



# **Irrigation pricing proposal**

**July 2025 to 30 June 2029**

**Appendix B Customer engagement report**

# Appendix B

## Customer engagement report

### Executive summary

Sunwater has taken a series of strategic steps over the past few years to place customers front of mind in our decision-making, particularly since the last price review. Our efforts have improved customer experience and deepened our understanding of customer needs and expectations. The engagement program designed to support the development of this pricing proposal built on these solid foundations.

Both iterative and responsive, the program allowed for co-design of key elements as well as a degree of flexibility to respond to emerging insights or changing circumstances. Using a variety of channels, we ensured that every customer in every scheme had the best opportunity to engage directly on the issues that mattered most to them. While specific activity was necessary to support developing our pricing proposal, the overall program leveraged existing engagement activities and relationship owners as much as possible to reduce barriers to engagement.

To understand how best to deliver on customer values and priorities, we engaged over three distinct stages. Sunwater was responsive to what we learned from customers in each stage, refining activities and content for the next stage and ensuring these insights helped shape our pricing proposal.

Sunwater identified several topics that customers could influence where we could deliver against customer values and expectations:

- Changing the way Sunwater recovers renewals expenditure from irrigation prices.
- Introducing an electricity cost pass-through mechanism for irrigation schemes that could benefit from a change in the way electricity costs are factored into their prices.
- Changing the way Sunwater reports to irrigation customers on the way it is performing against operating and renewals expenditure allowances, revenue, prices, service standards and assets.
- Specifically for the Eton water supply scheme, the treatment of medium priority entitlements for pricing purposes.

The outcome of effectively implementing the engagement program to support our pricing proposal, as detailed in this report, is that Sunwater customers:

- have been fully informed of the price review process and had every opportunity to participate in, and respond to, Sunwater's pricing proposal
- have reviewed and informed the service standards, operating expenditure, renewals expenditure, and pricing that apply to their scheme
- elected to support changes to the way Sunwater does things that relate to them and their scheme (i.e., transition to a RAB-based renewals funding model, adoption of an electricity cost pass-through mechanism, and an update to Service and Performance Plan reporting

- better understand the emphasis Sunwater has placed on ensuring our cost forecasts represent only prudent and efficient spend to address customer concerns about rising prices across all services, not just their irrigation services.

With reference to the QCA's guidelines and expectations around engaging with customers, Sunwater's engagement program had the following impact on our pricing proposal:

- Customers do not support changes to current service standards – Sunwater therefore developed our expenditure proposals based on meeting current service standards.
- There was no willingness to pay for increased levels of service, or desire for a cost saving (where possible) for a lower level of service.
- Sunwater discussed performance with our customers as part of the expenditure discussions and customers supported an improved method for performance monitoring. Sunwater has proposed this method (and included an example report) in the submission for review.
- Customers were able to scrutinise and challenge Sunwater's proposed costs. We committed to embedding efficiencies in our proposals (and in business processes) where possible and propose increasing our efficiency target for the next price path to 0.5 per cent, up from 0.2 per cent in the current price path, to drive Sunwater to continue to meet customer expectations that Sunwater manage costs and achieve better outcomes for customers.
- Sunwater engaged with Eton customers on the changes proposed to their tariff structure. These changes were supported and are proposed by Sunwater as part of our pricing proposal.
- Sunwater is aware of a desire by some Burdekin customers to review their tariff structure, noting other Burdekin customers are unsupportive of changes. Sunwater's position is that the QCA addressed the issue in its last review and in the absence of customer agreement in the scheme, the issue of tariff reform has not been pursued.

Overleaf is a visual overview of the engagement undertaken for this pricing proposal, highlighting foundational initiatives that contributed to its effectiveness in informing our best pricing proposal yet.

