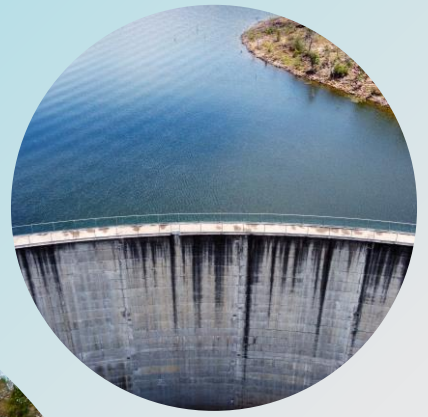
Irrigation Price Path
1 July 2025 to 30 June 2029





Warrill Valley Water Supply Scheme

Annual Customer Forum

12 October 2023

seqwater
WATER FOR LIFE

Irrigation Price Path 1 July 2025 to 30 June 2029

- We are developing a pricing proposal to submit to the Queensland Competition Authority (QCA) in late 2023.
- The QCA will review this proposal in line with its requirements under the Queensland Competition Authority Act 1997 and any conditions set out in a Referral Notice, before making a recommendation back to the Queensland Government.

Key milestones for the irrigation price review



3 Phase Customer Engagement

This is where we are now

Complete

Phase 1

Learn how irrigation prices are set

May and June 2023

Customers had the opportunity to attend customers forums and learn about:

- how irrigation prices are set
- how Seqwater is developing the pricing proposal.

Phase 2

First look at draft future prices

September 2023

Seqwater's draft pricing proposal for each scheme are distributed and presented, and customer feedback is sought.

To gauge support for our pricing proposals, we will invite online feedback from all irrigation customers in impacted schemes. We will provide more information on this process in the coming weeks.

We want your feedback

Phase 3

Our pricing proposal

October 2023

Having considered customer feedback, our final proposal will be shared. Customer Forums

The proposal we are presenting is a look of what we expect to include in our proposal on 30 November 2023

First look at draft future prices

Seqwater's Draft Pricing Proposal (2025-26 to 2028-29)

- Context and background
- Draft costs and prices
- Key drivers

Please feel free to ask questions during or after the presentation.

Our draft cost and pricing proposal is reflective of a challenging operating environment and a desire for meaningful engagement with customers as we develop prices for the next period

A challenging operating environment

Key themes impacting our operating environment over the past few years

- Global events such as COVID19 – inflation, availability of goods and services (including labour)
- Natural disasters – both here and overseas – insurance premiums continue to rise
- Higher energy prices
- Rising interest rates have increased cost of debt
- Council Rate increases
- Aging assets requirement continued monitoring and maintenance
- Asset maintenance program review
- Increased regulation – Metering, Hydrometric monitoring,
- Flood costs are excluded

Our proposal is also reflective of a desire to continue to deliver against the things our customers tell us matter the most to them and their business

This is what our Customer Reference Groups told us:

Our customers voice



We have been engaging with customers (via Phase 1 engagement plan) to identify any issues we need to consider as part of our proposal

- Price stability and scheme efficiencies
- Customers interested in bottom line prices. Engage on expenditure/service trade off's
- Customers keen to understand drivers for any significant repair and maintenance works proposed for the next price path period
- Water reliability/security
- Customers happy with current service standards
- Customers would like an online account to manage their water allocations (like Sunwater)
- Regulatory costs of price reviews minimised
- When water is available, customers want reliability of supply, if there is an interruption to supply they want it fixed asap
- Customers don't want to pay Part A charges when they don't have any water
- Community Service Obligations (CSO) continue to be paid by Government

Warrill Valley WSS - Scheme Overview

267 irrigation customer	29,833.5 ML in entitlements, with average annual usage of 4,994 ML	278 total customers

Major Assets

• Moogerah Dam	• Upper Warrill Diversion Weir • Kents Lagoon Diversion Weir • Aratula Weir • Warrill Creek Diversion Weir • Warroolaba Creek Diversion Weir • West Branch Warrill Diversion Weir • Churchbank Weir • Railway Weir	• Gauging stations • Customer water meters • Upper Warrill Creek Diversion Channel

Pricing Tariffs

$	**Single tariff group, with fixed (Part A) for High and Medium Priority entitlements and variable (Part B) charge**
	Water harvesting managed through DRDMW and taken through allocation water meters

