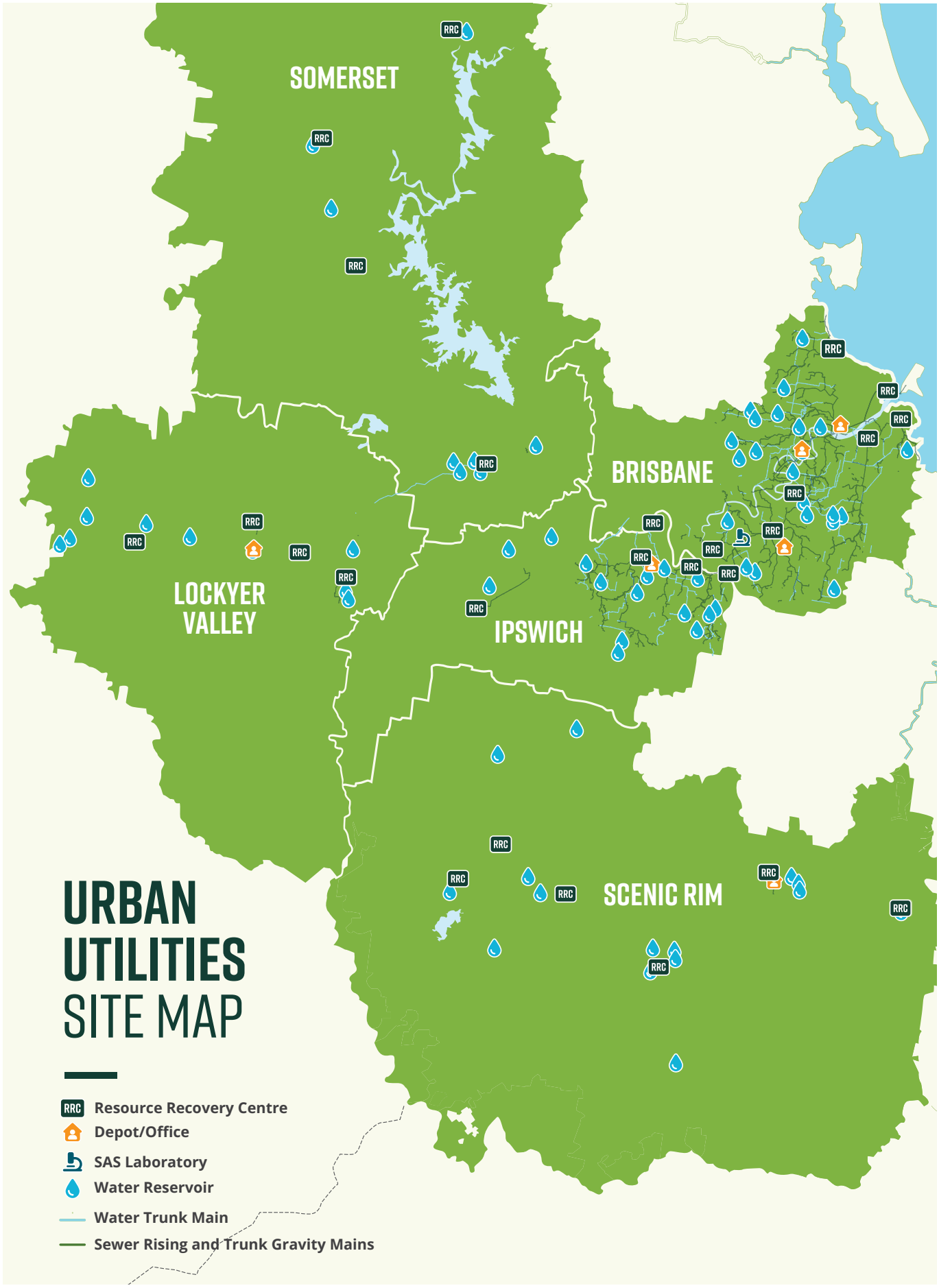
Urban Utilities is one of the largest water and wastewater utilities in Australia

Urban Utilities has grown to become one of Australia's largest water and wastewater utilities, now serving over 1.6 million customers across five local government areas covering 14,384 square kilometres, which represents approximately two-thirds of South East Queensland.

We manage extensive and diverse infrastructure including 9,813 kilometres of water pipes and 10,136 kilometres of wastewater networks, 115 water reservoirs, 350 pump stations, and 26 wastewater treatment plants, including major facilities at Luggage Point, Oxley Creek, Bundamba and Gibson Island (see Figure 1.2). The treated wastewater from Luggage Point and Gibson Island is then returned to the environment at a treatment standard that meets our environmental obligations. We are required to treat wastewater to a relatively high standard with tertiary treatment requirements.

Luggage Point Resource Recovery Centre

Figure 1.2: Urban Utilities major sites



We operate within a changing industry and network

Urban Utilities faces interrelated challenges that will shape its operations and investment requirements over the coming decades:

- managing substantial customer growth in high-cost-to-serve areas
- fairly recovering the costs of investments in new infrastructure required to meet network growth
- managing a changing environment of adapting to climate impacts and environmental compliance
- renewing an ageing asset base.

These challenges are exacerbated by increasingly volatile climatic conditions which will continue to challenge the resilience of our infrastructure. These challenges create the potential for significant operational and capital demands while requiring a careful balance between service delivery, customer affordability and satisfaction, and long-term sustainability.

Customer growth in high-cost-to-serve areas

South East Queensland is experiencing substantial demand growth driven by dwelling and population targets within the SEQ Regional Plan, ShapingSEQ 2023. Urban Utilities' overall local government area populations are projected to grow by around 31% (QGSO Population Projections), with ShapingSEQ 2023 targeting a 50% net population increase between 2021-2046.[7] This growth creates significant infrastructure investment demands, with its concentration in our western and regional areas amplifying the cost challenges of delivering this infrastructure.

A significant proportion of greenfields housing stock growth is increasingly located in dense and particularly concentrated estates that are inherently more costly to serve. The Ipswich region is experiencing substantial growth in greenfield residential development, requiring entirely new infrastructure networks.

While growth in regional townships, across Lockyer Valley, Scenic Rim, and Somerset local government areas present dispersed development patterns with limited economies of scale. Even within Brisbane – urban renewal areas, including transit-oriented developments, and infill projects – require costly capacity upgrades of existing systems and integration with established networks.

Urban Utilities' geographic footprint adds to these cost challenges. The network spans diverse areas from high-rise inner-city Brisbane to rural townships and agricultural communities. Topographic diversity requires complex pressure management and pumping systems across varied terrain. Dispersed rural schemes serve small, isolated communities located in environmentally sensitive areas, where the cost per connection is inherently higher. Growth in these high-cost-to-serve areas is expected to require significant capital investment for new infrastructure whilst generating comparatively lower economies of scale than growth in more concentrated urban areas.

We also continue to manage the legacy of five separate council systems, each with inherited infrastructure of varying ages and condition standards. This historic fragmentation means that accommodating growth often requires integrating new infrastructure within disparate existing systems, adding complexity and cost to network expansion and augmentation projects.

[7] *Queensland Government Statisticians Office, 2023 population projections, medium series 2025-2045 indicate a total increase in population of 534,900 persons or 31% across the Brisbane, Ipswich, Lockyer Valley, Somerset and Scenic Rim LGAs over the 20-year period.*

Fair recovery of growth costs through infrastructure charging

The infrastructure charging environment is a contributing factor to the growth challenge. Growth requires new trunk infrastructure and places pressure on existing assets, and consumes planned capacity previously built to support future growth. Investment in growth must also be balanced with the renewal of existing assets, through careful planning to ensure these investment costs remain sustainable for our customers.

An essential part of this planning is sequencing delivery of new infrastructure across Urban Utilities' rapidly growing service region. Out of sequence development raises costs for communities and developers, particularly when it compromises the South East Queensland Regional Plan and Local Government Infrastructure Plans (with which Urban Utilities' planning must be consistent under legislation).

Under Queensland legislation, cost recovery for growth-related trunk infrastructure is achieved through developer contributed infrastructure charges. These charges apply to different types of development and are set in accordance to State legislation which also imposes a cap known as the Maximum Adopted Charge (MAC).

Although the MAC is indexed annually by the Queensland Government, the process has not been applied consistently, and the MAC has not kept pace with true costs for delivery of complex infrastructure. As a result, developers are not receiving a cost-reflective signal of the true cost of providing growth infrastructure.

This means that future investment for growth will be cross subsidised by Urban Utilities' customers who will end up covering the funding shortfall, placing upward pressure unfairly on customer prices. Urban Utilities estimates the under-recovery from the MAC, and Priority Development Areas (PDAs) is set to add around $93 per annum to the average customer residential water utility bill.

Current infrastructure charge settings with respect to PDAs also shift costs onto Urban Utilities, and ultimately, our customers. The Queensland Government has the power to declare PDAs within which all Infrastructure Charges are collected by Economic Development Queensland (EDQ). These collected charges are not transferred to Urban Utilities as is the case outside of PDAs. Consequently, existing customers of Urban Utilities are made to cover costs of significant elements of the infrastructure required to service the PDA.

This is not financially sustainable, as the level of cost shifting will increase rapidly with the significant growth expected in South East Queensland, particularly in PDAs. It is critical that the Queensland Government continues to consult closely with Urban Utilities and other relevant stakeholders in relation to PDA development, to ensure a collaborative and fair approach to address the growing cost challenges of delivering trunk infrastructure in these areas.

The risk of under-recovery through declared PDAs (and further cross-subsidisation of costs with our broader customer base) is exacerbated where EDQ only recognise 'new trunk' infrastructure, that is installed after a PDA is declared. This approach fails to recover costs towards planned upstream and downstream trunk capacity that already exists, having been installed in anticipation of future growth. Any costs for growth trunk infrastructure not paid for by developers are recovered from Urban Utilities' broader customer base exacerbating bill increases for our customers.

The MAC was established in 2011 in response to development customers advocating for a change from a full cost recovery infrastructure charges model (previously known as headworks charges) to a model where charges were capped with annual indexing on the basis this would provide certainty for all stakeholders. While this is a sensible approach, both distributor retailers and councils are finding the MAC increasingly inadequate to recover the rising costs of growth. A key reason for this is the failure to index the MAC appropriately over time. Had the MAC been indexed consistently using the Queensland Government's nominated Roads and Bridges Index, the current capped charge would now be 22% higher.

From a funding perspective, it must also be noted that prior to the establishment of Urban Utilities, the Queensland Government previously provided a significant subsidy to Councils as a contribution to water infrastructure under the Water and Sewerage Program (WASP). This was discontinued as part of the South East Queensland water reforms. There are few alternatives for funding growth trunk infrastructure. Because of the growing funding gaps and impacts on financial sustainability, some councils have introduced infrastructure levies while others rely on State funding schemes like the recently introduced Residential Activation Fund (RAF). This risks creating further inequity for Queenslanders on the basis of where they reside. Distributor retailers such as Urban Utilities and Unitywater are not directly eligible for RAF funding.

Current inflationary pressures and rapidly increasing construction costs, along with strong projected population growth and increased PDA development, will lead to increased cross subsidisation of infrastructure charges, with subsequent impacts on water utility customer bills and affordability.

The role of developer contributions via payment of infrastructure charges is vital to supporting housing growth. As detailed earlier in this submission, delivery of growth trunk infrastructure by Urban Utilities is a major driver of our capital expenditure investments, as is the case for water utilities across Australia.

Appropriate infrastructure charge settings ensure growth trunk infrastructure can be delivered without significantly and unfairly impacting customer bills and the financial sustainability of the utilities and councils that deliver these vital, growth enabling services.

We understand the Water Services Association of Australia (WSAA) has reviewed and considered modelling and research submitted to the New South Wales Productivity Commission for its 2020 review into the infrastructure contributions system in that state. This material, which was accepted by the NSW Commission, provides a strong evidence base for the submission that appropriate settings deliver better outcomes for consumers and the community. Further, WSAA notes that well designed charges can also provide signals on the most cost-effective locations for development. This aligns with the Queensland Productivity Commission's (QPC) interim considerations around appropriate price signals, efficient use of existing infrastructure, and the need for a clearer understanding of connection areas and challenges, particularly in greenfield locations.

Urban Utilities therefore supports the recent recommendation by the QPC that a review of the existing infrastructure charges regime must be undertaken. The inequitable infrastructure charge settings are having a material impact on utilities and councils and will exacerbate the costs borne by customers as we experience future growth. Urban Utilities believes that consideration should be given to an adjustment to the MAC, by rebasing it to account for past inconsistent indexing to ensure the long-term sustainability of growth funding.

Managing a changing environment

Urban Utilities operates within an increasingly complex environmental and regulatory context, with material obligations driven by population growth, regulatory reform, climate variability and heightened community expectations. These obligations directly influence service performance and impose upward pressure on both operating and capital expenditure. The operating environment is becoming more challenging as environmental compliance requirements tighten, legacy infrastructure ages and rainfall patterns shift, requiring prudent and efficient investment to maintain compliance and meet expected service levels.

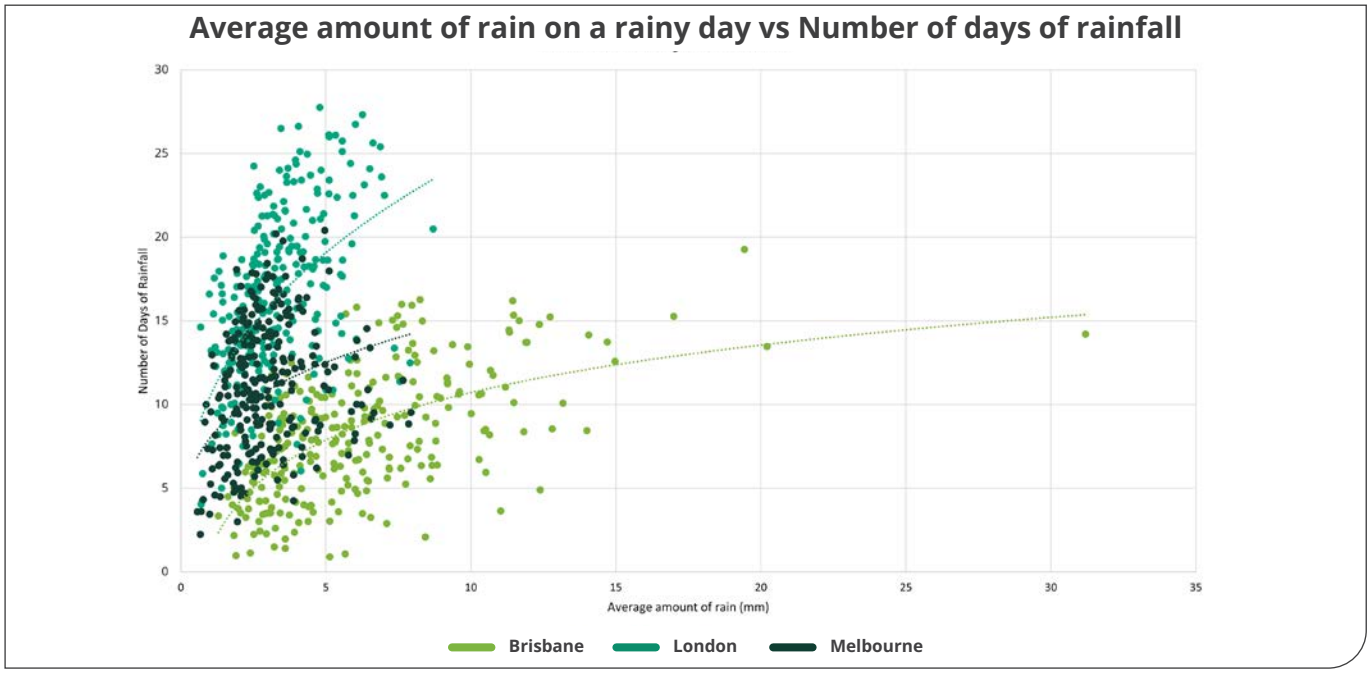
A significant systemwide driver is inflow and infiltration (I/I), where stormwater enters the wastewater network through defects such as legacy property connections, cracked pipes, and deteriorated maintenance holes. This situation is partly due to non-compliant private plumbing connections outside of Urban Utilities' direct control, but resulting in significant cost pressure on our wastewater performance. Excess stormwater entering the system increases hydraulic loads, creating capacity constraints across both conveyance networks and wastewater treatment plants, driving higher operational costs.

Many parts of the network were historically designed to accommodate around five times average dry weather flow under historical rainfall patterns. However, climate change is increasing rainfall intensity and frequency, placing additional pressure on these legacy designs. Brisbane has experienced highly variable but markedly elevated wet-weather conditions over the past five years, including one of the wettest years on record in 2022 with rainfall at 191% of the long-term average. Although 2023 was drier, Brisbane's rainfall in 2024 was 161% of the long-term average. This continued into 2025, reinforcing ongoing climate risk across South East Queensland (see Figure 1.3).

Managing stormwater and wastewater together creates a significant operational challenge. Properties need efficient drainage to prevent flooding and protect public health, but when stormwater enters the system it dilutes wastewater and increases the volume of treated wastewater released to waterways.

These climate-driven impacts have seen Urban Utilities experience high levels of rainfall intensity, driving a structural shift in the operating environment which requires ongoing, risk-based investment in network capacity, treatment resilience and emergency response capability.

Figure 1.3: Average amount of rain on a rainy day vs. number of days rainfall



Environmental and compliance pressures are particularly pronounced in Urban Utilities' regional service territories of Somerset, Lockyer Valley and Scenic Rim, due to growth. Supporting this growth is challenging given highly constrained receiving environments, limited wastewater reuse opportunities and the sensitivities associated with operating within one of South East Queensland's largest drinking water catchments. Growth is also forecast to activate new Environmentally Relevant Activity (ERA) 63[8] population thresholds within the next decade, likely requiring enhanced environmental performance at regional treatment facilities to comply with future regulatory expectations.

Across both metropolitan and regional networks, Urban Utilities must also meet evolving environmental compliance requirements relating to emerging contaminants (including PFAS), tighter discharge limits and strengthened monitoring and reporting obligations. The community increasingly expects improved environmental outcomes, expanded recycled water use and responsible climate adaptation. These changing obligations are significantly influencing the timing, scale and composition of the investment program, accelerating upgrades and altering the balance between growth, renewals and compliance-driven expenditure.

Urban Utilities is progressing a total water cycle approach and engaging with relevant regulators and stakeholders in its planning to support long-term sustainable and resilient outcomes. However, given increased environmental obligations, the intensifying wet-weather challenges and acute compliance risks in regional areas, there is a need to balance long-term planning with timely, targeted intervention. This supports prudent and efficient investment decision-making consistent with Urban Utilities' risk appetite and ensures ongoing delivery of safe, reliable and environmentally responsible services in line with regulatory expectations.

An ageing asset base requiring renewal

Infrastructure maturity presents one of Urban Utilities' most significant medium-term challenges. We manage assets spanning over two centuries of development, with portions of the network dating back to the late 19th century (see Figure 2.15 Section 2, page 54). This ageing infrastructure, often in densely populated well established urban areas, requires progressive renewal to maintain service standards, creating substantial and ongoing capital demands.

Asset age and condition drive multiple operational challenges. Progressive renewal programs are essential to replace infrastructure reaching the end of its service life, but these programs must be carefully prioritised given capital constraints. Older infrastructure is more vulnerable to failure, requiring enhanced maintenance regimes and emergency response capability. Leakage reduction programs balance cost-effectiveness with water loss reduction across ageing pipe networks.

Technological evolution offers opportunities to improve the complex interactions between our assets, but it can also create additional complexity as we manage modern operational requirements whilst maintaining legacy infrastructure not designed for current standards or monitoring systems. This also needs to be managed through a period where our obligations are increasing due to expanding regulation aimed at improving the security and resilience of Australia's critical infrastructure.

Asset information challenges further complicate renewal planning difficulties. We are working to establish reliable asset condition information, failure predictions, and renewal priorities to inform our asset management systems and inspection programs. Improving data is also assisting with infrastructure planning and investment optimisation.

The combined effect of an ageing asset base across a geographically diverse network creates significant renewal demands. Unlike utilities built more recently to consistent standards, we must manage the complexity of century-old infrastructure alongside modern assets, all whilst maintaining uninterrupted services to a growing customer base.

[8] *ERA 63 refers to eligibility criteria and standard conditions for sewerage treatment operations and establishes thresholds for small and large facilities based on treatment capacity measured in "equivalent persons" sewage load.*

We operate within a regulatory framework that governs our operations and provides assurance to the community

Urban Utilities operates as a statutory authority under Queensland legislation, established under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009* (see Figure 1.4). A significant number of State and Commonwealth legal instruments and regulated processes apply to business activities carried out by Urban Utilities. We operate a comprehensive Corporate Compliance Management System, designed to integrate with the Risk Management Framework, to ensure we meet our regulatory obligations as well as our customer, community and participant council expectations.

Urban Utilities incurs substantial operating and capital expenditure to maintain compliance with current regulatory requirements while proactively preparing for future obligations and evolving industry expectations. Existing compliance costs encompass activities such as enhanced technology platforms, monitoring and asset upgrades to address environmental requirements, enhancing security and resilience controls, safety improvement programs to minimise risk to our people and communities, and workforce training to ensure adherence to a number of industry standards.

The water industry is seeing an increasing trend in regulatory requirements, and compliance is a growing driver of operational maintenance expenditure and capital investment. Regulations expanding beyond traditional water quality and environmental compliance include emerging contaminants and PFAS management, stricter data governance and privacy requirements, enhanced safety standards, and expanding critical infrastructure resilience and security requirements to respond to the evolving external threat environment.

The pace of regulatory change and expectation continues to put pressure on organisations like Urban Utilities in meeting these obligations within current budget constraints.

Figure 1.4: Key legislation governing Urban Utilities

Act	Requirements
South-East Queensland Water (Restructuring) Act 2007 (Qld)	Established the bulk water supply arrangements (Seqwater, Urban Utilities, etc) after the millennium drought.
Water Supply (Safety and Reliability) Act 2008 (Qld)	Regulates drinking water quality, service provider obligations, and dam safety. Core piece of legislation that formed Urban Utilities.
Public Health Act (Qld)	Supply drinking water that is safe for drinking and meets prescribed quality criteria.
Planning Act 2016 (Qld)	Oversees land use planning and development approvals affecting water resources and infrastructure.
Environmental Protection Act 1994 (Qld)	Governs environmental impacts of water use, wastewater discharge, and protection of waterways.
Waste Reduction and Recycling Act 2011 (Qld)	Regulates recycled water schemes and waste management relating to water.
Financial Accountability Act 2009 (Qld)	Promotes responsible financial management and accountability within the Queensland public sector. It ensures the efficient, effective, and transparent use of public resources.
Work Health & Safety Act 2011 (Qld)	Aims to protect the health, safety, and welfare of workers and others at work. It sets out duties and responsibilities to prevent workplace injuries and risks.
SEQ Customer Water and Wastewater Code	Protects customers' rights to fair, reliable water and wastewater services. It sets service standards and outlines how providers must handle supply, billing, and complaints.
Security of Critical Infrastructure Act (Cth)	Requires establishment of a Critical Infrastructure Risk Management Program demonstrating active management of risks and continuous improvement of associated controls for physical security and natural hazards, cyber and information security hazards, supply chain hazards, and personnel hazards.
Information Privacy Act 2009 (Qld) and Right to Information Act 2009 (Qld)	Govern community access to information and the safe handling of personal information, including data breach and compliant response, and right to information processes, to safeguard individuals' privacy and the transparency of information held by public authorities.

Our focus is on delivering reliable and efficient water and wastewater services to the community

Urban Utilities' enterprise strategy centres on delivering essential water and wastewater services reliably, efficiently and affordably while navigating significant infrastructure investment requirements, evolving customer expectations, and regulatory obligations. The strategy operates across immediate, medium-term, and long-term horizons to address the complex challenges of population growth, ageing infrastructure, and climate variability.

Our Strategic Priorities

Safe and Efficient Services

At its core, our strategy prioritises service efficiency through consistent delivery of safe and reliable water and wastewater services. This encompasses maintaining drinking water standards, minimising service disruptions, building network resilience against extreme weather and security threats, and meeting regulatory service levels. Urban Utilities has reinforced this commitment through strategic partnerships, including major contracts to enhance network maintenance whilst controlling costs for customers. This focus on critical services delivers key liveability outcomes for our customers and communities which underpins our commitment to remain the trusted custodians of our communities' water assets.

Environmental Compliance

Environmental stewardship is a strategic priority for Urban Utilities. Our approach emphasises expanding recycled water supply, adapting infrastructure for climate resilience, supporting water conservation culture through permanent conservation measures, and maintaining environmental compliance in wastewater treatment and discharge. We are committed to our role as environmental stewards and to meeting customer and regulatory expectations. This is an area in which ongoing work is required to achieve our desired performance outcomes and to address emerging challenges. To address this, we are focused on strengthening our efforts and accountability through our Environmental Compliance Program, where we are sharpening our focus on our legislative and licence obligations, particularly in regional creeks and catchments. To support this continuous improvement, we are planning major infrastructure upgrades at several of our wastewater treatment plants, including Gatton and Bundamba Resource Recovery Centres, which will help drive future improvements in our environmental outcomes.

Capital Optimisation

The focus on safe and efficient services is reinforced by our commitment to ensure we are preparing to service rapidly growing populations while leveraging efficiencies and value as we shape our future infrastructure.

Delivery of growth requires close coordination with our five shareholding councils and State Government on regional planning, working with developers to deliver infrastructure efficiently, ensuring treatment plants and networks accommodate forecast demand, and applying different strategies for greenfield estates compared to urban infill areas. This regional focus recognises that Urban Utilities operates as an integrated service provider across diverse communities with varying development patterns and infrastructure needs.

We maintain a long-term capital program that delivers future infrastructure in high-growth areas, whilst systematically replacing and rehabilitating ageing assets. This capital strategy is supported by advanced asset management practices including digital tools, predictive maintenance and lifecycle optimisation.

We have pursued continuous improvement through process standardisation across the five historic council areas, procurement optimisation, leveraging organisational scale, leakage reduction programs, energy efficiency initiatives at treatment plants, and ongoing digital transformation including Supervisory Control and Data Acquisition (SCADA) systems and data analytics.

Digital Modernisation

We are modernising the digital and technology environment that underpins our services, driving a step change in our operational efficiency, our adoption of new and innovative technologies, and our resilience to emerging cybersecurity risks. We are pursuing initiatives including implementing a receiving environment digital twin, digital asset management framework, predictive analytics for maintenance optimisation, smart network technologies with advanced telemetry, modernising the digital core and leveraging construction innovation. We are also continually uplifting our capabilities and 'future-readiness' for automation and AI through strategic partnerships and participation in industry-leading research and technology trials.

Our modelling approach is developing and provides growing evidence on where risks emerge and how systems behave under different scenarios. Planning decisions are informed by complementary models that examine different dimensions of system performance, including:

- **Hydraulic models** – assess network capacity, flows, and operational performance.
- **Water quality models** – assess public health and regulatory performance.
- **Process models** – assess treatment plant capacity, efficiency, and operational limits.
- **Receiving environment models** – assess environmental outcomes, including nutrient loads, REDiT, odour, and noise impacts.
- **Risk and reliability models** – assess alignment with risk appetite and service levels, informed by asset condition and deterioration modelling.
- **Service demand forecasting** – assess current and forecast growth and the resulting demand on services.

Customer and Stakeholder Engagement

Our strategy is underpinned by a deliberate focus on strengthening trust over time through improved customer and stakeholder engagement. This reflects heightened community expectations for transparency, affordability, and service quality and the need to be more deliberate in how we explain service levels, investment choices and pricing trade-offs. Urban Utilities will progressively lift the clarity, consistency and reach of its communications whilst managing cost impacts on customers. We will also continue to build more structure and meaningful engagement with shareholding councils, state entities including Seqwater and the broader community, particularly in relation to major projects and long-term service outcomes.

Increasing focus on safety and security

Management of our security risks requires escalating focus and investment. The evolving and persistent security threats facing Australian critical infrastructure require increased and improved security risk controls. Federal government security agencies and regulators continue to monitor these threats and increase regulatory requirements at a rapid rate to uplift the security of critical infrastructure.

Urban Utilities is focussed on implementing and maintaining effective security of our assets, systems, data and services, responding to both regulatory direction and undertaking risk based investment. We remain focused on prudently and efficiently protecting our infrastructure and the services they provide.

A critical part of our strategy is improving our safety risk controls, to support the health and safety of both our people and communities we serve. Ongoing investment in safety compliance is critical to the success of all elements of our business and service delivery.

This work is also designed to meet existing regulatory compliance obligations across our entire asset base and business. We are committed to enhancing the safety of all aspects of our operation to reduce risk, meet our regulatory obligations and enhance the safety of the communities we serve.

SECTION 2

OUR PERFORMANCE JOURNEY

2. OUR PERFORMANCE JOURNEY

Key points

The water and wastewater network of South East Queensland was built over the last 130 years against a range of contexts and conditions that differ greatly from today's challenges.

In recent years, infrastructure has seen intensifying pressure from growth and major flood events in 2011, 2013 and 2022. Asset intensification and innovation strategies have been deployed to extend asset life in both the water and wastewater networks.

Over the last 15 years, Urban Utilities has benefited from the extra capacity built into many of our historical assets which gave us room to support substantial growth in our service region. That reserved capacity is now almost fully utilitised, meaning future demand will require new investment rather than relying on inherited headroom.

These strategies are a prudent way to maximise the service life of existing assets and reduce costs in the forward capital program. However, they also create additional risk and compliance challenges and increase operational expenditure due to the need for more reactive maintenance.

The history of our water and wastewater network

While Urban Utilities was formed only 15 years ago, we manage assets that date back to the19th century. Of the assets in current service:

8% were planned, designed and constructed when the technology of the day was horse and carriage on the streets of Brisbane.

50% were planned, designed and constructed before a Global Positioning System (GPS) was commercially available.

90% were planned, designed and constructed before mobile phones were widely available.

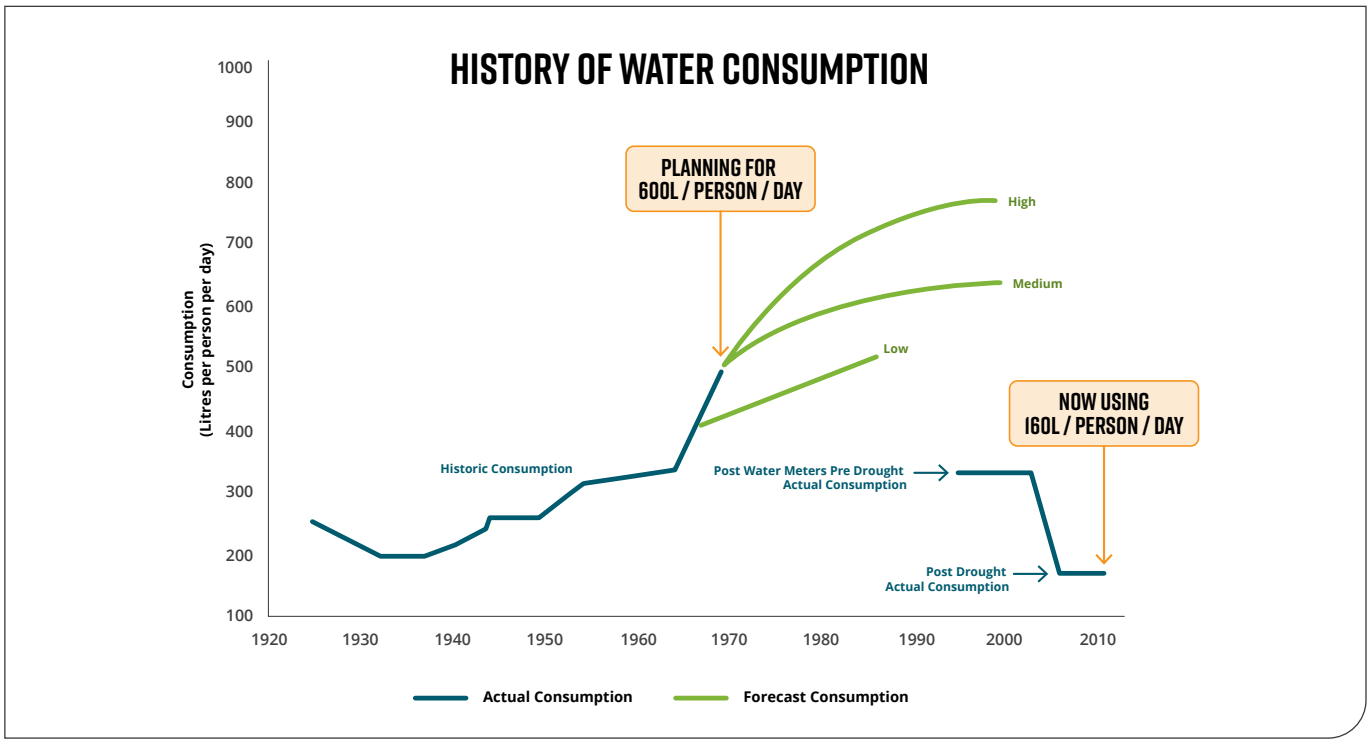
Over that time, we have continually adapted in service of the diverse water and wastewater needs of the communities across our service region. These needs are constantly evolving, including as a result of urban densification, changing water demand, increasing sewer loads, and environmental standards, amongst other things. These changes place pressure on a system that was designed based on different expectations about the loads and standards that it would be required to support.

Our challenge is to continue to upgrade the water and wastewater system to service the current and future needs of our community.

Figure 2.1 illustrates how water challenges have shaped customer's consumption patterns. Over time, usage has reduced dramatically, from more than 500 litres per person per day to around 160 litres per person. Residential water usage has shifted significantly since the Millennium Drought and these changes are sustained.

Historic system design was based on those early high consumption levels, which has enabled us to maximise the performance and longevity of our assets over the years and saved years in investment in bulk water yield augmentations. We are currently servicing 40% more connections with the same total amount of water pre-Millennium Drought supply. However, inherent hydraulic and treatment capacity within our inherited infrastructure has now been consumed, requiring ongoing significant investment to maintain service standards into the future.

Figure 2.1: Historical change in water consumption across the network



Establishing a unified water utility – 2010 to 2015

Urban Utilities was formed on 1 July 2010 by amalgamating five separate council-operated water businesses and transitioning 1,150 council employees to the new organisation. This consolidation created a single entity serving approximately one quarter of Queensland's population across a vast service region.

The amalgamation was driven in part by the opportunity to create economies of scale and align business practices across the five council areas. At formation, Urban Utilities inherited systems characterised by reactive asset management, isolated decision-making, and reliance on lag indicators for performance measurement. These operational realities necessitated an immediate focus on improving operational practices within the newly consolidated entity.

The first five years were dedicated to integration and transformation. This involved developing a comprehensive understanding of each council's network and systems, establishing foundational infrastructure and operational systems to replace legacy council arrangements, consolidating teams performing similar functions, and implementing unified operating procedures, governance structures and customer service standards across all five regions.

In short, there was a lot to do while continuing to deliver high quality water and wastewater services to our customers across the entire network.

This already challenging integration was compounded by two major flood events that profoundly shaped the organisation's development. Six months after formation, the 2011 floods exposed significant asset vulnerabilities in the face of increasingly volatile weather events. Network asset recovery was considerably longer than current standards, taking over eight months and in excess of $100 million, with the Oxley Creek Resource Recovery Centre alone requiring a $30 million flood recovery project. In 2013, major flooding again impacted assets and disrupted services across the region.

These successive flood events forced Urban Utilities to prioritise asset resilience earlier than otherwise planned. At a time when we were still integrating five separate entities, we simultaneously needed to rebuild damaged infrastructure, strengthen asset resilience and mature our emergency management capabilities. This experience fundamentally shaped our approach to operational efficiency and risk management, which continues today. The benefit of the investment driven by the repeated flood events was realised through the 2022 floods and Tropical Cyclone Alfred in 2025. The time to return the Oxley Creek Resource Recovery Centre to service, for instance, was reduced from 8 months in the 2011 flood to 6 days in the 2022 flood. This also led to significant reduction in asset recovery costs, seeing the organisation recoup the investment in asset resilience between 2011 and 2022, in one event.

During this formative period, Urban Utilities also undertook significant upgrades to many smaller regional treatment plants to improve compliance and process robustness, realising approximately 10 years of additional capacity.

The confluence of these challenges during 2010 to 2015 established Urban Utilities' culture of operational efficiency and continuous improvement. Key initiatives launched during this period that signalled our intent from the outset included the establishment of an enterprise-wide operational efficiency review and the launch of the Customer and Community Reference Group (CCRG) to provide insights and guidance into our organisational policies, plans and strategies. The necessity of integrating disparate systems, addressing inherited inefficiencies, and responding to significant natural disasters forged an organisation focused on resilience, best practice and doing more with available resources.

Enhancing systems to deliver customer outcomes – 2015 to 2020

The second five-year period from 2015 to 2020 marked Urban Utilities' transition from consolidation to improving systems to deliver improved customer outcomes. Having established a unified entity, we focused on enhancing systems, improving efficiency and embedding a strategic approach to water cycle management.

Strategic direction

This period saw Urban Utilities fundamentally reform our approach to service delivery. In 2017, we adopted a whole-of-water-cycle strategy that recognised Urban Utilities operates as part of a much larger water cycle, and that delivering efficient and effective services requires us to plan and act in ways that reflects the full water cycle and its interdependencies. The strategy was built on three pillars:

1. Reshape the water cycle through systems thinking to create more efficient, resilient and lower cost networks.
2. Get more out of the assets we have by improving asset understanding, optimisation, and operational efficiency.
3. Improve the partnership with our customers and stakeholders to ensure decisions reflect community expectations, shared priorities, and long-term value.

This strategic shift was supported by the finalisation of the *South East Queensland Customer Water and Wastewater Code*[9] reviewed by the Department of Energy and Water Supply in 2016-17, which guides water service providers on customer services.

Our focus on customer outcomes during this period included the development of a Billing Strategy which included the delivery of a customer-focused online billing experience. To assist with managing demand on the network, which in turn helps customers save money, we implemented our 'Don't Flush That', 'Turn to Tap' and 'What's a no.3' marketing campaigns to increase awareness of water efficiency and wastewater blockage risks, and encourage positive behaviour change. During this period we also launched our most comprehensive customer engagement program to date: Let's Talk Water, and delivered our first Customer Strategy to help us build long-term, meaningful customer relationships based on trust, value and respect.

Asset management maturity

The period saw development of more sophisticated asset management frameworks, including policies and procedures, compared to those in previous operation by the councils. Urban Utilities moved from reactive approaches to asset management to structured assessment of critical assets including water reservoirs, pump stations, trunk mains and wastewater treatment plants. This enabled us to prioritise maintenance aligned with budget constraints.

A key initiative was the Enhanced Condition Assessment Program (ECAP), established to increase understanding of asset condition. This program provided the data foundation for more informed investment decisions and proactive maintenance planning in subsequent periods.[10]

[9] *https://www.resources.qld.gov.au/__data/assets/pdf_file/0012/1239888/customer-water-wastewater-code.pdf*

[10] *Individual asset condition information contained within this Program is Confidential and Commercial-in-confidence.*

Operational transformation

Urban Utilities undertook significant operational changes during this period to improve efficiency and service delivery:

- **Maintenance model reform:** At the start of this period, Urban Utilities was delivering all maintenance in-house and struggling to complete routine maintenance for mechanical, electrical and control systems assets. We successfully outsourced planned maintenance services to Utilita Water Solutions in mid 2016, resulting in a 56% increase in maintenance performance, measured by completion of planned maintenance. Urban Utilities retained critical customer-facing civil reactive maintenance in-house.

- **Resource recovery improvement:** A decade after commissioning, in 2018, the Oxley Creek Thermal Hydrolysis Process (THP) was augmented to significantly boost biogas production. This upgrade not only contributed to the reduction in energy costs but also increased overall sludge treatment capacity, enabling greater operational efficiency. While the plant was already delivering significant monthly savings, this augmentation amplified those efficiencies, bringing total net savings to approximately $1 million per month. In addition, the project enhanced sustainability outcomes by reducing greenhouse gas emissions, improving resource recovery, and supporting the facility's long-term resilience and capacity to meet future demand.

- **Wastewater treatment innovation:** We increased our focus on alternate approaches to wastewater treatment to address challenges associated with significant lack of economies of scale in smaller waste water treatment plants. Successful initiatives included Queensland's first Nutrient Offset schemes and the introduction of treatment wetlands in locations such as Toogoolawah.

- **Project delivery reform:** In 2017, we began transitioning to a new Program Management Approach operating model to deliver efficiency gains and drive down the cost of capital projects. We shifted from traditional asset-centric, annualised delivery to an integrated, outcome-based Program Management Approach that ensured optimal asset delivery timing and cost-effectiveness.

- **Digital transformation:** We invested significantly during this period in digital systems to enhance customer experience and operational efficiency, including improvements to Customer Relationship Management, Enterprise Asset Management Solution (deployed in 2020), and SCADA monitoring system consolidation.

- **The Developer Services Transformation Program:** Addressed cost recovery challenges and enhanced customer experience in the statutory assessment of water and sewer connection services. The Program improved monitoring and charging for water use during construction, introducing a new application category for moderately complex projects, enabling limited minor variations without additional charges, and revising the endorsed contractor program to ensure quality assurance.

Efficiency outcomes

Various initiatives existed during this period to deliver cost savings while enhancing service quality. These included:

- maintaining service reliability standards, water supply restoration timing and drinking water quality standards throughout the period
- delivering significant improvements through proactive network management programs, including reductions in water quality complaints, water main breaks and wastewater main breaks
- generating substantial energy efficiency savings, with cogeneration output increasing by 50% between 2015 and 2018, and expanded solar generation capacity offsetting annual electricity costs
- establishing an Innovation Program that delivered operational savings while earning national and international recognition.[11]

Such initiatives helped us to maintain average typical residential bill increases below CPI to support customer affordability, delivering value for our customers across the five council regions.

The period concluded with Urban Utilities having transformed from a newly consolidated entity into a more mature utility with improved systems and a greater customer focus.

[11] *For example the Australian Water Association National Research Innovation Award for the anammox project at the Luggage Point Resource Recovery Centre, which has also been cited at the International Water Association World Water Congress.*

Cogeneration Units

Responding to complex external challenges and inherent risks – 2020 to 2025

This most recent period has been characterised by responding to unprecedented challenges including the COVID-19 pandemic, 2022 flood event and ex-Tropical Cyclone Alfred, whilst maintaining service excellence and advancing sustainability goals.

At the commencement of this period we navigated new working arrangements in response to COVID-19—an event that tested our resilience and agility as a business, exemplified the unwavering dedication of our people, and highlighted the critical role we play in protecting public health. For our customers we established Urban Assist to provide financial relief during the COVID-19 crisis and froze water and sewerage prices for six months, effective 1 July 2020.

The COVID-19 crisis also contributed to a change in housing development with increased demand for housing in higher cost to serve regional areas. Urban Utilities has been responding to this regional growth which is leading to pressure on treatment compliance as this unanticipated growth is outstripping previous growth assumptions.

Within the space of just over a year we delivered drought preparedness and response initiatives as we experienced the lowest recorded supply level within the South East Queensland Water Grid since the Millennium Drought, then experienced intense, record-breaking rainfall in February 2022, which had a profound impact on our customers, communities and infrastructure. As part of our community response we offered flood-affected customers a $50 rebate off the Urban Utilities' component of their water bill. We also committed to waiving water and sewerage service charges for customers whose homes were uninhabitable due to flood damage.

From 2020 to 2025, Urban Utilities kept the annual average of typical customer bill increases below CPI, on average, meaning typical residential bills reduced in real terms during this period despite economic pressures.

Operational reform and performance challenges

Urban Utilities undertook significant structural reform during this period to better establish and integrate its core operating functions. This transformation was essential to create a more connected approach to planning, delivery, and operations, ensuring that services could be managed efficiently across the entire asset lifecycle.

The change involved realigning three core operational business areas:

- Infrastructure Planning and Delivery, which brought together Services Planning, Integrated Planning, Engineering, Portfolio Performance, and Infrastructure Delivery into one cohesive unit.
- Operations and Maintenance, which combined Field Services, Metering Services, and Operations and Maintenance, and then integrated these with Wastewater Treatment (Resource Recovery) to form a single group responsible for end-to-end operational performance.
- Customer and Innovation, which unified Customer Experience, Customer Delivery, Trade Partnering, Developer Services, Water Ventures, and Innovation and Research to strengthen customer engagement and drive new solutions.

By consolidating these functions, Urban Utilities created a structure that promotes collaboration and clearer accountability. The reform delivered tangible benefits: teams now work more closely across planning, delivery, and operations, enabling faster decision-making and better resource allocation. Processes are streamlined, reducing inefficiencies and improving service reliability.

This structural change not only improved operational performance but also positioned Urban Utilities to respond more effectively to future challenges, with a stronger focus on core service delivery supported by an enabling platform for innovation and growth.

This period also saw a particular focus on addressing critical performance challenges. Urban Utilities recorded an increased number of water quality and environmental breaches and safety incidents were above industry averages.

Significant reforms to how we manage these regulatory areas have led to some improvements but have also increased our capital, operating and maintenance costs. These increased costs have been compounded by changes to regulatory standards and several high potential safety events.