## Our customer engagement journey

Sunwater has taken strategic steps to place customers front of mind in our decision-making, particularly since the previous irrigation price review

### Corporate strategy

We committed to becoming a customer-centric organisation

### Customer Charter

We published a pledge to customers

### Customer feedback

We launched an annual Customer Satisfaction Survey program

### Organisational structure

Senior roles were created to enhance customer focus, including:

- Executive General Manager, Customer and Stakeholder Relations
- Stakeholder Relations Manager
- Customer Strategy and Experience Manager

### Enhancing engagement

- Launched Customer Advisory Committees in six schemes and continued to host Irrigator Advisory Committee meetings
- Established Community Reference and Working Groups for specific projects and scheme issues
- Launched the Customer Experience and Regional Tour Program to build deeper connections between employees and customers
- Undertook an irrigation customer segmentation project to identify the different ways customers want to be engaged
- Working with customers in energy intensive schemes, trialed an electricity cost pass-through mechanism

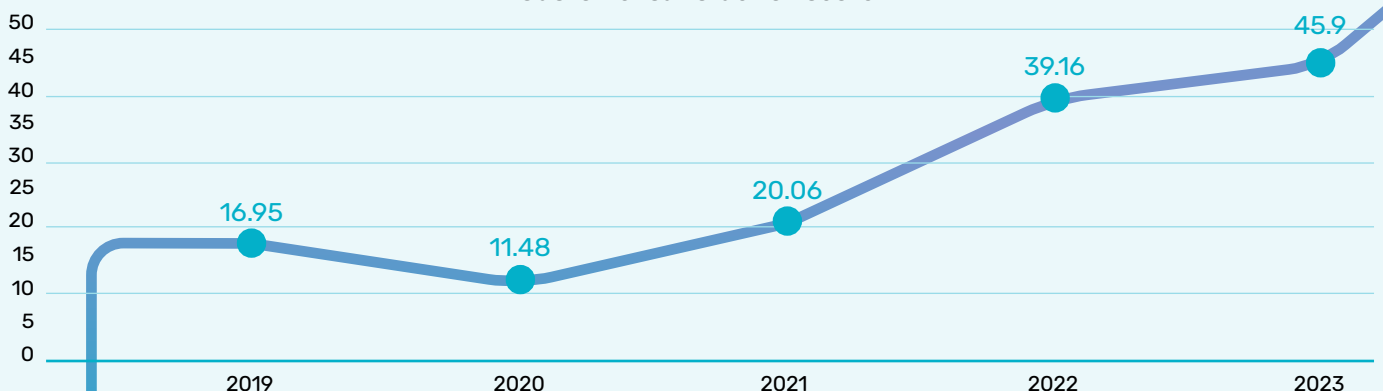
### Establishing solid foundations

- Developed engagement principles, a Stakeholder Engagement Policy and a Customer Communication Procedure
- Embedded dedicated stakeholder management planning into operational and project work
- Established a customer compliments, complaints and feedback process
- Launched the Sunwater First Nations Commitment Statement framing the way we want to work with the Aboriginal and Torres Strait Islander community, including as customers

### Improvement initiatives

- Launched Sunwater Online – convenient 24/7 digital transaction access to:
  - meter readings
  - out of allocation events
  - invoices
  - water orders
  - contact details
- Undertook a meter upgrade program
- Improved our customer communication templates including our end of water year newsletters and Service and Performance plans
- Committed to a billing system upgrade

Customer satisfaction score



# Engaging on Irrigation Price Path

## 1 July 2025 – 30 June 2029

### Stage 1 – March to May 2023

Learn how irrigation prices are set and how you can be involved

- Established a dedicated project website and email
- All Sunwater irrigation customers invited to price path forums
- 21 face-to-face scheme forums
- 1 all-schemes online forum
- 3 Consultative Committee meetings
- 25 scheme-specific factsheets
- 22 scheme-specific presentations\*

To provide advice and assurance, Sunwater established a Consultative Committee with representatives from:

- Queensland Farmers' Federation
- Cotton Australia
- Canegrowers Queensland
- Queensland Fruit & Vegetable Growers



### Stage 2 – June and July 2023

First look at Sunwater's proposed costs and irrigation prices for each scheme

Sunwater asked customers to consider the following proposals and provide feedback:

**1 Changes to Service and Performance Plans**

**2 Changes to the way renewals expenditure is recovered through irrigation prices**

**3 A permanent, symmetrical electricity cost pass-through (ECPT) mechanism in seven schemes**

- Interviewed on ABC Country Hour
- 17 face-to-face scheme forums
- 3 scheme-specific follow up online forums
- 1 all-schemes online forum
- 2 Consultative Committee meetings
- 25 scheme-specific factsheets
- 22 scheme-specific presentations\*
- 3 proposal factsheets
- 5 scheme-specific ECPT factsheets

#### Calculator

Online tool allowed customers to calculate their prices under the current and proposed renewals recovery methodologies