Water Allocation Owner	No of Customers	MP WA's (ML)	HP WA's (ML)	MP Nominal WAE(%)
Irrigation	267	19,478	200	
Other	10	681	204	
Urban	1		250	
Distribution Loss		3,714		
Seqwater		11	5,296	
Total	**278**	**23,884**	**5,950**	**77.22%**

Key Operations and Maintenance activities (cost drivers)	
	Preventative and corrective maintenance
	Regulatory obligations –ROL and Comprehensive dam safety inspections
	Offtake valves, guard rails, actuators, fencing, refurbishment/maintenance
	Rates
	Upgrade, maintain and validate customer flow meters
	Regulating and monitoring river, channel flows and weir levels and scheduling releases
	No significant electricity costs using assets

How is your price/ML calculated?

Maximum allowable revenue

Direct Costs

+

Indirect Costs

+

Rolling annuity (non-metering)

+

Rolling annuity (metering)

+

Tax Allowance

-

Revenue & efficiency offsets

=

Maximum allowable revenue

Recovery of maximum allowable revenue (current)

Part A (fixed)
$21.60)

Part B
(variable)

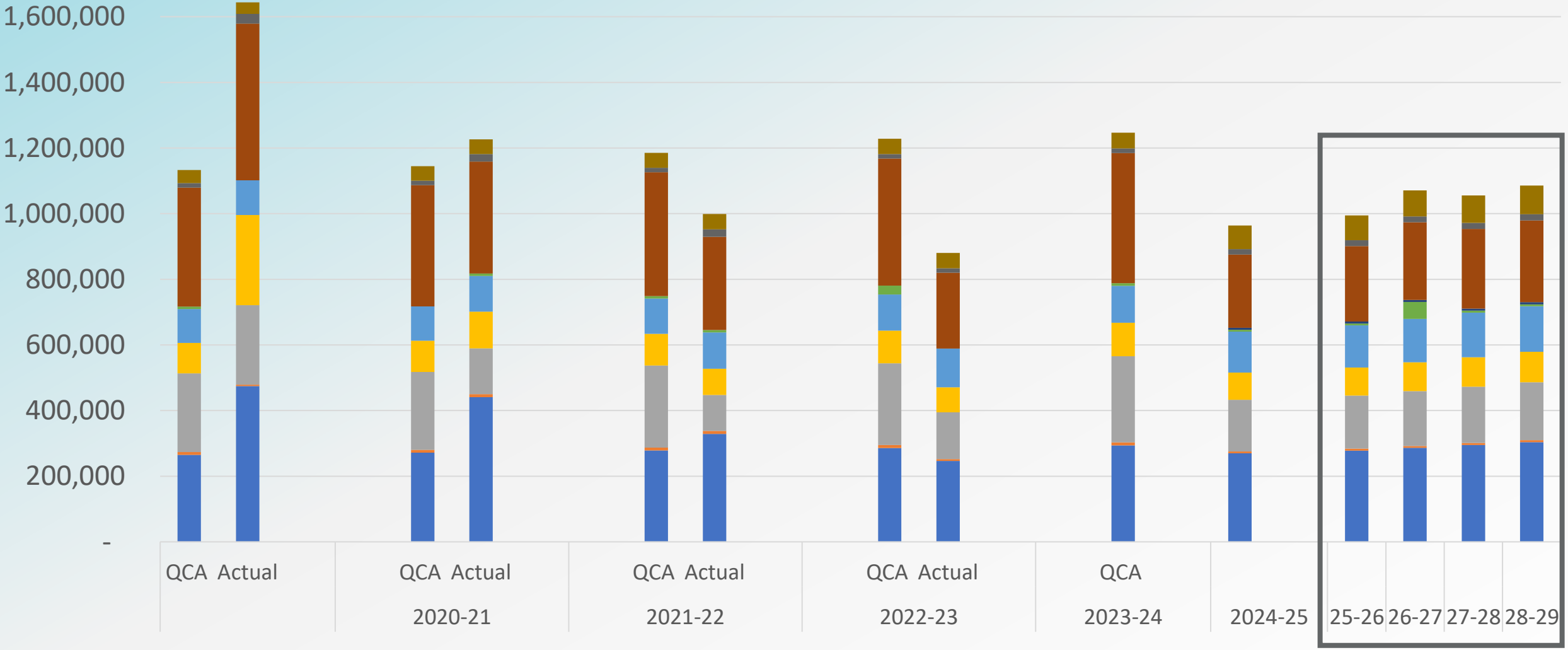
Recovery of maximum allowable revenue (from 1 Jul 2023)