We implemented two major strategic shifts in our approach to maintenance to address these challenges:

- transitioning water and wastewater network management to preventative approaches, building upon the condition assessments undertaken during the previous period
- reforming Mechanical, Electrical and Control Services (MECS) maintenance to focus on efficiency.

Urban Utilities has worked hard to intensify the use of existing infrastructure to get the most out of existing assets, but during this period the capacity of many assets approached their capacity limits.

Combined with extreme wet weather, this escalated compliance challenges, with FY25 seeing increased breaches of environmental license conditions at wastewater treatment plants.

Urban Utilities is actively addressing these performance challenges by better integrating our approach to asset planning, delivery, operations and maintenance.

Responding to external shocks

The pandemic fundamentally reshaped operations, with Urban Utilities introducing a five-stage COVID-19 Transition Roadmap and permanently adopting agile work practices.

The period was also marked by significant climate variability. In 2020, the South East Queensland water grid levels fell to their lowest point of 54.7% of capacity, triggering a drought response in parts of our network.

In February 2022, record-breaking floods profoundly impacted customers, communities and infrastructure, though the Flood Resilience Program developed after 2011 helped protect critical assets. Ex-Tropical Cyclone Alfred in March 2025 again tested emergency preparedness. During this period, the combined impact of the flood event and the emergence of PFAS as a contaminant of concern has had an impact on our biosolids operations, while biosolids contract costs have also risen considerably since 2020.

Innovation and service delivery improvements

Urban Utilities is continually looking at innovative ways to lower costs. We became Australia's first water utility during this period to use anammox anaerobic ammonium oxidation bacteria at full scale at Luggage Point, saving approximately $500,000 per year in energy costs and achieving high nitrogen removal efficiency. The Beaudesert Nutrient Offsets Project prevented approximately 130,000 tonnes of sediment from entering the Logan River and saved around $7 million in infrastructure upgrade costs.

Tariff reforms in FY22 streamlined tariffs from over 400 across five regions to less than 100, adopting a more equitable 'user-pays' approach. Customer satisfaction remained relatively stable (around 67-68%), while community trust increased to 65% by FY25, the highest since measurement began. Urban Utilities consistently delivered the lowest water utility bills in South East Queensland in this period.

A comprehensive Health, Safety and Wellbeing Improvement Program achieved significant reductions in safety risk exposures to Urban Utilities workforce. We progressed through our Reconciliation Action Plans and expanded our Education Program to reach over 18,000 students annually by FY25.

During this period we also relocated to our new Head Office at 31 Duncan St, Fortitude Valley in FY23, with the new lease and our reduced footprint providing $22 million savings over 10 years.

We also introduced a new Development Workflow System, which created a streamlined digital portal for development activities which also won an Australian Water Association National Customer Experience Award in 2025.

Longer term vision and infrastructure transformation

From an infrastructure perspective, we anticipate that the coming decade will require significant expansion of infrastructure capacity, accelerating from 2030, to meet increasing growth while addressing the renewal of a significant fleet of ageing assets.

To meet this anticipated need, we have initiated the next phase of maturity for planning and delivery of infrastructure through the transition to NG4D, which will improve the efficiency of our capital delivery program.

We have also initiated the next phase of maturity of the Mechanical, Electrical and Control Services (MECS) contract, shifting to an increased level of partnership that aligns our maintenance performance with the contract's streamlined performance.[12] This transformation aims to drive improvement across safety, customer experience, asset information collection and associated costs.

We will transform our approach to resourcing and operations of wastewater treatment plants to leverage future technology and allow increased economies of scale. We will continue to drive an increasingly proactive approach to operating our water and wastewater network, including increasing the digitisation of our assets.

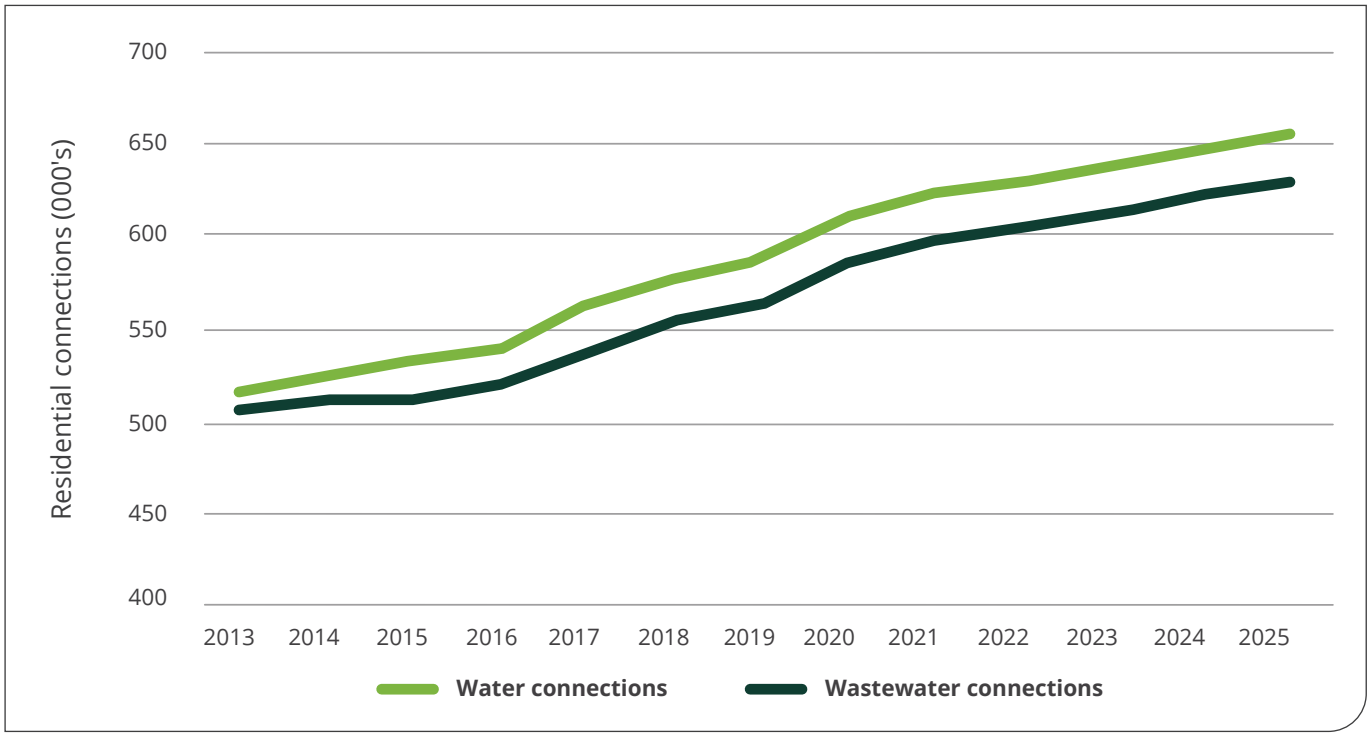
[12] *Contractual information contained within is Confidential and Commercial-in-confidence.*

Performance achievements over time

Our changing customers

Since our establishment, we've experienced substantial growth in our customer base, driven by strong population growth across South East Queensland. Between FY13 and FY25, nearly 140,000 new customers have connected to our network, representing a growth of approximately 27% over this period. This translates to a compound annual growth rate (CAGR) of approximately 2% (see Figure 2.2).

Figure 2.2: Growth in residential connections (000's)



As illustrated in Figure 2.3, this growth has not been uniform across Urban Utilities' service region. Brisbane, as the largest component of our customer base, has grown at 1.9% CAGR for water services, adding over 106,000 residential water connections during this period.

However, other regions have exhibited sharper growth. The Ipswich region has experienced the most rapid expansion, with residential water connections growing at a CAGR of 3.0%, increasing from approximately 68,000 connections in FY13 to nearly 96,000 connections in FY25. Similarly, the Scenic Rim region has demonstrated strong growth in residential water connections at a CAGR of 2.3%.

The growth in regional areas requires relatively higher cost to serve infrastructure, representing a challenge as we service growth across our regions.

The geographic distribution of growth reflects broader demographic and economic trends across South East Queensland. The western growth corridor, encompassing Ipswich and parts of Brisbane, has been the primary driver of new connections, supported by state and local government planning initiatives that have facilitated greenfield residential development. The Scenic Rim has similarly benefited from lifestyle-driven population migration, particularly in peri-urban localities.

Figure 2.3: Residential water connections by region

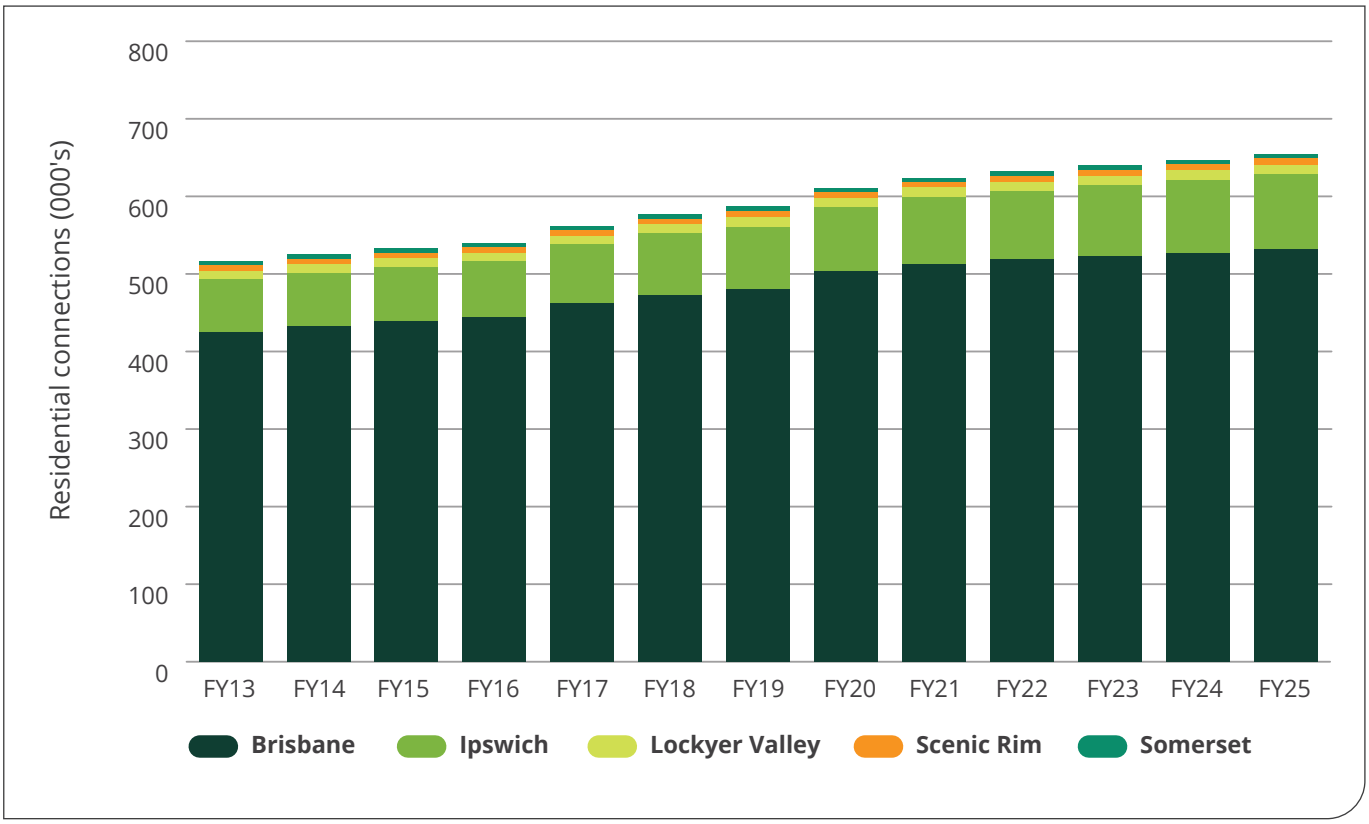
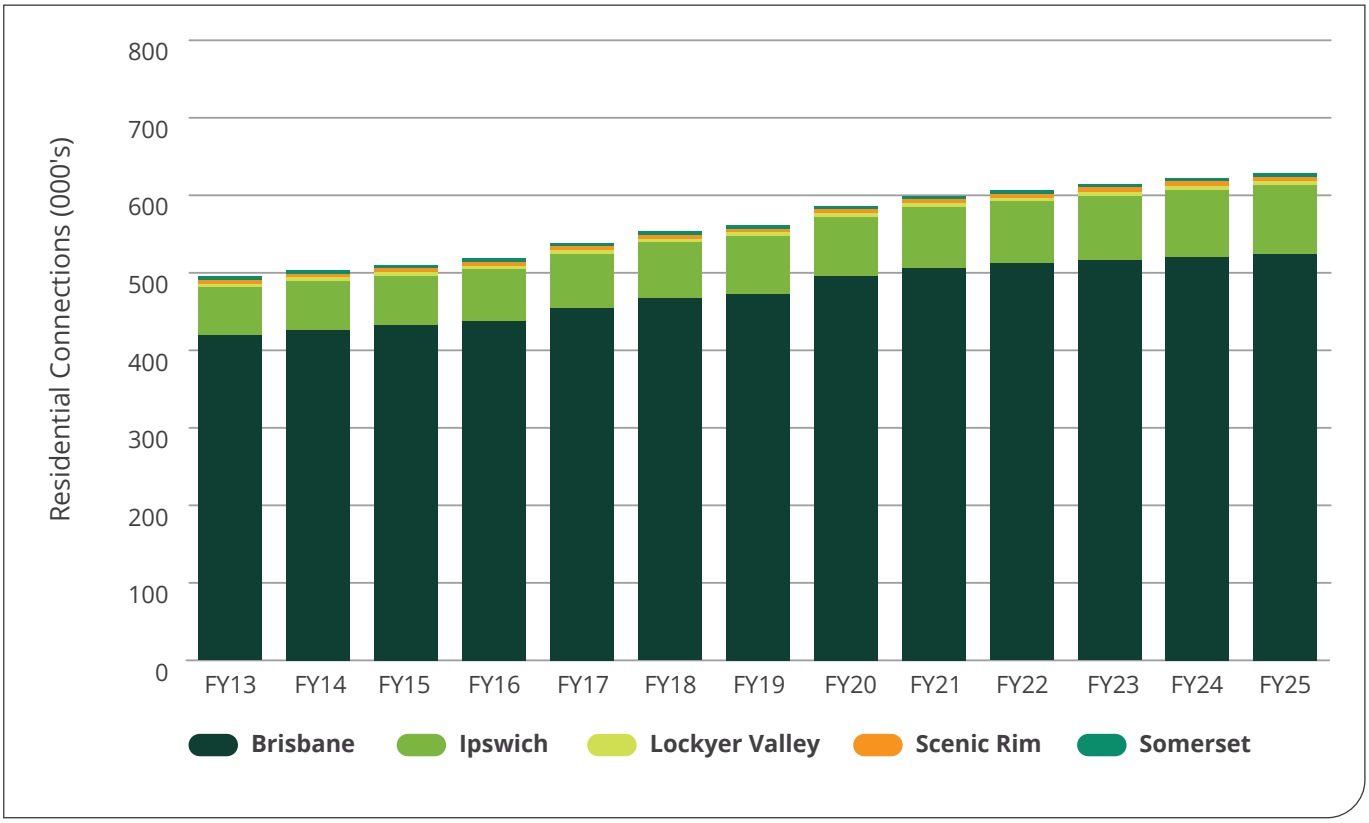


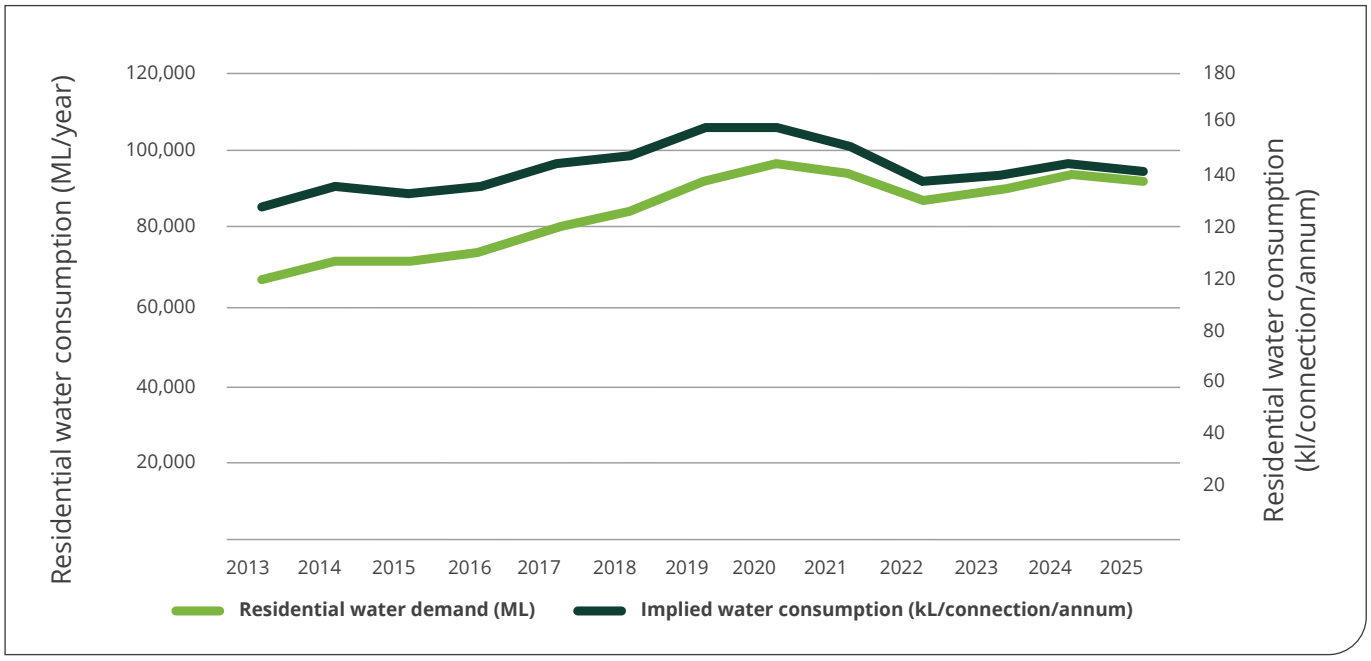
Figure 2.4: Residential wastewater connections by region



Wastewater connection growth has mirrored water connection trends, as pictured above in Figure 2.4, with Brisbane adding 105,000 new connections, or a CAGR of 1.9% over the FY13 to FY25 period. Wastewater connections in the Ipswich region grew by around 28,000 at 3.2% CAGR reflecting strong growth in new urban developments in the western corridor. The Scenic Rim region has exhibited similar CAGR at 2.9%, reflecting both population growth and ongoing programs to connect previously unsewered properties to reticulated networks in accordance with environmental protection objectives.

Water usage across our customer base is highly dependent on the rainfall within that year, though in general our residential water volumes per property have been generally trending upwards over time in line with property growth – see Figure 2.5. Residential water consumption increased from 130 kilolitres per property per annum in FY13 to 160 kilolitres per property per annum in FY20. A decline in per property consumption since FY20 has been generally attributed to a combination of relatively higher rainfall, post-Covid impacts and a different mixture of new dwelling types altering previous water use patterns.

Figure 2.5: Residential water demand and implied water consumption per customer



This substantial customer growth has necessitated significant evolution in our infrastructure planning, capital investment, and service delivery capabilities. The addition of almost 140,000 water connections since FY13 represents not merely incremental expansion, but the transformation of our network footprint and operational complexity (see Figure 2.3).

To accommodate this growth, Urban Utilities has:

- ✓ Enhanced trunk water infrastructure to ensure security of supply to growth areas.
- ✓ Extended wastewater trunk mains and upgraded wastewater treatment plants, including capacity augmentation and process intensification where required, to meet increased demand and maintain licence compliance.
- ✓ Deployed advanced network monitoring and pressure management systems to maintain service standards across an increasingly dispersed network.
- ✓ Enhanced customer service capabilities and digital platforms to serve a larger, more diverse customer base.
- ✓ Increased field workforce capacity and established new depot facilities to support efficient service delivery across expanded service areas.

Projections indicate that strong customer growth will continue across the coming years, driven by South East Queensland's position as Australia's fastest-growing major metropolitan region. We anticipate a further 17,000 residential properties to be provided water services and 16,000 residential properties to be provided wastewater services by FY27, with growth continuing to concentrate in the western corridor and peri-urban localities (see Figures 2.3 and 2.4).

This ongoing growth trajectory underscores the critical importance of maintaining a robust and equitable developer contributions framework. We discuss our concerns with this framework in further detail earlier in Section 1.

Our commitment to customer affordability

Since our formation, we have been committed to putting downward pressure on bills. This history of prioritising affordability includes:

- In our first two years of operations (FY11 and FY12) we delivered bill reductions in four of our five service regions and developed a Financial Hardship Strategy to support our financially vulnerable customers.
- We froze customer prices for water and sewerage for six months, effective 1 July 2020, to support customers during the COVID-19 pandemic. Price changes from 1 January 2021 resulted in an annualised equivalent increase in our component of the typical residential customer's bill of 1.1% for FY21 – lower than CPI, acknowledging the recovery from the COVID-19 period.
- We went through a price harmonisation process in FY22. The prices for each region were historically distinct. Harmonisation resulted in a weighted average increase of 0.5% to the Urban Utilities component of the bill and aligned:
  - The water prices for all regions.
  - The sewerage prices for all regions except for Brisbane, which had a lower sewerage service price.
- Harmonisation was completed in FY26 following alignment of the sewerage price for Brisbane with the other regions. Accordingly, we no longer apply any regional price differentiation for residential consumers.
- Our prices currently result in a 'typical' residential customer bill of $1,117/annum ($real 2026), excluding bulk water, for all regions.[13] Since FY13, Urban Utilities component of bill in adjusted terms represent modest real increases for some typical consumers, including in Brisbane and Kilcoy, and substantial real declines for other typical consumers, including those in Ipswich, Scenic Rim, Esk, and the Lockyer Valley (see Figure 2.7).

The price path for the Urban Utilities component of a typical residential customer's bill has broadly correlated with changes in typical costs in the economy (Brisbane CPI) over the 15 years to 2026. On a compounding (CAGR) basis, the average customer has experienced a 2.6% increase in the Urban Utilities component of their bill (excluding bulk water) since inception to 2026, which is lower than the 2.7% CAGR in CPI over the same period, as shown in Figure 2.6. When the bulk water component is included, the total bill increase has been 3.4% CAGR since FY11.

[13] Based on 150kL/annum consumption per person.

Cannery Creek Project Community and Stakeholder Event

Figure 2.6: Annual change in weighted average typical residential customer bill (%)

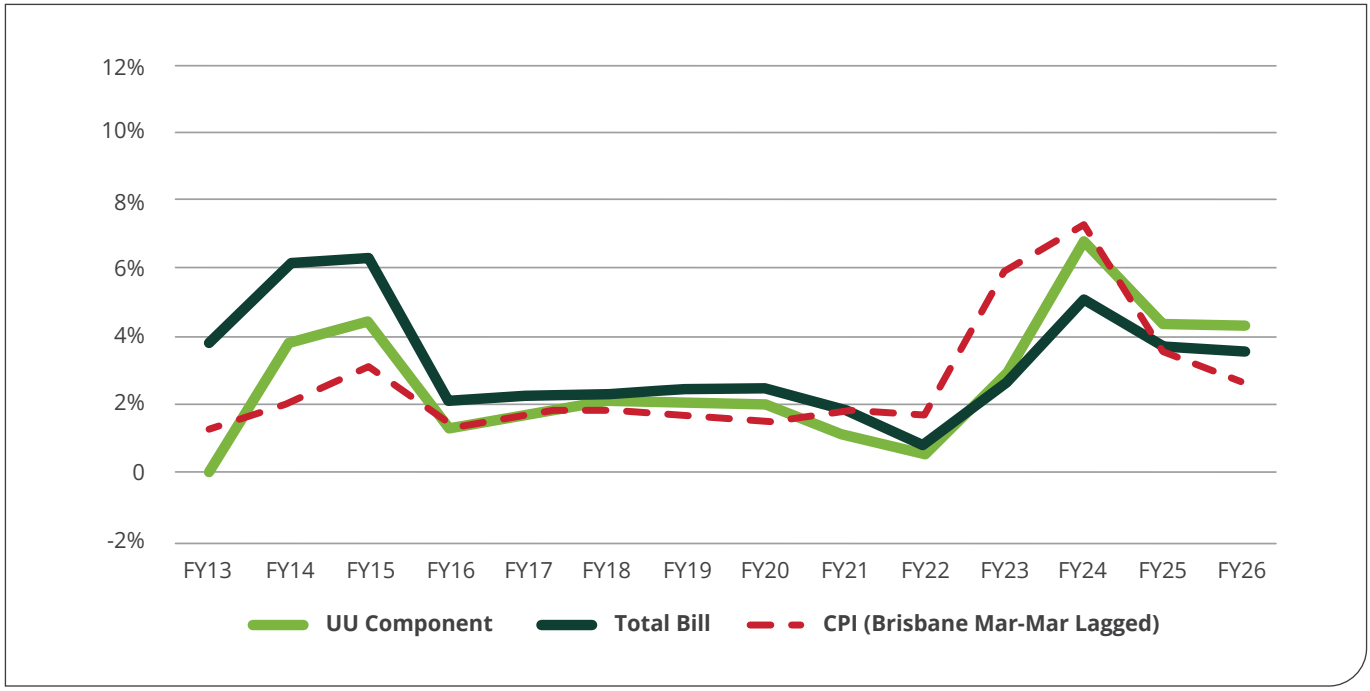
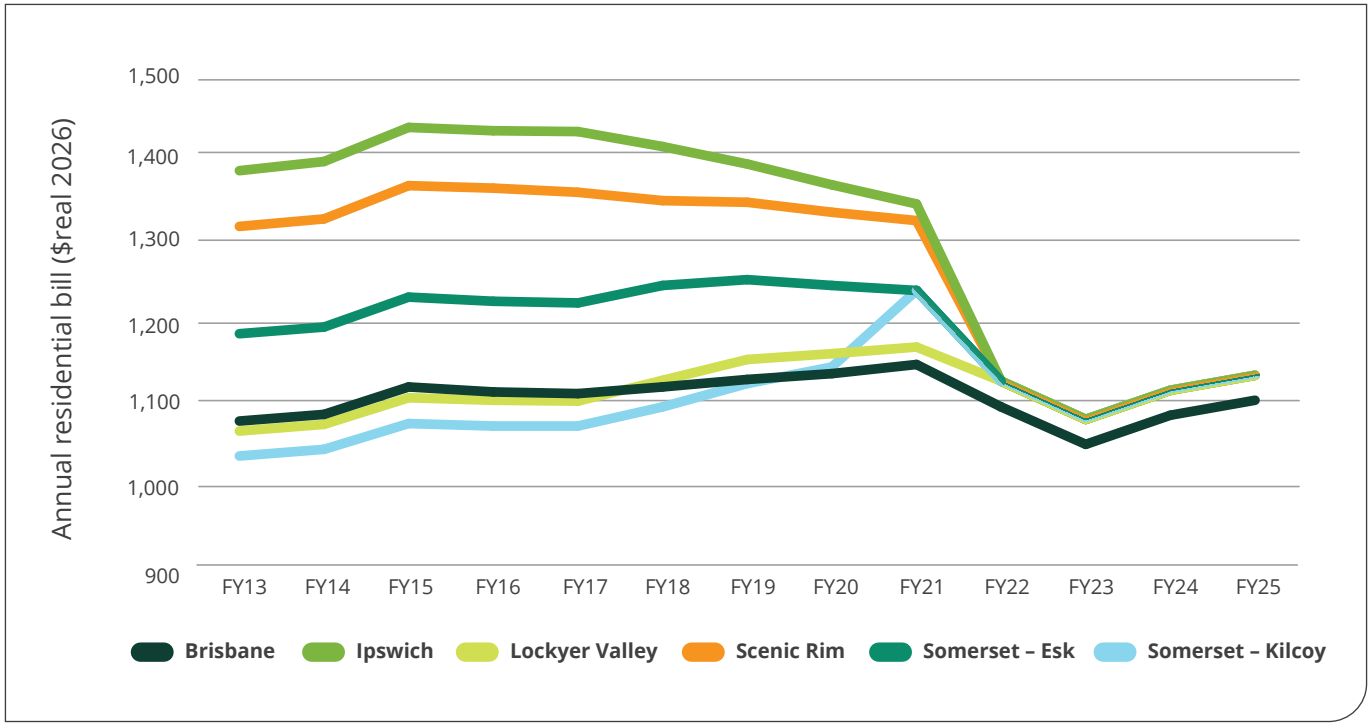


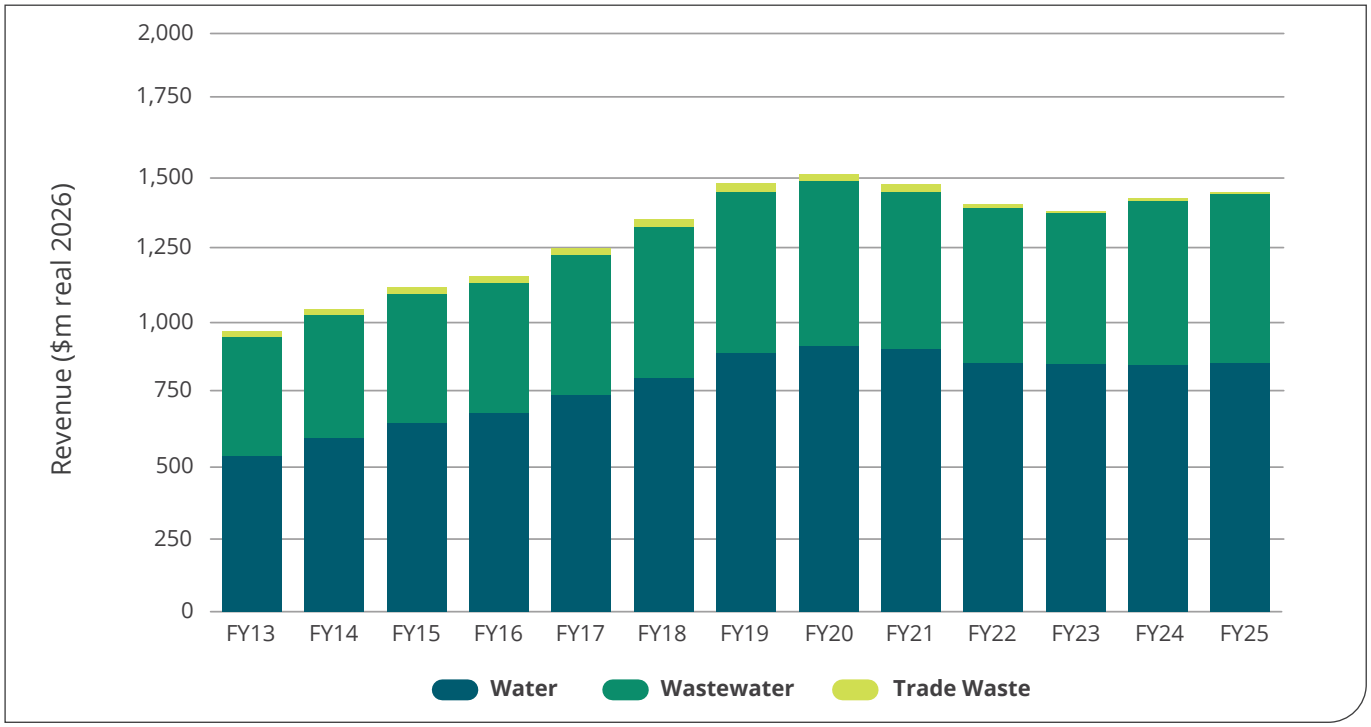
Figure 2.7: Annual Urban Utilities component of residential bill[14]



[14] *$real2026 is based on RBA forecast CPI from the November 2025 Statement on Monetary Policy.*

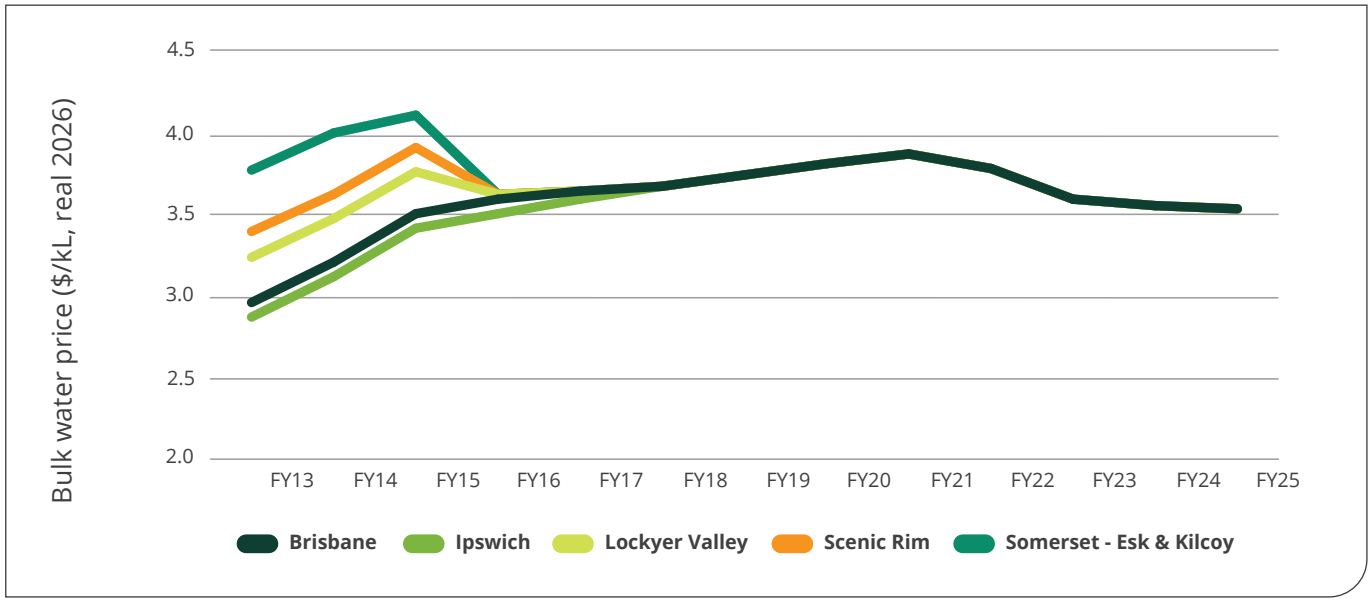
This price harmonisation, which decreased real prices for Urban Utilities customers in FY21, aligns with a decrease in real revenue collected by Urban Utilities since FY20 (see Figure 2.8).

Figure 2.8: Urban Utilities revenue (excl bulk water) ($m, real 2026)



In contrast to Urban Utilities' prices, Seqwater bulk water charges increased at a CAGR above Brisbane CPI over the period FY13 to FY25, acknowledging that the majority of increase occurred during the period prior to a common price path applying from FY16 for customers in Urban Utilities' region (see Figure 2.9). These increases in bulk water prices have significantly contributed to bill impacts for customers, given about one-third of a typical residential customer bill is the bulk water charge, which we pass on without mark-up and is outside of Urban Utilities' control.

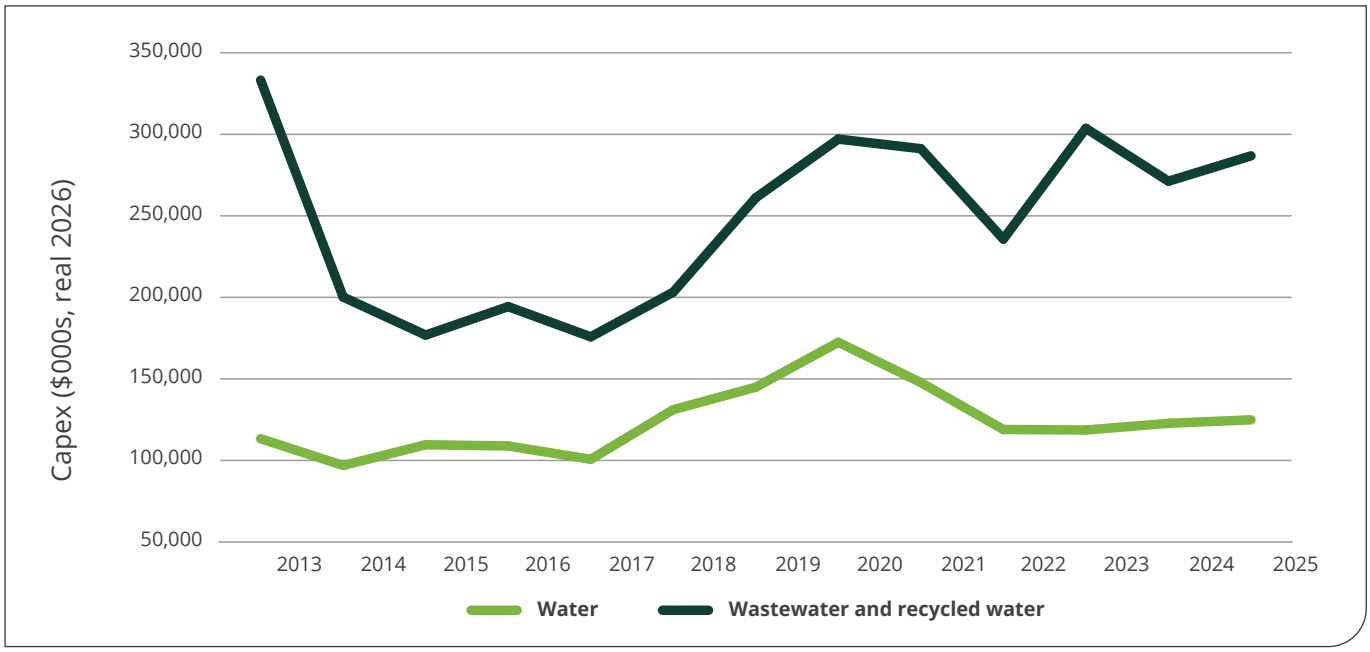
Figure 2.9: Bulk water price ($/kL, $real 2026)



Investing in the community's water and wastewater infrastructure

Whilst our wastewater capital expenditure exhibits a typical, varied profile based on significant projects underway, the level of investment required has been increasing at a modest rate above CPI over time. Similarly, our water capex has also been variable, though it has been relatively stable in real terms over time (see Figure 2.10).

Figure 2.10: Capital expenditure profile per annum ($000s, $real 2026)



Oxley Resource Recovery Centre

Growth and Flood Recovery (FY12–FY13)

The spike in wastewater investment prior to and during FY13 reflects two major drivers: significant growth upgrades across Ipswich and Brisbane, and substantial asset rectification following the 2011 flood.

Major Growth Upgrades – Early 2010s[15]

Between 2008 and 2011 the population of Ipswich grew by more than 12%, adding nearly 20,000 people over three years and consistently recording one of Queensland's fastest annual growth rates. This created immediate demand for new trunk conveyance infrastructure and treatment capacity. Key projects included:

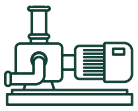
- The $108 million expansion of the Goodna Resource Recovery Centre to support population growth across Goodna, Wacol, and the surrounding catchments. The project modernised the facility by installing a Membrane Bioreactor (MBR), enabling the plant to meet stricter regulatory discharge requirements.
- The $59 million Woogaroo Creek (Goodna) Trunk Sewer Augmentation. This project delivered 4.6km of large diameter pipeline (over 1m) between Springfield and Goodna to connect the rapidly growing Springfield catchment to Goodna.

Across Brisbane City catchments, additional major trunk upgrades were required to address growth pressures:

- The multi-stage $101 million Bulimba Creek Trunk Sewer Upgrade. This 4.25km project between Mansfield and Carindale was designed to cater for future growth and development in the catchment area for at least the next 50 years.
- The $77 million Woolloongabba Sewer Catchment Augmentation project addressed capacity constraints in the wastewater network caused by population growth. It delivered 6.6km of trunk sewer, resolving overflow issues and supporting future growth across Woolloongabba, Kangaroo Point, Greenslopes, Coorparoo, and Annerley.

2011 Flood Event – asset impacts and recovery

The 2011 flood caused widespread damage, with more than one-third of Urban Utilities' assets impacted. This included:



Severe damage to 122 wastewater pump stations.

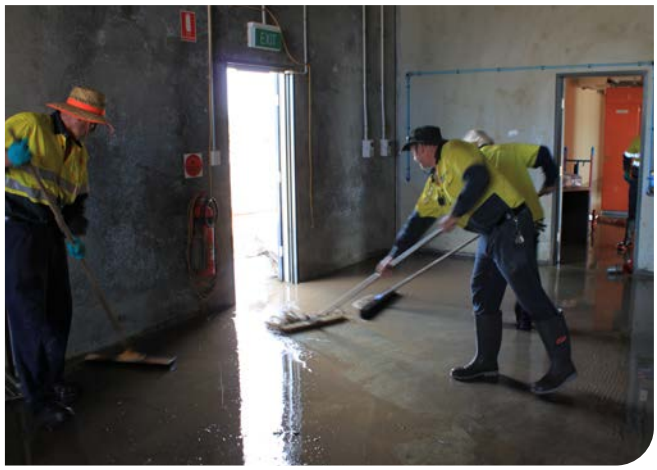
Impacts to multiple wastewater treatment plants along Lockyer Creek and the Bremer and Brisbane Rivers.

Significant failures of electrical and telemetry systems, switchboards, rising mains and treatment process equipment.

Urban Utilities responded strongly during the disaster, maintaining essential services, protecting staff safety, and working collaboratively with customers, agencies, and key stakeholders. Major recovery investment included:

Oxley Creek RRC Rectification ($30 million): Restoration of the network's second-largest treatment plant following severe inundation.

Oxley Resource Recovery Centre 2011 flood clean up



[15] *Unless otherwise stated, individual project information is expressed in nominal $ terms*

Shift to asset renewal and improved planning (2015–2020)

Following the rapid growth and recovery phase of the early 2010s, including the post-2011 flood reconstruction program, Urban Utilities' investment profile between 2015 and 2020 moderated to approximately 2–3% of the written-down book value of assets. This level of investment supported basic reliability and performance of the existing network whilst residential connections continued to grow. However, it was later assessed as being at the lower bound of sustainable reinvestment for an asset-intensive utility of this scale and complexity.

At that time, we didn't have a comprehensive, high-confidence understanding of the true condition of our asset base, creating a risk of latent under-investment in critical renewals. This gap in asset intelligence was the primary driver for the Enhanced Condition Assessment Program (ECAP), which delivered a step-change in the quality and coverage of condition data. ECAP fundamentally strengthened decision-making by enabling more targeted, risk-based renewal prioritisation and more proactive maintenance and investment planning.

Major renewal investments during this period included:

- Eagle Farm Pump Station Renewal Program ($10 million – critical upgrades to one of Urban Utilities' largest pump stations, improving safety, reliability and operational resilience.
- S1 & S18 Main Sewer Rehabilitation Program (~$70 million over 10 years) – renewal of 40 line sections (5,608 metres) of Brisbane's most critical trunk sewers, ensuring long-term service continuity for the city's core catchments.
- Fortrose Street Sewer Rising Main Rehabilitation ($16 million) – targeted renewal to address condition risks and improve network reliability.

At the same time, we continued to deliver essential growth infrastructure to support expanding communities across the region. This included:

- Murarrie–Pinkenba Cross River Water Pipeline ($26 million, completed FY18) – constructed using innovative trenchless technology beneath the Brisbane River to meet future demand across the Brisbane Airport and TradeCoast industrial precincts.
- Lowood/Fernvale Wastewater Scheme Upgrade ($59 million, delivered 2018–21) – an 8km project involving new pump stations and a 4km recycled water pipeline, doubling local network capacity to support Somerset region growth. The upgrade delivered a new Membrane Bio-Reactor (MBR) Wastewater Treatment Plant, a new pump station in Lowood to transfer flows to the plant, and a new Ferny Gully pump station to service Fernvale. The investment also includes 1.6 km of rising main from Lowood and 6.4 km of rising main from Fernvale.

Modern Risk-Based Approach and Decline in Water Investment (Post-2020)

The moderation in water infrastructure investment from 2020 reflects the shift from a traditional age-based water main renewal program to a more targeted, cost-risk-performance approach. Investment was directed to areas where the likelihood and consequence of failure were highest, supported by a suite of focused programs including:

- replacement of extreme-risk water mains informed by age, condition and risk
- reactive renewal of non-critical mains
- enhancement of cathodic protection to extend life of mild steel trunk mains
- enhancement of Pressure Management Areas (PMAs) to control and optimise water pressure in the network to reduce pipe stress, helping to prevent bursts and leaks
- water main relining to extend the service life of the network.

Together, these initiatives created a more cost efficient, risk-based and outcome-driven planning framework, which resulted in lower overall investment compared with the previous age-driven program and a corresponding downward pressure on customer bills.