#### GoVote

Independent platform allowed customers to provide direct, anonymous feedback about Sunwater's three proposals

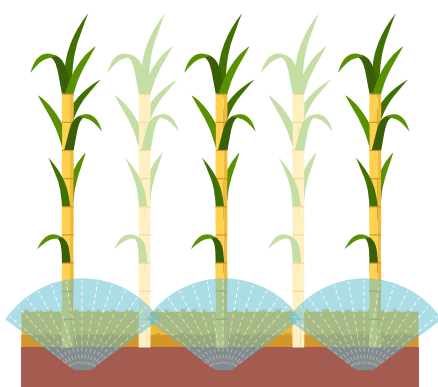
#### Through GoVote customers told us

- They are in favour of a Service and Performance Plan refresh
- They generally support shifting to a new approach to renewals recovery
- The relevant tariff groups within Bundaberg, Burdekin Houghton, Eton, Lower Mary and Mareeba Dimbulah Water Supply Schemes favour a permanent ECPT

### Stage 3 – August to November 2023

Sunwater's final pricing proposal

- Customer feedback on prices and proposals considered
- 17 face-to-face scheme forums
- 1 all-schemes online forum
- 3 Consultative Committee meetings
- 22 scheme-specific presentations\*
- 22 scheme-specific summaries
- Individual responses provided to all formal correspondence
- Customers reconsidered support of ECPT proposal



**4372**

Customers engaged

**371**

Attendees at forums

**369**

Customers provided feedback via GoVote about renewals and Service and Performance Plan proposals

**178**

Customers provided feedback via GoVote about ECPT proposal

**77**

Presentations produced

**61**

Forums held

**58**

Factsheets produced

**8**

Consultative Committee meetings held

\*Including four distribution networks

# The engagement planning process

Sunwater has changed considerably over the last four years. We have implemented regular, ongoing engagement with customers in scheme; introduced improvement initiatives to enhance customer experience; and established feedback mechanisms to monitor the effectiveness of these initiatives and identify new opportunities.

This focus on leading practice engagement was driven by new leadership and a shift in strategic direction, and informed by feedback received from the QCA after the 2020 review (set out below), which we responded to:

*Table 1 - How Sunwater responded to feedback from the QCA on our engagement practices*

Recommendation	Examples of how we have addressed the QCA's recommendation
<p><b>Engage with customers on an ongoing basis, to keep a strong focus on what is important to customers over the course of the Price Path period and to provide a better understanding of customer requirements prior to the next price review</b></p>	<ul style="list-style-type: none"> <li>• Introduced six Customer Advisory Committees (CAC) in the Burdekin Haughton, Chinchilla, Nogoia Mackenzie, Dawson Valley, Lower Mary, and Upper Condamine schemes.</li> <li>• Continued Irrigation Advisory Committee (IAC) meetings where schemes are yet to transition to the CAC structure.</li> <li>• Conducted annual and mid-year customer surveys and identified opportunities for improvement.</li> <li>• Implemented portal chat, a Sunwater app, and a Water Trading Board as tools to enhance customer experience.</li> <li>• Rolled out a Customer Experience and Regional Tour Program for employees to connect with customers.</li> <li>• Implemented scheme-specific reference/working groups to address specific issues impacting customers.</li> </ul>
<p><b>Draw a clearer link for customers between proposed expenditure and both prices and service level outcomes for customers</b></p>	<ul style="list-style-type: none"> <li>• Delivered annual scheme-specific Service and Performance plans (S&amp;PPs) and notified all irrigation customers.</li> <li>• Discussed S&amp;PPs at IAC meetings and CACs.</li> <li>• Planned for price path engagement – content included customer education on how prices are developed, operational and renewals expenditure inputs (and renewals cost recovery methodology) and value for money considerations.</li> </ul>
<p><b>Engage with customers prior to the next price review to develop a pricing proposal that incorporates its proposed prices for all its tariff groups with irrigation customers</b></p>	<ul style="list-style-type: none"> <li>• This pricing proposal (and the engagement activities that have informed it) address this recommendation.</li> </ul>

## Regulatory requirements

In its pre-lodgement advice for this price review, the QCA outlined the following expectations of Sunwater's engagement program:

- Structure engagement to gain a better understanding of customer needs.
- Focus engagement on matters that customers value and can influence.
- Ensure ongoing engagement that occurs within timeframes to inform decision-making.
- Ensure engagement informs the business's planning and decision making.