Part A (fixed)

Part B
(variable)

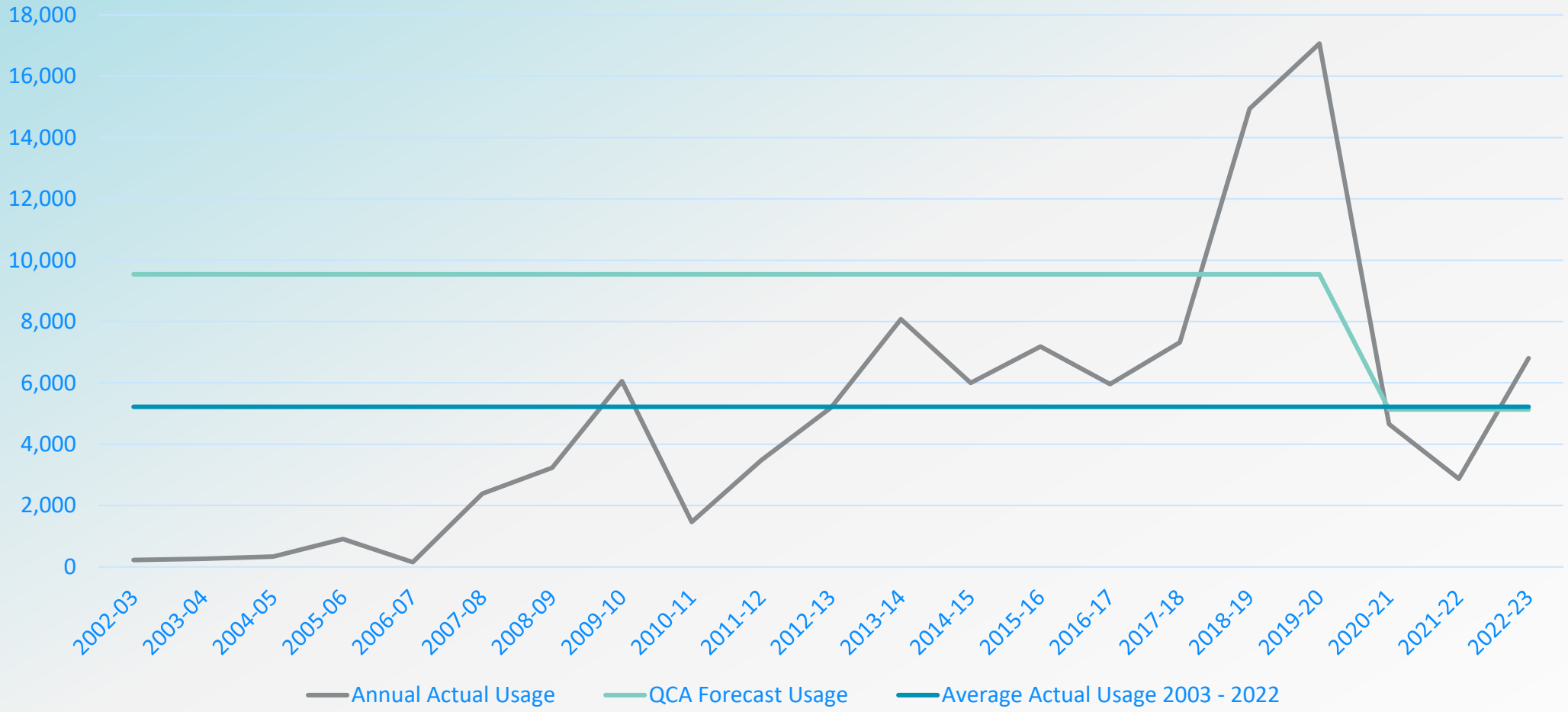
Expenditure

Warrill Valley WSS –OPEX costs



Water Usage

20 Year Average usage (ML)



2020-2024 Price Path – 20 Year Average Use – QCA Final – 5,133ML

2024-29 Price Path – 20 Year Average Use – Seqwater submission – 5,217ML

Capital Expenditure (Renewals)