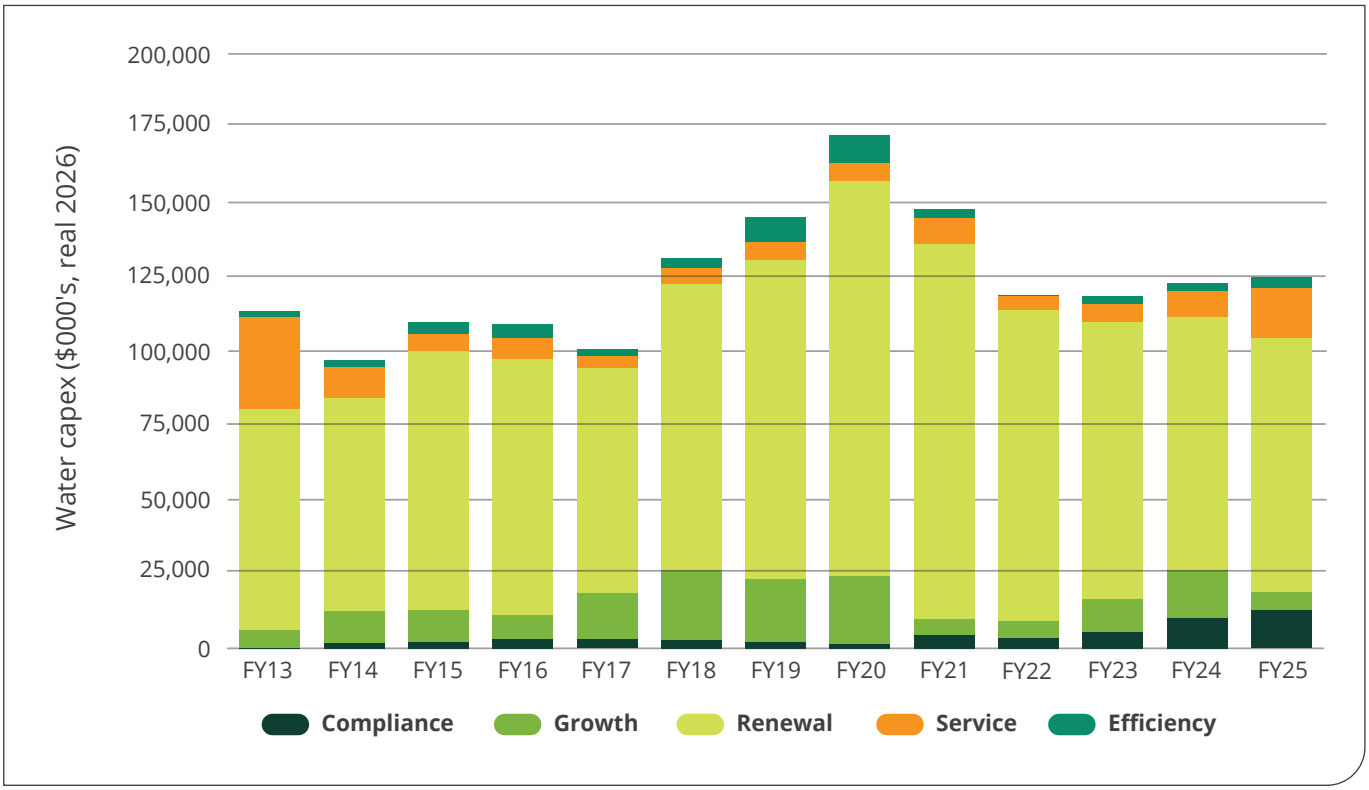
Further significant infrastructure growth and renewal projects influencing the profile of capital expenditure post 2020 include:

- The $46 million Breakfast Creek Trunk Sewer Upgrade completed between 2022-23, which involved building a new wastewater pipe four storeys below ground, running from Bowen Hills to Windsor beneath Brisbane's Inner City Bypass. This was designed to cater for population increase and involved using microtunnelling technology with a boring machine operating at depths of up to 15 metres.
- The $23 million Plainland Wastewater Pump Station Upgrade project in the Lockyer Valley which was completed between 2021-23 and involved construction of a new pump station at Plainland and a 7.2km connection to the Laidley RRC, designed to cater for growth through to 2040.
- The $209 million Bulimba-Hamilton Siphon Renewal, which is currently underway as our largest single project to date, involving renewal of a 70+ year old critical piece of wastewater infrastructure connecting the network on from Brisbane’s southside to the Luggage Point Resource Recovery Centre, with a bypass pipeline currently in place.

A driver of increased expenditure over the period FY19-FY20 was the implementation of the Enterprise Asset Management System (EAMS) Program which included upgrade of asset management, financial, procurement, supply chain and mobile workforce management systems, which enabled us to embed new business processes and leverage value from additional investments like strategic asset management, realise productivity benefits and achieve IT cost reductions and IT offsets.

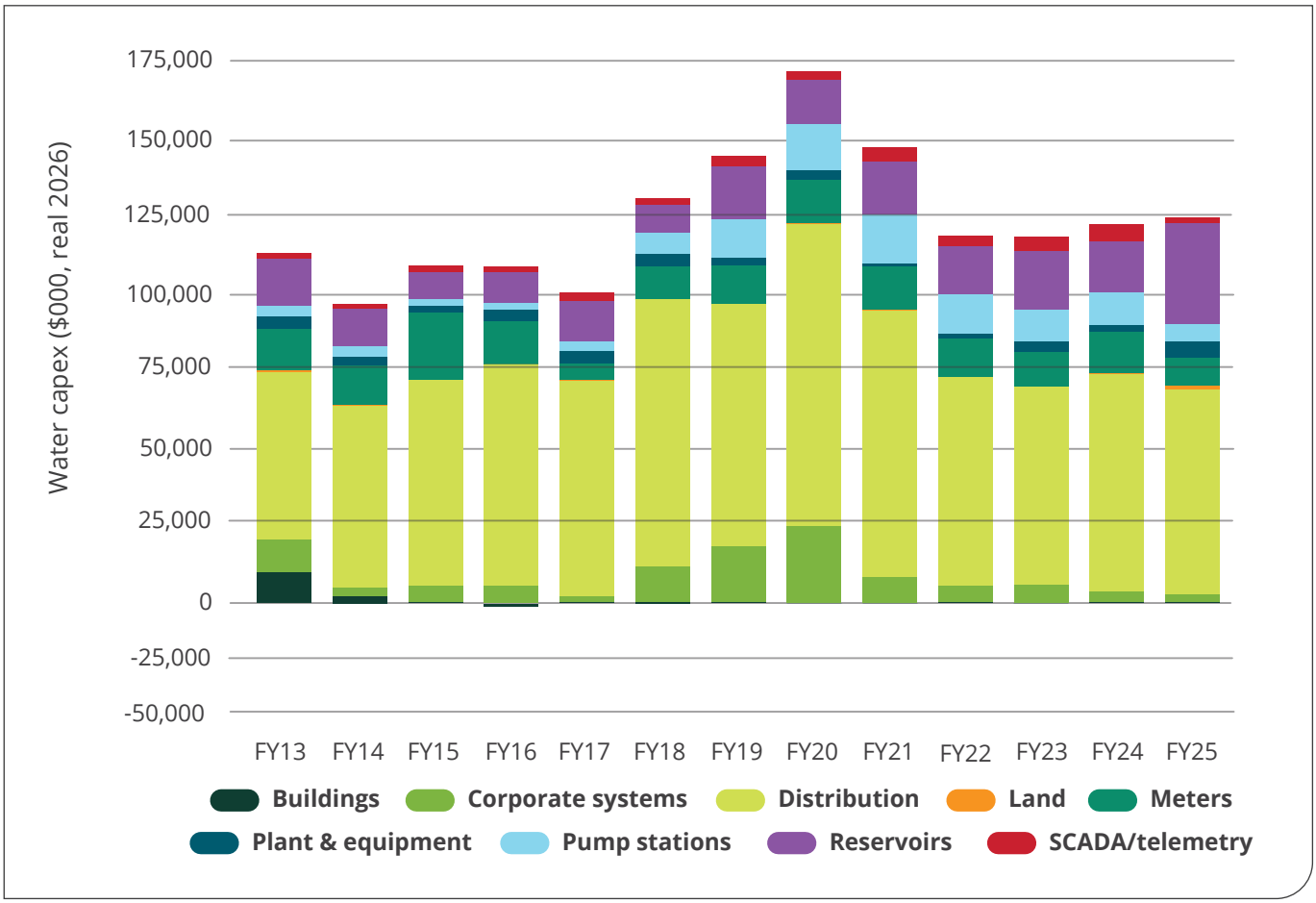
The main driver of Urban Utilities' water capital expenditure historically has been renewals, making up approximately 76% of water capital expenditure between FY13 and FY25 with growth-related investments comprising a further 10% of the water infrastructure program (see Figure 2.11).

Figure 2.11: Composition of water capital expenditure by driver ($000s, real 2026)



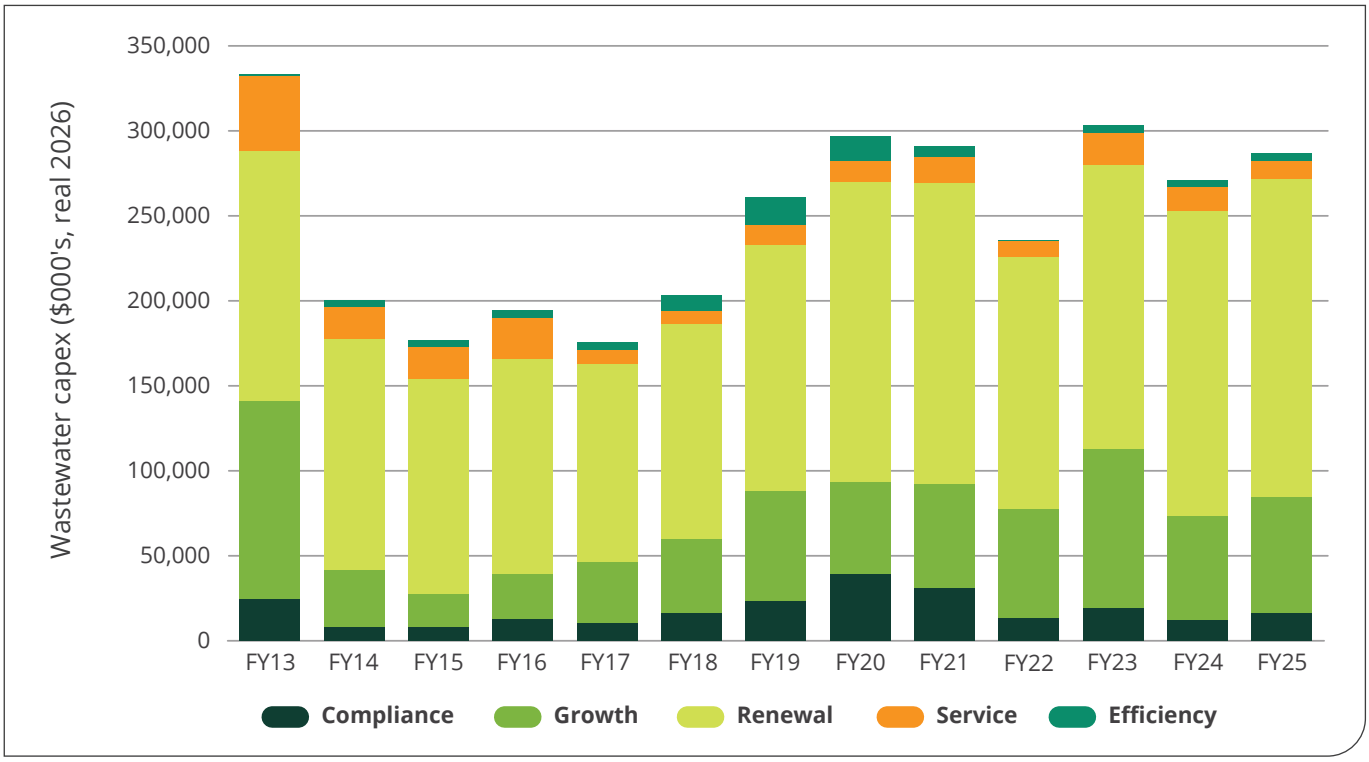
The main asset class for water expenditure between FY13 and FY25 have been distribution (making up 58% of all expenditure over the period), followed by reservoirs (12%), and meters (10%) (see Figure 2.12).

Figure 2.12: Composition of water capital expenditure by asset type ($000s, real 2026)



The main drivers of Urban Utilities' wastewater capital expenditure between FY13 and FY25, have been renewals, representing 61% of wastewater capital expenditure and growth infrastructure, representing a further 23% of investment over the period (see Figure 2.13).

Figure 2.13: Composition of wastewater capital expenditure by driver ($000s, Real 2026)



The main asset classes for wastewater capital expenditure between FY13 and FY25 have been investments in distribution (40% of the total), treatment plants (35%) and pump stations (13%) (see Figure 2.14).

Figure 2.14: Composition of wastewater capital expenditure by asset type ($000s, Real 2026)

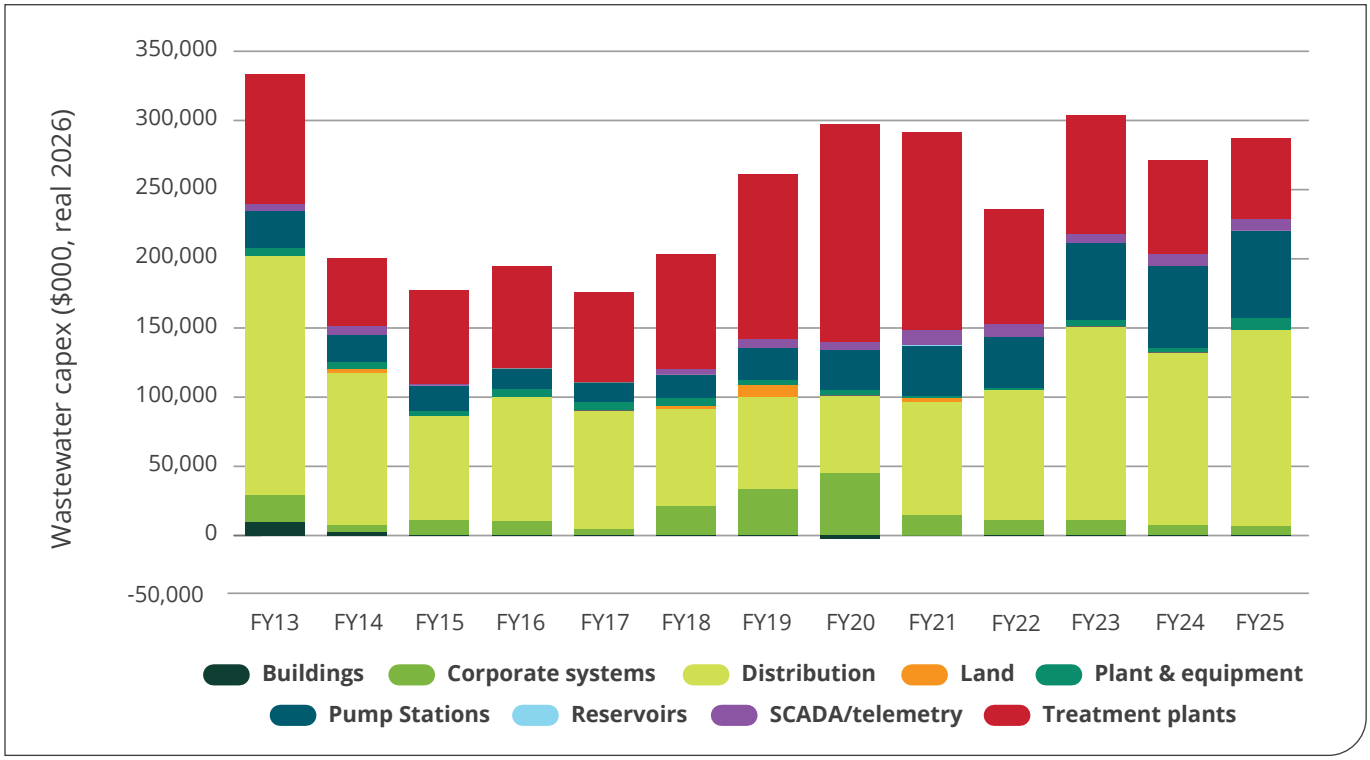
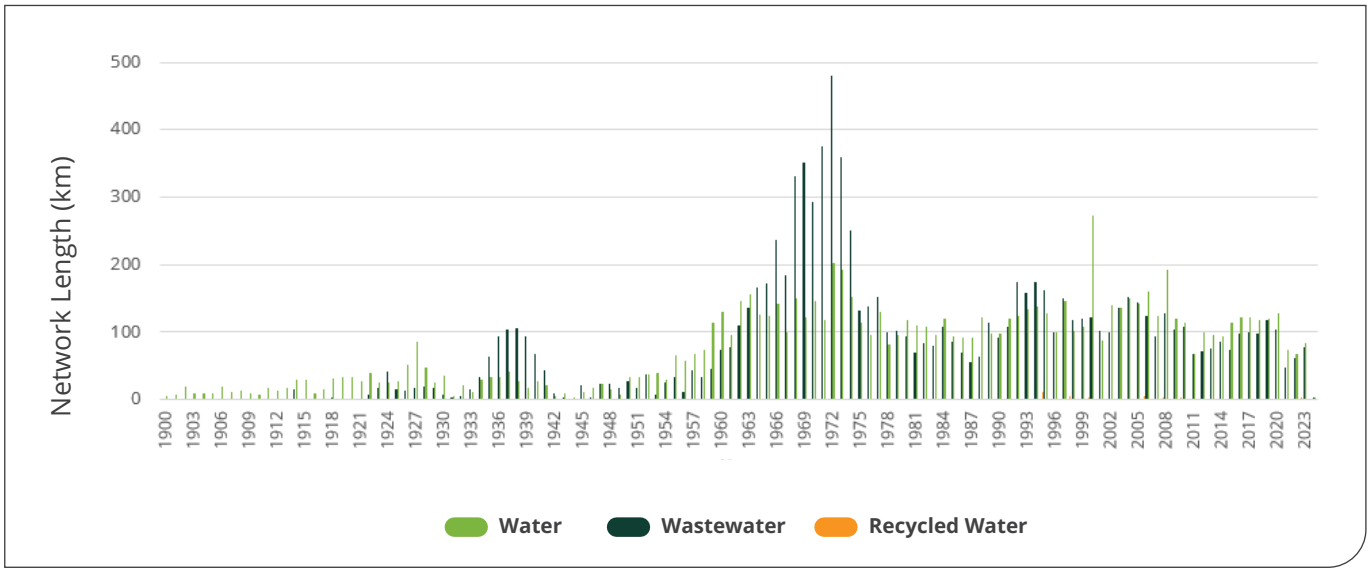


Figure 2.15: Network asset age profile



Urban Utilities manages 9,813 kilometres of water pipes and 10,136 kilometres of wastewater networks, with assets originally designed to last 50–80 years, depending on the type. Many of these assets were installed during the inter-war period and the 1960s–1970s, when Brisbane suburbs were being retrofitted with wastewater infrastructure (see Figure 2.15).

As a result, a large portion of the network is now approaching the end of its service life and may require renewal around the same time. Currently, approximately 600km of linear assets are nearing the end of their service life within the planning horizon, with a further 10,000km expected to require replacement from FY50 onwards.

We have been moving to a condition based approach to asset replacement, moving from the previous age-based linear asset replacement approach. This has resulted in a more effective utilisation of assets. In addition, the specific condition of assets drives the need for replacement capital expenditure. It may be possible to sweat particular assets beyond their economic life (used to calculate regulatory depreciation), or it may be required to accelerate the replacement of particular assets before the end of their economic life.

It may also be possible to extend asset lives using operating expenditure, such as by undertaking additional maintenance or more frequent condition assessments to manage the risk of failure.

As we describe in section 4, Urban Utilities has maintained a robust asset management program that identifies opportunities to extend asset life through intensification where it is prudent and efficient to do so. This has allowed us to maximise the utilisation of our existing network and efficiently defer capital expenditure.

Year-on-year deviations from the long-run sustainable level of capital expenditure, including for extended periods of time, are inherent in the provision of water and wastewater services with irregular asset replacement cycles. The timing of historical investments create periods when capital investment naturally exceeds or falls below long-run average regulatory depreciation. While we have benefited from historical capacity for some time, the recent asset condition assessment program has identified several assets where risks now exceed tolerable levels, and replacement expenditure can no longer be deferred. Accordingly, Urban Utilities' FY26 and FY27 capital expenditure is likely to be closer to or higher than our historical rate of regulatory depreciation.

We have has estimated capital expenditure for FY26 as approximately:

- $161 million for water, representing a 36% or $43 million increase from FY25
- $246 million for wastewater, representing a -12% or $32 million decrease from FY25.

Operating expenditure has been moderating on a per connection basis

Since 2013, our water operating expenditure has been relatively stable in real terms. Our wastewater operating expenditure has increased in real terms, from approximately $213 million in FY13 to $288 million in FY25 (see Figure 2.16).

However, on a per property basis, operating expenditure per property as seen in Figure 2.17 has:

- remained relatively stable in real terms for wastewater, from $424/connection in FY13 to $457/connection in FY25
- decreased for water, from $319/connection in FY13 to $244/connection in FY25.

Figure 2.16: Operating expenditure over time (excluding asset revaluation decrement) ($000s, $real 2026)

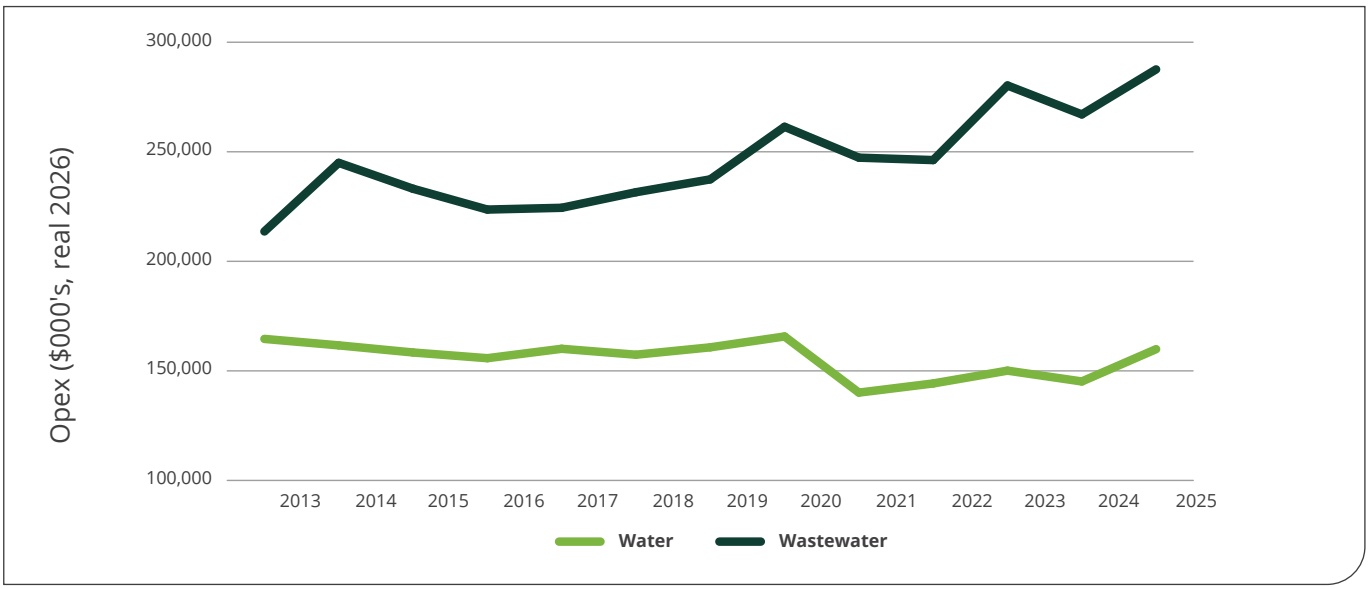
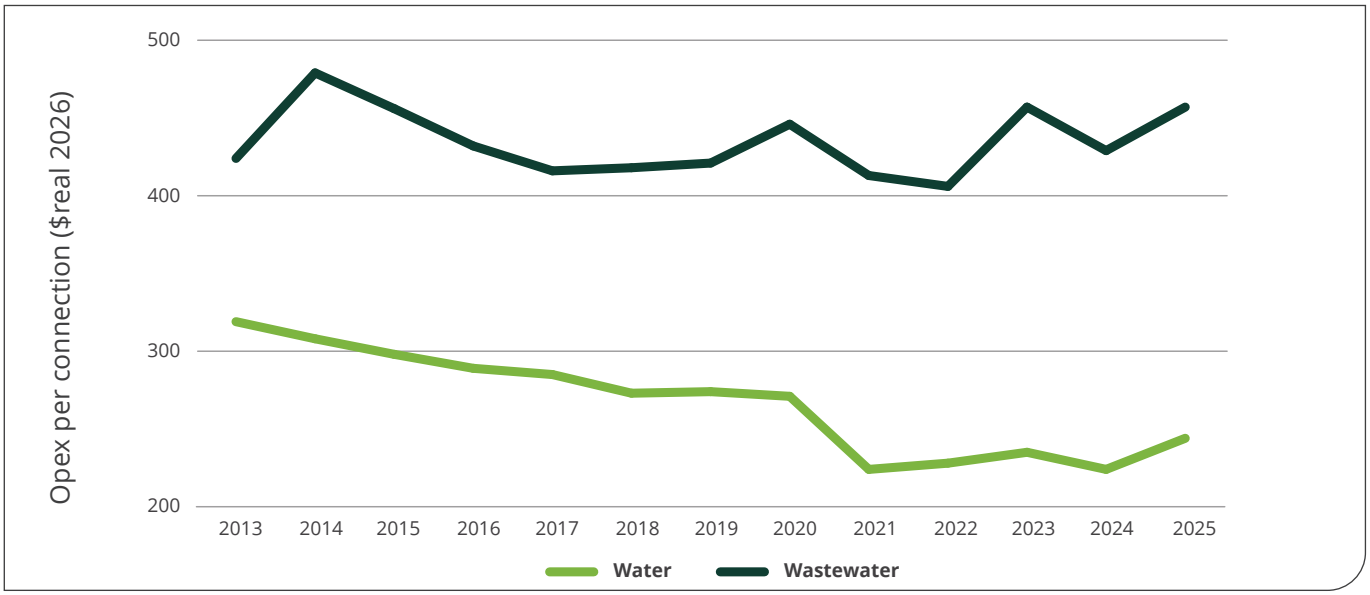


Figure 2.17: Operating expenditure per connection ($real 2026)[16]



[16] *This analysis has been prepared in real terms on the basis of the latest available Urban Utilities financial statements and connections data, excluding bulk water. Urban Utilities has concerns about the level of consistency of this information against publicly-available NPR benchmark data and we will be undertaking further analysis to examine the basis of any differences.*

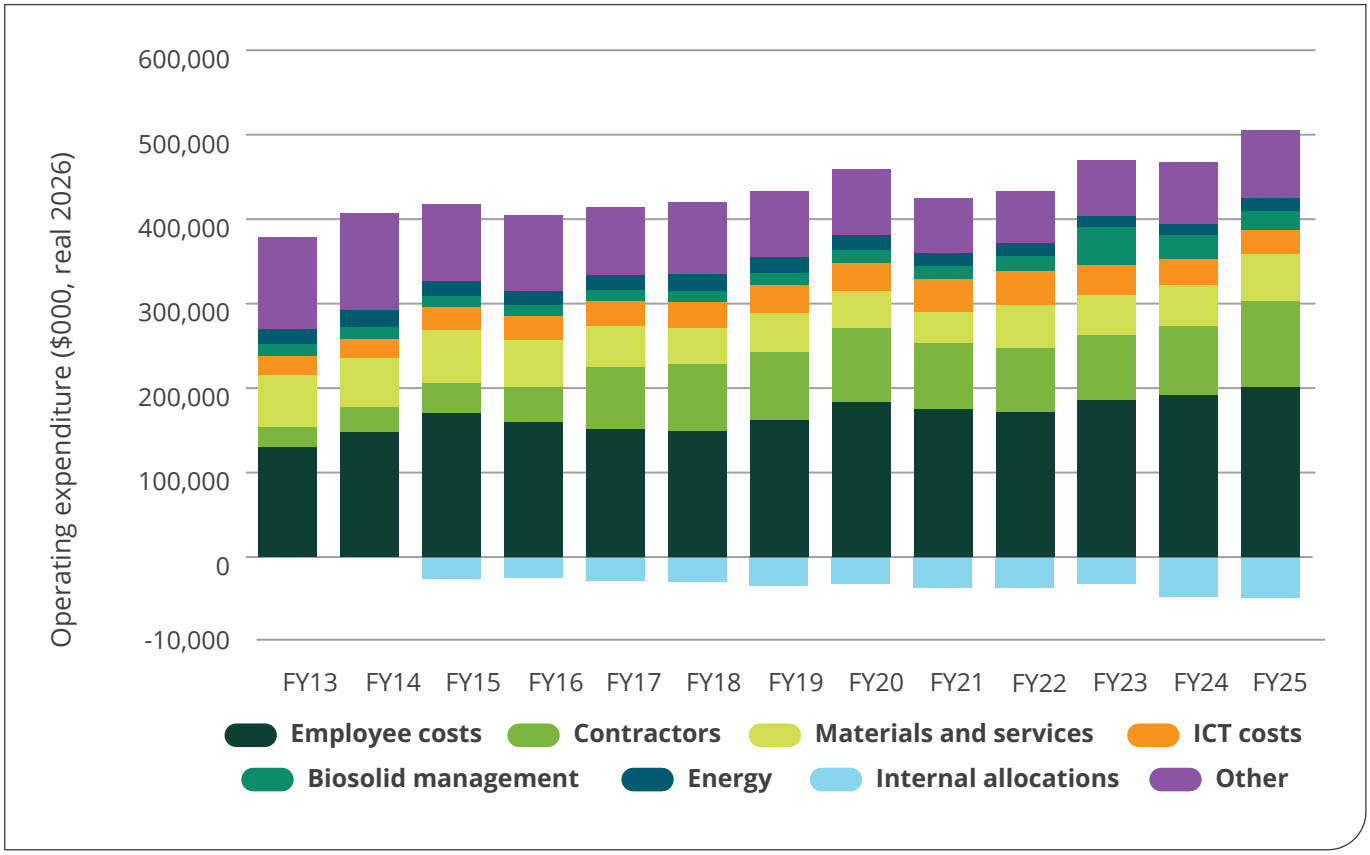
Our main driver of upwards operating expenditure (see Figure 2.18) over the period is utilising operating expenditure to extend the economic lives of our asset base. This has allowed us to continue delivering high quality water and wastewater services, whilst efficiently deferring large capital investments. This is highlighted by our annual capital expenditure being lower than our regulatory depreciation despite network growth throughout the period.

Despite these upwards pressures, our operating expenditure per property has remained constant or declining across the period. This reflects our commitment to consistently challenge and optimise our operations to keep bills low.

In particular, we have seen real declines in materials and services costs across the period, which we have obtained through efficient procurement practices and refining the scope of ancillary services not directly related to the provision of water and wastewater, such as grounds maintenance.

The recent increase in wastewater operating expenditure per connection is due to increased costs to address environmental outcomes as the latent capacity available in our network has been fully utilised. Future investments being planned will alleviate this increased cost. Sewer operating expenditure has also been exacerbated by increasing costs to manage biosolids.

Figure 2.18: Operating expenditure by driver over time ($000s, real 2026)



Drivers of changes to the operating expenditure profile in recent years have included:

- Increases to the maintenance profile of the organisation, including contract transition costs, increasing costs to manage biosolids, changes to unit rates per job, increases to safety controls such as confined spaces, vacuum excavation and traffic control requirements as well as the need to meet environmental compliance requirements.
- Increases in work-orders, particularly in relation to wastewater treatment plant maintenance as the volume of responsive maintenance increases with assets reaching capacity. There has been a 20% increase for example in the volume of work delivered between FY21 and FY25, amounting to over 20,000 more jobs. However, as a reflection of our maturing asset management integration, the proportion of works that are unplanned has decreased from 61% to 43% over the same period.
- The financial impacts of extreme weather events including the 2022 floods and Ex-Tropical Cyclone Alfred.

Balancing capital and operating expenditure

A considerable focus of our operating expenditure profile over the last several years has been asset intensification and maximising the lifecycle of our existing network through integrated asset management, combined with environmental compliance and safety requirements. This has resulted in an uplift in maintenance-related operating expenditure, particularly in our wastewater program in recent years.

Our capital expenditure program has had a correspondingly modest increase over the same period. As our suite of assets reach both capacity and end of life, a ramp up in our capital expenditure requirements is forecast to be required. Our forward planning for these investment requirements necessitates close consideration of the trade-offs between capital and operating expenditure.

Key drivers of increases in operations and maintenance costs include:

- growth in preventative maintenance assets
- growth in reactive maintenance for aged and built-over assets
- changes to the risk tolerance and performance of assets.

Offsetting these drivers of increased Operations and Maintenance (O&M) costs are improved prevention measures putting downward pressure on reactive maintenance requirements for renewed assets, and efficiency measures outlined further in Section 5.

These pressures, combined with several recent years of unusually high and unprecedented rainfall, have significantly increased the volume of wastewater entering the system. The higher load has challenged our treatment capacity and reduced our ability to recycle wastewater effluent effectively, resulting in a higher incidence of licence non-compliance.

However, our objective remains to deliver on our performance commitments to customers at the lowest sustainable cost. Against the headwinds described above, Urban Utilities has multiple programs aimed at delivering efficiency in the way we work.

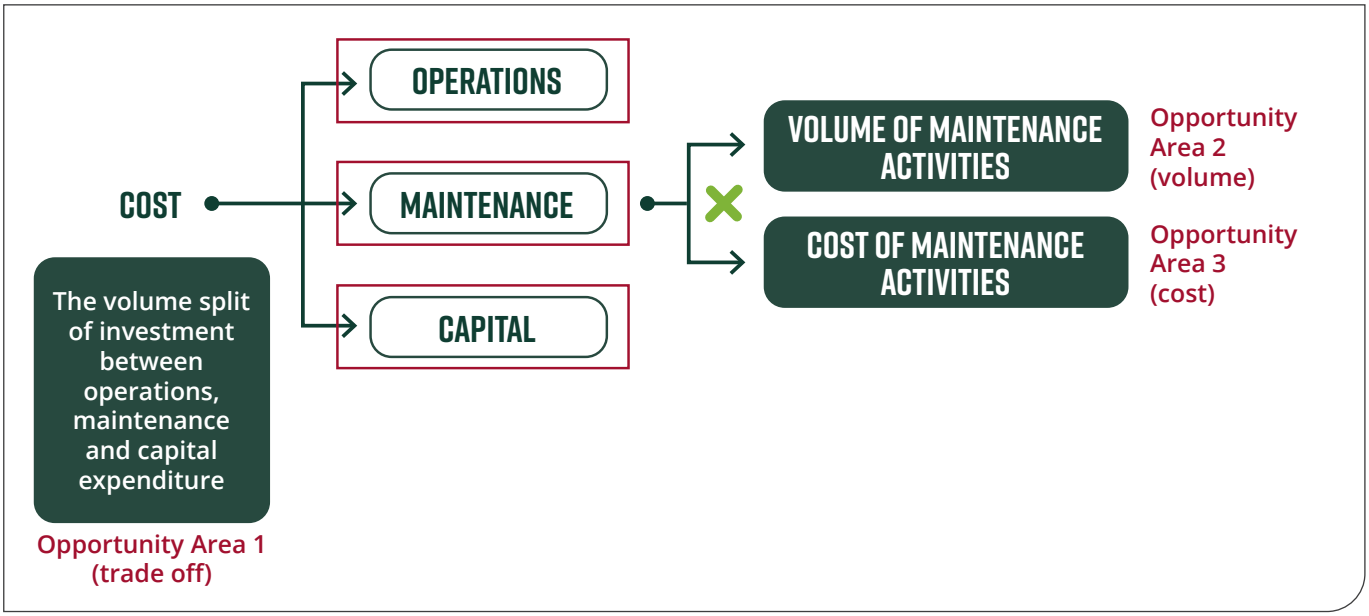
Initiatives targeted for FY26 and into FY27 include:

- Delivering improvements through maintenance delivery
  - Uplift in on time maintenance delivery
  - Establishing an integrated works planning function
  - Establishing an approach for managing total cost of maintenance
  - Ensuring benefits realisation through our MECS contract
  - Uplift in spares and materials management
- Continued focus on predictive maintenance.
  - Uplift in preventions
  - Internet of Things (IoT) enabled wastewater cleaning rationalisation
- The roll-out of efficiency projects
  - Strategy development and implementation of a fleet policy
  - Use of AI for wastewater treatment plant control and maintenance information
  - Electricity improvement program
  - Digital standpipe trial / smart metering trial
  - Non-revenue water reduction program
  - Improvement asset protection with development services

Into the future, achieving an appropriate balance between capital and operating expenditure to deliver and maintain new and ageing assets will be require application of our integrated asset management approach outlined in Section 4. There are three broad opportunity areas Urban Utilities can consider to adjust the profile of future expenditure to deliver the required investment in our network for its long term growth and renewal needs. These include:

- adjusting the volume of investment between OpEx and CapEx acknowledging the trade-offs that are already occurring between capital planning, delivery and maintenance
- adjusting the volume of maintenance activities; or
- adjusting the cost of maintenance activities (see Figure 2.19).

Figure 2.19: Identified areas of focus between operating and capital expenditure on our network



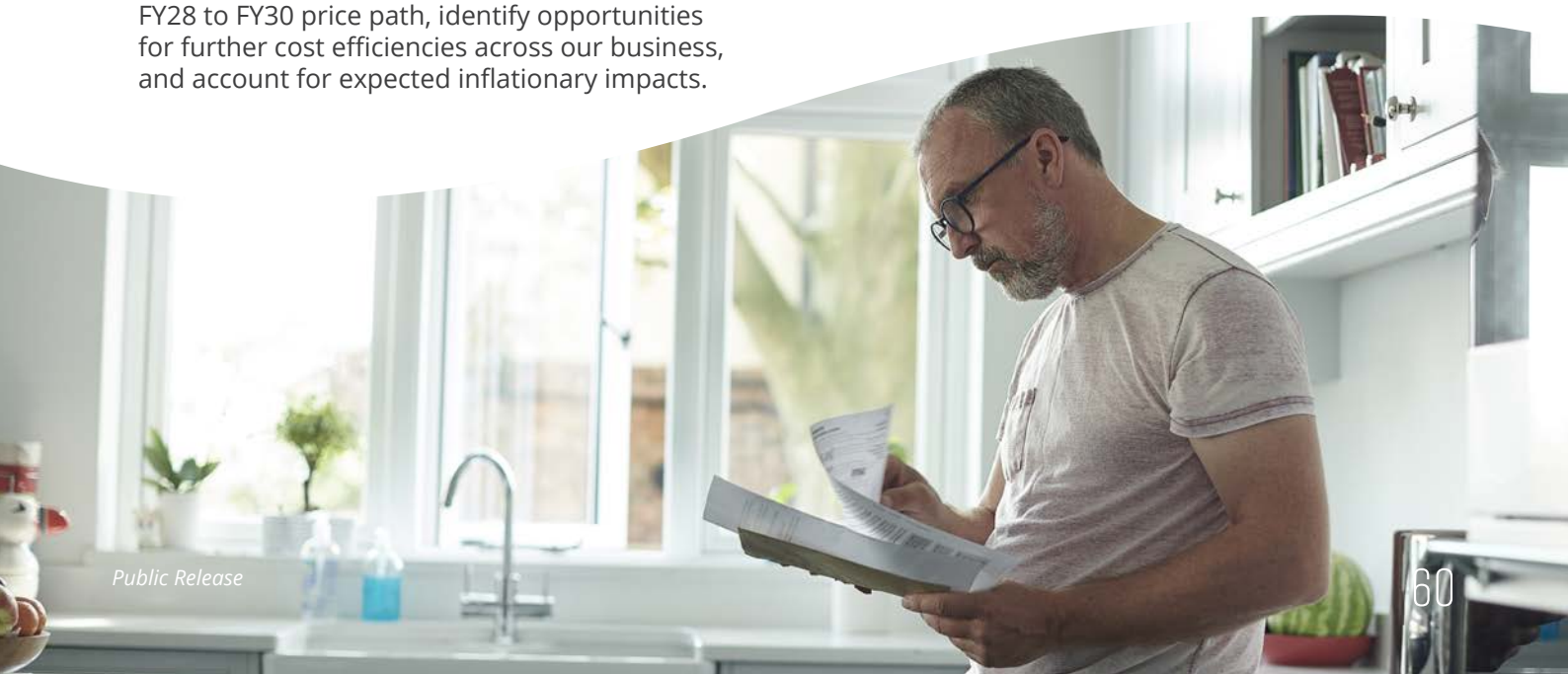
SECTION 3

ACHIEVING A BALANCED PRICING OUTCOME FOR ALL

3. ACHIEVING A BALANCED PRICING OUTCOME FOR ALL

Key points

- Urban Utilities is focused on customer affordability by imposing top-down efficiencies on our costs to deliver pricing relief to customers.
- Our forecast total revenue requirement (excluding expected bulk water cost) for FY27 is $1,039 million. This includes a top-down operating cost efficiency target of $16 million, consistent with the top-down cost efficiency approach applied in previous years.
- The resulting total retail bill outcome proposed for FY27 for a typical residential customer is largely consistent with expected inflation for FY27 (0.1% plus expected inflation), inclusive of bulk water (with bulk water forecast assumed to increase at the rate based on QCA's recommendation for the 2022-26 period, noting this is subject to Ministerial discretion).
- The Urban Utilities component of a typical residential customer bill is proposed to increase by a forecast of 0.8% plus expected inflation for FY27.
- Importantly, around 70% of residential customers and 50% of non-residential customers will have a bill impact smaller than the headline 0.8% plus expected inflation impact of the Urban Utilities component of the bill. This modest increase to the typical residential customer bill reflects our commitment to customer affordability whilst we carefully consider our investment plans for the FY28 to FY30 price path, identify opportunities for further cost efficiencies across our business, and account for expected inflationary impacts.
- As a result of our deliberate decisions to minimise bill impacts, we estimate that around 56% of all residential customers will experience a total bill increase below the expected inflation.
- Urban Utilities is focused on achieving an equitable and balanced pricing outcome that focuses on the factors that are within customer's control to minimise their bill impacts. Our pricing strategy principles are focused on the final bill outcome and minimising impacts on small and more vulnerable customers by minimising the change to the fixed service charge component of their water bill and instead focusing on volumetric charges that customers have more control over from a usage perspective.
- We rebalance our fixed and volumetric charges every year to get this balance right, acknowledging that about a third of a typical residential customer bill is comprised of bulk water, and this proportion increases significantly for our larger-use residential customers.
- Pricing ultimately needs to reflect a revenue requirement that enables Urban Utilities to sustainably make efficient investments.



We have continued to apply a top-down expenditure constraint to establish our revenue requirement needs

Consistent with the usual approach to economic regulation for monopoly regulated service providers, we use a building block model to set the revenue we recover from customers through our prices. The revenue requirement reflects the expenditure we require to operate our business, service customer expectations and fund required capital expenditure.

Our revenue requirement for FY27 is expected to be $1,039 million (excluding expected bulk water pass through cost), inclusive of a top-down efficiency target of $16 million.

The FY27 forecast revenue requirement does not include the regulatory costs associated with the QCA price monitoring investigation, comprising of:

- incremental costs incurred to participate in the pricing investigation, over and above our usual budgeting and price setting expenditure
- QCA's costs for the investigation that will be a passthrough directly to customers in our bills.

We will seek to recover our regulatory costs, and passthrough QCA's costs, by accounting for them in the forecast revenue requirement over the FY28-30 pricing period.

Every year we apply a top-down expenditure constraint to establish our revenue requirement needs. However, in recent years our total costs inclusive of operating and capital related costs have exceeded our budget due to several unanticipated factors. This has resulted in our actual total cost of delivering our water and wastewater services during FY22 to FY25 exceeding our actual recovered revenue (see Figure 3.1).

This difference between actual total costs and revenue has been caused by several factors. Unanticipated events associated with the 2022 floods contributed significantly to increased expenditure due to uninsured costs, while frequent unpredictable extreme weather events have driven additional expenses.

Addressing historical wage underpayments added further cost pressure, while critical assets being offline for longer than anticipated resulted in additional financial pressure.

Compliance related obligations and associated costs have also increased over the last few years. We have absorbed many of these higher than anticipated costs and, therefore, the associated financial risks, without seeking to recover them from our customers, which is not financially sustainable over time.

