

10 MAR 2011

DATE RECEIVED



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8 March 2010

Mr EJ Hall
Chief Executive QCA
GPO Box 2257
BRISBANE QLD 4001

E-MAILED
08.03.11

Dear Mr Hall

IRRIGATION PRICE INVESTIGATION

Thank you for your letter of 7 March 2011 setting out the key information needs of the Authority and its consultants. I would also like to acknowledge the efforts of your staff in managing the investigation to date as the review progresses towards the deadline for the draft report.

I can assure you that the information requests are being given top priority within SunWater and we are doing our utmost to respond to requests for supplementary information. I am sure you appreciate that many of these requests are quite detailed and therefore require extensive analysis in formulating a response. Nevertheless, I remain confident of SunWater being able to meet the Authority's timeframes, including submissions in respect of the impact of recent floods.

There are two issues identified of recent times that will impact on the expenditure estimates in the various NSPs. The issues are described further below.

Flooding

Wide spread flooding across the state which has damaged SunWater assets. The full extent of the damage cannot be determined until thorough assessments are undertaken and in some cases until elevated river levels return to normal levels. SunWater currently estimates that damage to be in the vicinity of \$6.5m state wide. As a prudent infrastructure owner, SunWater carries insurance for such events and so the actual financial impact of the floods will ultimately reflect the outcomes of the insurance claim process. This is unlikely to be resolved in the short term.

SunWater will provide as much detail as it can on the extent of the damage at scheme level by 14 March.

The impact of the flooding on the insurance premiums that will be payable going forward can be assessed as part of the Deloitte review of insurance arrangements.

Metering

On 1 March 2011 SunWater received further advice from the Department of Environment and Resource Management (DERM) in respect of the need to comply with new national metering standards. This advice (attached) indicates that SunWater's 10,000 meters will need to comply with new meter accuracy standards by 2020. The Authority would be aware that meter upgrade requirements were not included in the NSP forecast costs as they were not, at that time, a firm

regulatory requirement. The issue was flagged as a risk in each NSP and a preliminary estimate provided.

SunWater's preliminary estimate for the cost of complying with this requirement is \$130 million State wide. However, SunWater requires more time to prepare detailed scheme by scheme costings for a project of this magnitude. Therefore, it is suggested that one of the four engineering firms be retained by the QCA to review SunWater's meter upgrade costings. However, given the magnitude of the work involved, SunWater will need at least a month to prepare these estimates.

Access to Financial Model

I confirm to the Authority and INDEC Consulting will have access to SunWater's Financial Model in order to prepare amended costs forecasts as requested.

Yours sincerely



Peter Boettcher
CHIEF EXECUTIVE

Cc Mr Greg Claydon
Executive Director, Strategic Water Initiatives
DERM
GPO Box 2454
BRISBANE QLD 4001

Ms Tania Homan
Director Economic and Structural Policy Branch
Queensland Treasury
GPO Box 611
BRISBANE QLD 400

Att 1

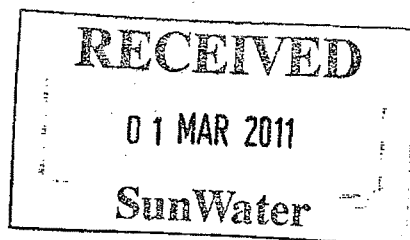


Queensland
Government

Ref 12308/10

Department of
Environment and Resource
Management

Mr Peter Boettcher
CEO, SunWater
PO Box 15536
CITY EAST, QLD 4002



Dear Scott,

I wish to update you on a number of non-urban metering issues that will have an impact on SunWater's role as a water service provider.

Last year the Council of Australian Governments released National the Framework for Non-urban Water Metering Policy (the framework). The framework provides for a nationally consistent approach to non-urban water meters and will further enable jurisdictional governments to implement national metering standards. Enclosed for your reference is a copy of the framework. Further information about the framework can also be found on the Commonwealth Government's website <http://www.environment.gov.au/water/policy-programs/srwui/metering/index.html>.

Queensland has subsequently developed the State Implementation Plan for Non-Urban Water Metering (the implementation plan) which supports the implementation of the National Framework. The implementation plan can be found at the Department of Environment and Resource Management website <http://www.derm.qld.gov.au/water/use/index.html>. A copy is also enclosed for your information.

The implementation plan applies to non-urban meters and measurements systems including measuring devices, component parts and ancillary equipment required to operate the meter or the system. It should be noted that the plan does not apply to meters in reticulated urban systems or to stream gauging stations.

Your organisation, as a non-urban water service provider, will need to comply with the provisions and the timelines of the implementation plan.

The objectives of the implementation plan include:

- to ensure national standards for non-urban meters are implemented in accordance with the framework, including the requirements of the Metrological Assurance Framework.
- to ensure non-urban meters comply with requirements of the *National Measurement Act 1960* (Commonwealth), the *National Measurement Regulations 1999* and Uniform Trade Measurement Legislation administered by the States and Territories.
- to achieve the objectives of paragraphs 87, 88 and 89(i) of the National Water Initiative agreement.

The implementation plan supports the national priorities and targets outlined in the framework, which are as follows:

- All new meters installed from 1 July 2010 are to comply with the framework.
- Existing meters that are within the +/-5 percent tolerance limits may be deemed to be compliant.
- All existing non-compliant meters are to be upgraded progressively according to the significance of the metering installation, as follows:
 - Largest bulk water meters: all non-compliant meters on river flow control works or offtakes to irrigation networks of 5000 megalitres (ML)/year or more capacity to be replaced with compliant meters by 30 June 2014.
 - Smaller bulk water meters: all non-compliant meters on river flow control works or offtakes to irrigation networks of less than 5000 ML/year capacity to be replaced with compliant meters by 30 June 2016.
 - Other meters not in irrigation networks: all other non-compliant meters used to extract water directly from rivers or aquifers (i.e. not within an irrigation network) to be replaced by 30 June 2016.
 - All other existing meters: all other non-compliant meters to be replaced with conforming meters at the end of the expected life of the meter or by 30 June 2020, whichever occurs first.

To support compliance with the framework, additional maintenance, auditing and reporting procedures will need to be adopted by water service providers. The department is currently developing processes to assist water service providers in providing compatible data to the department on an annual basis to meet auditing and reporting requirements outlined within the framework. We will be in further contact with you regarding this matter.

Should you have any further enquiries, please do not hesitate to contact Peter Noonan of the department on telephone (07) 3330 6010.

Yours sincerely



Greg Claydon
Executive Director
Strategic Water Initiatives