The QCA also offered the following incentives tied to exceptional engagement practice:

- Procedural incentives – streamlining the prudency and efficiency assessment of costs where the business can demonstrate effective engagement.
- Reputational incentives – providing an assessment of the quality of engagement in the QCA's draft and final reports.

## Timing

While Sunwater was already engaging more effectively with stakeholders aligned with our enterprise-level commitment to leading practice engagement, this review provided an opportunity for focused engagement on matters of pricing and policy that are material to customers.

Essentially a continuation of our ongoing stakeholder engagement efforts, we leveraged existing forums and customer relationships owners and built on foundational customer work embedded over the past few years. In this way, we ensured that through delivering what we believe to be the most comprehensive engagement program of any regulated business in Australia, learnings could be integrated more broadly and provide longer term benefits for our customers.

## Content

In determining what topics to engage on, we considered matters of importance to our customers as well as issues with the potential to significantly influence service provision, costs, and prices.

We also looked to reflect the seven key customer values and priorities we had established through ongoing customer engagement:

1. Price, affordability and value for money.
2. Trust that Sunwater is managing the business responsibly on their behalf, controlling costs, managing assets responsibly and keeping prices as low as possible for them.
3. Water security and availability.
4. Service reliability and minimal interruptions.
5. Water quality and fit for purpose services.
6. Sustainability for the future.
7. Personal customer service – not automated, not computerized but actual people to talk to when customers need something.

These values and priorities were validated during our three-stage program to ensure the right information was informing our decisions.

Part of our strategy was to ensure customers had a clear understanding of what drives the costs Sunwater incurs in providing the levels of service customers want, and how this influences the prices customers pay.

## Design

The program was designed to be delivered in three stages to ensure irrigation customers were fully informed at every stage and consulted on key matters they could influence. More specifically, the design ensured methods were chosen that reflected:

- customer values and priorities
- Sunwater’s engagement principles (Figure 1)
- the International Association of Public Participation’s (IAP2) Spectrum of Public Participation (Figure 2)
- expressed communication channel preferences
- testing with the Consultative Committee
- ongoing feedback from customers throughout on how Sunwater could engage better and what information was required.

*Figure 1 – Sunwater’s principles of engagement, embedded in our enterprise-wide Stakeholder Engagement Policy*