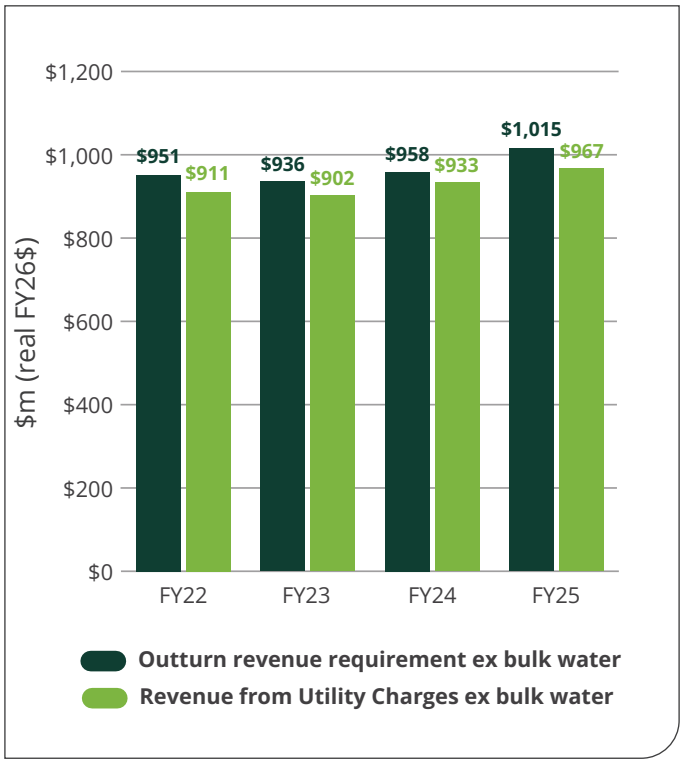
Looking ahead, we will seek to appropriately share these financial risks with customers to ensure long-term financial sustainability while ensuring that we maintain firm incentives to manage these expenditures efficiently.

Our Part 2 submission will provide more details on our proposed mechanism to share expenditure risks in an appropriately balanced manner.

That said, we have managed to limit the extent of under recovery of our actual costs by being prudent and efficient in managing the underlying cost drivers.

For example, material changes in our operating environment drove further cost escalations, including higher costs for electricity. To address this, in November 2024, we entered a new electricity supply contract at a time of escalating electricity prices and managed to limit the anticipated steep increase in cost by seeking an open competitive tender and managing the contract term to retain the option to join a potential future commencement of a Whole of Queensland Government power purchase agreement.

Figure 3.1 Outturn revenue requirement against actual Urban Utilities revenue (real FY26 $m)



Operating expenditure

Urban Utilities expects operating expenditure to increase by 2.85% above expected inflation or by $12.3 million from approximately $430.9 million (FY26$) budgeted in FY26 to a proposed $443.2 million (FY26$) in FY27.

The increase in our proposed operating expenditure for FY27 accounts for necessary increases in critical areas including environmental compliance, asset maintenance, safety controls and accounting treatments. This is offset in part by a top-down cost efficiency target of $16 million to be achieved through the Operational Efficiency Program.

Looking ahead, the importance of balancing the maintenance of service standards while constraining operating expenditure growth remains a central challenge as we manage a growing network with increasingly complex regulatory and environmental requirements.

We will provide further information on our proposed operating expenditure for the period FY28 to FY30, and on our productivity and efficiency initiatives in our Part 2 submission.

Water capital expenditure

Our water investment program focusses on maintaining safe drinking water, renewing reservoirs and water distribution assets, and expanding supply capacity to meet future demand.

In FY25 we invested $117.7 million (FY26$[17]) in water infrastructure, with renewal activities accounting for about two thirds of the expenditure. These works targeted ageing critical water mains, reservoirs, meters and distribution assets across our regions, helping reduce leakage, improve network reliability and limit unplanned service interruptions.

FY25 also delivered important early works to support the delivery of the Esk Reservoir, a new water storage facility designed to strengthen water supply security in the Somerset region.

Across FY26 and FY27, water investment is planned to increase from $160.5 million to $186 million in FY27, reflecting the progression of major renewal and compliance programs needed to maintain water quality, improve network performance and support future servicing needs.[18] Renewals remain the dominant driver over the two years directed at reservoir refurbishment and replacing ageing critical water mains, upgrading water distribution assets, and addressing emerging performance risks. These programs manage break frequency and ensure ongoing delivery of safe and reliable drinking water.

Compliance-related investment will also increase targeting water quality improvements, storage and disinfection system upgrades, and maintain compliance under extreme weather conditions.

Growth related investment in FY26 and FY27 will focus on augmenting local networks, increasing storage capacity and enhancing trunk supply to service population growth.

The proposed capital program represents investment to lift network performance, resilience and capacity across a rapidly growing service region. It is focused on optimised renewals to address rising asset risk, targeted upgrades to improve fire flow and pressure performance, water quality enhancements to strengthen public health outcomes, and growth-enabling infrastructure to support a faster-growing city and emerging regional communities. The program deliberately targets high-consequence assets that underpin system reliability, emergency response, and customer confidence, ensuring service performance is maintained. This reflects the convergence of improved asset intelligence, accelerating population growth, heightened climate and security expectations, and the need to prepare critical networks for major global events, including the Brisbane 2032 Olympic and Paralympic Games.

[17] *All data in this part are expressed in real FY26$ using CPI measure*

[18] *Capital expenditure figures for FY27 are as forecast in the Capital Investment Plan and will be reviewed as part of the annual budget process*

Wastewater capital expenditure

Across FY25 to FY27, our wastewater investment program focuses on renewing critical assets, improving system performance, providing capacity for growth and maintaining network reliability under extreme weather conditions.

In FY25 we invested around $278.6 million (FY26$[19]) in wastewater infrastructure, with two thirds directed to renewing critical ageing assets. These works strengthened asset performance, reduced overflow risks and improved the reliability of pump stations, treatment plants and key conveyance assets. This included enabling works for the major multi-year Bulimba-Hamilton Siphon Renewal Program.

Growth related works in FY25 focused on areas experiencing sustained population growth. This includes the Cannery Creek augmentation in Brisbane, which combines conveyance upgrades with new wetland and bioretention basins to improve capacity and performance in the Northgate and Banyo catchments. We've also increased the servicing capacity of the Hanlon Street Pump Station in Ipswich to support forecast growth in Ripley Valley and Rosewood.

Wastewater capital expenditure is planned to be $246.3 million in FY26 and $276.2 million in FY27, with renewal remaining the primary driver.[20] Key multi-year programs will continue through this period, including the renewal of the Bulimba-Hamilton Siphon, as well as mechanical and electrical upgrades across multiple sites such as the Eagle Farm Pump Station.

Growth investment includes continued capacity upgrades at the Bundamba RRC in Ipswich. In FY27 we plan to commence major wastewater upgrades across Urban Utilities' largest and most densely populated Luggage Point catchment to ensure adequate system capacity for existing and future customers, along with further trunk main and treatment capacity works to support development in high growth areas across our regions.

Compliance related investment will support ongoing compliance with environmental discharge licence obligations at our wastewater treatment plants. In Brisbane, we operate nearby to sensitive estuaries and waterways, meaning we're held to stricter requirements for effluent releases. To remain compliant, we must treat effluent to a higher standard than what's required for most other utilities across the country - driving higher costs for both building infrastructure and ongoing maintenance and operations. We are also investing in regional treatment plants to improve effluent quality and strengthen the resilience, including initiatives such as the Gatton RRC recycled water scheme.

The proposed wastewater capital program represents investment to strengthen wastewater system performance, environmental protection and public health outcomes across both city and regional catchments. The program is focused on enabling growth in high-demand urban corridors and rapidly growing regional communities, materially reducing wet weather overflows through inflow and infiltration reduction, and delivering major renewals across critical wastewater networks and treatment facilities.

Collectively, this investment underpins regulatory compliance, protects receiving environments, and materially lifts system reliability under both everyday and extreme weather conditions. This uplift in investment relative to FY26 reflects the continued transition from reactive intervention to sustained, risk-based renewal of ageing wastewater assets, supported by improved condition intelligence and tighter environmental compliance expectations. It also positions the wastewater system for major population and tourism uplift associated with the Brisbane 2032 Olympic and Paralympic Games, ensuring targeted high-consequence sewer and treatment assets are resilient, compliant and 'event-ready'.

[19] *All data in this part are expressed in real FY26$ using CPI measure*

[20] *Capital expenditure figures for FY27 are as forecast in the Capital Investment Plan and will be reviewed as part of the annual budget process*

Our pricing structure

Our current pricing structure has evolved since Urban Utilities was last subject to QCA price monitoring in 2013 to better align with our Board approved pricing principles, being:

- ✓ Simplicity of design
- ✓ Price shock minimisation
- ✓ Equity – cost reflectivity
- ✓ Revenue adequacy
- ✓ Customer control
- ✓ Sustainability.

We have implemented the following tariff structural reforms since 2013:

- We have harmonised all price levels across our different service areas and also between residential and non-residential customers.
- Introduced two-tier inclining block water usage tariffs for all customers from FY17 onwards.
- Implemented tariff reforms in FY22 which saw the replacement of all pedestal charges with sewage disposal charges, trade waste charges streamlined and applied only to "above domestic strength" discharge, all water and sewerage fixed charges based on meter sizes and residential properties billed on a "per dwelling" basis.
- Ceased charging customers with no physical connection to our infrastructure water and/or sewerage service charges from FY22, even if our water and/or wastewater infrastructure is accessible from their property.
- Introduced "Category 3A" trade waste tariff structures for non-residential customers with trade waste or effluent meters in FY25.

Water pricing

Our water prices are split into a variable water usage charge per kilolitre of drinking water used, and a fixed water service charge that varies depending on the size of water connection.

Our two-tier water usage charge is as follows:

- **Water Usage Tier 1:** a rate for water consumption up to 300 kL per year
- **Water Usage Tier 2:** a rate for water consumption above 300 kL per year

This two-tier water usage charge signals to customers the cost they impose on the network. Customers who consume more than 822 Litres per day, which equates to 300 kL per year (around 5% of residential customers and 23% of non-residential customers) impose greater costs on our infrastructure and the second tier water usage charges signals this higher cost.

Urban Utilities passes on bulk water usage charges from Seqwater without alteration and displays this separately on customer bills.

Our water service charge recognises that there are fixed costs for providing a water service to each property, and that this cost generally increases the larger the water connection. Our current water service charge:

- Is apportioned based on the actual or deemed size and number of water meters connecting a customer to our network, with:
  - All residential dwellings deemed to have a 20mm water meter
  - Non-residential water service charges determined by the premise's actual meter size(s) relative to a 20mm meter.
- Recovers some of residual water revenue requirement (the remainder is recovered through the water usage charge).

We constantly monitor the relative contributions of water usage and water service charges on customer bills to ensure the pricing principles of customer control and cost-reflectivity are appropriately balanced and that the balance is not materially different to that of our South East Queensland peers.

Customers who fill tankers from our water tanker filling stations with a metered standpipe are charged a volumetric price based on the combined bulk water usage charge price and our Water Usage Tier 2 price. They are also charged a fixed monthly standpipe lease fee or a fixed monthly permit fee if the customer uses their own standpipe.

Sewerage pricing

Our sewerage prices apply a fixed service charge per day, and is also apportioned based on the size or deemed size of the water meter and the customer's deemed sewerage discharge factor, with:

- All residential dwellings deemed to have a 20mm water meter with the sewerage discharge factor already included in the price.
- Non-residential sewerage service charges determined by the premise's actual meter size(s) relative to a 20mm meter and the sewerage discharge factor based on the customer's land use code (where no trade waste or effluent meter is installed), or the actual trade waste or effluent meter size(s) where this metering is in place.

Our sewerage service charge reflects that providing wastewater services principally involves the largely fixed costs associated with pipes, pumping stations and treatment works infrastructure.

There is also limited ability for our residential customers to manage their sewage load, and so limited benefit in signalling the costs they place on the network through variable sewage disposal tariffs. In addition, adopting a sewage disposal charge may be akin to adopting a de facto water usage charge.

However, we do apply a sewage disposal charge for non-residential customers, based on the kL and discharge factor of the premise:

- For customers without a trade waste or effluent meter, the sewage disposal charge is calculated as the customer's water usage multiplied by a sewerage discharge factor based on the customer's land use code.
- For customers with a trade waste or effluent meter, the sewage disposal charge is based on actual metered sewage discharge.

Trade waste, tankered waste and recycled water pricing

Non-residential trade waste customers providing food services are levied an additional trade waste "Category 2" usage charge based on the same volumes used to calculate their sewage disposal charge.

Other non-residential trade waste customers with trade waste or effluent meters are charged content charges based on sampled kilograms of discharge for Biological Oxygen Demand (BOD), Suspended Solids (SS), Total Nitrogen (TN) and Total Phosphorus (TP).

A single volumetric price is applied to tankered waste discharged into our wastewater treatment plants. Since FY24 the tankered waste price has been harmonised across our service area and fixed charges per tanker no longer apply.

Recycled water prices (which are single tier usage charges with no fixed charge parameter) are not published on our website as all prices are now set based on negotiated contractual arrangements with individual customers.

Proposed water and wastewater prices for FY27

We propose the following prices for residential and non-residential customers in FY27 (see Figure 3.2 and Figure 3.3), based on an expected CPI inflation of 3.7%. Importantly, we will update these prices based on actual inflation.[21]

Figure 3.2: Proposed residential prices (nominal $)

Parameter	Unit	FY26	FY27
Water service	$/day	$0.694	$0.657
Water usage – tier 1	$/kL	$0.981	$1.110
Water usage – tier 2	$/kL	$2.038	$2.305
Sewerage service	$/day	$1.961	$2.083
Bulk water usage[22]	$/kL	$3.517	$3.593

Figure 3.3: Proposed non-residential prices (nominal $)

Parameter	Unit	FY26	FY27
Water service	$/day*FCF	$0.694	$0.657
Water usage – tier 1	$/kL	$0.981	$1.110
Water usage – tier 2	$/kL	$2.038	$2.305
Sewerage service	$/day*flow capacity factor*discharge factor	$2.179	$2.315
Sewage disposal	$/kL	$2.950	$3.230
Bulk water usage	$/kL	$3.517	$3.593
Trade Waste Category 2	$/kL	$1.166	$1.240
Sewage Disposal Category 3A	$/kL	$1.042	$1.100
Trade Waste Category 3A BOD	$/kg	$1.596	$1.714
Trade Waste Category 3A SS	$/kg	$2.687	$2.826
Trade Waste Category 3A TN	$/kg	$3.373	$3.485
Trade Waste Category 3A TP	$/kg	$7.999	$8.637
Tankered Waste[23]	$/kL	$32.40	$40.09

[21] *Each year, we use Brisbane March to March actual CPI inflation as a benchmark for our prices. Based on current and forecast inflation data, Brisbane March 2025 to March 2026 is expected to be 3.7%. We may update our prices when Brisbane March to March actual CPI inflation is available at end of April 2026.*

[22] *Bulk water prices are assumed to increase by 2.15% in FY27 based on same price increases for FY23 to FY26 in the QCA's 2022-26 bulk water pricing recommendation, noting this is subject to Ministerial discretion*

[23] *The price increase from $32.40 to $40.09 is primarily due to a pricing correction. In FY26, the per-kilogram rate for SS was mistakenly applied to BOD, and the BOD rate was applied to SS.*

Bill impacts are expected to be modest

A typical residential customer (using 150kL per annum[24]) will see an increase to the Urban Utilities component of the bill of **0.8% plus expected inflation**. When including assumed bulk water charges, a typical residential customer bill is expected to increase largely consistent with expected inflation for FY27 (0.1% plus expected inflation) as set out in Figure 3.4 below.

Figure 3.4: Proposed typical residential customer bill impact (nominal $)

Parameter	Unit	FY26	FY27	Change (%)
Total bill – Urban Utilities	$/annum (150kL/annum)	$1,116.61	$1,167.13	4.5%
Total bill – Bulk water usage	$/annum (150kL/annum)	$527.55	$538.89	2.1%
Total bill	$/annum (150kL/annum)	$1,644.16	$1,706.02	3.8%

Figure 3.5 provides further details on how our proposed prices for FY27 will impact the Urban Utilities component of the bill for a range of residential customers based on their annual consumption levels.

Figure 3.5: Impact of forecast FY27 prices on annual residential bill – Urban Utilities component ($, nominal)

Water Consumption (kL/year)	FY26	FY27	Change (%)	Change ($)
0 (Access only customer)	$969.49	$1,000.68	3.2%	$31.20
50	$1,018.53	$1,056.16	3.7%	$37.64
100	$1,067.57	$1,111.65	4.1%	$44.08
150 (Typical Residential Customer)	$1,116.61	$1,167.13	4.5%	$50.52
300 (Threshold for Tier 2 Usage)	$1,263.73	$1,333.57	5.5%	$69.84
500	$1,671.28	$1,794.64	7.4%	$123.36
750	$2,180.72	$2,370.98	8.7%	$190.26

[24] *150kL represents the long-term average annual residential customer consumption*

Figure 3.6 below provides details on how our proposed prices for FY27 will impact the total bill (including assumed bulk water charges) for the same set of residential customers based on their annual consumption levels.

Figure 3.6: Impact of forecast FY27 prices on annual residential bill – total bill including assumed bulk water charge ($, nominal)

Water Consumption (kL/year)	FY26	FY27	Change (%)	Change ($)
0 (Access only customer)	$969.49	$1,000.68	3.2%	$31.20
50	$1,194.38	$1,235.79	3.5%	$41.42
100	$1,419.27	$1,470.91	3.6%	$51.64
150 (Typical Residential Customer)	$1,644.16	$1,706.02	3.8%	$61.86
300 (Threshold for Tier 2 Usage)	$2,318.83	$2,411.36	4.0%	$92.52
500	$3,429.78	$3,590.95	4.7%	$161.17
750	$4,818.47	$5,065.44	5.1%	$246.98

Of particular note:

18% of all residential customers will see the Urban Utilities component of the bill increase by less than expected inflation. The bulk of these customers are smaller customers with less ability to change their water usage as low volume users.

56% of all residential customers will see their total bill increase by less than expected inflation.

53% of the approximately 24,000 customers who don't have wastewater services will see a decrease in the Urban Utilities component of their bill in FY27, with a further 26% seeing the Urban Utilities component of their bill increase by less than expected inflation.

A typical residential customer bill breakdown for FY27, as compared to FY26, is as follows.

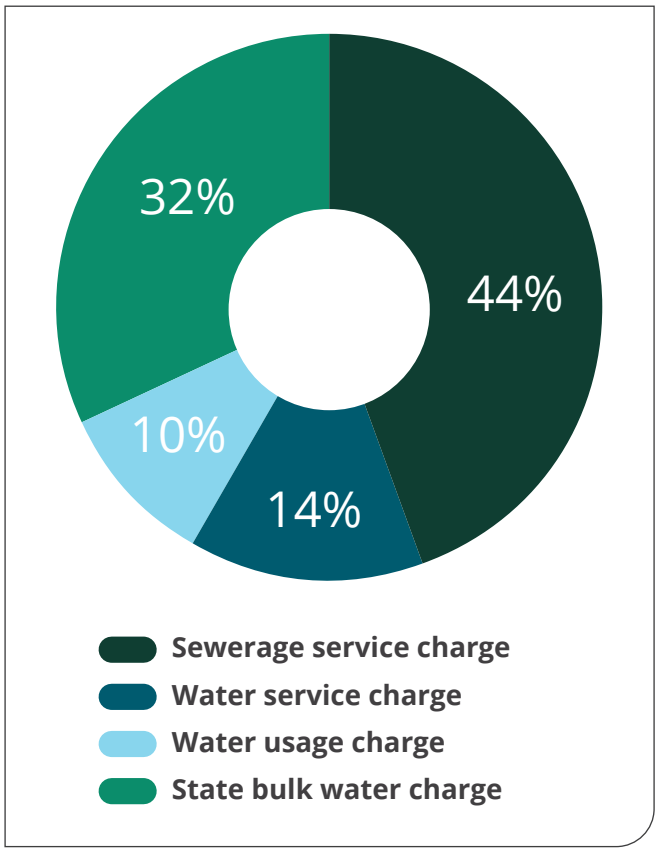
Figure 3.7: Bill breakdown for a typical residential customer (nominal $)

Bill Component	FY26	FY27
State bulk water charge	$527.55	$538.89
Tier 1 water usage charge charge	$147.12	$166.45
UU water service charge	$253.46	$240.02
UU sewerage service charge	$716.03	$760.66
Total UU component	**$1,116.61**	**$1,167.13**
Total annual bill	**$1,644.16**	**$1,706.02**

One-third (32%) of a typical residential customer bill is the Queensland Government owned Seqwater's bulk water charges, which we pass on directly to customers in our bills. This proportion varies by consumption, with the bulk water portion being 15% of a small (50kL usage per year) customer's total bill and 45% of a larger (300kL usage per year) customer's total bill.

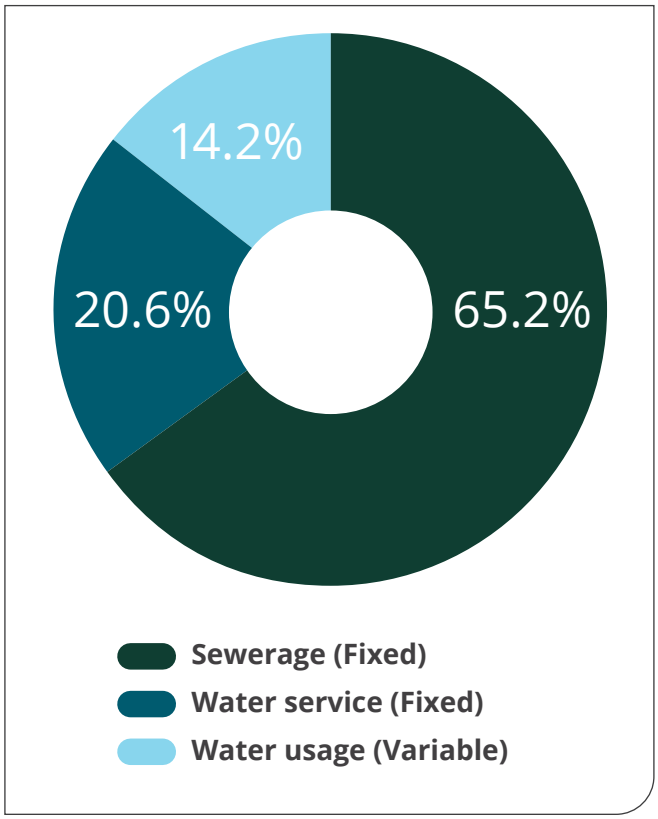
The chart below (see Figure 3.8) shows the relative contributions of bulk water along with Urban Utilities' water service, water usage and sewerage service charges in a typical residential customer bill:

Figure 3.8: Contributions of charges in a typical residential total customer bill



Fixed charges (water service and sewerage service combined) represent 59% of a typical residential customer bill, and 85.7% of Urban Utilities' component of the bill (65.2% sewerage service charge and 20.6% water service charge), as depicted in the Figure 3.9 that shows a breakdown of Urban Utilities component of typical residential customer bill into fixed and variable charge components.

Figure 3.9: Contributions of Urban Utilities components of a typical residential customer bill



The balance of fixed and variable charges as shown in Figure 3.9 is broadly reflective of the predominantly fixed nature of our costs and historically we have sought to generally maintain this balance of fixed and volumetric charges over time, consistent with our pricing principles of equity and cost reflectivity.

However, in recent years we have implemented water service and tiered water usage annual price changes that have gradually increased the proportion of variable charges in customers' bills. This has been done to promote our pricing principles of customer control and sustainability, and to put downward pressure on the Urban Utilities component of small customers' bills (who are typically pensioners and lower income households with lower usage). The changes in our water service and tiered water usage prices in FY27 continue this approach.

We may seek to update forecast FY27 prices

The forecast FY27 prices are based on certain assumptions, and we may consider updating the forecast FY27 prices to account for:

- updated external inputs (e.g. inflation and rate of return parameters)
- changes in bulk water forecast price
- shifts in expenditure to manage unforeseen risks or events
- updated customer growth, consumption and other relevant chargeable quantity forecast data.

SECTION 4

OUR ONGOING COMMITMENT TO UPLIFT SYSTEMS AND PROCESSES

4. OUR ONGOING COMMITMENT TO UPLIFT SYSTEMS AND PROCESSES

Key points

Urban Utilities seeks to continuously improve operations by combining best practice processes, innovative approaches, and enabling technologies to operate more efficiently and effectively whilst delivering value to customers throughout the delivery lifecycle. These are demonstrated in the following sub-sections, addressing the Stated Matters of the referral:

Section 4(a): Risk management – our Risk and Compliance Improvement Program is a three-year initiative to enhance enterprise-wide risk capability. This includes calibrating risk appetite to reflect a modern approach to managing a challenging operating environment. Revised consequence and likelihood metrics will help operationalise the updated risk appetite, enhance risk trade-off decisions, and enable more effective capital investment decisions.

Section 4(c): Procurement management – our Procurement and Supply Chain Improvement Program builds on the introduction of a new catgeory management operating model in November 2024 and more recent achievement of CIPS Corporate Ethics Certification. Demonstrating a commitment to ethical procurement aligned to good industry practice, the program continues to drive initiatives such as refreshing frameworks, embedding category planning across key spend areas, and enhancing contract management.

Section 4(b): Asset management – our refreshed Asset Management Framework incorporates a multi-faceted approach, encompassing business processes and asset management standards and manuals, to enable operational excellence. It transitions from two separate systems to a single, harmonised, process whilst applying integrated planning that bridges long-term strategy with short-term delivery, through rigorous capital gateway processes.

Section 4(d): Delivery and maintenance – our Next Generation for Delivery (NG4D) Program represents the next stage in the evolution of project management in capital delivery to achieve a more integrated, outcomes-based approach. It builds on the proven successes of our Program Management Approach whilst introducing sharper performance incentives, lower commercial fees, sustained competitiveness and productivity gains through early partner involvement and innovation. Our One System for Maintenance (OS4M) initiative, enhances the delivery of our maintenance activities through integrated project management, alignment of works management systems with delivery partners, and improved field delivery systems, supporting the growth of predictive maintenance.

Continuing to improve our systems and processes to deliver customer value

Urban Utilities is committed to continuous improvement in how we deliver services to our customers. This commitment is reflected in our innovation agenda and digital transformation program, both designed to enhance operational efficiency and apply downward pressure on costs while maintaining service quality.

Our commitment to innovation

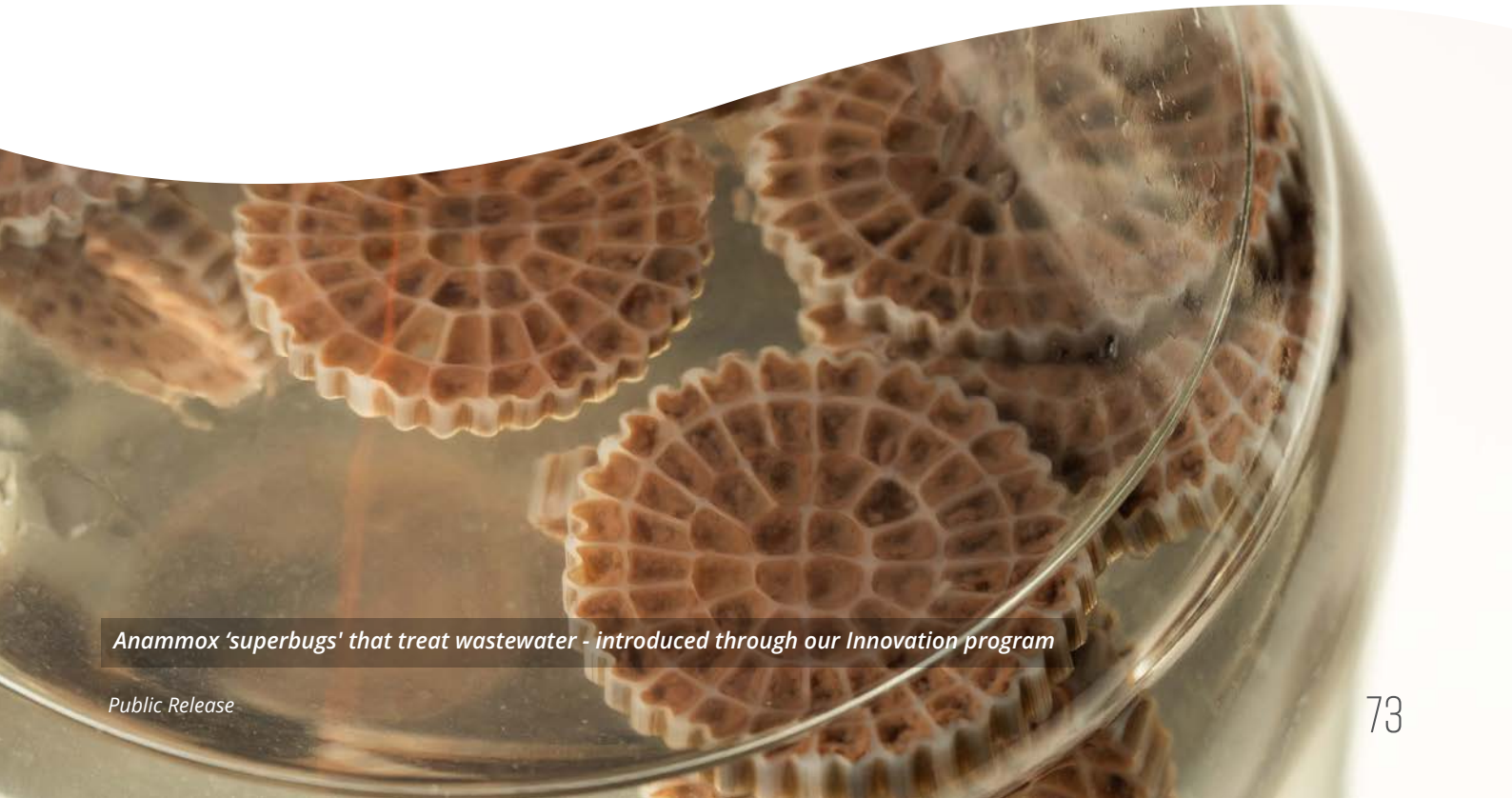
Embedding an innovation mindset across the organisation drives efficiency and cost reduction, reinforced through bi-annual CEO Innovation Forums and regular sessions that translate new ideas into action.

Our Opportunity Appetite Statement, which has been realigned to our core business and sits alongside our Risk Appetite Statement, helps systematically evaluate revenue and other improvement opportunities, ensuring we pursue initiatives that align with our strategic objectives and deliver tangible value.

More recently, innovation has focused on developing continuous improvement initiatives to help identify business challenges and define ways to effectively address them, improving outcomes for customers and reducing costs. Business process modelling is used to work through complex challenges, with recent areas of focus including faults and emergencies, and field services.

The Ripple platform is our central database for capturing innovation initiatives across the organisation, with all employees able to submit ideas, with a rapid feasibility assessment to determine which ideas should progress for further development and potentially become projects. A recent example which is progressing through the Ripple process is an investigation into transient pressure pipeline bursts within the network. Ripple is also being used to support the Operational Efficiency Program initiatives.

Our long established Research and Development Program at Luggage Point has been recently refocused around four critical business challenges, namely: biosolids and organics, sewer networks, process intensification and water science and contaminants of emerging concern. We are pursuing these priorities through university partnerships and co-investment arrangements, to maximise value from our existing assets and drive long-term efficiency gains that benefit customers through lower costs.



Anammox 'superbugs' that treat wastewater - introduced through our Innovation program

Our commitment to enabling technology

Urban Utilities has embarked on a significant digital and data transformation, recognising that technology is fundamental to achieving productivity improvements and operational excellence.

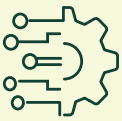
Less than three years ago, our IT environment was largely outsourced, providing limited control over costs or strategic direction. Most systems were legacy platforms that were no longer fit for purpose.

In January 2024, we launched our Digital & Data Strategy and associated Digital Operating Model to reform our operating environment, improve performance and realise cost savings. This shift involved restructuring the digital team, shifting reliance on external agents, and embedding accountability at a system level rather than pursuing point solutions. We are now building capabilities, technology architecture, and operations suited to a system-wide approach focused on value-based outcomes.

Key approaches under the Digital & Data Strategy include:

Adaptive planning for emerging technology
We are taking an adaptive approach to new technology adoption, particularly given the rapid evolution of AI. Our focus is on solutions that achieve operational excellence and capitalise on opportunities without creating technology debt or perpetuating legacy systems.

AI Centre of Excellence
We are establishing a Centre of Excellence to systematically consider how to integrate AI evolution into our business processes.



Value-driven re-platforming and automation
We are evaluating re-platforming and automation opportunities through a value realisation lens, ensuring investments deliver measurable benefits.

Cloud migration
We are transitioning from historical enterprise platforms to lightweight cloud-based applications. This will provide greater flexibility, scalability, and cost efficiency.

Security by design
Urban Utilities continues to respond to the evolving cyber threat environment through prudent and efficient investment in cyber security controls, in line with Australian and international standards for cyber security. As we re-platform legacy systems, we are taking a cyber by design approach, embedding security into system design.

In parallel, our Digital Core Modernisation Program launched in 2024 is our commitment to delivering an efficient Information and Communication Technology (ICT) environment. The Program brings a system-wide approach to technology rather than single point solutions, addressing legacy systems, and establishing strategic technology architecture and capabilities.

These technology initiatives, combined with our innovation agenda, position Urban Utilities to deliver improved services at lower cost and reduced risk, while maintaining the reliability and quality our customers expect.

4(A): RISK MANAGEMENT

Key points

- Urban Utilities has progressively matured its risk management practices since establishment (refer to Section 2), building from Brisbane Water's foundation to develop an enterprise-wide system aligned with AS/NZS ISO 31000 that integrates risk considerations into strategic planning and day-to-day operations.
- The current risk management approach comprises six key elements – Enterprise Risk Management practice, Risk Management Framework, Policies and Procedures, Risk Appetite Statement, and governance structures – based on a three lines of defence model.
- Urban Utilities is in the process of updating the current framework, strengthening connections between strategic, enterprise and operational risks to ensure effective information flows throughout the organisation.
- Following an external expert review in November 2024, Urban Utilities commenced a three-year Risk and Compliance Improvement Program to enhance enterprise-wide risk and compliance capabilities, including implementation of a new Governance, Risk and Compliance platform.
- The transformation program focuses on redeveloping the Enterprise Risk Structure, revising the Risk Appetite Statement and Consequence and Likelihood ratings, which will enable us to make more informed decisions about risk trade-offs, prioritisation and investment in cost-effective solutions.

Effectively managing risks on behalf of the community

Urban Utilities recognises that effective risk management is fundamental to delivering safe, reliable and affordable water and wastewater services to our customers and the community. As a statutory water distributor and retailer operating critical infrastructure across South East Queensland, we have a legislated responsibility to identify, assess and manage risks that could affect our ability to meet service obligations, maintain public health and safety, protect the environment, and deliver value for money.

In this section, we outline the historical development of our risk management approach, describe our current risk management strategies and processes, and explain the improvement initiatives underway to further strengthen our capability to manage emerging risks facing our business.

Risk Management – historical context

On establishment of Urban Utilities, Brisbane Water (Brisbane City Council) contributed the largest share of assets and operations, and its risk management policies and processes formed the foundation for the new organisation.

During these formative years (refer to Section 2), Urban Utilities focused on establishing standardised risk management practices across the newly consolidated business. Risk management activities concentrated on operational compliance, asset reliability and safety. The primary objective was stabilising service delivery across a broad regional network comprising legacy assets in varying conditions. Risk management also informed financial and investment decisions to support effective asset prioritisation.

Urban Utilities has progressively matured our risk management practices over time. During the mid-2010s, we transitioned to an enterprise-wide risk and opportunity model aligned with AS/NZS ISO 31000 (Risk Management). Enterprise risk management became integrated into core business functions including business planning, investment decision making, financial planning, business and service continuity, project management, environmental management, and health and safety.

We actively benchmark our risk management maturity against other national water service providers and utility and critical infrastructure organisations.

This benchmarking has guided continuous improvement of our Risk Management Framework. We participate in industry forums through the Water Services Association of Australia (WSAA) and Risk Management Institute of Australia (RMIA) to share practices and identify improvement opportunities.

In the early 2020s, we enhanced our Risk Management Framework based on these continuous improvement activities. This enhancement represented a further maturity step. The framework review formally connected and integrated the various risk processes and procedures that had developed across the organisation, creating a more cohesive and systematic approach to managing risk.

Current risk management strategies and processes

Urban Utilities' current risk management approach reflects the maturity developed through the evolution described above. The organisation now operates in a comprehensive enterprise risk management system that integrates risk considerations into decision making, from strategic planning through to day-to-day operations.

This system comprises six key elements, which are described in greater detail below:

- **Enterprise Risk Management practice**
  Our Enterprise Risk Management (ERM) practice enables us to understand uncertainty in a structured way before committing to major financial or investment decisions. This approach embeds risk analysis, managing risks, risk governance, and audit and assurance into business-as-usual. ERM enables risk-informed decision making at all levels of the organisation and aims to embed risk management as a continual management activity throughout all strategy development, planning, decision-making, project, operational, change and performance management activities.
- **Enterprise Risk Framework**
  Our Risk Management Framework (the Framework) provides simple guidance for all executives, leaders, employees and delivery partners in relation to the organisational structures, policies and arrangements in place to promote, integrate and improve the management of Urban Utilities' risks.

The Framework establishes risk principles, governance, policies, procedures, systems and processes to ensure the management of risk in an efficient, effective, and consistent manner.

- **Risk Management Policy**
  The Risk Management Policy expresses our commitment to risk management and provides an enterprise approach for dealing with the effect of uncertainty on our objectives using a consistent Risk Management Framework. The policy recognises that all individuals have a responsibility to manage risk, while focussing on the accountabilities of higher levels of management.
- **Risk Management Procedure**
  Our Risk Management Procedure (the Procedure) provides simple guidance for all executives, leaders, employees, and delivery partners in the day-to-day management of Urban Utilities' risks in a manner consistent with the Risk Management Policy and Risk Management Framework. The Risk Analysis and Management Process is embedded as an integral part of business management in each Business Group across Urban Utilities. The Procedure aligns with the Board approved Risk Appetite Statement, the overall objective of which is not to eliminate risk, but to ensure that risk is actively monitored and maintained at a level to achieve our strategic and operational objectives.
- **Risk Appetite Statement**
  The Risk Appetite Statement articulates, from the Board's perspective, how much risk is acceptable in pursuing our strategic direction and to promote a responsible approach to risk management. The organisation is focused on managing operations in a financially prudent manner, while accepting a level of risk where risk mitigation is disproportionate or excessive. When conducting a risk assessment, the general rules for accepting (or not accepting) risk applies. The overall objective is not to eliminate risk, but to ensure that risk is actively monitored and maintained at a level where we can be confident in achieving our critical outcomes.
- **Risk Governance**
  Our risk governance is based on the three lines of defence model.
    - The Executive Risk Committee advises the CEO in the governance and effective management of risks in accordance with the risk appetite and provides a forum for members to discuss risks that may materially affect business outcomes.
    - The Audit Finance and Risk Committee (Board Committee) is responsible for overseeing capital management, regulation and pricing, and financial management. Financial considerations and enterprise risks are an embedded requirement for any item going to committee. The Committee oversees all enterprise risks. Other Board committees oversee risks relevant to their remit.
    - The Strategic Asset Management Committee (Board Committee) assists the Board in the effective discharge of its duties by overseeing and providing advice on Urban Utilities' strategies, policies and systems for the management of assets to deliver services to customers and stakeholders. Duties and responsibility include Strategic Asset Management, Capital Investment Decision Making, Risk Management, Innovation and Continuous Improvement.
    - The Board's responsibilities as they pertain to risk management include:
        - Overseeing the implementation and effectiveness of the Risk Management Framework, and setting the risk appetite for management to operate within
        - Approving Urban Utilities' prices
        - Approving major capital investments.

Urban Utilities recognises that our current Risk Management Framework requires updating to address gaps in how the system operates in practice. In particular, the connection between strategic, enterprise and operational risks needs strengthening to ensure risk information flows effectively through all levels of the organisation.

To address these governance requirements, we have commenced a Risk and Compliance Improvement Program to revise the entire risk management program and enhance our risk capability. This program represents the next phase in the continuing maturity of the Risk Management Framework, process and practice. The improvement initiatives underway are outlined in further detail in the following section.

Risk management improvement initiatives

In November 2024, Urban Utilities completed an expert external review of our Risk Management Framework to support robust risk management and continuous improvement. The review identified areas for improvement while also recognising established good practices to maintain.

The review was initiated following organisational changes made to improve how we deliver safe and efficient water services, build trust, and shape our future. The timing of the review, also aligned with procurement of an enterprise Governance, Risk and Compliance (GRC) platform to ensure an efficient transition to a digital system for risk management.

The external review findings informed the design of the Risk and Compliance Improvement Program, to enhance enterprise-wide risk and compliance capabilities. A key objective of the program is to improve how Urban Utilities applies our risk management processes by enhancing the flow of risk information throughout the organisation. This will ensure accurate, reliable data supports informed decision making. The program will strengthen risk management practices by focusing on what matters most, improving clarity in decision-making, and further embedding risk-informed practices across the organisation. This work will help to effectively navigate the challenges facing the water sector.

The risk transformation program includes the following components:

- Redeveloped Enterprise Risk Structure
- Revised Risk Appetite Statement
- Updated Risk definitions
- Updated Consequence and Likelihood ratings and definitions
- Revised and Redefined material risk
- Developed risk control and verification approach
- Transition the management of risks into the new GRC platform
- Update all Risk Management Framework documents
- Update other supporting or connected documents and processes.

Two critical risk management artefacts underpin the transformation program: the Risk Appetite Statement and the Consequence and Likelihood descriptions.

These artefacts will enable Urban Utilities to clearly articulate our risk environment and guide decision making on trade-offs when pursuing strategic priorities and critical outcomes.

Risk Appetite Statement

The Risk Appetite Statement is being revised to align with our evolving risk profile and strategic priorities. The revision incorporates industry practices, develops clearer appetite descriptions and ratings, and establishes a structured framework for managing risks outside appetite. The refresh ensures that our risk settings and approach to managing and accepting risk are appropriate for navigating future challenges facing the water sector.

Consequence and Likelihood ratings

The Consequence and Likelihood ratings will operationalise the Board-endorsed risk appetite throughout every aspect of our business. These ratings will guide risk tolerance levels and direct business focus to the most important risks and controls. Once approved, this work will guide the review and redevelopment of all risks across the enterprise.

Once all risks are redeveloped using the new framework, risk management will transition into the GRC system. This will provide risk owners and assurers with the ability to manage their risks in real time.

The transformation work will enable improvements to risk reporting, making it more dynamic and focusing decision makers on what matters when considering risk trade-offs, prioritisation and investment in new risk controls and the effectiveness of existing controls. An example of this benefit is how the work will support revisions to capital investment and asset management strategies to drive cost-effective solutions now and into the future.

The Risk Appetite Statement and Consequence and Likelihood ratings are currently being finalised. Once complete, these foundational artefacts will enable the next phase of work to commence.

The work completed to date has revealed the need and appetite for us to accept or carry more risk in certain areas to enable reduction of risk in others. This capability will be crucial as we navigate the challenges and opportunities ahead. It will enable us to consider all aspects and different risk perspectives in decision making, both now and into the future.

4(B): ASSET MANAGEMENT

Key points

Urban Utilities has developed comprehensive asset management systems grounded in international standards and tailored to its diverse operating environment, spanning fast-growing urban areas, dispersed rural communities and mature networks.

Key features of our current asset management approach include:

1 Evidence-based planning approach

Urban Utilities applies a planning process that has moved beyond prescriptive, rules-based methods, to consider real system performance, local context and customer insights. The approach uses system data, scenario testing and modelling to identify more targeted and efficient solutions and transparently tests options under different futures. This strengthens investment decisions, supports prudent expenditure and provides flexibility to adapt planning as new information becomes available. The methodology continues to mature as data quality, modelling capability and planning tools improve.

2 Capital gateway process

All capital investments progress through a rigorous six-stage gateway process (Integrated Planning, Solution Optioneering, Project Delivery Planning, Risk Adjusted Maximum Price (RAMP) Development, Project Delivery/Implementation, and Project Closure/Benefits Realisation) with defined decision points ensuring prudence, efficiency and value for money at each stage.

3 Integrated planning methodology

This planning approach links long-term strategic direction (including 30–50 year Strategic Asset & Servicing Plans) with near-term investment planning at catchment and zone levels. It considers the whole water cycle, and tests multiple future scenarios for service demand, climate, regulation and asset performance. This methodology is continually strengthened as new data, technology and insights become available.

4 Tiered governance structure

Project approvals follow a Board approved delegation of authority and a pragmatic, complexity-based approach. Projects follow high, medium or low complexity pathways depending on their characteristics.

5 Asset Management Framework

This framework guides lifecycle planning and supports prudent and efficient expenditure through standardised documentation, mapped business processes, and ongoing improvement activities, informed by internal and external reviews. Operations are undertaken internally, and maintenance strategies are progressively improved through condition assessments, risk-based approaches and the adoption of emerging technologies.

Breakfast Creek Trunk Sewer Main Upgrade

Asset management is the cornerstone of our business

As an asset-intensive utility, efficient asset management is fundamental to our operations. We have developed comprehensive asset management systems and policies grounded in international standards, tailored to our operating environment and the specific needs of our customers. These systems and policies ensure we operate our assets safely and reliably, to meet customer and operational needs, while preventing harm to our people and the environment in a cost-effective manner.

This enables us to:


deliver customer value through effective management of assets


optimise cost and performance across the entire asset lifecycle


maintain asset integrity and reliability to ensure consistent service delivery


manage safety and asset related risks effectively for the organisation.

We apply an integrated planning approach to asset management that bridges long-term strategy with short-term delivery, focusing on outcomes and effects over traditional, rules-based planning.

This approach combines:

- ✓ structured planning through outcome alignment
- ✓ systems based thinking
- ✓ adaptive scenario where required.