WVWSS – HUF review August 2023

3 Warrill Valley WSS

3.1 Key changes in data inputs

The following is a list of the key changes in HUF data inputs (since 2020), and commentary about the relative materiality of those changes to updated HUFs for the Warrill Valley WSS:

- On 13 December 2019, section 47 of the Moreton water plan was amended to correct an administrative error relating to Seqwater's authorisation to take water from the Warrill Valley WSS. This did not have any bearing on the HUFs.
- In October 2020, the Warrill Valley WSS Operations Manual was modified to include the following changes:
  - A new cut-off rule: "When the water level in Moogerah Dam is at or below EL 138.94 the licence holder must not release water from Moogerah Dam (i) to supply medium priority water allocations and (ii) to supply 'High Priority C' water allocations in Zone F and
  - A change to the reserve volume for high priority.

  The MP HUF calculations were updated to account for the effect of these changes.
- Seqwater also sold 200 ML of its HP water allocations to an irrigator in zone F. This did not have any impact on the MP HUF calculation.

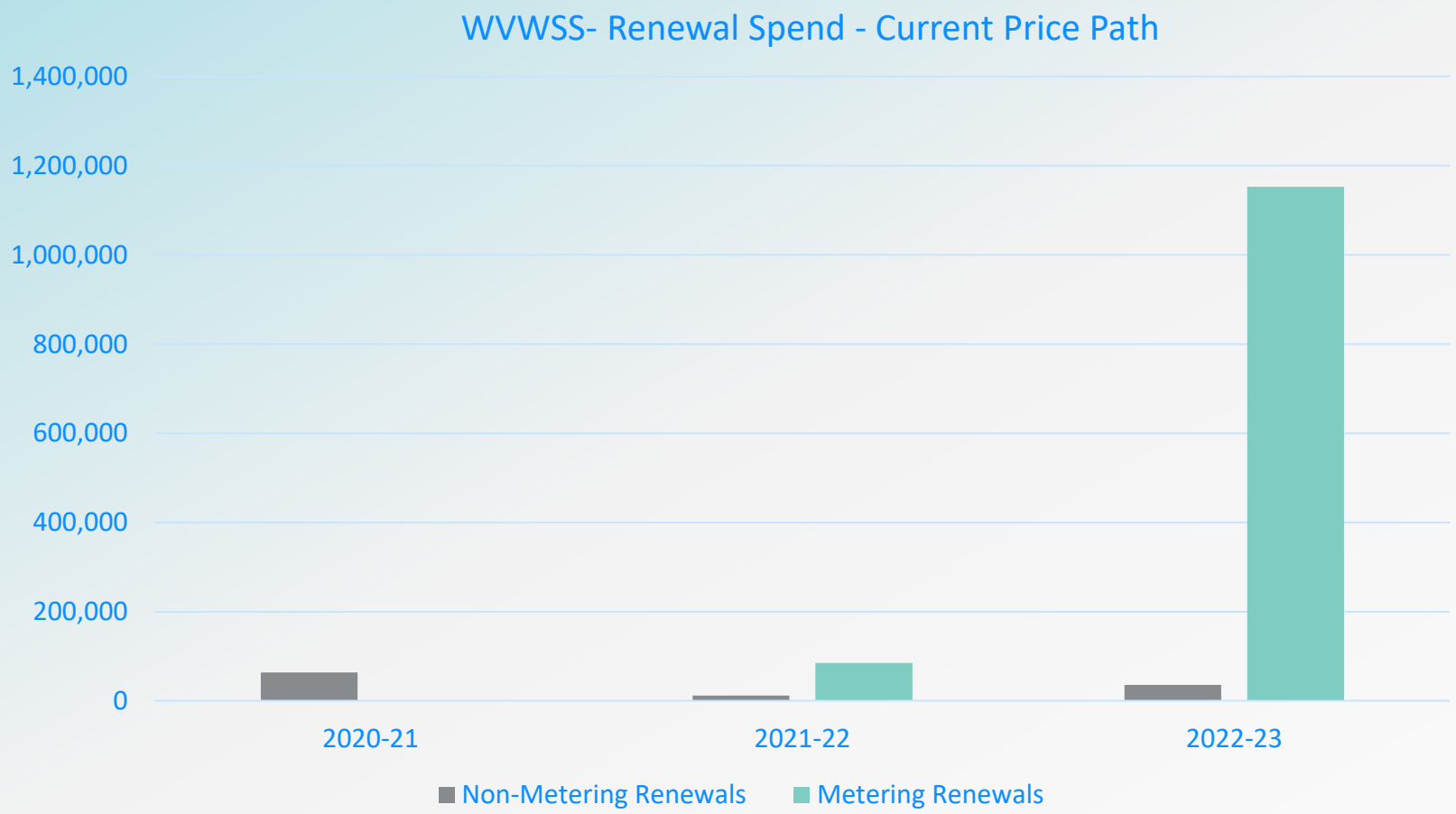
As high priority entitlements receive a higher level of reliability (standard of service), it is appropriate that they incur a great percentage of the fixed costs. The HUF is a way of quantifying the superior access.