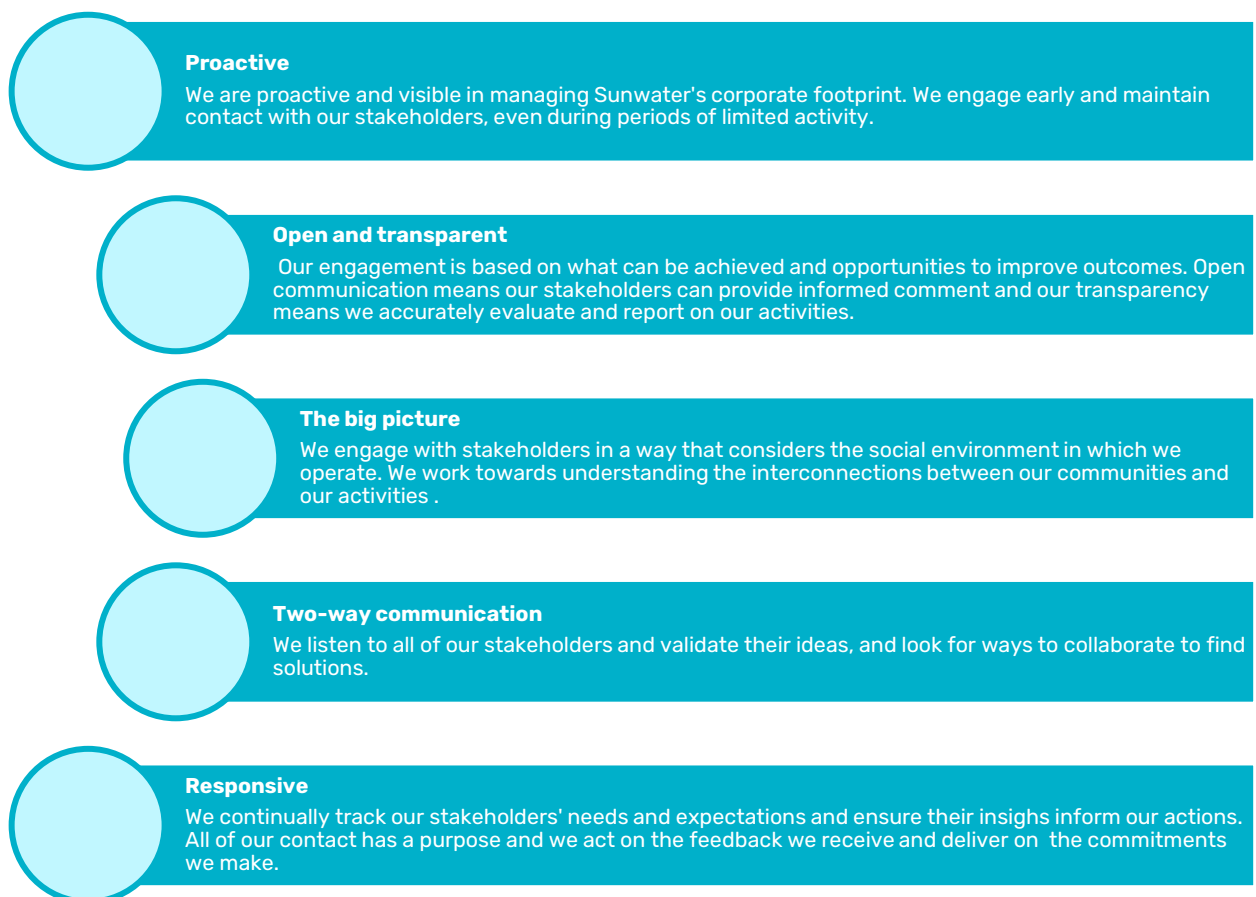


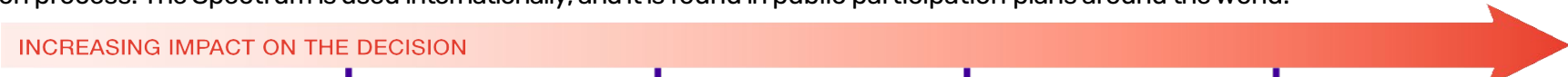


Figure 2 – The IAP2 Spectrum

# IAP2 Spectrum of Public Participation



IAP2’s Spectrum of Public Participation was designed to assist with the selection of the level of participation that defines the public’s role in any public participation process. The Spectrum is used internationally, and it is found in public participation plans around the world.

		INCREASING IMPACT ON THE DECISION 				
		INFORM	CONSULT	INVOLVE	COLLABORATE	EMPOWER
PROMISE TO THE PUBLIC	PUBLIC PARTICIPATION GOAL	To provide the public with balanced and objective information to assist them in understanding the problem, alternatives, opportunities and/or solutions.	To obtain public feedback on analysis, alternatives and/or decisions.	To work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered.	To partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution.	To place final decision making in the hands of the public.
		We will keep you informed.	We will keep you informed, listen to and acknowledge concerns and aspirations, and provide feedback on how public input influenced the decision.	We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how public input influenced the decision.	We will look to you for advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.	We will implement what you decide.

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Table 2 - Sunwater's engagement strategy to inform this pricing proposal

<b>Goal</b>	<p>To demonstrate Sunwater is an organisation that respects its customers, understands its business, and involves stakeholders to achieve sustainable, commercial outcomes.</p> <p>To understand what Sunwater can do to deliver on customer values and priorities (see Content above) through its pricing proposal.</p> <p>To deliver on those commitments for its customers.</p>		
<b>Key approaches</b>	<p>Provide multiple opportunities and channels for irrigation customers to engage with Sunwater as the irrigation pricing proposal is developed</p>	<p>Early engagement with customers in each scheme to outline the proposal development process and test engagement opportunities and channels (three stage engagement strategy)</p>	<p>The formation of a committee with representatives from key influencer organisations (Consultative Committee Terms of Reference attached as Appendix 2)</p>
<b>Objectives</b>	<ul style="list-style-type: none"> <li>• Raise and sustain awareness of the review and its impacts.</li> <li>• Ensure customers understand Sunwater's proposal and can give feedback.</li> <li>• Promote understanding of the approach Sunwater has adopted to specific feedback.</li> <li>• Foster agreement between Sunwater and its customers, where possible</li> <li>• Protect long term relationships.</li> </ul>		
<b>Desired outcomes</b>	<ul style="list-style-type: none"> <li>• Price path activities complement and build on business-as-usual and project engagement.</li> <li>• Customers agree that Sunwater's process provided the opportunity to give direct feedback and that feedback was responded to.</li> <li>• Customers and other stakeholders are not surprised by the content of Sunwater's submission.</li> </ul>		