Our capital gateway process is central to our asset management and integrated planning approach. The capital gateway process ensures that all investments, including business cases, abide by strict internal governance requirements. Every step of this process balances engineering, service and economic considerations and options analysis driving prudent and efficient investments, to effectively deliver the required outcomes and service standards that we commit to our customers.

We continue to adapt and refine our asset management systems and policies in response to changes in required standards and customer needs. One key workstream involves streamlining our two distinct physical infrastructure and IT infrastructure processes into a single harmonised process. This work began in 2025 to adopt a single enterprise approach to asset management and improve efficiency.

Planning and delivering capital works

Urban Utilities previously implemented our capital program under a traditional, rules-based planning framework focused on design prescriptions (refer to Section 2). While appropriate in simpler contexts, this prescriptive, one-size-fits-all approach is not well suited to the diversity and complexity of our service region.

Transitioning to a principles-based, outcomes-focused planning approach has enabled our business to remain prudent and efficient by tailoring solutions to each location and challenge, rather than applying standard designs to diverse regions. This flexibility allows us to identify the most cost-effective options, prioritise investment, and adopt innovative or lower-cost alternatives.

It has also strengthened our ability to understand and manage uncertainty across growth, climate, asset condition and service risk, through adaptive pathways, evidence-led risk assessments, and decision gates.

In practice, this planning approach delivers the following benefits:

Prudence and Efficiency
Develops efficient investment plans that deliver the best value for customers while ensuring solutions remain adaptable to future uncertainties.

Regulatory and Legislative Compliance
Ensures regulatory requirements are identified, assessed and satisfied through the delivery of capital solutions across the Urban Utilities asset base.

Servicing Strategy Alignment
Aligns all investments and initiatives with Urban Utilities' long-term servicing strategies, organisational priorities and overarching business goals. A draft Servicing Framework is currently being updated.

Integration
Brings together data and insights, cross-functional teams, multi-disciplinary experience, partner capability and third-party expertise, to deliver the most cost-effective and technically sound solutions across catchments and zones.

Customer and Community
Enables the ability to embed customer and community insight in the planning process to ensure solutions address the problems that matter most to our customers and reflect local priorities and expectations.

Integrated Water Cycle Approach
Promotes a whole-of-water-cycle perspective that recognises Urban Utilities operates as part of a larger water cycle, and that delivering efficient and effective services requires planning and action that reflect the full water cycle and its interdependencies.

The capital gateway process for planning and delivering capital works[25]

Urban Utilities applies a capital gateway process to the planning and delivery of our capital works, consisting of five major gates or decision points in the planning and delivery of capital projects.

This process forms part of our internal governance arrangements and contributes to achieving our statutory and strategic obligations by providing regular checks at defined decision gates, as a project proceeds through planning and delivery.

At each step, cross functional teams assess the project to ensure that all capital expenditure is prudent, efficient, the best value for money and achieves the required benefits.

We have refined the capital gateway process through three separate third party reviews in recent years. This has allowed improvements to the process iteratively, optimising asset management practices across the asset life cycle.

We have also prepared a range of internal documentation, ensuring that all our relevant staff are familiar with the capital gateway process fostering an internal culture dedicated to prudence, efficiency and customer value.

The gateway review process consists of six stages:

STAGE 1

Integrated Planning and Services Planning. Gate 1 approval, including permission for the project to be created and enter the Capital Investment Plan (CIP).

STAGE 2

Solution Optioneering and Options Business Case. Gate 2 approval, including permission for the project to proceed with a preferred option from solution identification to detailed design and delivery, having demonstrated a prudent investment decision based on project benefits and option selection.

STAGE 3

Project Delivery Planning and Delivery Business Case. This culminates with Gate 3 approval, including Market Ready Design and confirmation of the preferred Delivery Business Case.

STAGE 4

Project and RAMP Development. Gate 4 approval, including approved Risk Adjusted Maximum Price (RAMP) for the ECI and Works Delivery, validation of price to deliver the investment, and achieve the project benefit/s.

STAGE 5

Project Delivery and Implementation

STAGE6

Benefits Realisation and Project Closure.

At each stage, we continually test the need and timing of interventions to ensure that any changes in risk appetite and service outcomes are reflected in capital expenditure forecasts.

Key elements of the investment process include:

- A governance process involving representation from all key business areas. Investment submissions address both cost and non-cost drivers – including detailed analysis of financial implications, community and stakeholder impacts, strategic risk alignment, environmental considerations, legal and compliance obligations, and safety. Each submission outlines the specific risks associated with the investment, the mitigation strategies in place, and how these risks have influenced the recommendation.
- Every project undergoes a comprehensive evaluation of options based on both cost and non-cost criteria. This process provides clarity on the scope required to achieve the desired investment outcomes.
- Investments that are not considered prudent are subject to the Capital Challenge process, which provides an additional layer of scrutiny to ensure alignment with strategic priorities and prudent, efficient investment.

[25] *Urban Utilities, Gateway decision process: Infrastructure capital works, Procedure.*

Outcomes-driven integrated planning

As outined above, the first stage of the capital gateway process involves integrated planning. This stage identifies the capital and operational interventions required to enable us to provide safe and efficient water supply and wastewater services to customers.

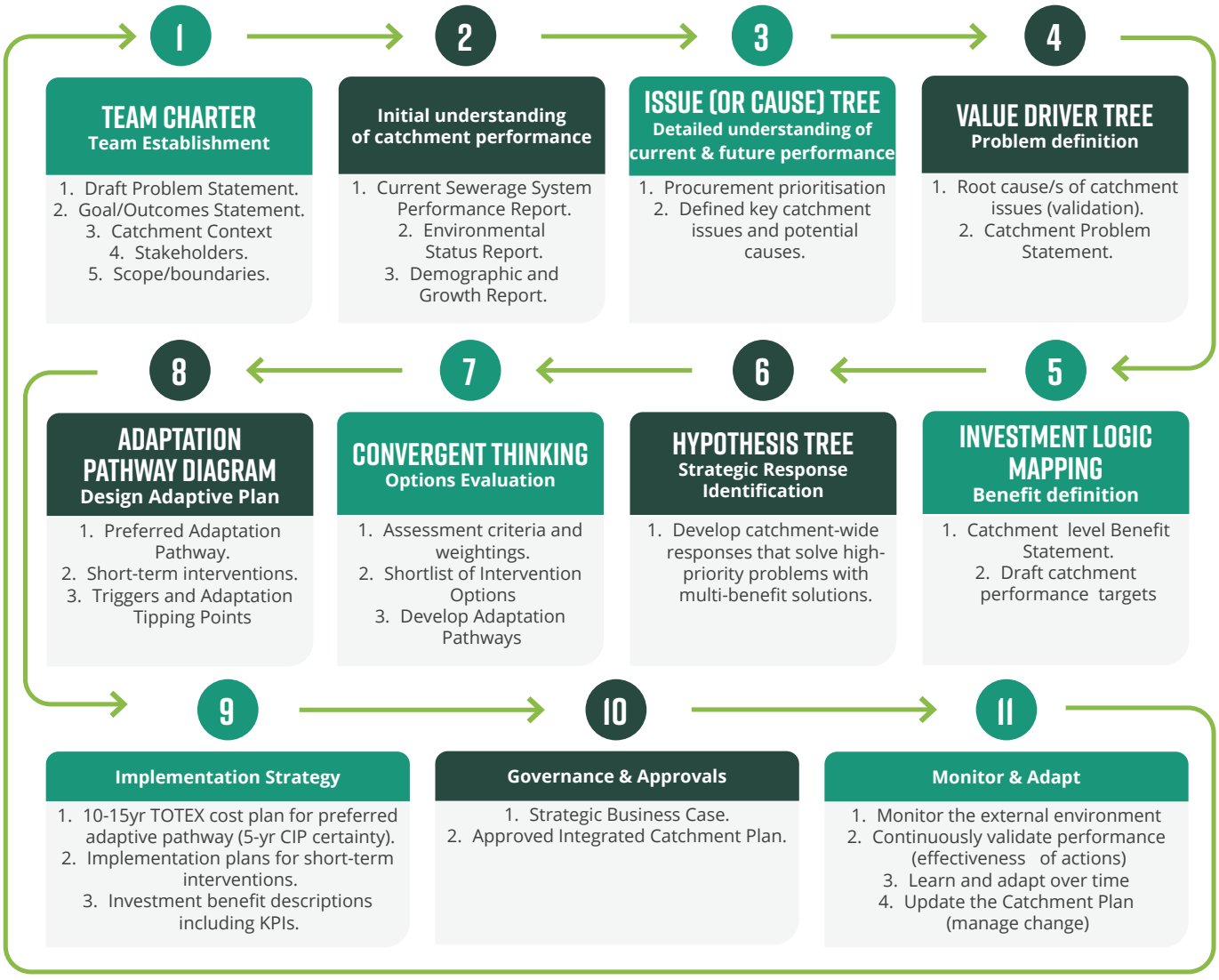
This integrated planning process identifies, assesses and develops the preferred adaptation pathways and produces strategic business cases. These strategic business cases are developed to seek approval for investment and expenditure allocation for the delivery of engagement, capital infrastructure, operations, and maintenance requirements. We depict this integrated planning process in Figure 4.1 below.

Outcomes and effects drive this integrated planning process. There are three key differences between our integrated planning process and other more traditional planning processes. These differences are outlined below and are supported by case studies.

Firstly, Urban Utilities prioritises alignment between planning and clearly defined outcomes – such as service levels, environmental targets, performance and customer value – rather than defaulting to standardised design rules. This includes:

- focusing on critical performance outcomes across the asset base
- executing through investment planning at catchment and zone level
- selecting cost-effective investment pathways, reducing costs to customers.

Figure 4.1: Capital planning and delivery process[26]



[26] *Urban Utilities, Asset management framework, Integrated Planning Manual*

CASE STUDY:

Water Pressure Mains – Challenging Risk Appetite and Optimising Total Cost of Ownership

The Water Pressure Mains Strategic Asset Class Plan (SACP) demonstrates how Urban Utilities' planning framework drives continuous improvement, challenges risk settings and optimises total cost of ownership. It provides clear line-of-sight between service standards, asset condition, risk exposure and long-term investment needs, forming the technical and economic basis for future capital investment.

Scenario modelling across cost, risk and performance, prompted a reassessment of our risk appetite, particularly for smaller reticulation mains – and identified a preferred approach that combines proactive renewal of extreme-risk assets with targeted reactive intervention for lower-risk segments.

This strategy maintains performance while reducing lifecycle costs, enabling re-profiling of more than $300 million over the 10-year horizon. Through our adaptive planning framework, further refinements will continue to be made as asset understanding and performance data improve, ensuring decisions remain prudent, efficient and evidence-based.

Overall, the SACP illustrates how improved data, clearer service expectations and risk-based planning have strengthened decision-making and delivered a more prudent and efficient long-term investment path.

Outcomes-driven integrated planning cont.

Secondly, our integrated planning process considers the entire water system, spanning water supply, catchments, zones, and receiving environments.[27] This enables planners to:

- make the most impactful decisions through integrated planning with stakeholders, regulators, and other utilities
- identify and eliminate system-wide inefficiencies
- coordinate investments to optimise total system performance.

CASE STUDY:

Regional Water Quality Improvements – A Systems Approach to Safe Drinking Water

Urban Utilities' integrated planning framework has enabled a more coordinated and effective approach to managing water quality risks across Southeast Queensland. Working with Seqwater and other distributor-retailers, we applied a whole-of-system perspective to assess water quality performance across the entire South East Queensland water grid, rather than within traditional organisational or asset boundaries.

By focusing on shared public health outcomes, removing legacy boundaries and adopting a total cost of ownership approach, the joint planning process identified the most effective intervention points to improve disinfection performance for over 300,000 customers, many of which were on Seqwater's bulk water assets.

Implementing these system optimal solutions avoids unnecessary duplication of infrastructure and delivers stronger water quality outcomes for customers.

If Urban Utilities had sought to address these risks independently within its own network, the required capital investment would have been significantly higher for no additional benefit. This case study demonstrates how the planning framework enables traditional asset boundaries to be successfully challenged leading to improvement in drinking water quality at the lowest prudent and efficient long-term cost.

[27] *Urban Utilities: Asset Management System, Framework*

Outcomes-driven integrated planning cont.

Thirdly, our integrated planning process integrates a range of future scenarios into the planning process, future proofing investment decisions. This includes scenarios with variations in:


customer demand


climate conditions


regulatory requirements


asset performance.

This adaptive planning approach:

- ✓ supports scalable, flexible infrastructure investments;
- ✓ enables resilience under uncertainty; and
- ✓ ensures efficiency and relevance over the asset life cycle.

Pragmatic approach to project approvals and governance

Urban Utilities has a rigorous process for evaluating the prudence, efficiency and value for money of our capital projects.

- Specifically, Asset Management Framework including:[28]
  - o **Urban Utilities Board,** providing leadership in asset management and responsible for approving the asset management policy statement, as well as monitoring alignment between Urban Utilities' overall corporate strategy and its activities.
  - o **Strategic Asset Management Committee,** a standing committee appointed by the Board that oversees and provides advice on Urban Utilities' strategies, policies, and systems for the management of assets to deliver services to customers and stakeholders.
  - o **Executive Leadership Team,** which approves strategic and operational planning objectives, and are responsible for monitoring performance and ensuring that these objectives are achieved.
  - o **Asset Management Governance group,** which is responsible for implementing the asset management system and ensuring its use becomes a business-as-usual activity across all teams that play a role in asset management and who interact with the system.
  - o **Investment Committee,** which includes an independent Technical Advisor and endorses proposed major capital investment decisions for subsequent CEO or Board approval.
  - o **Investment Assurance Group,** which considers and challenges options and endorses projects for approval by the relevant delegated authority.

Consistent with established best practice, our project governance ensures projects with higher dollar value and complexity are subject to more rigorous approval processes. For example, the relevant Board delegated authority responsible for approving a project will differ depending on the dollar value of the project.[29]

[28] *Urban Utilities: Asset Management System, Framework*

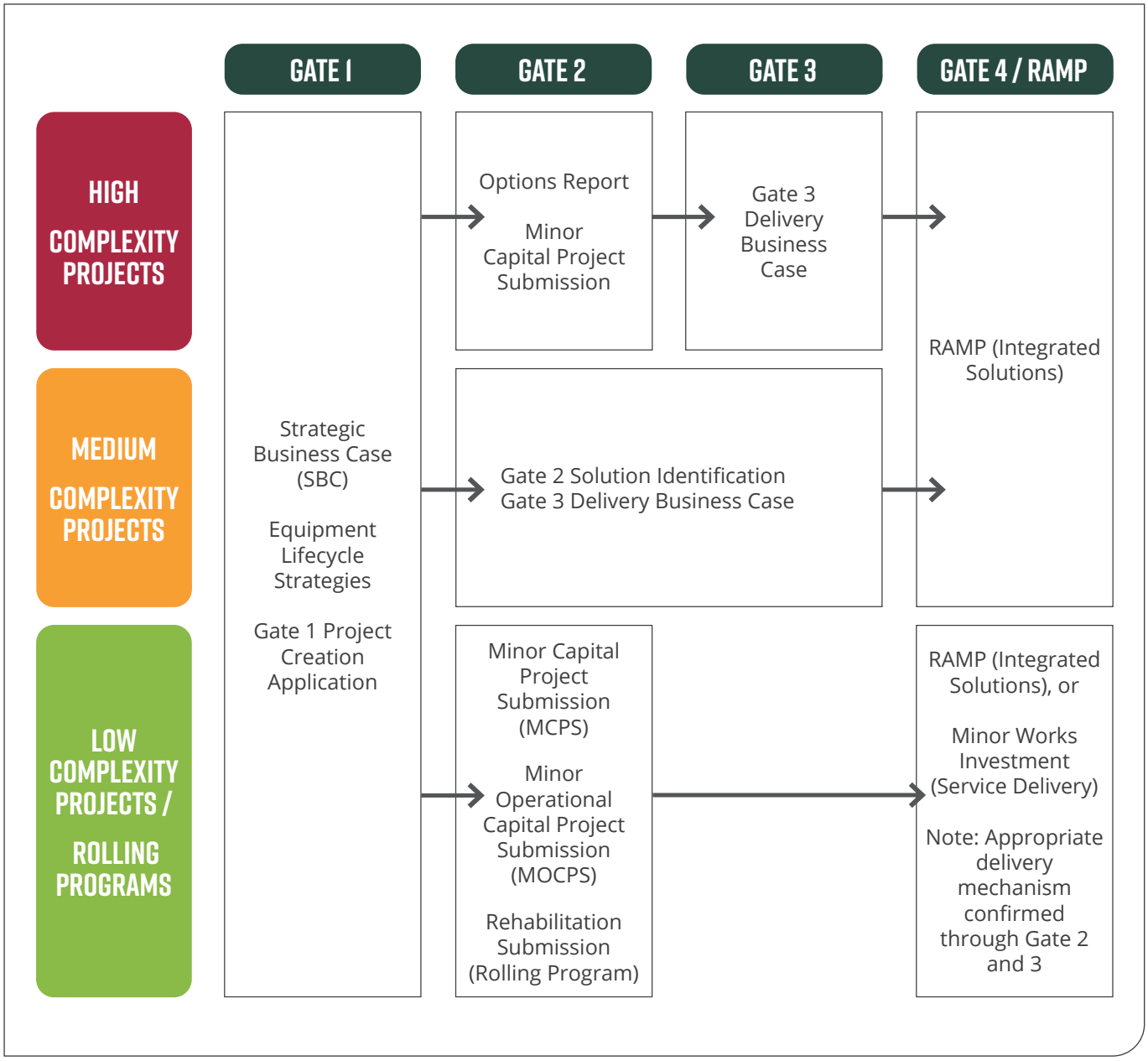
[29] *Urban Utilities, Gateway decision process: Infrastructure capital works, Procedure*

Pragmatic approach to project approvals and governance cont.

Each project will also go through one of three capital investment pathways with varying levels of required documentation depending on project complexity, as shown in Figure 4.2 below. The three capital investment pathways correspond to:

- high complexity projects
- medium complexity projects
- low complexity projects or rolling programs.

Figure 4.2: Capital project pathways[30]



[30] *Urban Utilities, Gateway decision process: Infrastructure capital works, Procedure*

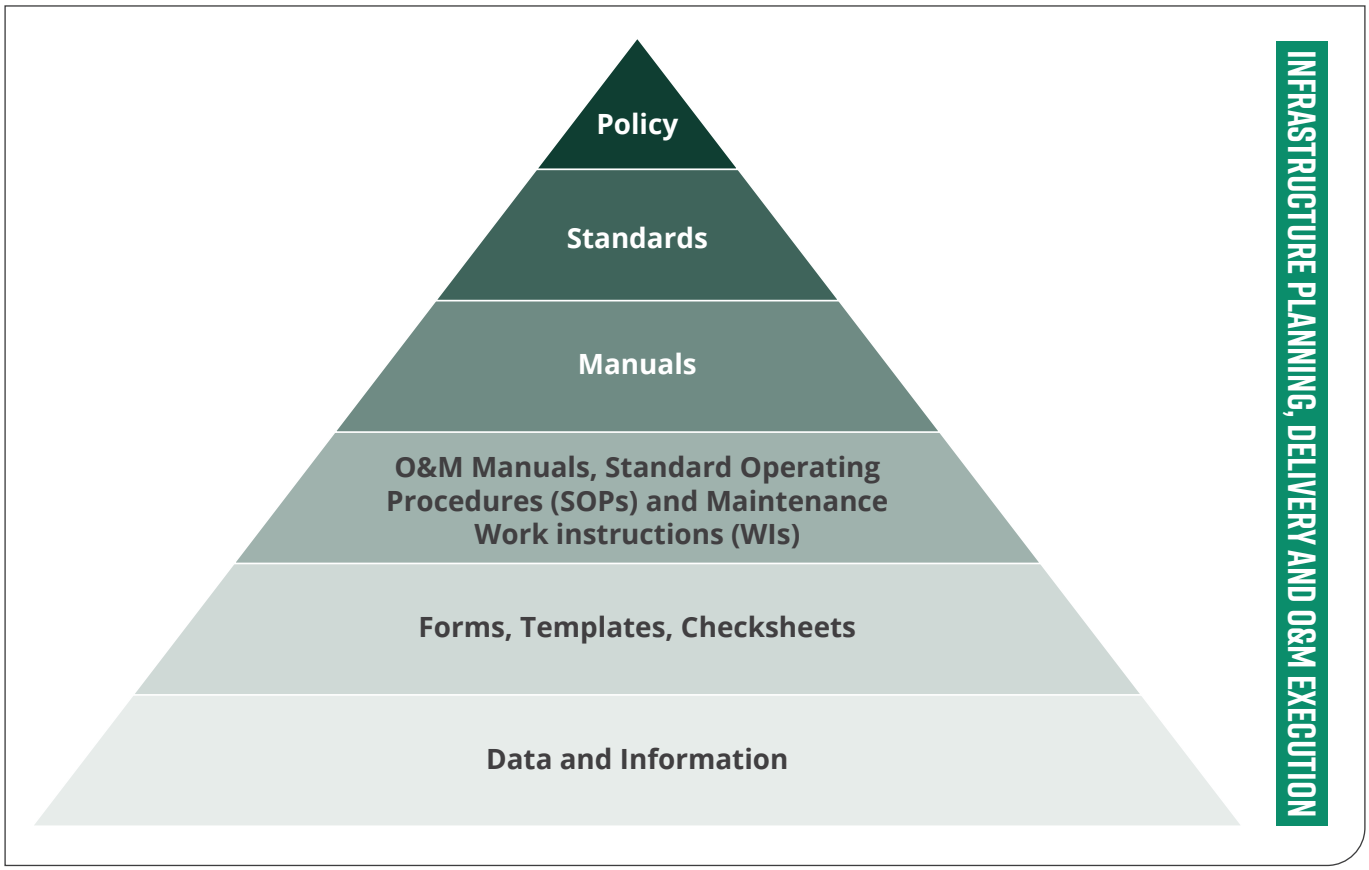
Current asset management systems and processes

Asset management system

- We implement our Asset Management Policy through our Asset Management Framework, which aims to ensure prudent and efficient expenditure, optimised operating performance, and wherever possible, downward pressure on bills for our customers to support affordability outcomes.[31]
- This framework is consistent with a typical corporate document hierarchy, whereby each document lower in the hierarchy aligns with and is consistent with those above it. We show this hierarchy in Figure 4.3 below.

The Urban Utilities Asset Management Policy is at the top of the document hierarchy. It defines the principles behind the management and safe operation of our assets, and is used to keep our people safe and reliably meet environmental compliance requirements and our customer and operational needs in an effective and efficient manner.[32]

Figure 4.3: Asset Management System Framework document hierarchy



[31] *Urban Utilities, Asset Management System, Framework*

[32] *Urban Utilities, Asset Management Policy*

We have adapted the Institute of Asset Management's conceptual model as a starting point when developing our Asset Management Framework (AMF). As Figure 4.4 on following page shows, the core components of the framework include:[33]

The Asset Management Policy, which outlines the Board and Executive Leadership Team (ELT) intent for implementation of effective asset management in delivery of services to our customers and communities

- Two of our asset management objectives, namely:
  - shape and grow our future, supported by our strategy and planning business processes
  - safe and efficient water services every day, supported by our build, operate, maintain, and dispose business processes
- Four supporting systems, namely:
  - interfacing management systems
  - data and information systems
  - our corporate management framework
  - performance evaluation and management system improvement.

The main objectives of Urban Utilities Asset Management System are to deliver:

- customer value through effective management of assets
- optimisation of cost and performance across the entire asset lifecycle
- ensure the integrity and reliability of assets in service of delivery of their function
- effective management of safety and asset related risks for the organisation.

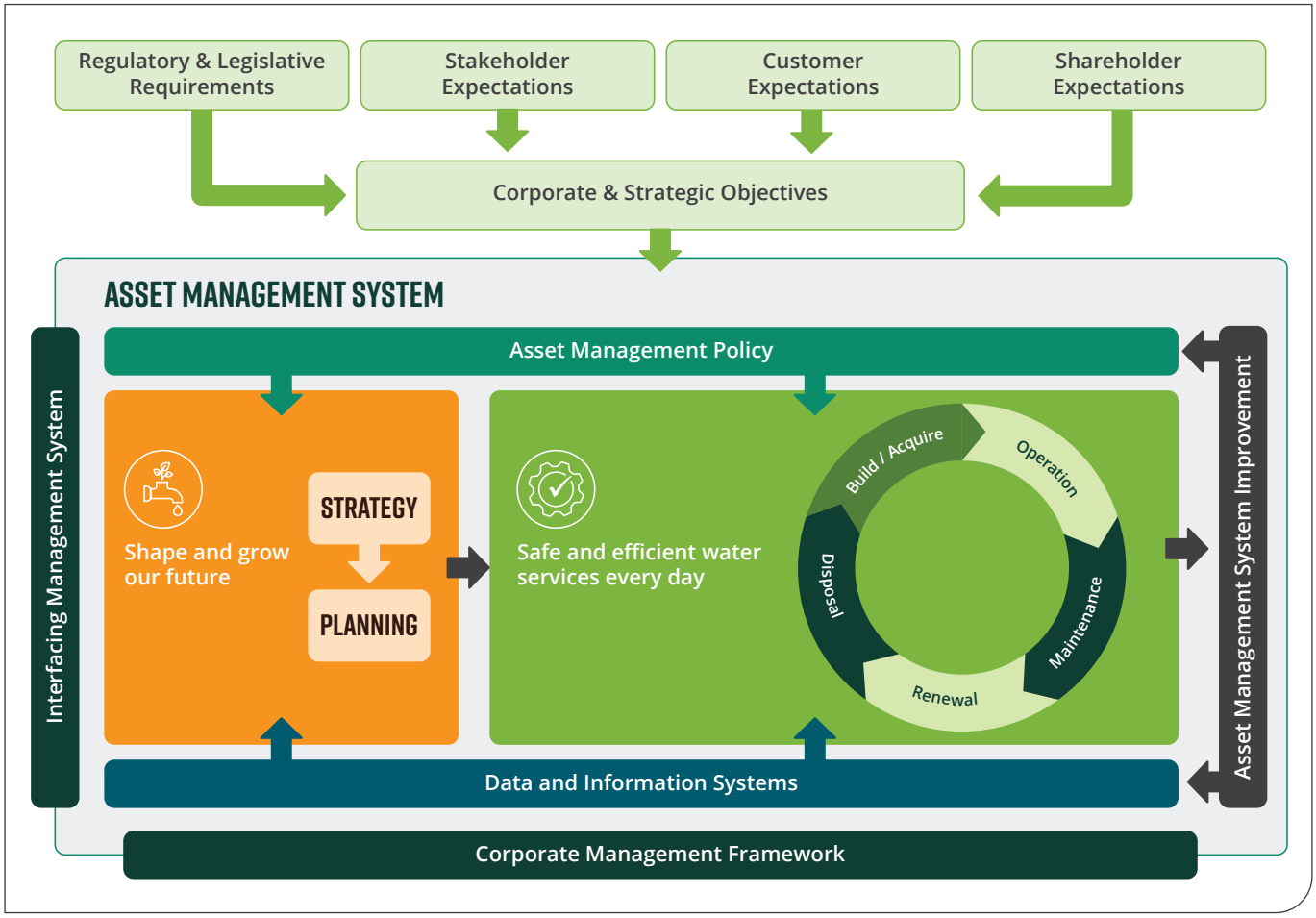
The intent of the Asset Management Policy is implemented across the organisation through the AMF. The AMF aims to ensure prudent and efficient expenditure, optimised operating performance, and delivery of the lowest possible cost to customers to support affordability outcomes.

By providing end-to-end asset lifecycle governance, consistency, and alignment across Urban Utilities, the AMF improves asset understanding, streamlines workflows, enhances productivity, and optimises asset performance. This, in turn, helps reduce the need for unnecessary capital investment through operational excellence.

The AMF describes in more detail the key components of our Asset Management System, as well as the connections between each element in the deliveryof asset management.

[33] *Urban Utilities, Asset management system, Framework.*

Figure 4.4: Asset Management System Framework schematic diagram



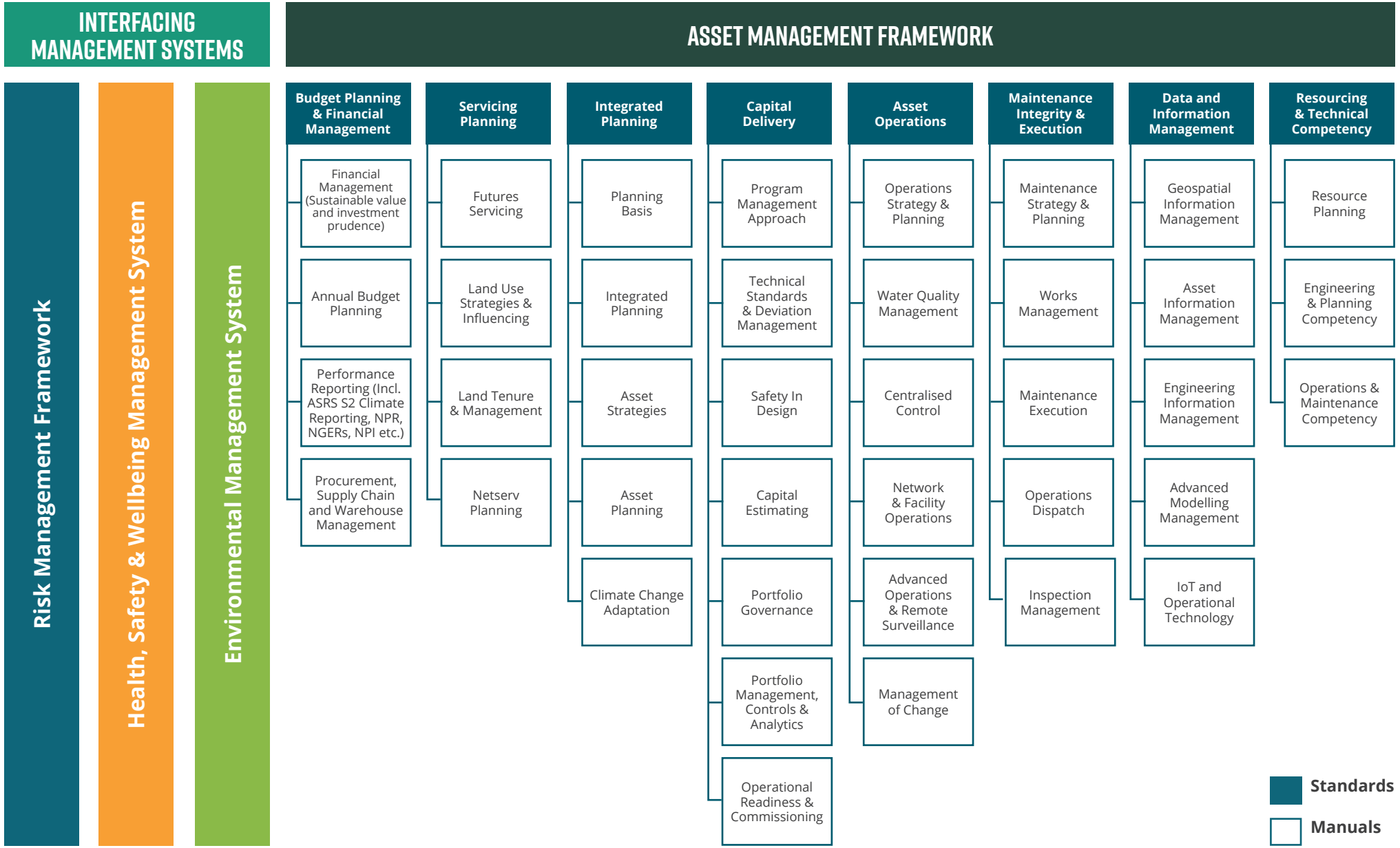
Asset Management Framework Approach

The AMF outlines the adopted approach for execution and continuous improvement of asset management at Urban Utilities. There are two core focus areas:

- Management System Standards and Manuals – Management system documentation that clarifies the minimum and best in class requirements for delivery of core asset management functions spanning Planning and Operational Finance, Service Planning, Integrated Planning, Capital Delivery, Asset Operations, Maintenance Integrity and Execution, Data and Information, and Resourcing and Technical Competency.
- Business Process Development – Process decomposition and mapping of core asset management functions across the asset lifecycle including Servicing Strategy, Planning, Delivery, Operate, Maintain, Support and Assure, Engage and Enable.

A summary of the AMF architecture is provided in Figure 4.5 on the following page.

Figure 4.5: Asset Management Framework architecture



Asset Management Framework Approach cont.

The AMF Standards are intended to clearly outline process overview, statements of intent, minimum and best in class requirements, ownership and assurance responsibilities. The AMF Manuals outline the "what and how" of Urban Utilities' ways of working, combining business process mapping with technical expertise, to provide prescriptive guidance and foundational reference material that supports the effective and consistent delivery of services.

The standards and manuals are intended to deliver efficient and standardised ways of working to improve consistency in delivery of services across the asset lifecycle to meet the objectives of an effective asset management system.

The approach ensures all business functions have clear cascaded business process ownership from Executives, through to General Managers to line management, including accountability for the development and maintenance of the standards and manuals within their subject matter area.

Asset Management Plans

Urban Utilities' capital program is the output of a structured and transparent Integrated Planning process embedded within the AMF. This process ensures that long-term servicing plans and investment priorities are evidence-based and directly link asset management planning to the delivery of customer and community outcomes.

The Integrated Planning approach is designed to bridge long-term strategy with short-term delivery. It is guided by the Integrated Planning Standard, which sets out the statements of intent, minimum expectations and best-in-class requirements for delivering planning activities. The standard is supported by the Integrated Planning Manual, which prescribes the detailed ways of working required to align to the standard.

The process comprises:

- Strategic Asset & Servicing Plans: typically 30 to 50 year horizon analysis of water, wastewater and recycled water systems, incorporating total cost of ownership, demand forecasts, regulatory drivers, climate resilience and interdependencies with local government land-use planning.
- Integrated Catchment, Zone and System Plans: these translate long-range planning into 10 to 20 year defined pathways for meeting future demand, compliance obligations, risk and resilience requirements.
- Facility and Asset Class Plans: these provide 10 to 20 year investment pathways for critical facilities (e.g. wastewater treatment plants, trunk mains) and asset classes (e.g. water mains renewal, water reservoirs), supported by asset condition, performance and risk analysis.
- Capital governance and the gated process: all proposals from these plans enter the gated investment process, where they are tested against risk reduction, lifecycle cost, deliverability before either execution or capital challenge.

The integrated process uses Operations and Maintenence performance data and evidence, value driver trees, and investment logic mapping to link service needs and strategic alignment to proposed interventions, providing clear visibility of operational expenditure and capital expenditure impacts.

Each Integrated Plan begins by identifying the current performance and subsequently the service outcomes required. The value of these outcomes is then established based on regional and local context across Urban Utilities service region.

Asset Management Plans cont.

Key inputs to the Integrated Planning process include:

- system performance, existing and forecast risk information
- service standards
- long-term investment profiles and strategic water cycle planning inputs (renewals forecasting, climate change adaptation, population growth and demographics)
- operating environment requirements and objectives (customers, environment, regulators, stakeholders, workplace health & safety)
- strategic settings and responses (servicing strategies).

This process ensures that projects in the capital program are linked back to a service outcome, risk, and driver (e.g. growth, renewal, compliance etc) identified in planning.

The Integrated Planning process is subject to ongoing internal and external assurance, ensuring it continues to evolve with regulatory expectations, customer needs and sector best practice. Independent engineering reviews, Board oversight, and regular updates to planning standards, manuals and management plans help to maintain a robust link between asset management planning and capital delivery.

Continuous improvement

In 2024 a refresh of the Asset Management Continuous Improvement Program was undertaken by a multi-disciplinary, cross functional integrated team in response to external audit findings, employee surveys and asset performance.

An update to the AMF was developed, incorporating a multi-facteded approach spanning business process, asset management standards and manuals to enable operational excellence foundations to be established and maintained.

Asset operation

At Urban Utilities our operation of the assets is managed by the below two internal Groups in a shared capacity:

- Network Operations – responsible for water, sewer and recycle water pipes, stations, and reservoirs, etc
- Treatment Operations – responsible for assets within the wastewater treatment plant boundaries.

We use SCADA systems and emerging technology such as Internet of Things (IoT) devices to monitor and control asset operations across all sites within our service region. These technologies support direct surveillance and operational control of assets, performance optimisation, and predictive or responsive maintenance in a cost effective manner.

In addition, we develop strategies to guide operational execution based on the integrated planning system level performance targets and objectives on a sewer catchment and water zone basis. These operations strategies define critical activities to achieve the integrated planning performance targets and objectives using a people, process, and technology approach.

Asset maintenance

Urban Utilities undertakes maintenance planning to ensure asset integrity, reliability, safety and regulatory compliance, in line with industry standards to deliver our critical water and wastewater services. We utilise a range of maintenance strategies, as demonstrated in Figure 4.6 below, designed to optimise asset reliability and availability, minimise unplanned downtime, extend asset life and minimise total asset ownership cost.

Figure 4.6: Asset maintenance segmentation

Maintenance Type	Activity
Preventative Maintenance	A preventive maintenance schedule is established based on manufacturer recommendations, historical data, and asset risk assessments. Schedules and cost estimates are managed in Ellipse, (Urban Utilities' Enterprise Asset Management System) and adherence to the schedule ensured through effective maintenance planning and scheduling.
Responsive and Corrective Maintenance	Responsive and corrective maintenance is conducted to address failures and restore functionality promptly. All activities are documented in Ellipse, including failure, cause and remedy codes, to support analysis and continuous improvement.

Our annual operating expenditure includes allocations to support delivery of maintenance activities across our asset base. Most of the assets that we own and operate are part of an asset maintenance and inspection regime that has a defined timeframe that we continuously optimise and improve.

Our maintenance process encompasses:

- the development of maintenance strategies
- the implementation of maintenance programs
- the execution of maintenance tasks and
- the quality assurance of these activities.

Our maintenance strategies, programs and tasks are developed and managed in house, as is our civil maintenance delivery. However, our mechanical, electrical and control system maintenance execution is outsourced to third party suppliers.

We also inspect our assets periodically through condition assessment programs that capture asset structural condition, remaining life, and recommendation in line with Institute of Public Works Engineering Australasia (IPWEA) practice note 7. This ensures assets and equipment are in optimal condition to achieve their functions and any variation is identified early and addressed accordingly. Condition assessment programs are determined based on factors such as asset age, criticality, location and cost–benefit of the inspection.

With the ongoing maturity of our maintenance approach, we will be able to consider equipment performance, criticality, locations, and operating conditions to optimise preventative maintenances activities and schedules. Achieving this requires improving data, process and technologies to guarantee successful implementation and the sustainable management of these changes. Further details on our data and information management systems are shared below.

Aside from maintenance, we also undertake:

- asset renewal, informed by asset risk and condition data through annual condition assessment programs
- asset disposal, taking into consideration safety, environmental impacts, disposal costs and heritage issues.

Approach to demand management

Bottom-up demand forecast updates are developed, checked, reviewed and approved bi-annually. Forecast information is subsequently provided to Seqwater for bulk water demand consideration, finance and planning teams for incorporation into business planning activities.

Seqwater considers each South East Queensland operator's forecasts and independently compares the projected trendline to historical baselines and demand growth. The forecasts are independently refined for the separate purposes of water resource, treatment and bulk transportation infrastructure planning. This is separate to South East Queensland distributor-retailer distribution and customer service infrastructure planning.

Because a significant portion of our customers' water costs comes from bulk water charges, water efficiency and demand management are key priorities in our approach. Helping our customers be more water efficient not only delays the need for major investments by Seqwater in water security infrastructure, but also empowers them to manage their own usage and keep downward pressure on bills.

Implementing demand management activities is an immediate way in which we can help keep downward pressure on our customer's bills, manage finite water resources and help to create a resilient water security situation in the face of climate change. Urban Utilities is working actively to manage water demand in our service region through a number of key activities and investments including;

Education Programs – our Water Savvy Schools and Community Events Program is focused on enhancing water literacy and helping our community to understand and support our servicing strategy including the importance of wise and prudent water use.

Pressure Management Investments – our pressure management activities are extending pipe asset life, reducing water lost in our network, and enable our customers to benefit from a reduction in water use in their homes and businesses. (WSAA research shows that a 15% reduction in average network pressures will lead to a 3.5% reduction in household water consumption).

Active Leak Detection – active leak detection plays a crucial role in reducing water losses across our network and forms a core part of our service delivery efforts.

Smart Networks Activities – starting with the Kilcoy IoT Pilot Smart Metering Project. This project will assist us in reducing water losses across the network and in our customers' homes and businesses, by providing better and more immediate access to water use information.

It is also important that non-revenue water is reduced. Non-revenue water consists of "real water losses" (i.e. leaks in the water network) and apparent losses (metering or billing errors). To reduce non-revenue water, we verify Seqwater bulk meters for accurate billing, test domestic meters to guide replacement decisions, and audit larger customer meters to safeguard revenue and ensure equity across customer categories.

Asset management improvement initiatives

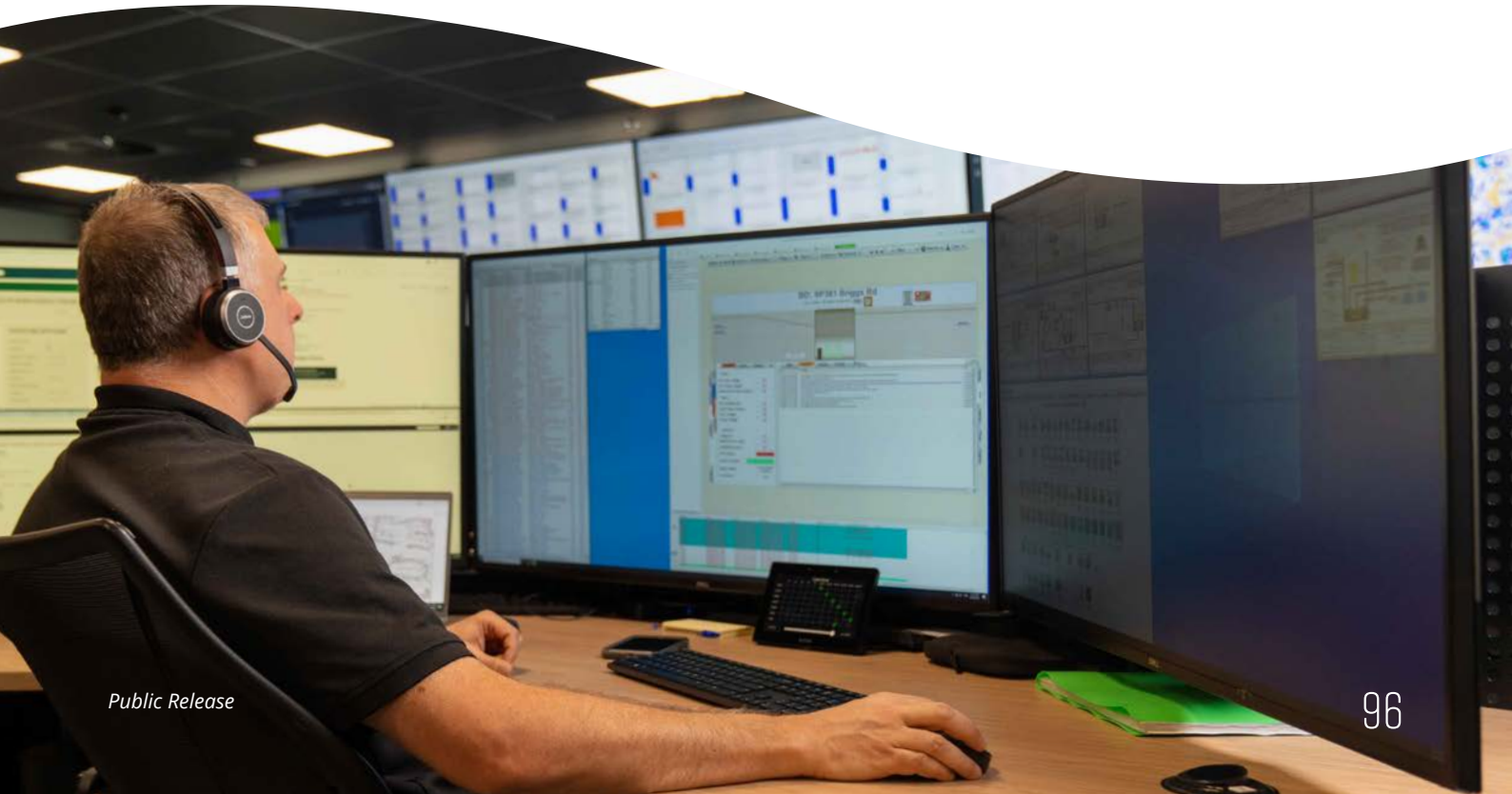
We have identified three main initiatives to improve our approach to asset management, namely to:

- undertake periodic reviews of our asset management approach, including engaging independent consultants to audit and evaluate our approach to facilitate continuous improvement.
- conduct more extensive stakeholder engagement on our high-level asset management strategy, including our capital investment plans.
- improve our use of our data and information management systems. For example, predictive maintenance is an emerging component of our maintenance activities. We expect that ongoing improvements in our data collection and analysis will lead to material cost savings and lower prices for our customers.