A Headworks Utilisation Factor (HUF) is a cost allocation tool that describes the percentage of a WSS's storage headworks volumetric capacity that is effectively utilised by each priority group of water entitlements in that scheme.

This factor is a key consideration in, and input to, the allocation of the relevant capital costs (i.e. asset value and renewal costs) associated with Seqwater's bulk water assets.

Outcome: WVWSS HUF 2025-29
MP - 9% (previous price path 10%)

Renewals spend during current price path



Non-metering renewals Irrigation share (Medium Priority) 10% as per HUF

Metering renewals Irrigation share (Medium Priority) 100%

Forecast planned renewal spend

Renewal Type	Asset	Project Description	Year	Forecast $
Non-Metering (9% share for MP)	Moogerah Dam	Downstream road	2029/30	486
		Install anti-climb guardrail dam walkway	2028/29	1,110
	Scheme	Replace Fencing	2031/32	170
	Normanby Gully Diversion	Maintenance (erosion)	2028/30	240,000
	Railway & Junction Weir	Install Hydraulic Actuators	2028/29	360
Metering (100% share for MP)	Water Meters	Upgrade water meters	2023/24	95

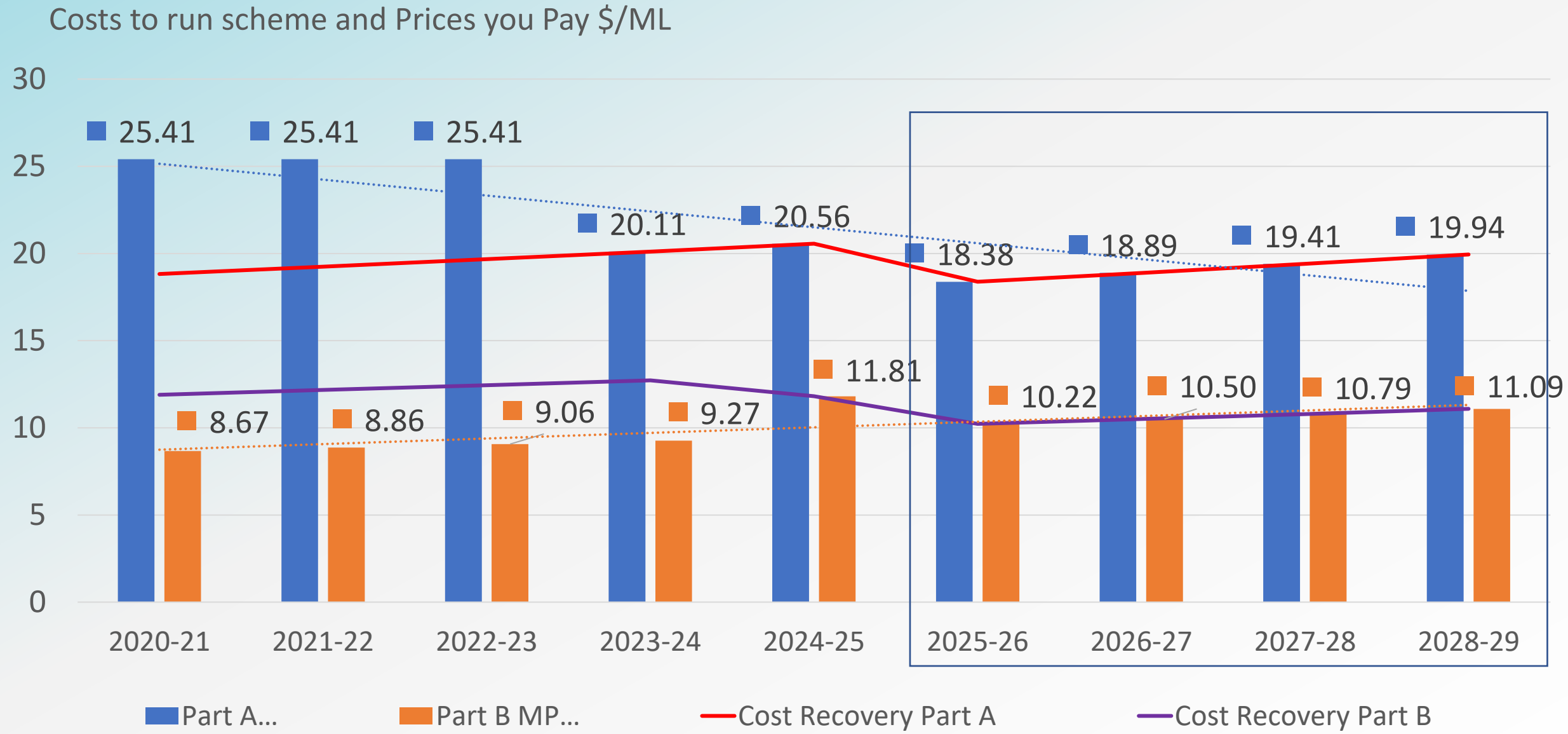
Proposed Costs & Prices

CRG feedback

Seqwater to follow up on the following:

- To determine a way to keep prices constant
  - Investigate if additional revenue could be accrued within the annuity's
- Remove forecast capital project Haigh Park Access Road ($186K)
- Confirm if forecast capital project Normandy Gully Diversion ($240K) is needed
- Advise customers the % increase of the Part A & Part B prices

WVWSS proposed draft prices 2025 to 2029



WVWSS – Cost Reflective Prices