## Testing

One of the key approaches in the engagement program was the formation of a Consultative Committee in conjunction with the Queensland Farmers' Federation. Chaired by two Sunwater Executives and comprising representatives from the Queensland Farmers' Federation, Canegrowers Queensland, Cotton Australia and Queensland Fruit & Vegetable Growers, the committee provided an advisory and assurance role throughout the price path consultation period.

One of the first things we did with the Consultative Committee was test our thinking around the three stages of engagement planned. The committee also played an active role in co-designing the electricity cost pass-through (ECPT) mechanism proposed to customers. Co-design is a method linked with the 'Collaborate' level of participation on the IAP2 Spectrum (Figure 2) and can only be effective where an organisation has a genuine commitment to being influenced by stakeholders. The operation of the committee attests to Sunwater understanding the purpose, level of impact and degree of complexity of the matters under consideration and relinquishing a degree of control to achieve a better outcome.

The committee met monthly from March to November 2023, with presentations by Sunwater subject matter experts generating robust discussions and feedback on Sunwater's costs and proposed prices and Sunwater's proposed policy changes, specifically the proposal to move from an annuity-based renewals cost recovery methodology to a regulated asset base (RAB) methodology.

In addition to their involvement in monthly meetings, committee members promoted customer participation in Sunwater’s process. The Queensland Farmers’ Federation released a communique to its members, and the Chief Executive Officer of Queensland Fruit & Vegetable Growers authored a piece in Queensland Country Life urging Sunwater allocation holders to prioritise understanding the price path consultation process and provide feedback.

## Matters

The engagement program was designed to focus on the matters set out by the QCA in its Guidelines for Pricing Proposal issued in March 2023.

These included:

- deliverables and service levels
- actual and proposed cost inputs
- price targets and proposed prices.

In addition, Sunwater proposed three changes to the regulatory framework within which it delivers services to customers and allowed for significant customer influence:

- Changes to Service and Performance plans (performance monitoring).
- Changes to the way renewals expenditure is recovered through irrigation prices.
- A permanent, symmetrical ECPT mechanism in seven schemes.

The table below sets out the reasons why these proposals were selected for consultation with customers and possible inclusion in our pricing proposal.

*Table 3 - Matters for engagement and reasons*

Matter	Reasoning
<p><b>Changes to the way renewals expenditure is recovered through irrigation prices</b></p>	<p>The benefits of a RAB approach to customers include closer price alignment with actual renewals expenditure by recovering expenditure forecast for the short-term price path periods rather than a 33-year annuity forecast period; greater certainty in forecasting; increased accuracy in any efforts Sunwater makes to improve its forecasting processes; and generational equity (those benefiting from the asset at the time pay) as a result.</p>
<p><b>A permanent, symmetrical ECPT mechanism in seven schemes</b></p>	<p>The six schemes that have taken part in the ECPT trial reported positive feedback about understanding the actual cost of electricity. The nature of this proposal being scheme by scheme allowed for individual consideration of the benefits and risks.</p>
<p><b>Changes to Service and Performance plans</b></p>	<p>Sunwater’s S&amp;PPs are an important mechanism to bolster internal monitoring, reporting, and accountability. The right framework incentivises action and outcomes for customers. Sunwater recognised improvements we could make to our reporting and monitoring framework that would deliver greater benefits to customers through increased accountability.</p>

# Stage 1: Inform

## Timing

March to May 2023

## Purpose

This stage was designed to educate customers on the price review process and how Sunwater would be developing our pricing proposal. Customers were advised of key dates and the process that Sunwater would follow to identify issues, present material, and seek customer views.

## Content

Communication at this stage focused on the following:

- Price review process and key dates.
- Sunwater's proposed engagement program and how it will inform the development of the pricing proposal.
- Ways customers could engage over the engagement process.
- Scheme specific overviews of the price setting process with actual price setting data.