These initiatives build upon our efforts to use technology to better understand our assets and improve the efficiency of our asset management.

Examples include:

- REDIT, our Receiving Environment Digital Twin, is a technical tool designed to enable scenario testing, enhance our understanding of impacts on waterways, and guide future asset and operational investment decisions. The solution has been updated to incorporate proposed Capital Investment Program outlays and 2032 Brisbane Olympic and Paralympic Games requirements known at this time.
- Sewer relining programs, are sequenced based on a risk and performance assessment basis, and in some cases can extend asset life by up to 20 years.
- Remote monitoring devices and use of CCTV and SCADA for inspections and operations, are targeted tools to make more efficient, evidence-based decisions.
- Adaptive maintenance scheduling that enables adjacent unanticipated works to be addressed immediately upon inspection, rather than being deferred to a future crew.



4(C): PROCUREMENT MANAGEMENT

Key points

- Urban Utilities has progressively matured its procurement function since establishing a dedicated team in 2013, culminating in a launch of a comprehensive Procurement and Supply Chain Strategy in October 2024 (refer to Section 2). This strategy outlines a multi-year transformation program to uplift capability across policy, procedures, processes, systems and teams.
- The procurement framework is guided by principles of value for money, transparency, integrity and accountability. Operating from established policies and procedures, the framework is designed to manage risk and compliance, while fostering innovation and supporting business outcomes.
- Recent strategic delivery achievements include, establishing the Next Generation for Delivery (NG4D) contract framework for capital investment, implementing the One System for Maintenance (OS4M) program introducing demand management and expanded inventory management, and delivering innovative solutions for the Biosolids Recovery Project following the 2022 flood event.
- As part of the transformation program, we are introducing a new operating model with lifecycle category management, enhancing governance and compliance – including contract management – implementing a supplier risk management platform, and developing better frameworks to track benefits and capture negotiated savings and value across the procurement lifecycle.

Procurement practices deliver value through sustainable, integrated supply solutions

Urban Utilities recognises that effective procurement and supply chain management is fundamental to delivering efficient services and maintaining value for customers. Through the planning and delivery of sustainable, integrated supply solutions, procurement underpins organisational cost optimisation, operational efficiency, stakeholder trust, and continuous improvement. This approach ensures that expenditure is optimised, while managing risk and maintaining service standards.

In this section, we outline the evolution of our procurement function, the frameworks and systems that guide current practice, and the transformation program underway to further enhance procurement maturity.

Historical context

Since our inception, Urban Utilities has driven continuous improvements across our procurement and supply chain functions. Key milestones in this journey include:

- establishment of a dedicated procurement team in 2013, representing a significant milestone in governance and organisational maturity
- centralisation of the supply chain function in 2019 and the amalgamation of the procurement and supply chain teams and centralisation of our procurement function in 2021
- establishment of the Procurement Excellence Program in 2023, in recognition of the continued evolving landscape we operate within
- establishment of a Procurement and Supply Chain Strategy in October 2024, laying out a multi-year transformation and improvement program to uplift capability across all procurement and supply chain policy, procedure, process, systems and teams. The formerly established excellence program was amalgamated into this agenda.

Current procurement systems and processes

The procurement and supply chain function operates within established corporate and functional frameworks. This includes:

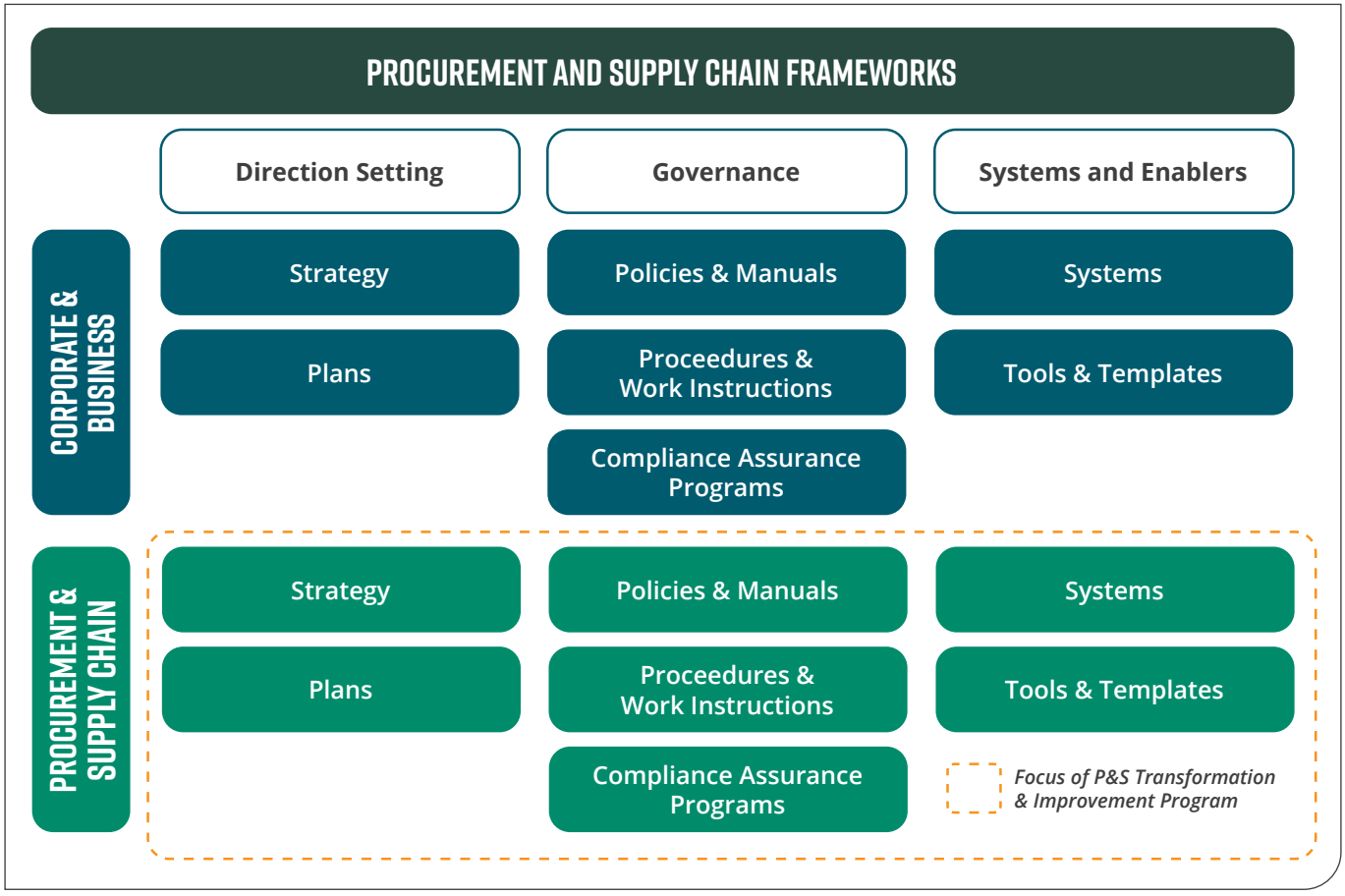
- an overarching Procurement Policy
- procurement procedures, for both direct and indirect sourcing
- Contract Management Procedure.

Our Procurement Framework aims to maximise the benefits and value delivered through the acquisition of goods and services for our business, stakeholders, customers, and the broader community. Guided by principles of value for money, transparency, integrity, and accountability, the framework also advances economic, environmental, and social objectives.

We focus on managing risk and compliance, ensuring scalable and efficient processes, fostering innovation, and supporting the business to achieve shared outcomes.

Figure 4.7 below outlines the framework in which the function operates. A transformation and improvement program has been established that includes targeted initiatives across all areas of our functional framework (direction, governance, and systems), while also addressing key corporate elements such as policies and manuals (for example delegations of authority) and systems (for example enterprise resource planning).

Figure 4.7: Procurement and Supply Chain Framework architecture



Delivery of procurement outcomes

The Procurement and Supply Chain team has a proven track record of delivering high-impact, value-adding outcomes for our business.

In recent years, the team has delivered many strategic initiatives aligned to business strategy and objectives, including what we would consider to be three of our most significant for the next decade:

- Following a comprehensive, multiphase procurement process, we established the Next Generation for Delivery (NG4D) contract framework entering into agreements with an Integrated Services Provider and two Delivery Group partners. This milestone introduced a unique and commercially attractive partnership model that will underpin the successful delivery of a multibillion-dollar capital investment program over the next ten years, driving efficiency, safety, and enduring value for customers and stakeholders.
- We completed a series of rigorous procurement processes to enable delivery of the One System for Maintenance (OS4M) program, appointing a delivery partner for mechanical, electrical, and control systems maintenance and contracting various additional services to support the program, including civil maintenance. We further supported program delivery through end-to-end management of inventory and materials for maintenance activities.
- We delivered an innovative sourcing solution for the Biosolids Recovery Project following the February 2022 flood event, enabling removal and beneficial reuse of significant quantities of biosolid material from the Emergency Storage Area. Through collaboration with stakeholders across the business and our suppliers, we secured cost-effective outcomes prior to the indemnity closure. This work avoided significant financial exposure and ensured full insurance recovery, delivering environmental, customer, and organisational benefits.

Procurement planning

The procurement and supply chain function prepare a confidential annual plan. The FY26 functional plan focuses on four key areas being people, financial, transformation, and systems and strategy. This annual plan is further supported by ongoing forward procurement scheduling, in each of our category portfolios. These forward procurement plans are periodically presented to the ELT and the Strategic Asset Management Committee (SAMC).

Alignment with good industry practice

Urban Utilities regularly monitors and assesses our Procurement and Supply Chain function to drive innovation and continuous improvement. We benchmark our practices against leading professional, industry, and government standards, to ensure alignment, efficiency, and performance, enabling us to deliver future focused solutions that support strategic objectives.

In 2024, an extensive internal review and benchmarking exercise was undertaken to assess functional maturity against best practice and inform the development of the Procurement & Supply Chain Strategy.[34]

We are also an active member of the Water Services Association of Australia (WSAA), with the Procurement and Supply Chain team regularly participating in WSAA-facilitated procurement forums. These forums provide opportunities to share knowledge and good practice, drive innovation, build capability and networks, and collaborate on projects and benchmarking initiatives.

Most recently, the WSAA procurement group focused on managing suppliers identified as high risk. Urban Utilities was invited to present our approach as an example of good practice, including the rollout of a new platform to support ongoing supplier risk and compliance management.

In addition to WSAA engagement, all procurement team members hold current memberships with the Chartered Institute of Procurement and Supply (CIPS), aligning their work with globally recognised standards in ethical, strategic, and effective procurement. Membership also provides access to training through the CIPS Global Academy, supporting continuous improvement and capability development. We achieved the CIPS Corporate Ethics Certification, reinforcing our commitment to integrity, transparency, and ethical practice.

[34] *Note that the contents of this review are Confidential and Commercial-in-confidence.*

Procurement improvement initiatives

The Procurement and Supply Chain Strategy, established in October 2024, sets out a multi-year transformation program to uplift capability across procurement policy, procedures, processes, systems and people, and the implementation of a new operating model in November of that same year.

Another significant enhancement was the increased focus on governance and compliance, including the creation of dedicated roles to manage both internal and external compliance requirements in an evolving risk landscape. As part of this, the team is developing and delivering a procurement compliance program to identify and address gaps across the entire procurement and supply chain function.

The function also maintains a benefits register that captures negotiated savings, cost avoidances, and other value contributions. In collaboration with the Finance team, a new benefits framework is being developed to further enhance the capturing and tracking of all benefits and savings realised through procurement processes and ensures that realised savings are accurately reflected in budgets.

Urban Utilities also tracks social procurement benefits aligned with our Reconciliation Action Plan and local spend within our service region. This includes monitoring spend, removing barriers to entry, and advancing relevant policy and governance initiatives.

The first year of transformation focused on establishing a robust operating model for procurement, inclusive of a new Financial Management System.

The first year of the transformation and improvement program included:

- The launch of a new functional operating model which went live in November 2024, resulting in a significant change in personnel over the past year.
- Updates to procurement procedures and artefacts to align with both a changing risk landscape and regulatory requirements (for example Modern Slavery and security requirements to respond to the evolving external threat environment).
- The rollout of a new platform to manage ongoing supplier risk and compliance, with critical suppliers having been onboarded to provide responses to specific risk questionnaires and relevant documentation (e.g. insurance certificates) throughout their lifecycle with Urban Utilities. Phase two of this initiative will roll out across the next segment of suppliers.
- Achievement of the Corporate Ethics Certification from the Chartered Institute of Procurement & Supply (CIPS) highlighting Urban Utilities ongoing commitment to integrity, transparency, and ethical excellence.

Having commenced year two of the transformation and improvement program our initiatives now focus on frameworks, processes, technology and capability uplift,including the establishment of a new procurement system as part of Digital Core Modernisation, inclusive of a new Financial Management System.

Initiatives with a strong focus on value delivery include:

- The refresh of the procurement framework (policy, procedure, work instructions, charters and templates) ensuring it continues to be relevant to the changing risk environment and regulatory landscape while enhancing value delivery across the organisation.
- Embedding category planning to ensure alignment of procurement and business objectives and the delivery of enhanced value delivery and risk mitigation. The purpose of this approach is to break down silos and move beyond individual sourcing solutions, ensuring procurement is holistically aligned with business priorities and delivers value for money through the supply lifecycle. This includes leveraging partnerships and exploring external collaboration opportunities to maximise efficiency and strategic outcomes. Categories of focus include: biosolids, maintenance, electricity, contingent labour, professional services, engineering and digital and technology, with the next stage being to progress category plans across these areas.
- A review of enterprise contract management to ensure efficiency, mitigation of risk and value realisation.
- Embedding demand management ensuring accurate forecasting, optimised stock levels, and alignment of supply with business needs – supporting value delivery through optimised holding costs, improved service levels, and enhanced value realisation.

4(D): DELIVERY AND MAINTENANCE

Key points

- Urban Utilities' Program Management Approach (PMA) has successfully delivered over $1 billion of infrastructure across 200 projects since 2017. We have utilised our capital challenge process to revise capital expenditure downwards by approximately $162 million over the period from FY21 to FY26, while improving project cost and completion outcomes from around 20% to approximately 90% between 2022 and year to date, through competitive procurement and rigorous cost assurance.
- We maintain robust cost assurance processes including comprehensive market testing, independent external estimators, benchmarking against market data and industry standards, and cost intelligence reviews for all significant investments, to ensure transparent price discovery and competitive pricing.
- Urban Utilities is transitioning from a PMA approach to the Next Generation 4D (NG4D) program, which retains proven elements of competitive procurement and structured governance while introducing sharper performance incentives, lower commercial fees and productivity gains through early partner involvement to generate further customer savings.[35]
- The OS4M initiative aims to reduce historical fragmentation across the maintenance delivery value chain by centralising program management, extending enterprise systems to delivery partners, improving performance transparency and adopting uniform customer experience approaches, to reduce costs while improving safety, employee effectiveness and asset intelligence.
- The organisation is increasingly utilising predictive maintenance using IoT sensors, automation and AI tools to enable just-in-time maintenance interventions before failures occur, reducing both emergency response costs and service disruptions while optimising maintenance resource allocation.

[35] *The information contained within these reports is Confidential and Commercial-in-confidence.*

Effectively managing delivery through incentive-based processes and procedures

Urban Utilities currently uses a contemporary, end-to-end Program Management Approach (PMA) for planning and infrastructure delivery. This model adopts a shared-risk framework and is tailored to the focus, scale, risk profile and complexity of each investment. The PMA has served the organisation well in the delivery of long-term infrastructure.

As the PMA program moves into its closing stages, we have now mobilised our Integrated Services partner and two Delivery partners to advance our landmark Next Generation 4D (NG4D) program. NG4D will transform the way water and wastewater infrastructure is planned and delivered across South East Queensland.[36]

Historical context

The PMA was established from 2017 onwards, as a structured framework that includes governance, competitive procurement, and independent assurance (refer to Section 2). Central to the PMA model are:

- asymmetric pain/gain provisions to create appropriate efficiency incentives
- an innovative risk model that returns surplus risk to the client
- a strong framework of key performance indicators (KPIs) that drives for stretch targets.

The PMA is similar to the model adopted by regulated peers in that it:

- features a structured program framework with long term governance
- focuses on reducing indirect costs and maintaining contestable procurement
- involves continuous benchmarking and performance monitoring consistent with the approaches adopted for Sydney Water's Partnering for Success and SA Water's framework contracts.

This approach has several key advantages, including:[37]

- enabling a material change from an asset-centric, annually focused and output-based approach to one that focuses on outcomes and benefits
- delivering solutions that meet organisational objectives and realise target benefits more effectively, thereby enhancing value for money
- providing greater certainty in annual expenditures through smoothing expenditure profiles across traditional financial year boundaries
- enabling more efficient use of resources through program/project prioritisation and integration
- enhancing senior management transparency and providing more efficient control of activities.

Over the last five years, the PMA has:

- delivered and successfully commissioned approximately 200 projects
- reduced pre-market engineering and design costs across the portfolio from 11.5% to 5.2% of capital
- reduced stage two to stage five development and engineering costs across the portfolio from 19.7% to 13%
- increased the proportion of projects meeting cost outcomes from approximately 20% to approximately 90%
- resulted in over 95% of direct costs being subject to competitive tendering and/or robust benchmarking, ensuring transparent price discovery with independent external estimators and cost assurance.

We have delivered over $1 billion of infrastructure under the PMA framework, during which the PMA has:

- utilised the capital challenge process as part of the investment lifecycle to revise capital expenditure downwards by approximately $162 million over the period from FY21 to FY26. This includes a combination of capital deferrals, adoption of alternative solutions, asset lifecycle extensions and intensifications, investigations and testing against standards, anticipated benefits and risk tolerances
- improved our safety and governance, as measured by total recordable injury frequency rate, and a sustained uplift in systems, processes, governance and workforce capability.

[36] *Urban Utilities, https://www.urbanutilities.com.au/newsroom/articles/urban-utilities-announces-partners-to-drive-multi-billion-dollar-capital-investm-MCAF7DQTF2RRHDRFXBFFCCFGS3N4*

[37] *Urban Utilities, Program management approach, Program delivery handbook*

Current delivery systems and processes

As discussed below, we attribute the success of the PMA framework to:

- rigorous cost assurance
- robust delivery processes
- an effective digital and information (D&I) delivery system.

Rigorous cost assurance

Urban Utilities employs a robust and highly competitive tendering methodology that rigorously evaluates project costs. This approach is grounded in first principles analysis, to identify key cost and productivity drivers, while ensuring that risks are allocated to the parties best positioned to manage them effectively. This promotes efficient decision making, ensuring we minimise project costs, while managing our risks prudently.

Our projects undergo a cost assurance process with comprehensive market testing, which culminates in a cost intelligence review report that assesses all investments, risk items and scope changes. These reports include:

- benchmarking, where we compare project costs against market benchmarks as well as with delivery partners to maintain cost competitiveness
- market testing, which we apply to direct costs, while indirect costs such as margins, overheads and personnel multipliers are obtained through a formal tender process and then applied consistently across all projects.

Finally, we complete a cost intelligence review report for all significant investments, risk items, and scope changes. These reports include benchmarking, market testing, cost breakdowns, and key insights.

Key elements of our approach to benchmarking for cost assurance include:[38]

- Benchmarking against market tested cost data – all investments are assessed against market-tested cost data, including historical delivery performance across our partners and independent benchmarks provided by external cost assurance specialists. This ensures pricing reflects both proven delivery outcomes and current market conditions.
- Use of unit rate benchmarks and cost curves – key cost items are evaluated using unit rate benchmarks, while cost curves are applied to account for variables such as asset size, length, location, and complexity. Productivity metrics and cost performance are also compared against industry standards and external project data.
- External project comparisons – independent estimators draw on data from comparable infrastructure projects outside Urban Utilities to validate assumptions and pricing. This includes major water and wastewater programs delivered by other utilities and government agencies, ensuring that we remain competitive and aligned with broader industry trends. Data is also sought from partners on comparable projects they have delivered outside of Urban Utilities.

[38] *The information contained within these reports is Confidential and Commercial-in-confidence.*

Robust delivery processes

Urban Utilities maintains a robust delivery assessment process that supports both short and long-term planning horizons. Key elements of this process include:

- **Annual delivery assessments** for both five-year and ten-year investment forecasts, whereby we schedule each project with input from experienced construction professionals.
- **Maturity development initiatives**, a focused initiative to assess and enhance maturity in delivery performance and efficiency, noting that this work is currently underway and is expected to strengthen capability across the organisation.
- **Use of efficiency metrics**, including earned value analysis, comparison of planned versus actual delivery timelines and costs, and benchmarking.
- **Focus on lessons learned and continuous improvement**, including a lessons learned register where insights are systematically reviewed and applied to improve delivery performance across the broader program.

Digital and information infrastructure delivery system

The PMA framework is supported by frameworks for digital and information infrastructure (D&I) delivery and assurance.

Our Digital and Information (D&I) delivery framework provides structure, guidance and tools for managing digital and ICT-enabled projects according to their risk and complexity. It defines a scalable five-stage delivery lifecycle, core governance processes and provides supporting templates. It also includes principles for governance, project assurance, privacy, cyber security, reporting, budgeting, procurement, benefits management, stakeholder engagement, and change management.

Our D&I assurance framework establishes the assurance structure and processes for digital and ICT-enabled projects. It defines assurance activities, accountabilities, and review gates across the D&I portfolio, including gated reviews, health checks, and action plans. It also outlines roles and responsibilities for assurance, including internal and external reviews based on project risk and complexity. This ensures that projects are assessed at critical stages for alignment with strategic objectives, value for money, and delivery confidence.

Finally, our D&I Governance Guide provides guidance and tools for consistent, controlled, and rigorous governance of digital and ICT-enabled projects. It defines decision-making procedures, roles, financial delegations, and reporting tolerances for D&I projects. It also outlines the D&I delivery lifecycle, project board establishment, change management, and benefit realisation, to ensure projects are managed within defined performance targets for time, cost, quality, scope, benefits, and risk.

Delivery of improvement initiatives

Urban Utilities continuously strives to improve the efficiency of our delivery systems and processes. Some of our ongoing delivery improvement initiatives include:

- The transition from the PMA to the NG4D program, which will increase the efficiency of our capital delivery programs.
- The OS4M initiative and the growth of predictive maintenance, which will increase the efficiency of our operation and maintenance activities.

We are also evaluating and/or progressing other initiatives in addition to the above two examples.

These additional initiatives include:

- integration of Wastewater Treatment Plants and networks
- Wastewater Treatment Plan process intensification
- use of smart meters to reduce leaks and reduce consumption of bulk water
- improving the efficiency of our electricity usage.

Transition from the PMA to the NG4D program

We describe above that the PMA has proven prudent and efficient, delivering measurable reductions in indirect costs, increased project reliability, and savings for customers while preserving continuous competitive tension among our delivery partners.

However, there is scope to increase efficiency and generate more value for our customers by adopting a more integrated, outcomes-focused model for water and wastewater infrastructure.

To that end, Urban Utilities is transitioning towards the NG4D program. This will not involve a complete overhaul of the PMA framework, but instead will build on its successes by:

- retaining program management discipline, structured governance, and probity
- maintaining competitive exposure and transparent procurement
- aligning with regulated peers' collaborative contracting frameworks.

We expect that the NG4D program will generate positive outcomes for our customers through:

- sharper performance incentives, with stronger alignment between commercial returns and customer outcomes
- lower commercial fees
- sustained competitiveness
- forecast annual savings
- productivity gains through early partner involvement and innovation that will reduce duplication and enhance efficiency. For example, through relining, off-site manufacturing, operational technology (OT) integration, low/no-build solutions) reducing duplication and enhancing efficiency.

The NG4D program will feature independent assurance of overall portfolio baseline cost reductions, which includes engaging external probity, legal, commercial and procurement advisors to ensure rigour and transparency.

NG4D represents a natural and prudent evolution of our current successful PMA program. It embeds stronger financial alignment, lower margins, and productivity levers while retaining the proven benefits of competition, governance, and transparency.

As part of the transition to NG4D, the program is placing a deliberate emphasis, with aspirational targets, on increased standardisation, enhanced value delivery, and reducing the time required onsite to achieve more efficient and consistent outcomes.

These capital efficiency aspirational targets are:

- **Standardisation:** 80% of any selected solution being developed with the supply chain from repeated solutions, such as reuse of standard designs, and approved standard products. This will be achieved through application of consistent methods and fewer bespoke engineering solutions.
- **Better value:** 20% any selected solution will provide 20% more value to the organisation through saving, efficiency, or a greater benefit. Measurement will depend on the investment and will be achieved through smarter design, optimised scope and supply chain innovation.
- **Time:** 50% reduction in time onsite duration, when compared to a similar investment, through standardisation, modularisation and offsite fabrication. This will be achieved through maximising off-site work, digital rehearsals, and construction-ready packages to reduce field exposure hours.

One System for Maintenance initiative

We are in the process of implementing two initiatives that will boost the efficiency of our operations and management activities:

- The One System for Maintenance (OS4M) initiative is the next step in our journey to reduce fragmentation in our maintenance activities.
- Leveraging our automation and IoT initiatives to enable predictive maintenance.

Our maintenance delivery system has historically been fragmented, with multiple workflows and mechanisms operating in isolation.

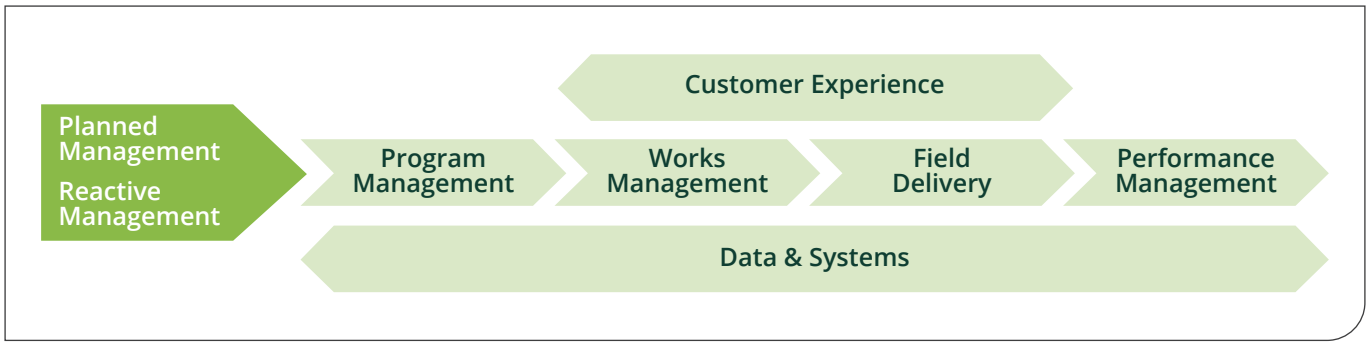
This fragmentation was due to the legacy of integrating five council operated businesses operating on fragmented ICT systems that did not readily enable consistency of data. Prior to the shift toward outsourced partnerships that delivered greater efficiencies, the previous model resulted in duplication of roles, effort, and costs in maintenance management and worksite planning, increasing complexity for both our staff and delivery partners.

In response, we have implemented a combination of enterprise transformations and maintenance improvement programs to improve the efficiency of our maintenance delivery activities. This includes combining our two maintenance departments into one in 2021, then further reforms in 2024 combining all operational areas in the same group (refer to Section 2). Such organisational changes have reduced our annual maintenance costs while improving employee effectiveness and reducing customer backlog.

Our next initiative is to centralise activities across our delivery partners, where it is efficient to do so. The OS4M initiative is the next evolution of the work that has already been delivered to date. It builds on our existing capabilities, processes and systems by improving organisation and removing the built in complexity of our historic practices. This includes establishing contracts where none previously existed and strengthening the maturity of existing contracts. Over the last year, we have established 25 new or revised contracts as part of this process. We have also been maturing our contract administration processes to enhance our management of outsourced work.

Through the One System for Maintenance initiative, we expect to realise opportunities across six key elements of the maintenance delivery value chain, depicted by Figure 4.8 below.

Figure 4.8: The maintenance delivery value chain



These opportunities consist of:

- **Program management**, whereby we will establish one centralised integrated program management team accountable for the full portfolio of maintenance instead of duplicating program management across all our delivery partners, which will reduce duplication and allow us to retain critical intellectual property.
- **Works management**,[39] to extend the use of our works management systems to our delivery partners, who will be able to access our enterprise asset management systems creating a safer and more coordinated workforce.
- **Field delivery**, whereby we will deliver all field activities on a single suite of systems that our delivery partners will also have access to, which maximises the availability of information and tools for conducting work and collecting data.[40]
- **Performance management**, which will increase transparency of performance data by bringing together common and locally managed datasets and by integrating performance management with delivery partners, aligning performance objectives, assurance, reporting and continuous improvement.
- **Customer experience**, adopting a uniform approach to customer experience across communications, visual branding and customer training, allowing us to maximise trust with customers and improve customer service quality while providing customers with visibility of our works.
- **Data and systems**, developing a single end-to-end set of asset systems focused on collecting and maintaining dynamic data, enabling more effective data use, allowing our partners to utilise our suite of field mobility, data collection and geospatial tools.

We expect that the OS4M will:

- ✓ improve worker and public safety through effective coordination of simultaneous field operations
- ✓ improve employee effectiveness by streamlining accountabilities, governance, systems and information flows
- ✓ improve customer experience by enabling seamless data transfer and consistency in customer experience, leading to increase in overall trust
- ✓ improve asset intelligence through improvements to the collection, storage, real-time visibility and usability of asset information
- ✓ reduce the cost of maintenance through optimising maintenance cost and performance and reducing overheads
- ✓ future proof our infrastructure by setting the foundation for more sophisticated technology such as IoT sensors and asset data to automatically identify work with predictive maintenance, as well as by enabling skills and capability to flex and scale with changing demand.

[39] *Works management refers in most part to job planning and schedule and dispatch activities. These activities ensure the safe and effective coordination of work in the field.*

[40] *Our delivery partners currently have no access to our suite of systems. The One System for Maintenance strategy will ensure that all field activities are delivered on the same system.*

Predictive maintenance

In the section above, we explain that Urban Utilities adopts a range of maintenance strategies, including preventative, corrective and responsive maintenance.[41]

We are in the process of enhancing our preventative maintenance, which will improve cost and service outcomes. Many of the enabling approaches have been established recently, such as: having an IoT network in place; finalising supply contracts; and establishing the ICT environment. We have established a range of tools for predicting issues and we track predictions as a proactive KPI. These predictions have stabilised and will accelerate the IoT rollout generating more data to drive the predictions.

We further propose to use advanced technology to increase our use of predictive maintenance, enabling 'just-in-time' interventions before further damage occurs.

In Figure 4.9 below, we use predictive algorithms to predict blockages in maintenance shafts based on real-time monitoring data provided by IoT sensors.

As shown in the figure, our algorithm predicted a blockage at a maintenance shaft, which allowed us to clear the blockage before any wastewater overflow, generating substantial cost savings, since we did not have to incur:

- the higher cost of clearing a blockage
- the cost of remediating any damage caused by an overflow.

The use of predictive maintenance in this case also reduced service disruption of affected customers.

Increasing our predictive maintenance activities will require us to increase our use of automation and IoT.

To that end, we are investing in:

- sewer network monitoring
- preventative monitoring systems on pump stations
- early stages of AI tools to support maintenance assessment and wastewater treatment plant operations.

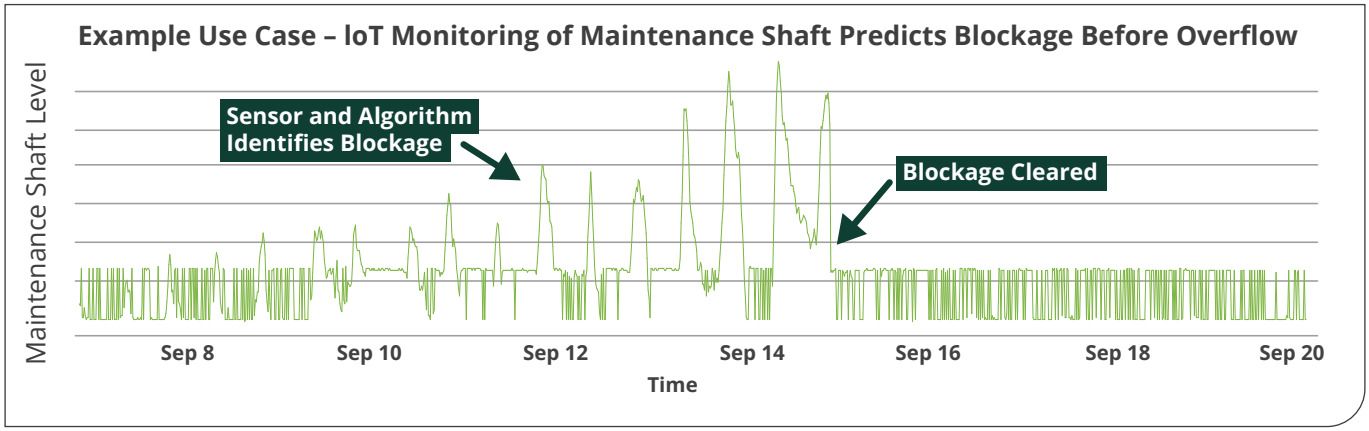
See examples in the Figure 4.10 below.

Figure 4.10: Examples of automation and IoT to enable predictive maintenance

Multi-factor Water Site Analysis aimed at reducing the cost or remote flow and water chemistry analysis.

Selection of Devices Installed

Figure 4.9: Example use case of predictive maintenance



[41] *Urban Utilities, Asset Management System, Framework*

SECTION 5

OUR PURSUIT OF PRODUCTIVITY IMPROVEMENT OPPORTUNITIES

5. OUR PURSUIT OF PRODUCTIVITY IMPROVEMENT OPPORTUNITIES

Key points

Customer affordability is paramount
Cost of living pressures have created financial stress for our customers, making affordability central to our service delivery whilst maintaining essential infrastructure investments.

Operational Efficiencies Program (OEP)
This current program builds on previous efficiency programs in place since our inception. Reporting to the CEO, this approach combines top-down constraint setting with a bottom-up process to surface new initiatives, supported by Executive and Board oversight and continuous performance monitoring to ensure expenditure discipline and identify new revenue opportunities.

Further productivity measures and efficiency enhancements are underway
Current strategic initiatives include value stream mapping, workforce planning and zero-based budgeting, supported by clear governance. This will enable us to systematically address WSAA benchmarking gaps and identify further enterprise-wide efficiencies. These initiatives will identify opportunities that will be further expanded in the FY28-FY30 Part 2 submission.

Clear targets with accountability
We have set an efficiency measure for FY26, with operational efficiencies embedded in the FY26 budget (that is not recovered from customers through prices), and progress monitored through monthly Board reporting and embedded performance metrics. Our FY26 operating cost budget includes an efficiency target of $35 million (more than 7% of the operating budget), which reflects our ongoing commitment to reducing operating costs.

Benchmarking reveals improvement opportunities
Whilst raw operating cost comparisons appear unfavourable, appropriately adjusted benchmarking (i.e. excluding bulk water capital costs) and per unit comparisons demonstrate improving performance, though specific areas like water network operations and fleet management require ongoing targeted improvement.

Looking forward: Business improvements to drive efficiency and improve outcomes – 2025 to 2029

In 2024, Urban Utilities finalised our enterprise strategy for the next five years (FY25-FY29), charting the course for the future. This strategy is framed by our purpose to Enrich Quality of Life, led by three strategic priorities known as The Critical Few, and measured by five Critical Outcomes.

The Critical Few

The Critical Few are three strategic points of emphasis that guide how Urban Utilities prioritises our work. These priorities are mutually reinforcing rather than operating in isolation.

Safe and efficient water services everyday
Get the foundations right to deliver liveability outcomes for our customers and communities every day.

Build trust
Never fail on our promise to customers and remain the trusted custodians of our communities' water assets.

Shape and grow our future
Ensuring that we are ready to service a rapidly growing region whilst leveraging value from core capabilities and innovative partnerships.

Urban Utilities measures our performance for our customers and success against five Critical Outcomes, each accompanied by key performance indicators with annual targets and an FY29 end of cycle target, as expressed in our Statement of Strategic Intent (SOSI) for FY25 to FY29.

Safety:
We protect the safety of our people and the public.

Public Health:
We protect the public health of the communities we serve.

Environment:
We deliver environmental value.

Experience:
We deliver a great experience for our customers and our people.

Value:
We optimise costs and grow value.

Our latest Annual Operational Plan outlines our incremental performance targets for FY26, and the Strategic Programs on which we will focus our efforts throughout the year. These programs are designed to deliver transformational change within Urban Utilities and build on the foundational work completed in FY25.

Among our Strategic Programs is the **Health, Safety and Wellbeing Improvement Program**, which continues to prioritise effective risk management. Over the past three years, we have advanced a number of targeted programs to ensure our people leave work each day unharmed and enriched. Over this period, we've seen a greater than 60% reduction in injury frequency and remain focused on maintaining this positive trend.

Urban Utilities is committed to meeting all environmental legislative and licence obligations, as well as customer and regulatory expectations. Maintaining our performance requires ongoing effort and continuous improvement. To strengthen accountability, we have implemented an **Environmental Compliance Program** that sharpens our focus on meeting statutory requirements, particularly in sensitive regional creeks and catchments.

As part of this program, we are investing in major infrastructure upgrades at several Resource Recovery Centres, including Gatton and Bundamba. These upgrades are designed to ensure our operations remain compliant with current and future regulatory standards, while reducing risk and improving performance against licence conditions. This proactive approach positions us to maintain compliance, avoid environmental incidents, and meet the expectations set by governing authorities.

One of our greatest challenges over the medium to long term is balancing the prudent renewal of ageing assets with investment in new infrastructure that can support rapid population growth and withstand extreme weather events. This challenge is further compounded by the infrastructure requirements of the 2032 Olympic and Paralympics, increasing interest rates and broader economic uncertainty, all of which are adding to the financial pressures we will continue to face over the coming years.

To optimise our capital investment plan, we are taking a holistic and integrated approach that considers service performance outcomes, regulatory obligations, risk trade-offs and, most importantly, financial sustainability and customer impacts. Our efforts in this area will be strategically and purposefully guided by our **Capital Optimisation Program**.

To support our focus on optimising our expenditure and supporting customer affordability we are also focused on operating as efficiently as possible through our **Operational Efficiencies Program**. Together, these programs are designed to help manage affordability and support our customers in the face of ongoing cost of living pressures, while ensuring long-term financial sustainability, even as our investment requirements grow substantially over the next decade.

A significant focus of our investment in the current period is to achieve a rationalised, efficient ICT landscape that builds on the successes of recent years. Through the **Digital Core Modernisation Program**, we are in the process of targeting a reduction in technology costs. This is being achieved through:

- A program to progressively modernise and re-architect our core business enabling systems to deliver a fit-for-purpose target state that achieves improved performance, cost efficiency, and risk positioning, and enables the uptake of emerging technologies, including AI (refer to Section 4).
- Adopting a best practice approach to digital systems (as opposed to an Enterprise Resource Planner approach), allowing greater control, flexibility and adaptability in the mix of systems, to best meet our core business needs, risk appetites and delivery capability. The first steps of the program are to focus on the preparation of business cases for a Financial Management System, and the identification and phasing of further workstreams.

Key Risks that we are monitoring and managing carefully in delivering our critical outcomes and shaping our strategic priorities for FY26 include:

Critical Outcome	Key Focus Areas in FY26
Safety	Ensuring the health, safety and wellbeing of our people and preventing harm to our communities.
Public Health	Ensuring the health of our growing communities and the environment, through a strengthened focus on compliance and performance.
Environment	Managing the timely replacement of an ageing asset base to maintain our services and meet our compliance obligations.
	Ensuring that we are ready to meet the challenging service needs of a rapidly growing region through well planned investment in our network.
Experience	Maintaining valued customer experience while working to overcome challenges and delivery of business and customer priorities.
Value	Managing the risk of financial deterioration and increasing prices due to growing investment requirements to ensure our financial sustainability
	Managing the pressure of funding growth by advocating to address the future funding gap due current arrangements in infrastructure funding.
	Managing the pressure on affordability by ensuring the prudency and efficiency of our expenditure and forward investments.

To respond effectively to these challenges, we are proactively thinking and acting differently. We are prioritising planning for these future challenges while focussing on:

- **Maintaining financial sustainability** – Ensuring long-term financial sustainability as we address a range of important capital investment drivers and economic volatility into the future, while continuing to deliver value to our shareholding Councils and customers. This is particularly important given Urban Utilities' capital program is largely debt funded, which is not subject of State government guarantee, and our financial capacity of our shareholding Councils to access equity to fund infrastructure requirements is limited.
- **Balancing service outcomes and affordability** – Building a more deliberate approach to engaging customers and key stakeholders over time to inform future trade-offs between service levels and cost, will guide timely investment decisions to sustain long-term service performance.
- **Managing increasing environmental compliance requirements** – Effectively responding to shifting regulatory expectations while balancing prudency around cost to serve.

Our continuing focus on cost management

Throughout the history of Urban Utilities there has been a focus on putting downward pressure on bills whilst balancing essential investment in core and transformational activities. Since 2013, we have delivered permanent operational efficiencies through this sustained effort as outlined in Figure 5.1 below (refer also to Section 2).

Figure 5.1: Summary of Urban Utilities efficiency programs since inception

Program	Purpose	Timing
Customer Affordability Program (CAP)	As part of the operational efficiencies target set for FY29, this program was established to embed a continuous improvement culture to help identify, deliver and monitor business improvement and efficiency opportunities with annual efficiency outcomes.	Established 2024 and transitioned to broader scoped Operational Efficiencies Program in 2025
Yearly Efficiency Focus	Annual program to identify and deliver a broad range of initiatives, including operational, revenue and one-off efficiencies.	Established 2020 and transitioned to CAP in 2024
Service Delivery Improvement Program	Holistic review of the approach to Service delivery, ensuring that services are delivered to customers as efficiently and effectively as possible. It involved a comprehensive analysis of end-to-end service processes, identifying opportunities to streamline workflows, and enhance customer experience.	Completed in 2016
Enterprise Excellence Program (EEP)	Increase the productive capacity of the organisation through implementing internal improvements or engaging with the market, to leverage its economies of scale and capabilities.	2013–2016

Enterprise Excellence Program

The Enterprise Excellence Program established a process for tracking financial benefits from efficiencies, defined as measures compared to budget which:

- are the result of a Urban Utilities instigated action, that is there needs to be a cause and an effect
- are measurable against a base
- are not the avoidance of a cost, resulting from a reduced service level.

This program introduced improved financial discipline within Urban Utilities by monitoring efficiency initiatives and reporting against forecasted savings.

The Service Delivery Improvement Program

Over the subsequent period, the journey of improvement included a range of key changes to operating practices, generating significant savings against the real growth scenario. The outcomes achieved under the Service Delivery Improvement Program included:

- surplus and obsolete fleet either disposed of or renewed and fleet standardisation introduced
- workforce management through performance and natural attrition
- increased productivity of service delivery workforce reducing dependence upon external resources contracted on a daily basis to deliver crew services
- introduction of managed controls in the use of vacuum excavation historically overused
- introduction of managed controls of overtime
- improved service delivery sewer cleaning performance reducing reliance upon contractors
- transformed the culture of cost control through a paradigm shift from a closed, protected market to open and competitive markets

Annual Efficiency Programs

Adjusting to the onset of the COVID-19 pandemic, a Yearly Efficiency Process was introduced between FY20 and FY23, generating a range of revenue efficiencies, one-off savings and productivity savings. These included a range of initiatives embedded into budgets, including:

- **Operational efficiencies** such as maintenance activity optimisation, civil maintenance responsive unit rate improvements and biosolids on-site drying practices.
- **Procurement activity** improvements, particularly to electricity contracts and environmental and industrial materials and services contracts.
- **ICT improvements** including software and services consolidation and application rationalisation, insourcing of some key activities, managed services, reduction in telecom services and decommissioning of legacy systems.
- **Corporate services** savings including reductions to general expenses like training, travel, catering, recruitment and branding.

Since FY24, Urban Utilities has applied a top-down operating budget envelope through an embedded efficiency factor to constrain the operating costs it recovers from customers and to put downward pressure on customer bills. This process was supported by a base-step-trend approach to inform a top-down expenditure envelope and to inform top-down expenditure constraints and efficiency targets applied in each annual budget.

This process was established to provide operating expenditure guardrails using a combination of benchmarking, trend analysis and parameter controls based on prudent and efficient expenditure. This fiscal approach has also provided a platform to support the identification, development, embedding and monitoring of operational cost benefits to support customer affordability in the future.

Customer Affordabilty Program

In FY24 the Customer Affordability Program (CAP) was launched to balance the costs of delivering safe and reliable services while maintaining downward pressure on customer prices.

The implementation of this process builds on previous efficiency initiatives and recognises the importance as a monopoly business, of demonstrating an annual efficiency discipline.

The CAP was focused on embedding a continuous improvement culture to help identify, deliver and monitor business opportunities. This provided a framework to create consistency and transparency across all business initiatives and priorities to drive operational efficiency. The CAP lifted the oversight of efficiency programs, with CEO sponsorship and Executive Leadership Team oversight on a monthly basis.