Warrill Valley

Cost reflective prices	Extension	Price review 2025/26 – 2028/29			
	FY25	FY26	FY27	FY28	FY29
Part A ($/ML)	20.56	18.39	18.89	19.41	19.95
		-10.57%	2.75%	2.75%	2.75%
Part B ($/ML)	11.81	10.22	10.50	10.79	11.09
		-13.45%	2.75%	2.75%	2.75%

Warrill Valley - Cost Drivers

- **Forecast fixed costs (recovered through Part A tariff) for FY26 are $359k, relative to $411k forecast at previous review (i.e. $51k or 12% decrease). Driven by reductions of $67 and $26k respectively to indirect and direct costs, more than offsetting a $48k increase in the metering annuity.**
- **Forecast variable costs (recovered through Part B tariff) for FY26 are $53k, relative to $69k forecast at previous review (i.e. $16k or 23% decrease). Driven predominately by decrease in direct costs (relating to labour and repairs and maintenance).**

	2020 review (PREVIOUS)	2025 review (UPCOMING)	Variance
	FY26	FY26	
Warrill Valley - Part A cost recovery			
Direct Costs	193,553	166,715	-26,838
Indirect Costs	162,246	94,297	-67,949
Rolling Annuity - Non-Metering	26,386	15,751	-10,635
Rolling Annuity - Metering	49,598	97,957	48,358
Revenue Offset	-12,712	-15,012	-2,299
Efficiency Target	-8,361	0	8,361
Tax Allowance	0	0	0
	410,709	**359,707**	**-51,002**
			-12%

Next Steps

- **Publish minutes from the CRG pricing meeting and detailed presentation**
- **Action feedback from CRG and from you tonight and make applicable changes to costs if necessary**
- **We will close the loop with the CRG on outcome of feedback and final proposed costs and prices**
- **Finalise QCA submission and submit to QCA by 30 November**

Any questions??