The evolution of the Program has seen this expanded in FY26 to the Operational Efficiency Program. This approach broadened the focus on efficiency, strengthened governance with executive ownership, and renewed attention on opportunity identification through a validated pipeline of initiatives with strong delivery confidence. So far, $34.8 m of embedded efficiencies, cost reductions and other budget adjustments have been realised for FY26, however these adjustments have been offset against some unexpected cost increases.

The program is focused on delivering business efficiencies to ensure cost base efficiency meets our service region's growing needs and to keep our prices as low as possible into the future. This is aligned with the Critical Outcomes in the refreshed FY25-29 strategy of Experience and Value.

This work ensures that Urban Utilities now has in place a combination of top-down and bottom-up approaches to identify areas of efficiency, ensuring a focus on both the delivery of current year targets as well as sustained delivery of longer-term efficiency. These activities are placing increased emphasis on critically assessing the requirements for a sustainable network.

Initiatives within this program include a combination of embedded efficiencies and identified improvements to achieve an increasing target against baseline operating expenditure, enabling our business to offset growth and inflation over the period to FY29.

The governance and reporting associated with the Operational Efficiencies Program includes:

- participation in a Steering Committee for enterprise-wide strategic priorities
- monthly reporting of progress to the Executive Leadership Team
- monthly updates on efficiency target progress as part of Board performance reporting.

Benchmarking our cost performance against today's challenges

Urban Utilities continues to strive for the most productive and efficient means of delivering water and wastewater services that provide our growing community with safe drinking water, while contributing to public health and meeting environmental compliance requirements.

Recent years have tested our customers through significant flood events and rising living costs, which contribute to financial stress. We recognise these challenging pressures are impacting our shared communities and so we are committed to ensuring the affordability of our services whilst continuing to undertake the needed investments and activities to maintain our essential services into the future.

Practically, this means that we are focused on identifying and delivering on every productivity gain that we can achieve to put downward pressure on prices for our customers. In doing so, we aim to balance service quality, network resilience and affordability.

Our approach to cost management, noting the transition to an enhanced zero-based budgeting process, involves:

- a detailed operating budget process developed by each business area
- development of capital expenditure budgets informed through the application of our asset management framework (see earlier description)
- comprehensive testing of operating and capital expenditure budgets by the Executive Leadership Team, Investment Committee and Board
- periodic testing of the efficiency of internal costs through market-testing (where appropriate).

To assess our cost management practices, Urban Utilities compares our operating costs to other major water utilities in Australia.

Industry and network context is important when evaluating our costs, as any meaningful comparison of a water utility's performance requires careful consideration of these contextual factors. Raw operating cost comparisons can be misleading without accounting for structural differences between utilities, including geographic service areas, customer density, and regulatory requirements.

For example, in contrast to many networks in the comparator set, Urban Utilities:

- has better measures of service quality (as described in section 6)
- is operating below our long-term sustainable level of replacement capital expenditure, which reflects a conscious decision by Urban Utilities to continue to maintain rather than replace assets, which has allowed us to revise our asset life expectations prior to asset replacement
- includes bulk water costs from Seqwater in our operating costs, whereas these costs are either excluded or represent a smaller proportion of operating costs for interstate comparators
- has lower customer density and a relatively large network area compared to many other metropolitan utilities
- has relatively high tertiary wastewater treatment obligations compared with other similar utilities
- has a greater need for increased resilience related expenditure following frequent major flooding events.

In assessing the efficiency of our operating costs Urban Utilities primarily relies on two sources of data, namely from the:

- National Performance Reporting (NPR) framework.
- Water Service Association of Australia (WSAA) industry benchmarking.[42]

When benchmarking utilities against one another, we acknowledge several limitations. These include the possibility of reporting errors or incomplete data, the treatment of variations in operating environments between utilities (whether due to different regulatory obligations, rainfall quantity and intensity or network-specific factors such as topography, economies of scale, network age/condition and treatment quality), and the inability to capture efficient trade-offs between operating and capital expenditure where higher operating costs are proposed to deliver equivalent reductions in capital costs.

The figures reported in NPR data overstates our operating costs as it includes our operational expenditure along with total bulk water pass through costs from Seqwater, which includes Seqwater's allowance for a return of and return on capital expenditure component. Alternatively, the WSAA data includes Urban Utilities' operational expenditure along with the operational expenditure component of bulk water pass through costs from Seqwater.

Given Queensland's exposure to drought related risks, Seqwater has historically been required to invest in climate resilient water supply infrastructure. Bulk water costs passed through from Seqwater recovers significant drought resilience investments, including the capital and operating costs of the Gold Coast desalination plant, the Western Corridor Recycled Water Scheme and the South East Queensland Water Grid.

Even though bulk water costs still occur for utilities outside of South East Queensland, they are likely to make up a much smaller proportion of expenditure, given the large quantum of drought resilience investment in South East Queensland.

[42] *This data is Confidential and Commercial-in-confidence.*

A targeted program to identify productivity improvement opportunities

To address our current and future operating expenditure challenges, Urban Utilities has established an Operational Efficiencies Program for the FY25-FY29 period. This involves a number of strategic workstreams aimed at improving long term financial sustainability by driving lower operating expenditures.

The approved FY26 strategy to achieve the current year operating budget envelope includes:

- a detailed review of operating cost budget, which will identify initiatives that can be deferred or discontinued (while effectively managing risk)
- delivery of programs to realise efficiencies through strategy changes, procurement initiatives and review of ICT licences and subscriptions
- cost containment measures, including:
  - no new (additional) full time equivalent positions (FTE)
  - funding for new initiatives and cases for change must be sourced within existing budget allocations before seeking additional funding
  - centralisation and rationalisation of discretionary spending, including training, conferences, memberships, marketing.

Urban Utilities has in parallel launched a revised process for reporting and reforecasting which includes a revised monthly Board Corporate Performance Report with an overall assessment of Critical Outcomes including value.

Specific workstreams within the Operational Efficiencies Program are described in more detail below.

Value Stream Mapping

Value Stream Mapping will deliver an enterprise-wide model providing a unified understanding of how costs and resources flow across Urban Utilities, with a focus on value creation to key stakeholders, namely customers, the community and our shareholding Councils.

The initiative is using a top-down efficiency identification approach, starting from strategic outcomes to design ideal-state value streams that align with enterprise priorities. It aims to establish shared enterprise priorities, identify key capabilities required, streamline workflows and prioritise high-impact improvements. Additionally, this workstream will support Digital Core Modernisation (described earlier – refer to Section 4 and above) by clarifying the role of technology enablers and guiding the transition to a more cohesive digital architecture.

The scope of Value Stream Mapping includes:

- mapping core and non-core activities to identify where the organisation must be fit-for-purpose versus where we must excel
- identifying improvement opportunities that deliver cost-effective performance uplift
- providing guidance on further analysis, design, and implementation of business improvement initiatives, including digital and technology enablers.

The model will support the identification of efficiencies and areas of waste and is structured in two phases:

- Phase 1 (to December 2025): Quantification and preliminary identification of potential improvement opportunities.
- Phase 2 (to May 2026): Definition of improvement initiatives and development of the delivery roadmap.

The outputs from this work will be further reported in our Part 2 Submission in August 2026.

Zero-Based Budgeting

The Zero-Based Budgeting (ZBB) initiative aims to drive cost efficiency and prudency by requiring all expenses to be justified from a zero base, rather than relying on historical budgets.

This approach enhances transparency and enables informed decision-making based on current and future needs. Through a structured challenge process, ZBB promotes transparency, eliminates inefficiencies, and fosters a culture of continuous improvement and financial discipline. The implementation of ZBB at Urban Utilities will be delivered across three tranches of targeted cost areas, with outcomes from the first tranche anticipated to be delivered by the end of 2025 with the other tranches completed in time to inform our Part 2 Submission in August 2026.

Both Value Stream Mapping and ZBB are governed by a joint internal steering group, with regular updates provided to the Executive Leadership Team, and consultation with relevant Senior Leadership Team representatives.

Workforce planning

Urban Utilities has a focus on ensuring our workforce is appropriately skilled and supported with efficient systems for the contemporary challenges faced across our network. In FY26 we have committed to no new (permanent) full time equivalent positions, with business units asked to reprioritise their existing workforce where required, to meet emerging priorities. Work is underway to strengthen our vacancy management process, with the potential to reprioritise vacant positions to maximise the efficiency of the workforce profile in the future.

In recent years, we have focused on driving continuous organisational improvements by creating efficiencies through ways of working. This is enabling us to strategically scale and grow while continuing to deliver safe and efficient water services every day. In FY25 we delivered key milestones including an upgraded recruitment process and system, automated workflows and a new rostering framework.

The priority for workforce planning in FY26 will be the Rostering Time and Attendance program, to deliver legislative compliance, efficiency and real time visibility of labour utilisation enabling optimisation of rostering and labour costs. This work will be an enabler of data-driven roster optimisation and job architecture, enabling us to determine the right balance of employee and contractor profiles and put downward pressure on costs.

Another initiative being implemented in FY26 is to centralise learning and development, which has seen the consolidation of related budgets and activities from across the organisation, which has yielded cost savings and budget reductions to date. These savings are in parallel to the economies of scale, productivity benefits, enhanced learning outcomes, and ultimately improved learning performance outcomes to be achieved from the centralisation.

Furthermore increased productivity will also be driven by an ongoing focus on leadership development, building a performance and accountability culture which will be critical in delivering the initiatives outlined throughout this section.

Operations and maintenance efficiency program

The operation and maintenance of Urban Utilities' infrastructure base represents a significant portion of our operating cost and is inherently variable due to the reactive nature of the work. This cost base comprises of approximately 100,000 individual maintenance activities annually. Approximately one-third of our direct maintenance expenditure remains responsive or reactive in nature. However, we try to predict this through models that forecast the number of failures of pipes based on age, condition and history.

In FY25 a rationalisation exercise was undertaken to identify and remove low-risk, easily adjustable activities – such as reducing the frequency of lawn maintenance and other scheduled tasks. While this delivered initial efficiencies, further optimisation of the maintenance budget will require more substantial changes to the way work is planned, managed and executed.

Implementation plans for these changes have been developed and are currently at various stages of execution, with a focus on improving cost effectiveness and operational resilience. These include:

- Embedding the Mechanical, Electrical and Control System (MECS) contract model to control risk of increasing maintenance costs.
- Transitioning from reactive to predictive maintenance through:
  - Incentivising Delivery Partners in the MECS contract enabled through KPIs and financial contract mechanisms.
  - Improved reliability engineering to engineer out repeated asset failure.
  - Adoption of Internet of Things (IoT) technology to identify failures early and eliminate scheduled sewer cleans.
- Workforce optimisation across various subgroups (aligned to Workforce Planning initiative outlined above):
  - Development of a Resource Recovery Operator Strategy; integration of Wastewater Treatment Plant Operations into the Network Operation Hub and an operator roster review to reduce overtime and optimise workforce.
  - Resource Recovery Operating Model revision to incorporate the additional tasks of Management of Change and Control Work activities from the Safety Improvement Program.
  - Water Industry Worker workforce plan including delivery model review to optimise cost per activity of civil maintenance tasks.
  - Optimisation of training, network operators, control room roster and alarm rationalisation to optimise workforce and increase capacity.
- Implementation of efficiency programs including:
  - Non-revenue water reduction program
  - Electricity improvement program
  - Optimising operational hub alarm systems.
- Procurement refinement activities to support One System for Maintenance program objectives.

Capital Optimisation Program

A key focus for us going forward is to optimise the capital investment plan and enhance linkages to customer service standards. This program involves reviewing investment options to ensure Urban Utilities' capital program remains balanced to support growth, improve environmental performance and renew ageing assets on time and when needed.

As part of this process, Urban Utilities is currently reviewing and prioritising the capital expenditure plan in parallel to a review of risk appetite and service performance outcomes. This program will consider project criticality, regulatory obligations, customer impacts and deliverability constraints, and document risk trade-offs.

The program has prioritised the largest cost drivers identified in FY25, specifically water mains, growth, and service risk, while continuing to develop facility, asset class, and system plans across the portfolio.

The primary focus has been on the water mains Strategic Asset Class Plan (SACP) which has completed long-term planning (30+ years), providing an updated view of cost, risk, and performance. The plan targets:

- proactive investment in extreme-risk trunk and critical mains
- reactive capital investment in reticulation mains through a run-to-fail model supported by maintenance services.

As we transition to the NG4D program, our emphasis is firmly on driving efficiency across the portfolio. This includes strengthening standardisation, optimising network utilisation to extract greater value, and reducing onsite time where it meaningfully shortens delivery duration and lowers overall investment costs. These initiatives are central to ensuring disciplined execution and sustained performance.

Providing accountability for ongoing productivity improvement

Despite Urban Utilities having reasonable expenditure performance, particularly when adjusted to account for factors that can affect the benchmarks, we acknowledge that customers expect continuous productivity improvement.

WSAA benchmarking identifies several areas for specific productivity improvement focus, and this analysis is informing the Zero Based Budgeting and Value Stream Mapping processes outlined above. How we tackle these areas will be the subject of a more detailed improvement program going forward. This includes direction being given to the Operational Efficiency Program (OEP) to immediately address identified areas. This will involve:

- Enhancing the executive mandate for OEP with clear accountability: The OEP will include CEO-sponsored leadership, reporting quarterly to the Audit Finance and Risk Committee chartered to address WSAA benchmarking gaps first, then identify enterprise-wide efficiency opportunities, with defined savings targets and delivery milestones.
- Cross-functional team structure: Core membership from Finance (Chair), Operations, Assets, Procurement, and Digital, supplemented by rotating subject matter experts.
- Systematic peer benchmarking approach: Establishment of partnerships with 3-4 comparable utilities for several deep-dive sessions, site visits, and root cause analysis of performance gaps, documenting all lessons for organisational benefit.
- Staged opportunity pipeline: Six-month sprint on identified improvements, using standardised business cases with effort/benefit analysis and clear decision gates.
- Embedded delivery support: Dedicated project management resources, benefits tracking linked to financial systems, and quarterly forums to share lessons and celebrate successes across the organisation.

To ensure that there are sufficient incentives to achieve these initiatives, we are putting in place several accountability mechanisms, including both external and internal processes.

- The proposed external accountability will be provided through:
  - periodic reporting to our Customer and Community Reference Group on the approach and achievements
  - communicating productivity performance to the wider community through our wider engagement and media channels
- Our internal accountability mechanisms include:
  - clear internal senior management accountability through the executive leadership team, investment committee and the Board through reporting processes
  - development of internal reporting metrics to provide a clear understanding of productivity improvement outcomes
  - monthly reporting to the Board as part of existing performance reporting processes.

SECTION 6

THE STRENGTH OF OUR SERVICE QUALITY AND RELIABILITY

6. THE STRENGTH OF OUR SERVICE QUALITY AND RELIABILITY

Key points

- **A comprehensive Voice of Customer Program guides decision making** – Urban Utilities conducts up to 10,000 surveys annually , measuring trust, value for money and satisfaction across residential, commercial and development customer segments to inform strategic direction and continuous improvement.
- **Strong service performance benchmarked nationally** – Urban Utilities demonstrates service quality and reliability that is better than national averages on key metrics including water quality complaints, wastewater management complaints and responsiveness to disruptions, with the second lowest water quality complaints among major Australian water utilities.
- **Customer priorities clearly identified** – Our strong service quality and reliability metrics recognise that customers tell us they consistently prioritise ensuring no sewer odours or spills, no water outages or quality issues, and reducing unexpected interruptions through proactive equipment replacement, alongside keeping bills as low as possible.
- **Trust and satisfaction levels are strong** – Customer trust in Urban Utilities has reached its highest level since measurement began in 2020 and value for money perceptions have also improved in recent years. Commercial customer satisfaction and residential satisfaction remain strong, reflecting the prioritisation given to understanding customer needs.
- **Future focus on deeper engagement in investment decisions** – Urban Utilities is developing frameworks to incorporate customer voices into capital investment planning and service standards reviews, enabling meaningful conversations about trade-offs between service levels, risk appetite and bill impacts.

Our approach to integrating our customers voices into all aspects of our activities

Urban Utilities applies a comprehensive framework of internal performance measures and external customer insights to monitor service quality and reliability and ensure outcomes align with customer priorities. This includes national benchmarking, customer research and operational measures embedded within our **Annual Operational Plan** and **Statement of Strategic Intent (SOSI).**

Our customer engagement capability has matured over time and is now embedded through our enterprise Voice of Customer (VoC) Program providing insight into customer expectations, values and service needs. These insights are used to shape strategic direction, guide infrastructure planning and prioritise continuous improvement.

Our intention is to ensure that the Voice of Customer extends as a priority into all aspects of our organisation's decision making going forward. For example, as part of Urban Utilities approach to integrated planning, there are four questions that influence planning development considerations to address what we need to achieve in public health, safety, environment and customer experience to achieve our purpose and vision.

Customer Charters

Urban Utilities' Customer Charters embed customer perspectives into business decisions by clearly defining the services customers can expect and their associated rights. The Customer Service Standards set out in the Charters guide internal planning and operations, while performance against these commitments – together with customer feedback, complaints and enquiries – is monitored and analysed to identify issues and inform service improvements, ensuring decisions reflect customer expectations and lived experiences.

Customer and Community Engagement Policy (Policy)

Urban Utilities' Customer and Community Engagement Policy provides a corporate-wide approach to public participation, using a consistent customer and community engagement framework that will enable Urban Utilities to understand the concerns, priorities and preferences of our customers and then take those matters into account during decision-making.

Understanding our customer needs and expectations

Voice of Customer

Urban Utilities operates a comprehensive Voice of the Customer Program, including up to 10,000 surveys annually. Core components include:

- Customer Relationship Study (2,000 participants per year)
  - Tracks overall perceptions of Trust and Value for Money and key drivers of performance
  - In the 2025 study, customers identified avoiding sewer odours and spills (72%) and preventing water outages, low pressure, and poor water quality (70%) as the top two areas of priority customers considered to be important than keeping bills as low as possible
  - Customer Satisfaction surveys across key segments (Residential, Commercial, Non-Residential and Development) to understand the moments that matter, pain points and improvement opportunities.
- WSAA National Perceptions Study to benchmark community perceptions of our reliability, responsiveness, water quality and wastewater services against 20+ other providers
- AustraliaNOW tracking to understand broader community context, including cost of living pressures and changing expectations across myriad of topics.

Insights from the Voice of Customer Program are used to inform strategy, guide infrastructure planning and prioritise improvement initiatives.

Customer and Community Reference Group

Our CCRG, established in 2010 and reframed in 2023 as a strategic advisory group, provides an independent customer perspective on Urban Utilities' strategic challenges and key decisions.

Members bring expertise across key customer interests and segments including First Nations, vulnerable customers, families, youth, small business, Culturally and Linguistically Diverse communities, not-for-profit and environmentally focussed customers. The group has set its own Terms of Reference and applies a consistent lens focussed on affordabilty, capital investment and its impact on customer bills.

Over the last three years, the CCRG has received targeted briefings on Urban Utilities' operations, infrastructure planning and pricing approach, and has provided feedback to the Executive and Board on:

- annual price changes
- approaches to long-term investment
- customer impacts of strategic decisions
- intergenerational equity.

Using insights to drive operational and customer experience improvements

Insights from the Voice of Customer Program have been used to guide operational and experience improvements to uplift Trust, Value for Money and Customer Satisfaction (CSAT), including:

- **Digital billing experience:** Enhancements of billing processes through a suite of digital improvements including a more secure method of delivering and accessing bills. These enhancements also introduced SMS as a channel to receive bills and reminder notifications.
- **High consumption notifications:** Improvements to our High Consumption letters and Concealed Leak webpages to improve clarity and assist in the identification of hidden leaks. This included introducing SMS as a channel to notify customers who are on Direct Debit and receive their bills digitally.
- **Enhanced communications:** Targeted communications through customer experience and social media channels to help customers understand the water cycle and their bill.
- **Vulnerable customer strategy:** formation of the Urban Care team to support vulnerability and improvements to payment extensions and payment plans.
- **Customer services improvements:** A refreshed Quality Assurance framework and processes to support the rollout of a new service culture program to better enable and empower our people to deliver great customer experiences through demonstrating care and empathy.

Targeted initiatives alongside our service quality and reliability and have contributed to:

- Trust in Urban Utilities increasing to **65% in FY25**, our highest result since measurement began in 2020.
- Value for Money perceptions improving to 6.3/10 in FY25, despite ongoing cost-of-living pressures.

Customers who have interacted with Urban Utilities in the last six months report higher trust (72%) and higher value for money (66%) than those with no recent contact, demonstrating the importance of service experience in driving perceptions.

Customer expectations

Through the Voice of Customer Program, our customers have told us about their key needs and expectations of Urban Utilities:

Residential Customers ***need*** reliable water and wastewater services, proactive and timely communications and affordable bills. They ***expect*** downward pressure on bills, Urban Utilities to be planning for the future, and for Urban Utilities to be there for customers when it matters.

Commercial Customers ***need*** reliable water and wastewater services, proactive and timely communications, pricing and operational transparency and help with solutions to meet their environmental and social objectives. Larger businesses ***expect*** strategic engagement and negotiated contracts, elevated service levels and collaborative engagement.

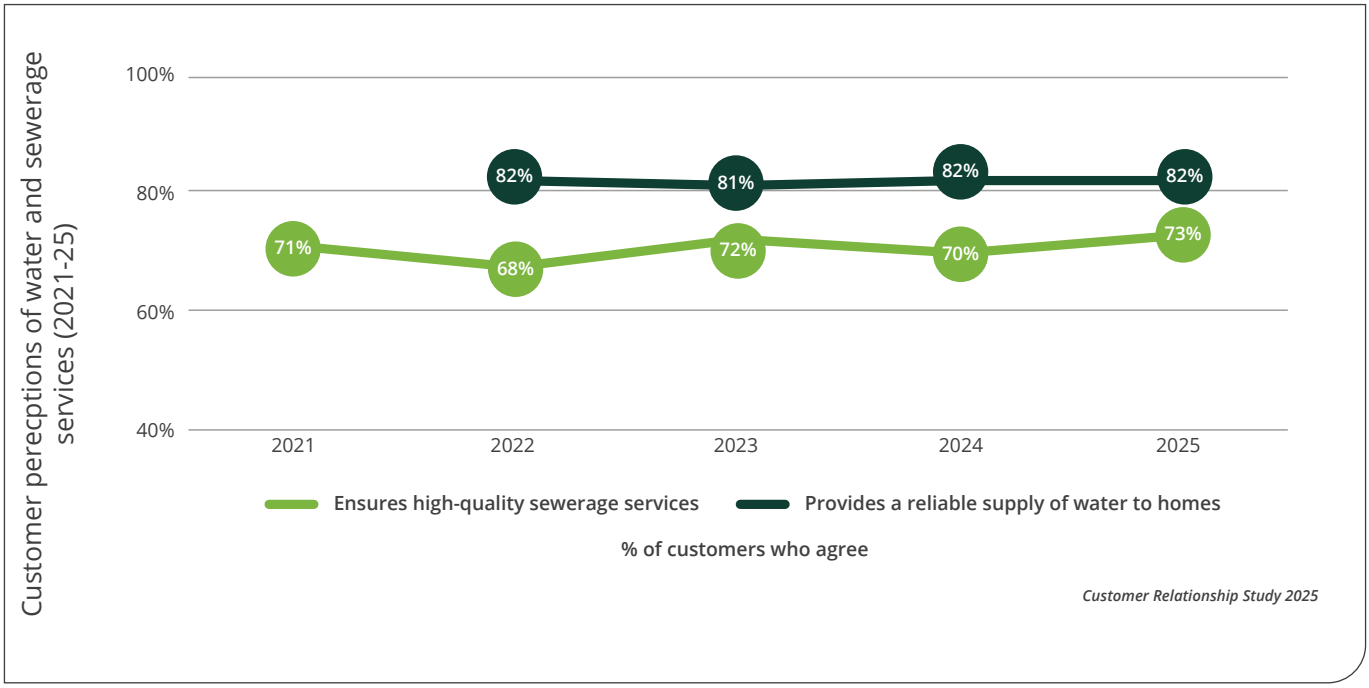
Development Customers ***need*** costs of development minimised through flexibility in interpretation of building standards and codes, provision of trusted advice, timely information and transparent decisions. Development customers ***expect*** processes that minimise effort and time, and easy access to information.

Helidon Resource Recovery Centre

Measuring our service quality and reliability performance

Community perceptions of the quality and reliability of our water and wastewater services have remained strong over the last five years, as measured through our annual Customer Relationship Study and presented in Figure 6.1 below.

Figure 6.1: Customer perceptions of water and sewerage services (2021-25)



The Bureau of Meteorology's National Performance Reporting (NPR) benchmarks compare our service outcomes with other major water utilities in Australia. These demonstrate strong performance results over time.

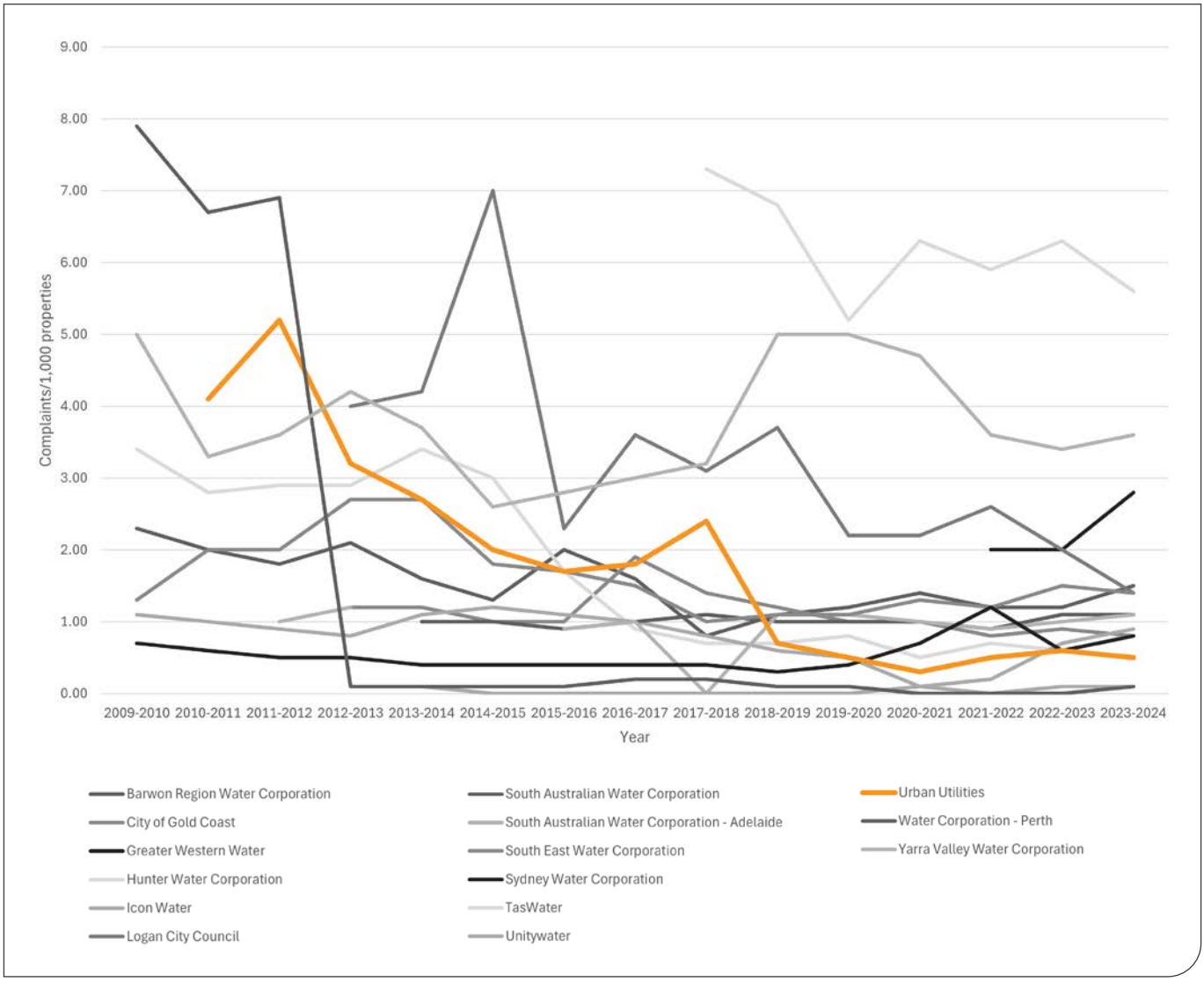
Major water utilities are defined as those serving more than 100,000 properties. Our comparison[43] identifies that Urban Utilities':

- water main breaks, bursts, and leaks have fluctuated since 2010 but are broadly comparable to other comparable networks
- unplanned interruptions have remained relatively flat since 2010 and are lower than most other comparable networks
- average duration of an unplanned water supply interruption have decreased since 2010 and are lower than most other comparable networks
- sewer main breaks and chokes have fluctuated since 2010 but are lower than most other comparable networks
- property connection sewer breaks have remained relatively flat since 2010 and are lower than most other comparable networks
- water quality complaints have decreased since 2010 and are lower than most other comparable networks
- water service complaints have decreased since 2010 and are lower than most other comparable networks
- sewerage complaints have fluctuated since 2010 but are lower than most other comparable networks.

We strive to maintain and improve these strong performance metrics, despite the range of operational challenges we face as outlined previously in this Part 1 submission. We will require ongoing investment to maintain service quality and reliability, consistent with the priorities of our customers, while facing these challenges.

[43] *More details of the comparator set used, our comparison approach, and figures comparing service performance are included in Appendix 1 – NPR service performance.*

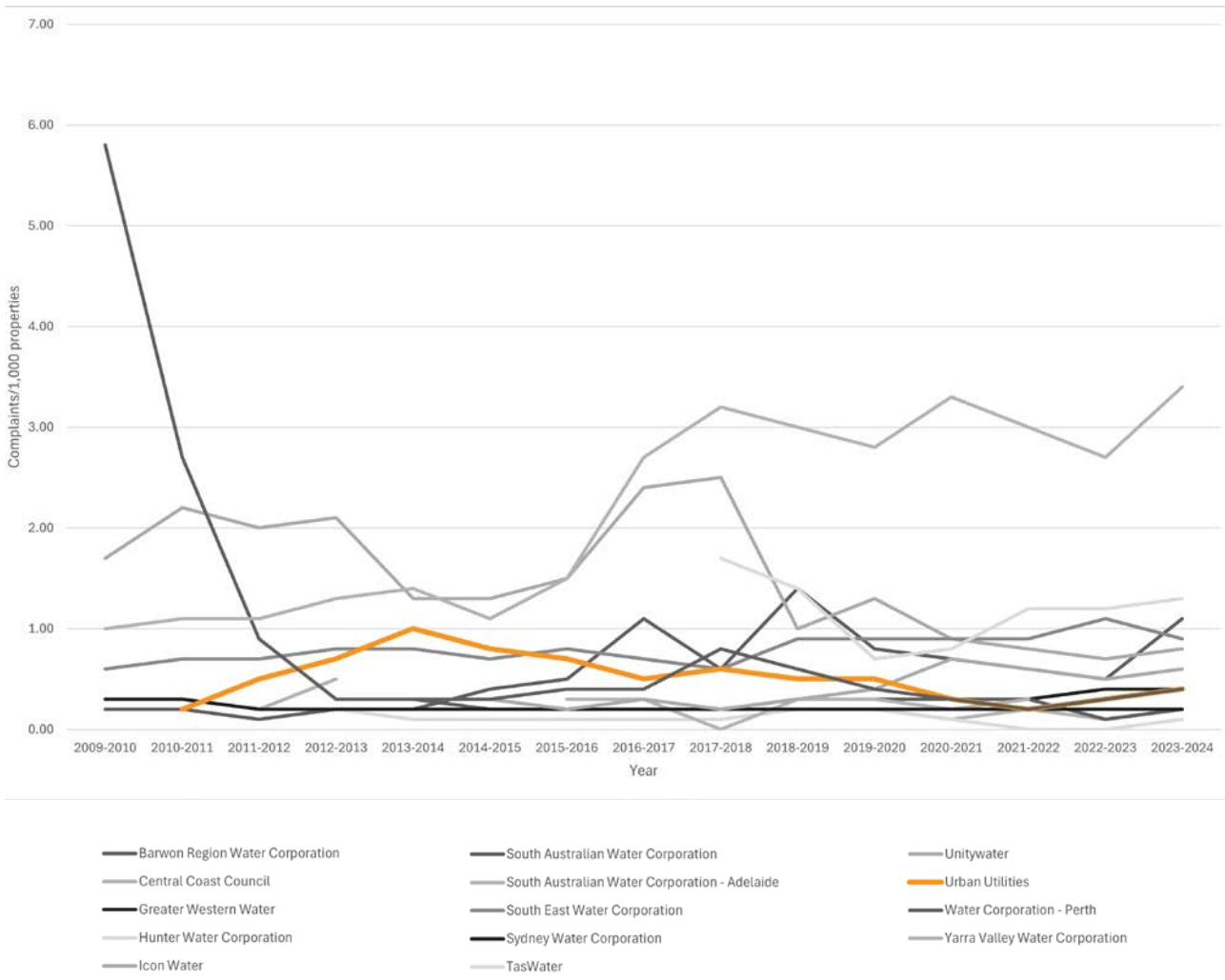
Figure 6.2: National Performance Reporting (NPR) Number of water quality complaints per 1,000 properties



Urban Utilities has also maintained its service reliability at a strong level compared to our peers across both water and sewer services between 2011 and 2024. Urban Utilities has the fourth lowest number of complaints per 1,000 properties for both metrics across all major water utilities (see Figure 6.2).

One of the key metrics for service quality that we monitor closely is the number of customer complaints. Urban Utilities has improved water quality significantly since 2011, going from the second highest number of complaints per 1,000 properties to the second lowest number of complaints by 2024 as outlined in Figure 6.3.

Figure 6.3: National Performance Reporting (NPR) Number of water service complaints per 1,000 properties



These strong results from a customer perspective are backed by in-field service quality and reliability metrics per 1,000 properties, such as water main breaks, sewer breaks and chokes and unplanned outages. Appendix 1 summarises our NPR performance across these metrics.

Internal measures of performance

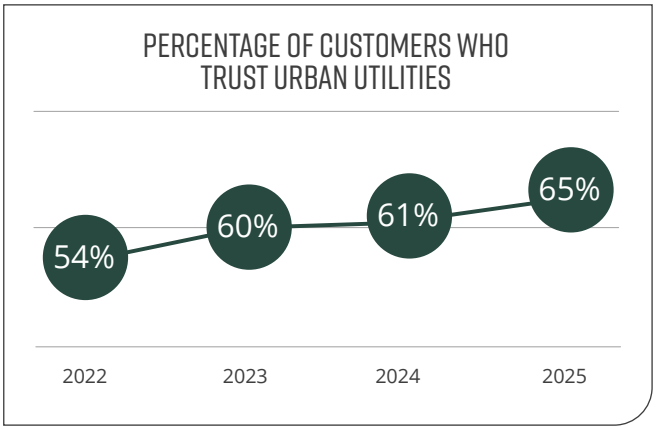
In alignment with the Critical Outcomes in our strategic plan, we also maintain a series of internal measures relevant to service quality and reliability (see Figure 6.4). On each metric both our FY25 result and our 12 month rolling performance has exceeded target, demonstrating our commitment to maintaining the highest standards of water quality, network reliability and responsiveness to issues impacting customer satisfaction.

Figure 6.4: Urban Utilities Customer Service Standard Measures

Critical Outcome	Customer Service Standard Measure	FY25 Result	FY26 Target	12-mth rolling	Status
Public Health	Annual chemical compliance with *Australian Drinking Water Guidelines (ADWG)* health limits	12	12	12	Green
	Bacteriological compliance with the *Public Health Act 2005*	12	12	12	Green
	Water quality complaints (per 1000 properties)	1.05	≤6	1.0	Green
	Water main breaks (per 100km mains)	15.4	<39	15.5	Green
Environment	Sewerage main breaks and chokes (per 100km mains)	16.6	<30	16.1	Green
Experience	Unplanned water supply interruptions (per 1000 properties)	66	<100	74	Green
	Response to urgent incidents (responded to within 1 hr)	98.3	>80%	96.6	Green
	Response to non-urgent incidents (responded to within 24 hr)	90.3	>80%	89.1	Green
	Restoration of water supply (completed within 5 hrs)	91.2	>90%	90.1	Green

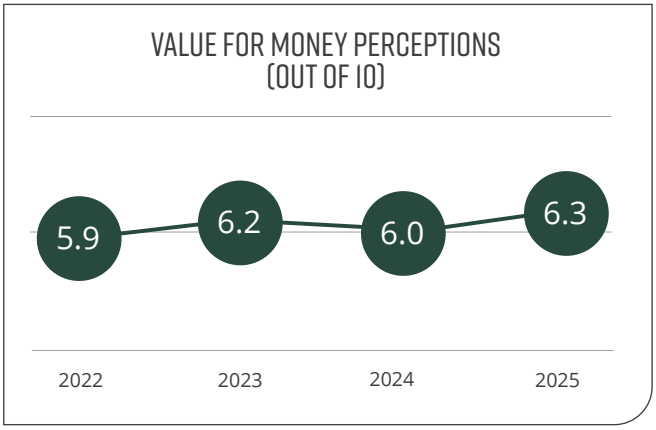
Urban Utilities' comprehensive Voice of the Customer Program and our continued focus on delivering better outcomes for customers are reflected in trust levels in Urban Utilities increasing to 65% in FY25 (see Figure 6.5). This is Urban Utilities' highest ever result since measurement began in 2020 as a result of targeted approach to build trust.

Figure 6.5: Urban Utilities Voice of Customer survey results, percentage of customers who trust Urban Utilities.



Customer perceptions of *Value for Money* also improved in FY25, increasing to 6.3/10 (up from 6.0 in FY24) (see Figure 6.6). This result is positive given ongoing cost of living pressures and no perceived improvement in service quality.

Figure 6.6: Urban Utilities Voice of Customer survey results, value for money perceptions



This uplift in Value for Money reflects targeted efforts across several key areas:

- **Affordability:** Perceptions of fair and affordable water and wastewater bills improved by 4% with 42% agreeing Urban Utilities provides affordable water and wastewater bills and 40% agreeing pricing is fair. Over the last year, communications have focussed on uplifting Urban Utilities' value proposition and educating customers of the charges on their bills through the rollout of Residential and Non-Residential bill explainer videos and customer friendly information on our website.
- **Customer centricity:** Perceptions that Urban Utilities acts in the community's best interest (46%, up from 44%) and listens to customer needs (41%, up from 39%) continue to strengthen, reinforcing the link between empathy and value.
- **Community knowledge:** While general water understanding remains low, events like the January 2025 Taste and Odour issue and Ex Tropical Cyclone Alfred supported uplifting community understanding of the operational complexity behind delivering safe and reliable services.
- **Delivery of a good customer experiences:** Customers who have had an interaction with Urban Utilities in the last 6 months are more likely to have higher perceptions of value for money (7.3) than those who have not interacted with Urban Utilities (5.9). Over the last year, there has been a continued effort at improving key customer experience as highlighted above.
- **Customer control:** Empowering customers through education and choice remains key. In FY25, 64% of customers feel they have full or high control of how much water they use.

The overall customer performance of Urban Utilities has been stable or increasing in recent years, across all customers serviced (see Figure 6.7). Particularly strong outcomes for commercial customers are a result of using customer insights from this segment to make improvements to their service experience.

Figure 6.7: Urban Utilities Customer Performance Measures (2025), by customer type

Customer Performance Measure	Residential/ Community	Commercial Customer	Non-Residential Customer	Development Customer
Customer Satisfaction	69% Compared to FY24: **+2%** Long term trend: stable	87% Compared to FY24: **+3%** Long term trend: **increasing**	77% Compared to FY24: **-3%** Long term trend: stable	61% Compared to FY24: **-3%** Long term trend: **declining**
Trust	65% Compared to FY24: **+4%** Long term trend: stable	78% Compared to FY24: **+12%** Long term trend: **increasing**	63% Compared to FY24: **+3%** Long term trend: stable	54% Compared to FY24: **-1%** Long term trend: stable
Value For Money	6.3 Compared to FY24: **+0.3** Long term trend: **increasing**			

Opportunities to improve our engagement, integration of insights into decision making and service standards

Urban Utilities will continue to evolve our Voice of Customer Program to maintain a detailed understanding of evolving customer needs and expectations. A focus on Customer Engagement to better understand what is most important to customers will give community members the opportunity to have a greater say in the way in which Urban Utilities provides services now and into the future.

The Customer Engagement Pathway will look to start conversations with customers on the challenges Urban Utilities faces, asking what they see as important for Urban Utilities to focus on. Providing us with clear insights on what the customer sees as critical for investment, paving the way for future discussions on trade-offs and cost impacts.

Through talking with our customers and understanding their needs and expectations, we can continue to provide services that improve perceptions of Value for Money and maintain Trust with customers.

Focus areas in FY26 and beyond to build *Trust* and improve *Residential Customer Satisfaction*:

- **Safe and reliable water and wastewater services** for continued delivery of our services every day.
- **Affordable water and wastewater bills** to minimise costs to operate our business and continually keeping costs as low as possible.
- **Improving our disruption customer experience** through the delivery of more transparent and timely information to customers and improved digital capabilities and customer communications.
- **Continuing to roll out Service Moment Ready** to better enable and empower our customer facing teams to deliver good customer experiences that demonstrate care and empathy.
- **Evolving our vulnerable customer program** to provide more proactive and relevant payment support and enhanced digital self-service options.
- **Education and engagement** to develop a deeper connection with our community through increasing customer understanding about what it takes to deliver reliable water and wastewater services and Urban Utilities' broader social role. This includes inviting customers to inform our thinking and shape Urban Utilities' direction through meaningful engagement.

Incorporating the Voice of Customer into our investment decisions

A priority in FY26 and FY27 is to deepen customer engagement on our capital infrastructure program. Urban Utilities is currently exploring mechanisms to ensure the voice of our customers, as well as explicitly considering the interplay between service outcomes and bill impacts, is included in our forward investment planning processes.

Our present approach is to apply a structured, risk-based prioritisation of investments within defined capital expenditure envelopes, ensuring growth, compliance and high-service risks are prioritised, while lower-probability risks are managed through operational mitigations or deferrals.

Although direct customer engagement on our risk appetite is not yet standard practice, the tools, data, and frameworks are being integrated into our capital planning process to enable future conversations with customers about trade-offs between investment, service, and cost.

The Integrated Planning work undertaken to date has identified clear medium-to-long-term priorities that guide our capital program (refer to earlier sections of this Part 1 submission.)

These priorities are embedded in the 10-year Capital Investment Plan (CIP) and extend into the 20-year horizon, providing transparency of future investment trade-offs. The portfolio scenarios developed to date enable Urban Utilities to consider trade-offs between:

- **Risk vs. Affordability:** Scenarios consider the prioritisation of growth, compliance and high-service risks within defined capital envelopes (scenarios 1-2-3), with lower risks managed through mitigations or deferrals.
- **Short vs. Long Term:** Scenarios seek to balance urgent near-term renewals with resilience and growth investments to ensure sustainable outcomes over longer time horizons.
- **Service outcome focus:** Scenarios seek to identify and test risk appetite positions for each service outcome under different time horizons.

To support the above, Urban Utilities is planning a broader customer engagement approach to bring customers into the discussion of service–bill trade-offs. Activities underway include:

- Redevelopment of risk consequence categories to better articulate service and risk outcomes in meaningful customer terms.
- Capital forecast modelling and integration with financial models, including assessment of potential bill impacts under different investment pathways.
- Ongoing engagement planning activities, which will inform how and when customer input into risk appetite and service trade-offs is best sought.

Reviewing our Service Standards

Conversations with customers also provide a deeper understanding of customer preferences and are the first steps in giving customers a greater voice in targeted initiatives.

We are in the process of developing a roadmap for review of our Service Standards in 2026. This review will include developing a deeper understanding about what customers expect of Urban Utilities into the future in the delivery of service performance and service outcomes, particularly in the context of an ageing and growing asset base.

This is in the context of a broader shift for the long term from prioritisation of service standards to achievement of service outcomes that align with customer priorities and an enhanced understanding of trade offs. As part of the review, we will consider the alignment between factors such as:

- the prudent and efficient costs of maintaining network performance and reliability at the highest standards
- customer affordability to continue putting downward pressure on bills
- the reasonably practicable maintenance of environmental performance obligations and the expectations of regulators and customers in relation to matters such as contaminants of emerging concerns and odours.

SECTION 7

THE PATHWAY TO PART 2 OF THE PRICING INVESTIGATION

7. THE PATHWAY TO PART 2 OF THE PRICING INVESTIGATION

This section outlines Urban Utilities' intended approach to developing the Part 2 price path, including the analytical framework, integration with strategic planning processes, customer engagement activities and the development timeline.

Approach to developing the FY28 to FY30 price path

Urban Utilities will develop the FY28 to FY30 price path using a building block methodology to estimate a maximum allowable revenue (MAR) for each year consistent with our pricing approach. The MAR will comprise:

- operating expenditure for normal operating conditions and forecast demand
- capital expenditure assessed for prudency and efficiency
- return on assets (calculated using the Rate of Return × RAB)
- return of assets (depreciation)
- return on working capital
- tax allowance.

The forecast will distinguish between bulk water costs (treated as a cost pass through item) and distribution and retail costs.

Urban Utilities will develop prudent and efficient operating expenditure forecasts using a combination of base-step-trend methodologies and cost driver analysis. The approach will:

- establish a base year that reflects efficient operating costs following productivity initiatives implemented
- apply appropriate escalation factors for labour costs, materials and other input costs based on forecast inflation and productivity adjustments
- identify and quantify changes in operating costs arising from new regulatory obligations, emerging service requirements or changes in operating environment
- embed efficiency targets identified through productivity initiatives, including sustainable cost reductions from process improvements, technology adoption and demand management activities

The operating expenditure forecast will account for trade-offs between operating and capital expenditure.

Where asset management strategies involve accepting higher maintenance costs to defer capital investment, or conversely, where capital investment enables operating cost reductions, these trade-offs will be identified.

We will also develop prudent and efficient capital expenditure forecasts based on robust asset management planning that reflects the outcomes of the Risk and Compliance Improvement Program. The approach will:

- categorise capital expenditure into renewal, growth, compliance and service improvement drivers
- apply risk-based asset management frameworks to prioritise capital investment, ensuring expenditure focuses on maintaining service levels and managing critical risks within the Board-endorsed risk appetite
- assess renewal capital requirements using asset condition data, failure analysis and whole-of-life cost optimisation to identify the least-cost timing and scope of interventions
- forecast growth capital requirements based on demand forecasts and network capacity analysis, identifying opportunities to defer investment through demand management or non-network solutions
- justify compliance and service improvement capital with reference to regulatory obligations, customer preferences and cost-benefit analysis

Capital expenditure forecasts will reflect prudent scoping, efficient delivery costs and realistic project timing.

The capital program will demonstrate how investment decisions balance multiple objectives including service reliability, risk management, customer affordability and long-term sustainability. This includes consideration of asset management trade-offs such as run-to-failure versus preventative renewal strategies, standardised versus bespoke solutions, and centralised versus distributed infrastructure approaches.

Integration of productivity initiatives

Urban Utilities will base our Part 2 submission on the productivity initiatives and efficiency targets developed through FY25 and FY26. These initiatives will be embedded within the operating and capital expenditure forecasts, ensuring the MAR reflects realistic and achievable cost reductions over the three-year period.

Productivity initiatives will be quantified according to their impact on operating costs, capital costs or both. Supported by ongoing work on the Operational Efficiency Program, including Zero Based Budgeting and Value Stream Mapping, examples of initiatives that may inform the Part 2 submission include:

- Process improvements that reduce labour requirements or materials consumption in routine operations.
- Technology adoption that enables more efficient service delivery or reduces manual intervention.
- Demand management activities that reduce pressure on both operating costs (such as energy for pumping) and capital costs (by deferring network augmentation).
- Procurement improvements that deliver input cost savings.
- Asset management optimisation that extends asset lives or enables more cost-effective intervention timing.
- Organisational efficiency improvements that reduce overhead costs or improve project delivery efficiency.

Integration with strategic planning

Development of the Part 2 price path will integrate with several key strategic planning processes currently underway at Urban Utilities:

- The Risk and Compliance Improvement Program, which is reviewing the Risk Appetite Statement and consequence and likelihood frameworks to support more effective capital investment and asset management decisions.
- Asset management strategy refinement to drive cost-effective solutions.
- Ongoing productivity and efficiency initiatives aimed at sustainable cost reductions.
- Demand management activities to manage pressure on both bulk water costs and distribution infrastructure investment.

This integration ensures the price path reflects Urban Utilities' strategic direction and positions us to manage future challenges while maintaining Service Standards.

Customer engagement approach

Urban Utilities recognises that customer engagement is important for developing a price path that balances service quality, reliability and affordability. We intend to utilise insights from our Voice of Customer Program and engagement with our Customer and Community Reference Group to inform decisions made in relation the FY28-FY30 period. We will also commence a multi-stage Customer Engagement Program to inform future decisions.

The engagement program will:

- test customer preferences regarding service outcomes and bill impacts resulting from service changes
- seek feedback on our asset productivity initiatives and any potential service quality implications
- explore customer attitudes to price trajectories and bill affordability, and
- gather views on priority areas for capital investment.

Timing and process

The referral notice requires the QCA to publish Draft Reports by 24 December 2026 and Final Reports by 30 April 2027. To meet this timetable, Urban Utilities will submit our Part 2 submission in August 2026.

The development process will involve:

- finalising productivity initiatives and efficiency targets by mid-2026
- integrating findings from our Voice of Customer Program and engagement with our Customer and Community Reference Group to inform our Part 2 Submission
- integrating findings from the Risk and Compliance Improvement Program into capital and operating expenditure planning
- preparing detailed supporting analysis on forecast MAR components, including regulatory asset base roll-forward, rate of return calculations and expenditure forecasts.

Urban Utilities will maintain close engagement with the QCA throughout this period to ensure the Part 2 submission addresses the stated matters and provides the information necessary for thorough regulatory assessment.

Commitment to transparency and rigour

Urban Utilities is committed to developing a Part 2 submission that demonstrates prudent and efficient costs while embedding realistic productivity improvements and maintaining service standards.

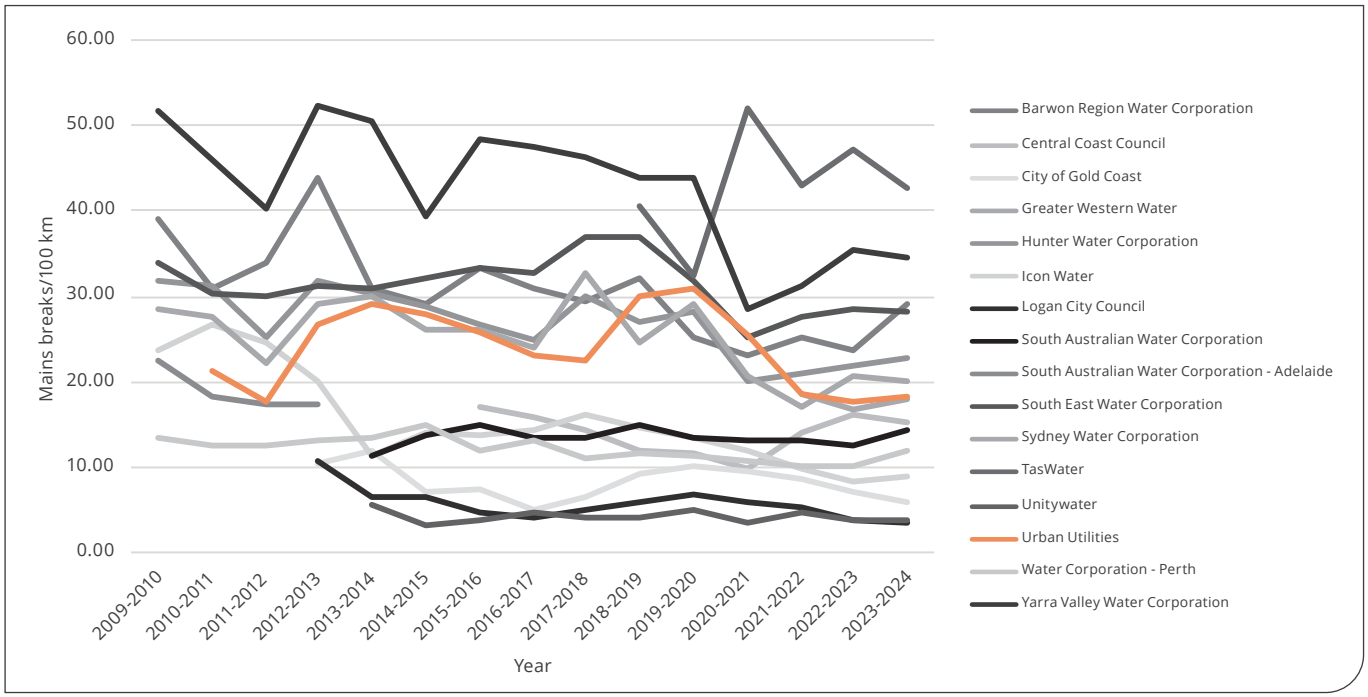
The submission will provide supporting analysis and justification for all material forecasts, enabling regulatory scrutiny and stakeholder consultation.

APPENDICES AND SUPPORTING MATERIAL

APPENDICES AND SUPPORTING MATERIAL

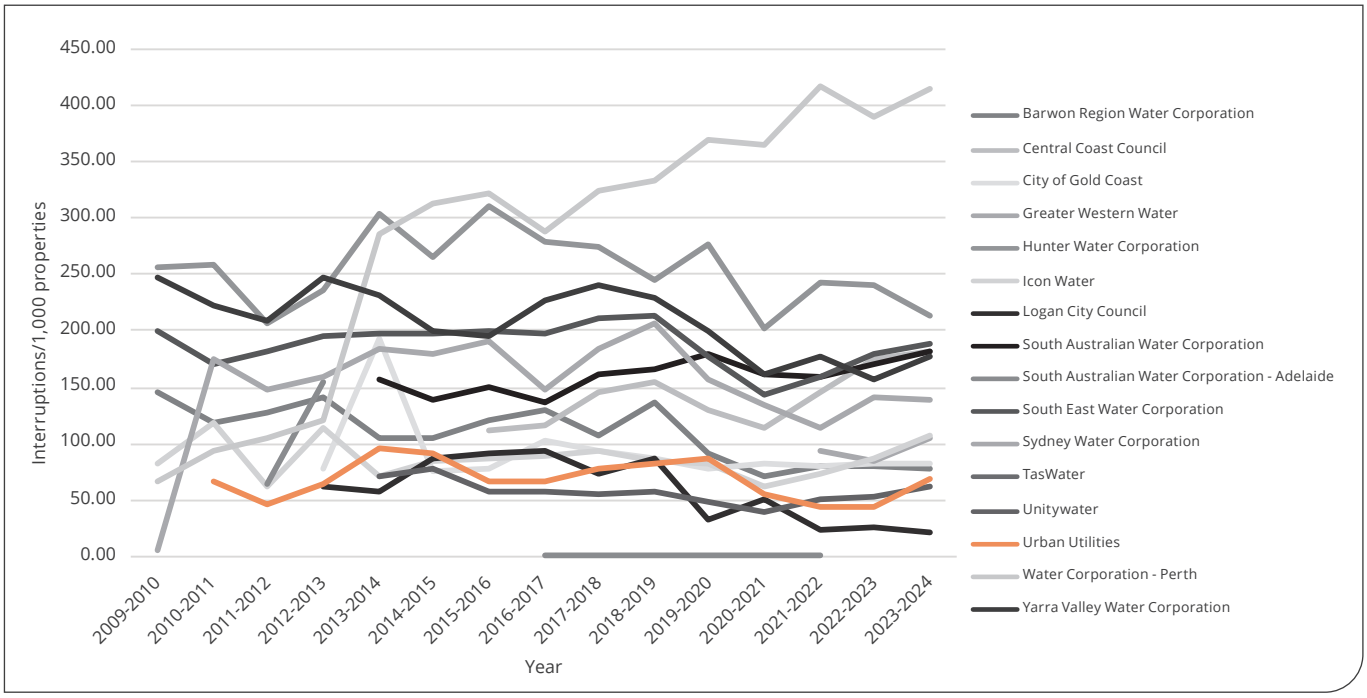
Appendix 1 – NPR service performance

Appendix Figure 1: Water mains breaks per 100km of mains



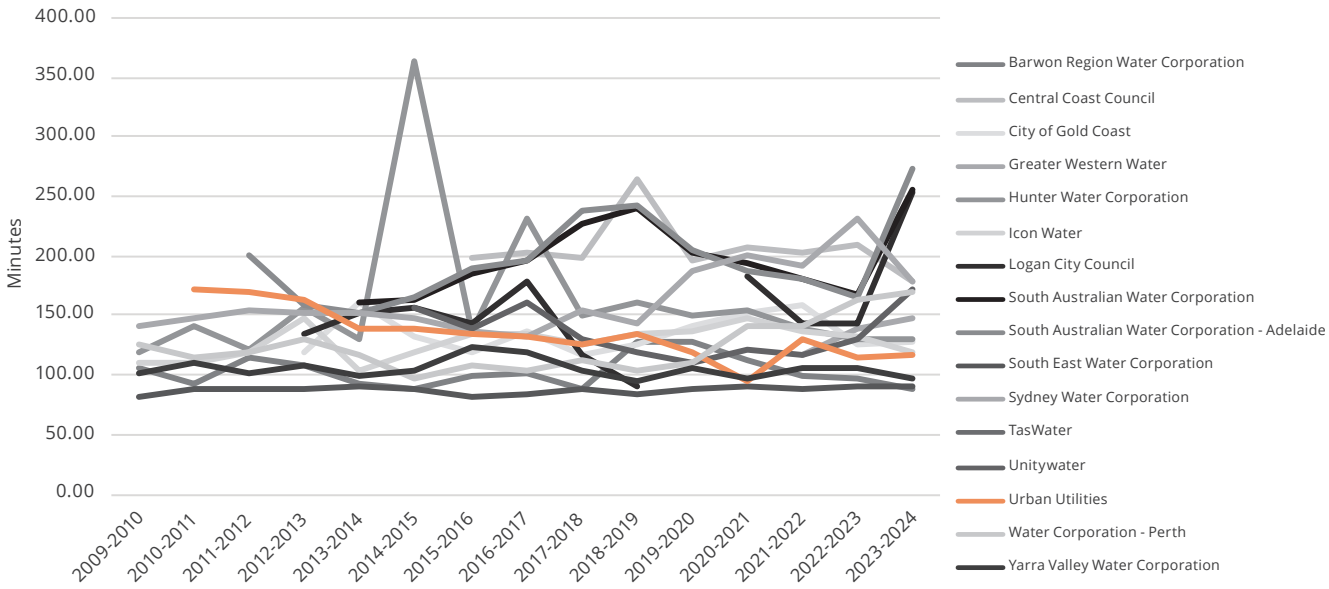
Urban Utilities' number of unplanned water outages is low relative to the other utilities, and has been constant over time.

Appendix Figure 2: Number of unplanned interruptions per 1,000 properties



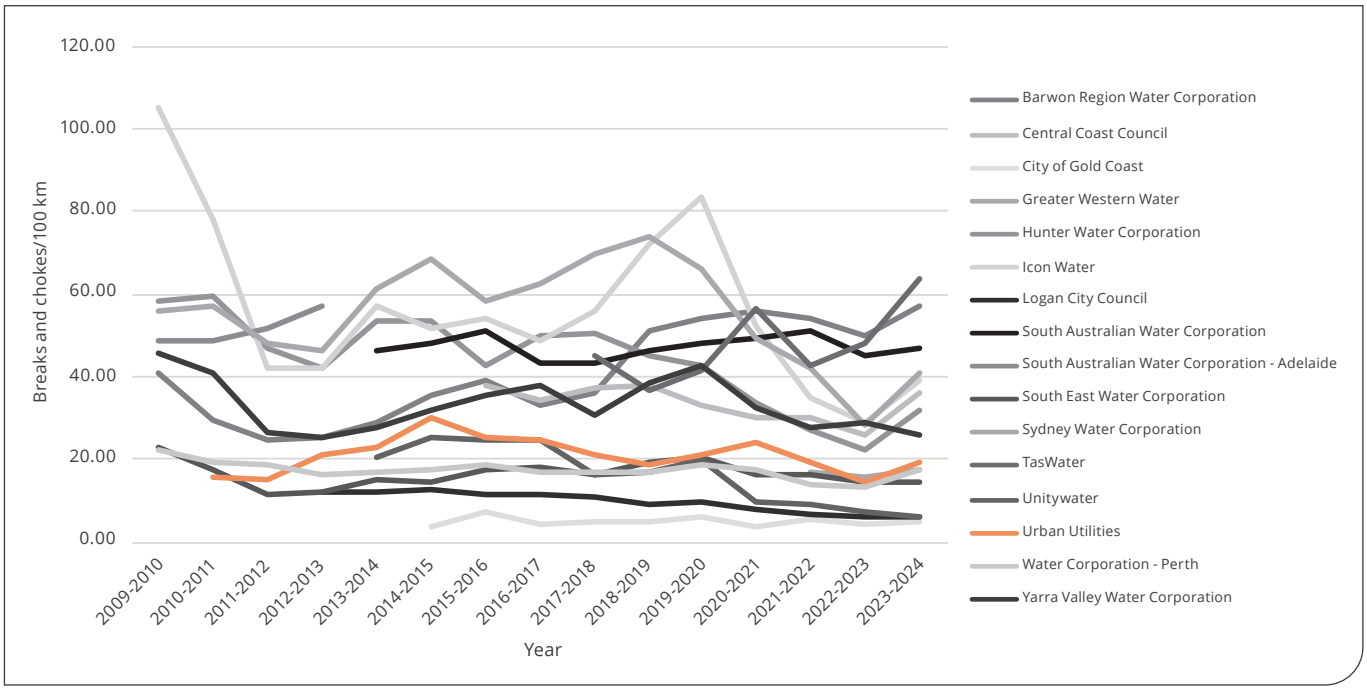
One of Urban Utilities' focus areas for improvement in 2011 was the duration of unplanned outages, in the event that they did occur. This focus on performance has driven a substantial improvement in this metric, with times reduced from 172 minutes to 117 minutes and the network advancing from the lowest-ranked major performer in 2011 to fourth best by 2024.

Appendix Figure 3: Average duration of an unplanned interruption: water supply

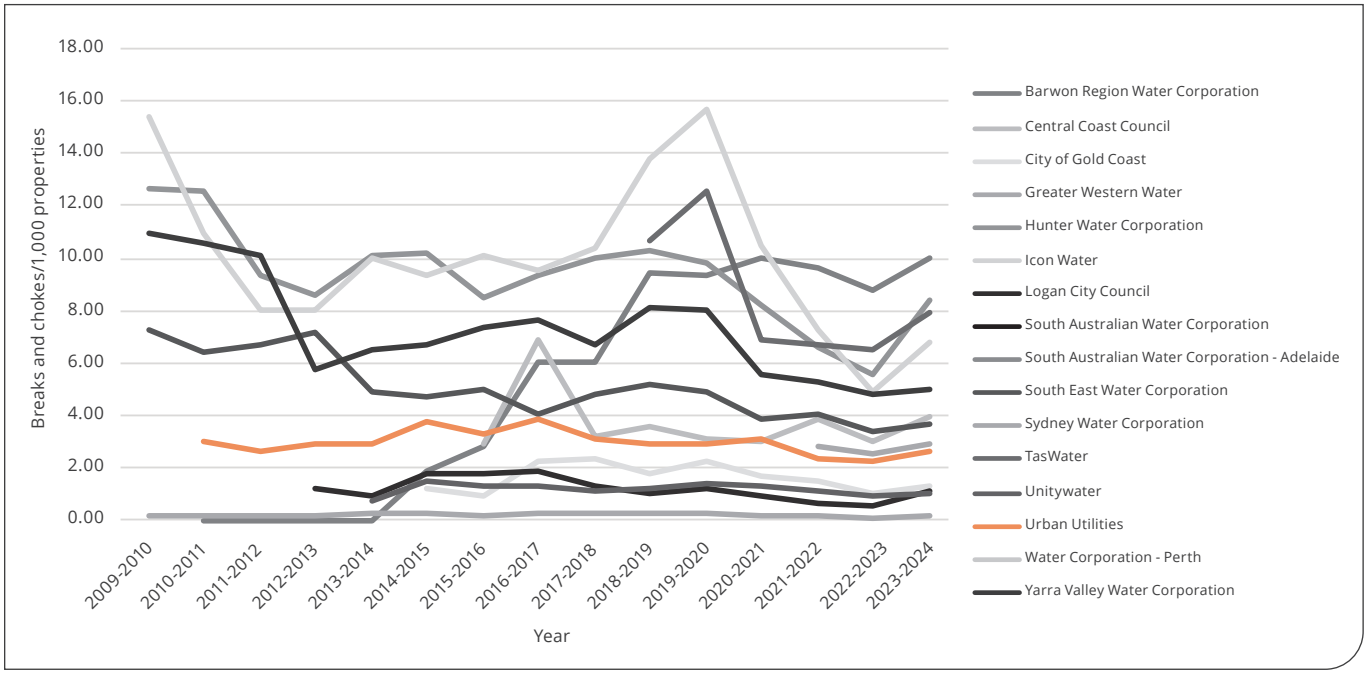


Urban Utilities continues to perform well in the sewer space, with consistent and relatively low levels of sewer main breaks and chokes per 100km, and comparatively lower rates across property connection sewer breaks and chokes per 1,000 properties.

Appendix Figure 4: Number of sewer mains breaks and chokes per 100 km

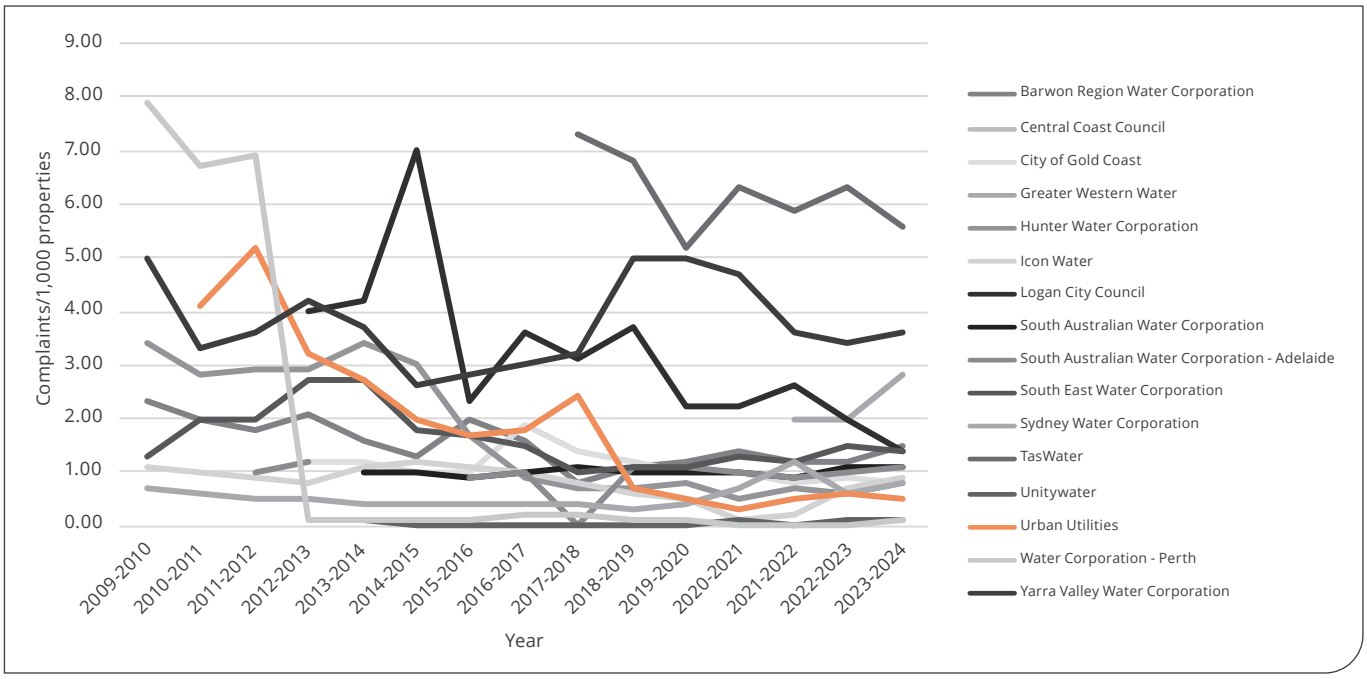


Appendix Figure 5: Number of property connection sewer breaks and chokes per 1,000 properties



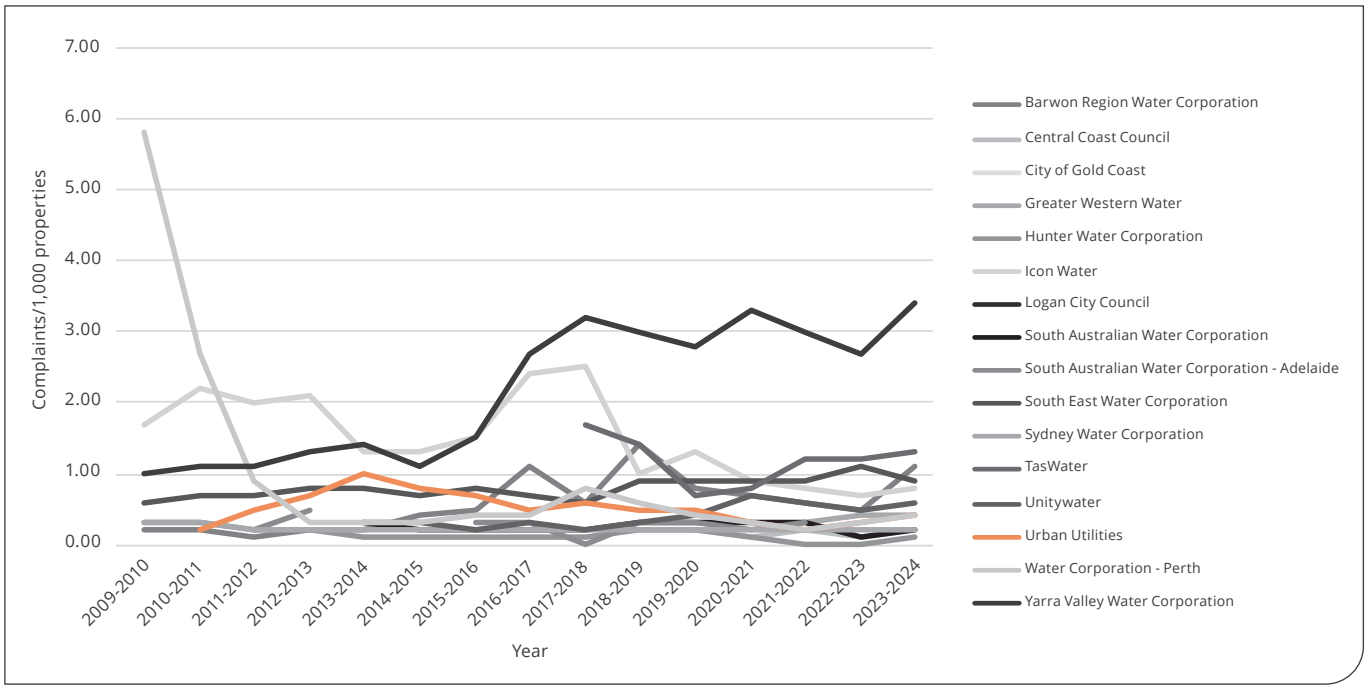
Customer complaints are a critical measure of service quality. Urban Utilities has made substantial improvements in water quality since 2011, shifting from the second-highest number of complaints per 1,000 properties to the second-lowest by 2024.

Appendix Figure 6: Number of water quality complaints per 1,000 properties: water supply

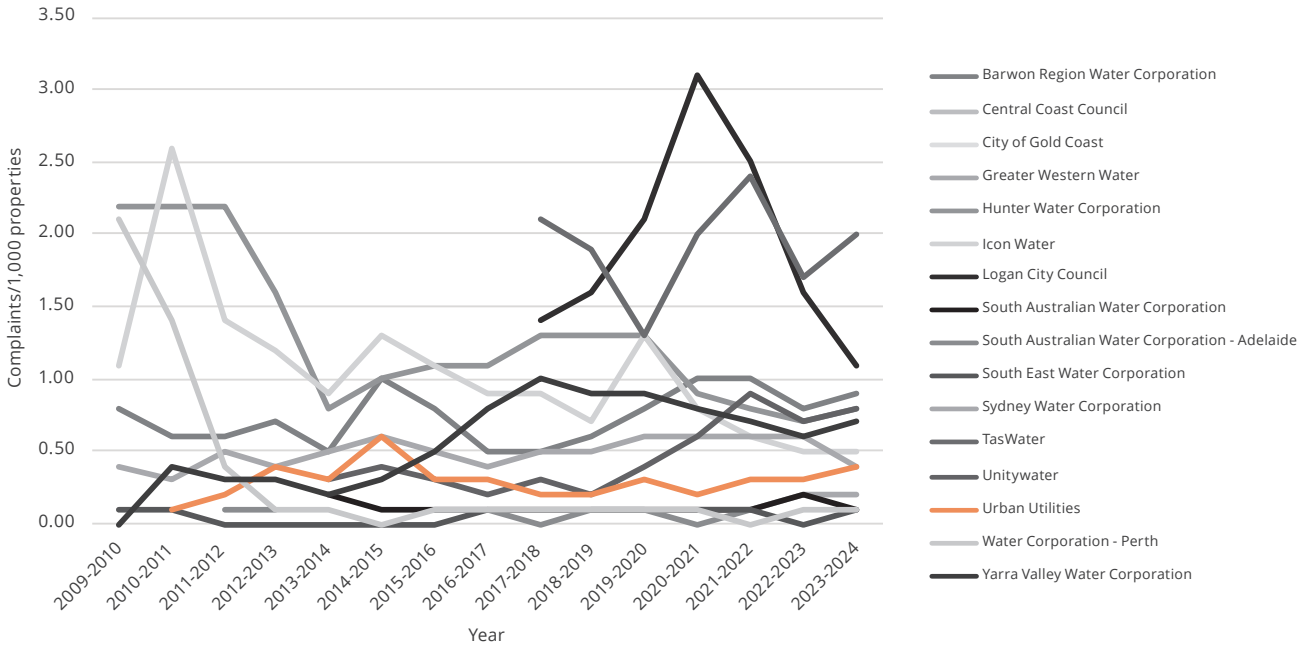


Urban Utilities has maintained a strong level of water and sewer service between 2011 and 2024, having the fourth lowest number of complaints per 1,000 properties for both metrics across all major water utilities.

Appendix Figure 7: Number of water quality complaints per 1,000 properties



Appendix Figure 8: Number of sewerage service complaints per 1,000 properties



Appendix 2 – Regulatory environment

Business Function	Description	Significant Legal Instruments	Key obligations
1. Drinking Water	Supply of drinking water service	*Water Supply (Safety & Reliability) Act 2008* (Qld)	• Be a registered Service Provider • Have and comply with an approved Drinking Water Quality Management Plan (DWQMP), including reporting and audit requirements • Notify the regulator of any drinking water quality exceedances
		Public Health Act 2005 (Qld), *Public Health Regulations 2018* (Qld)	• Supply drinking water that is safe for drinking and meets prescribed quality criteria
		Water Act 2000 (Qld), *SEQ Bulk Water Code*	• Have and comply with an authorised Operating Protocol • Have and comply with an Emergency Response Plan
2. Recycled Water	Supply of recycled water	*Water Supply (Safety & Reliability) Act 2008* (Qld)	• Register all schemes with the regulator • Have and comply with a Recycled Water Quality Management Plan in place for certain schemes, including reporting and audit requirements
		Public Health Act 2005 (Qld), *Public Health Regulations 2018* (Qld)	• Supply recycled water that is fit for use • Ensure that recycled water meets quality requirement relevant to the grade
		Environmental Protection Act 1994 (Qld)	• Comply with conditions of Environmental Authorities (ERA63) that relate to supplying recycled water or using for irrigation
		Water Act 2000 (Qld)	• Have a bulk water supply agreement for providing treated effluent to the Western Corridor Recycled Water Scheme
3. Sewerage Transport & Treatment	Collection, transport, treatment and release of wastewater	*Environmental Protection Act 1994* (Qld)	• Hold and comply with the conditions of Environmental Authorities for the operation of sewage pump stations and treatment plants • Take all reasonable and practical measures to prevent and minimise harm to the environment • Prevent and minimise environmental nuisance (e.g. odour, noise) • Notify the regulator of environmental incidents • Meet regulatory reporting requirements
		Environmental Protection and Biodiversity Conservation Act 1999 (Cth)	• Obtain and comply with approvals to conduct activities that draw Federal jurisdiction (e.g. RAMSAR wetlands, critical Koala habitat) • Operate Sandgate Treatment Plant in accordance with Commonwealth approval

Business Function	Description	Significant Legal Instruments	Key obligations
4. Biosolids	Production and supply of biosolids	*Waste Reduction and Recycling Act 2011* (Qld)	• Comply with the End of Waste Code - Biosolids
		Environmental Protection Act 1994 (Qld), *Environmental Protection Regulation 2019* (Qld)	• Comply with regulations for the storage and transport of regulated waste (sewage sludge)
5. Electricity Production (Biogas)	Production and use of biogas to produce electricity	*Petroleum and Gas (Production and Safety) Act 2004* (Qld), *Petroleum & Gas (Safety) Regulation 2018 (*Qld)	• Implement and maintain a Safety Management System for each cogeneration plant • Notify the regulator of incidents
		Renewable Energy (Electricity) Act 2000 (Cth)	• Ensure valid creation of Renewable Energy Certificates
6. Customer Service	Compliance requirements related to customer service standards	*South East Queensland Water (Distribution and Retail Restructuring) Act 2009* (Qld)	• Establish a Customer Charter and set customer service standards • Establish a Complaints Policy and manage customer complaints in accordance with international standards (ISO10002 – 2006)
		Water Supply (Safety & Reliability) Act 2008 (Qld)	• Notify customers of planned water outages
		SEQ Customer Water and Wastewater Code	• Keep a register of special needs customers • Manage unplanned interruptions to services and prioritise special needs customers in restoring services • Provide access to drinking water in circumstances of extreme service interruption • Restore properties affected by water/sewer infrastructure work • Provide a customer enquiry facility • Establish a Concealed Leak Policy

Business Function	Description	Significant Legal Instruments	Key obligations
7. Developer Services	Provision of services to property developers	*South East Queensland Water (Distribution and Retail Restructuring) Act 2009* (Qld)	• Provide connections within the Urban Utilities service region • Administer water approvals in accordance with statutory processes and timeframes • Issue and collect infrastructure charges in accordance with statutory processes and timeframes • Maintain and make available a register of infrastructure charges issued and provide details of trunk infrastructure delivered by Urban Utilities
		Plumbing and Drainage Act 2018 (Qld), *Building Act 1975, Planning Act 2016* (Qld), *South East Queensland Water (Distribution and Retail Restructuring) Act 2009* (Qld), *Work Health & Safety Act 2011* (Qld), *Water Supply (Safety & Reliability) Act 2008* (Qld)	• Ensure that relevant standards are applied to new infrastructure provided by developers
8. Pricing and Billing	Service pricing and customer billing	*Queensland Competition Authority Act 1997* (Qld)	• Urban Utilities' water and wastewater supply services can be subject to pricing investigation by the QCA following a direction by the relevant Minister, as a declared monopoly business activity under the *QCA Regulation 2018*
		South East Queensland Water (Distribution and Retail Restructuring) Act 2009 (Qld), *SEQ Customer Water and Wastewater Code*	• Publish service charges annually by 30 June • Issue accounts based on metered usage and set charges • Provide customers with a quarterly bill (including all prescribed details) and required options for payment • Conduct meter accuracy tests on request • Provide payment reminders and observe limitations on charging interest on debtor accounts, remove statutory charges on property on payment of outstanding account • Conduct account reviews and special meter reads on request • Have a Flow Restriction Policy • Do not charge for water taken for firefighting purposes

Business Function	Description	Significant Legal Instruments	Key obligations
8. Pricing and Billing	Service pricing and customer billing	*Australian Consumer Law, Debt Collectors (Field Agents and Collection Agents) Act 2014* (Qld)	• Observe rules and restrictions in collecting debt from customers with overdue accounts
9. Regulation and Enforcement	Management of trade waste and enforcement of offences related to Urban Utilities infrastructure	*Water Supply (Safety & Reliability) Act 2008* (Qld)	• Ensure statutory officers (trade waste officers, authorised persons) are appointed and trained and exercise powers in accordance with proper procedures
		South East Queensland Water (Distribution and Retail Restructuring) Act 2009 (Qld)	• Observe requirements for establishing and conducting compliance inspections, including holding Board approval for an Inspection Program • Ensure statutory officers (water connection officers) are appointed and trained and exercise powers in accordance with proper procedures
10. Asset Maintenance	Performing field work to maintain Urban Utilities assets (reservoirs, pipes, land) both planned and responsive	*South East Queensland Water (Distribution and Retail Restructuring) Act 2009* (Qld)	• Conduct work in public spaces under authority from local government (exception for emergency applies) • Restore public spaces following work • Provide barricades and signage for works
		Plumbing and Drainage Act 2018 (Qld)	• Ensure work on private plumbing is conducted by licensed workers
		Environmental Protection Act 1994 (Qld), *Environmental Protection Regulation 2019* (Qld)	• Hold and comply with the Environmental Authority for transporting regulated wastes (sewage sludge & residues, asbestos) • Ensure works do not cause harm to environment or heritage values
		Biosecurity Act 2014 (Qld), *Biosecurity Regulation 2016* (Qld)	• Comply with biosecurity permits (fire ants) • Ensure activities do not spread biosecurity threats
		Water Act 2000 (Qld)	• Observe requirements when conducting work in waterways

Business Function	Description	Significant Legal Instruments	Key obligations
11. Infrastructure Planning & Delivery	Infrastructure planning and delivery	*South East Queensland Water (Distribution and Retail Restructuring) Act 2009* (Qld)	• Establish, review and publish a Netserv Plan • Adopt the SEQ Design & Construction Code • Establish and make available an annual capital works program
		Planning Act 2016 (Qld)	• Obtain all relevant approvals for development work
		Aboriginal Cultural Heritage Act 2003 (Qld)	• Comply with the Aboriginal cultural heritage duty of care
		Work Health & Safety Act 2011 (Qld), *Electrical Safety Act 2002* (Qld), *Building Act 1975 (*Qld)	• Apply Safety in Design • Ensure all new structures and plant are properly commissioned and certified
		Professional Engineers Act 2002 (Qld)	• Ensure professional engineering work is conducted by a Registered Professional Engineer (RPEQ) or under direct supervision of an RPEQ
12. Governance	Company governance, ethics and external reporting	*South East Queensland Water (Distribution and Retail Restructuring) Act 2009* (Qld), *South East Queensland Water (Distribution and Retail Restructuring) Regulations 2021* (Qld)	• Have a Participation Agreement • Establish a Board • Delegation of Authority to appropriate employees • 'Officers' to comply with duties equivalent to Director duties under the *Corporations Act 2001* (Cth)
		Financial Accountability Act 2009 (Qld), Financial & Performance Management Standard 2019 (Qld)	• Issue an Annual Report • Develop Strategic & Operational Plans in accordance with Participation Agreement • Establish systems for measuring and reporting performance • Establish an internal audit function and observe requirements
		Crime and Corruption Act 2001 (Qld)	• Establish a Code of Conduct • Establish a whistleblower process (Public Interest Disclosures) and ensure whistleblowers are protected • Notify the Crime and Corruption Commission of complaints involving corruption
		Public Interest Disclosure Act 2010 (Qld)	
		Public Sector Ethics Act 1994 (Qld)	

Business Function	Description	Significant Legal Instruments	Key obligations
12. Governance	Company governance, ethics and external reporting	*National Greenhouse Energy Reporting Act 2001* (Cth)	• Provide regular reports, information and statements to external regulators
		Modern Slavery Act 2018 (Cth)	
		Water Supply (Safety & Reliability) Act 2008 (Qld)	
		Payment Times Reporting Act 2020 (Cth)	
		Security of Critical Infrastructure Act 2018 (Cth) *Cyber Security Act 2024* (Cth)	• Requires establishment of a Critical Infrastructure Risk Management Program demonstrating active management of risks and continuous improvement of associated controls for physical security and natural hazards; cyber and information security hazards; supply chain hazards; and personnel hazards. Mandatory ransomware and cyber extortion reporting
		Human Rights Act 2019 (Cth)	• Ensure that actions and decisions of Urban Utilities are compatible with human rights
13. Information & Records Management	Management of information and company records	*Information Privacy Act 2009* (Qld)	• Observe the Queensland Privacy Principles in collecting, storing and using personal information • Mandatory Notification of Data Breach scheme
		Right to Information Act 2009 (Qld)	• Provide access to documents and records when requested by members of the public
		*Public Records Act 2002 (*Qld)	• Make and keep full and accurate records of business activities

Business Function	Description	Significant Legal Instruments	Key obligations
14. Finance	Management of company finances	*Statutory Bodies Financial Arrangements Act 1982* (Qld)	• Manage the borrowings and investments of Urban Utilities in accordance with approvals by the Queensland Treasurer
		South East Queensland Water (Distribution and Retail Restructuring) Act 2009 (Qld)	• Pay participating shareholders tax equivalents in accordance with Local Government Tax Equivalency requirements
		Financial Accountability Act 2009 (Qld), *Financial & Performance Management Standard 2019* (Qld)	• Publish audited and certified financial statements • Establish appropriate internal control structures for managing the resources of Urban Utilities
		Public Trustee Act 1978 (Qld)	• Establish and maintain an unclaimed moneys register
15. Health & Safety	Ensuring the safety of workers and the public	*Work Health & Safety Act 2011* (Qld), *Work Health & Safety Regulations 2011* (Qld),	• Take all reasonable and practicable measures to minimise and eliminate risks to the health and safety of workers and the public • Ensure that electrical installations and equipment are electrically safe • Observe Chain of Responsibility duties and requirements; take all reasonable and practicable measures to manage the risks associated with heavy vehicle operations, to the extent that Urban Utilities is a party in the Chain of Responsibility and can control or influence those operations
		Electrical Safety Act 2002 (Qld), *Electrical Safety Regulations 2013* (Qld), *Heavy Vehicle National Law Act 2012* (Qld)	
		Building Act 1975 (Qld)	• Ensure that buildings owned by Urban Utilities hold a Certificate of Occupancy and that there is compliance with any associated conditions or relevant provisions under the Building Code of Australia or the Queensland Development Code
		Fire & Emergency Services Act 1990 (Qld), *Building Fire Safety Regulation 2008* (Qld)	• Keep building fire systems available at all times and conduct regular maintenance • Ensure evacuation routes are kept clear at all times • Implement Fire and Evacuation Plans and observe regulations relating to roles, training and drills

Business Function	Description	Significant Legal Instruments	Key obligations
16. Contractor Management	Requirements relating to major work outsourced to contractors	*Environmental Protection Act 1994* (Qld)	• Implement appropriate measures, at engagement and throughout the life of a contract, to ensure that contractors engaged to perform work on behalf of Urban Utilities are capable, competent and observe the law in carrying out those works
		Work Health & Safety Act 2011 (Qld), *Electrical Safety Act 2002* (Qld), *Heavy Vehicle National Law Act 2012* (Qld)	
17. Employment	Including enterprise bargaining, recruitment, general HR management, workers compensation	*Fair Work Act 2009* (Cth)	• Pay staff in full • Provide minimum employment conditions under the Act and any awards
		Anti-Discrimination Act 1991 (Qld)	• Take reasonable measures to prevent unlawful discrimination
		*Superannuation Guarantee (Administration) Act 1992 (*Cth)	• Pay superannuation entitlements and offer choice of fund
		Migration Act 1958 (Cth)	• Ensure that staff employed have a right to work in Australia
		Labour Hire Licensing Act 2017 (Qld)	• Ensure that labour hire is sourced through a licensed provider
		Workers Compensation and Rehabilitation Act 2003 (Qld)	

Appendix 3 – Customer Community Reference Group Membership

Customer and Community Reference Group (CCRG)

The CCRG meets quarterly and includes people from a number of sectors, including:

Chair Neil Horrocks

- Wealth of experience in energy & sustainability sectors including customer engagement.
- Currently Deputy Chief Research Officer for RACE 2030.
- Previously Director External Engagement + Director UQ Centre for Energy Data Innovation at University of Queensland.
- Previously CEO of Brisbane Sustainability Agency.
- Senior roles previously at Energex as well as Council.
- Deep appreciation for customer engagement and involvement in decision making.
- Skilled at seeing potential risks and issues on the horizon and brings this consideration to the CCRG.
- Strategic thinker with a broad knowledge base.

Professor John Cole

Sustainable development, stakeholder engagement, innovation diffusion

Water, utilities, government and structures, policy, engagement.

Nik Mungliwar

Senior Sustainability Advisor, Powerlink

Understanding of utility and infrastructure, CALD, unique perspectives on water & usage

Rebecca Lovett

Owner Small Accounting Business

Small business owner, family, customer and community focused.

Sanjana Bhatnagar

UQ Tutor, External Engagement, UX Designer

Connection to youth cohort, younger person, tenant.

Saskia Samuels

Resilience and Finance, Financial Counsellor, Not for profit,

Experience working with vulnerable customers and understanding financial impacts.

Gayle Leaver

Water + Energy industry exp, policy, government.

Strategic approach for utilities couple with engagement and policy, environment.

Nigel Parratt

Qld Conservation Council

Environment, water and waterways, policy, government.

Kathy Baburin

Previously elected Council rep Ipswich region

Policy, local government, outer regions, farming and vulnerable customers.

Janine Crawford

Small Business owner, First Nations, works with government & utilities

Marketing, engagement, First Nations engagement, family, community sport.

Nadja Van Schie

Research and data, community services

Youth cohort, new home-owner, community services sector, and renters.

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