## Materials

Supporting materials prepared for this stage detailed current tariffs and the price setting process that develops them:

- 25 scheme-specific fact sheets<sup>1</sup>
- 22 scheme-specific presentations<sup>2</sup>
- 1 online forum presentation

Sunwater also established a project email address and dedicated project website - [www.sunwater.com.au/projects/price-path/](http://www.sunwater.com.au/projects/price-path/) - and advised all customers that the website would be the hub for available materials during the process, accessible to them in an ongoing way.

## Activities

Activities hosted during this stage that covered the content and utilised materials:

- 21 face-to-face scheme forums
- 1 all-schemes online forum
- 3 Consultative Committee meetings

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<sup>1</sup> No fact sheet was prepared for Maranoa as scheme customers neither receive nor pay for an irrigation service due to long-standing issues with the condition of the scheme's weir.

<sup>2</sup> Sunwater operates 22 bulk and four distribution schemes. For the four schemes that have bulk and distribution Sunwater combined presentations for these schemes to ensure customers in those schemes had access to all relevant information.

## Who was engaged

Sunwater invited all irrigation customers to forums in their scheme and the all-schemes online forum using SMS, email, and post (as determined by contact preference on customer account profiles).

No face-to-face meetings were scheduled for Pioneer River, Maranoa, and Cunnamulla because these schemes each have a small number of customers who we were able to contact directly about the process and the opportunities to provide feedback.

The number of customers engaged during Stage 1 is set out by scheme in the table below.

*Table 4 - Customer participation during Stage 1 by scheme*

Forum details	Water supply scheme	Number of customers in scheme	Number of attendees
<b>21 face-to-face sessions were organised in 19 water supply schemes, with all irrigation customers within these schemes were invited</b>	Callide Valley	127	6
	Dawson Valley	94	8
	Lower Fitzroy	7	0
	Nogoa Mackenzie meeting 1	308	0
	Nogoa Mackenzie meeting 2		4
	Proserpine River	83	8
	Bowen Broken Rivers	7	0
	Eton	302	4
	Mareeba-Dimbulah	1106	10
	Barker Barambah	150	9
	Upper Burnett	141	5
	Boyne River and Tarong	49	3
	Three Moon Creek	88	14
	Bundaberg meeting 1	1015	5
	Bundaberg meeting 2		4
	Lower Mary River	160	1
	Burdekin Haughton	312	14
	Chinchilla Weir	23	0
	Upper Condamine	112	6
	Macintyre Brook	86	5
St George	175	6	
<b>Teams meeting, all customers invited</b>	All schemes (including Pioneer River, Cunnamulla, Maranoa)	4372	12
<b>Total attendees for Stage 1 forums</b>			<b>124</b>

## **Outcomes**

While Stage 1 was largely an informative stage to educate customers on the price review process and the upcoming stages of engagement, insights were still gathered that helped inform the further development of engagement activities and the pricing proposal. These insights and outcomes were fed back to the project team to inform the development of the pricing proposal.

### **Engagement program**

No customers attended the face-to-face forums in the Lower Fitzroy and Bowen Broken schemes in Stage 1. Given the small number of customers in these two schemes, Sunwater attempted to contact each customer individually prior to the Stage 1 meetings to encourage them to attend. While some interest was noted during these conversations, no customers attended. As a result, Sunwater made the decision to only offer online meetings in stages 2 and 3 for these schemes.

The two extra forums we held in two geographically large schemes (Nogoa Mackenzie and Bundaberg) were not well attended, so the decision was made to only conduct one forum in each scheme in stages 2 and 3.

### **Pricing proposal**

During engagement activities customers were very clear that the rising cost of doing business was a major concern for them. This informed early efforts in developing the pricing proposal, notably a continued focus on ensuring prudent and efficient expenditure and a need for Sunwater to identify proactive actions that could be taken to bring costs down for customers as part of the development of our pricing proposal. Actions taken based on this feedback include:

- engagement of external consultants to undertake a prudency and efficiency review as part of Sunwater's proposal development process
- increasing Sunwater's efficiency target to 0.5 per cent, up from 0.2 per cent in the current price path.

## Stage 2: Consult

The detail of this stage of our engagement program evolved as we engaged with customers, based on feedback and analysis of Stage 1, and workshopping the proposals with the Consultative Committee.

### Timing

June and July 2023

### Purpose

In this stage the focus was on sharing Sunwater's draft costs and draft prices for each scheme; outlining the cost pressures Sunwater is experiencing and absorbing; and explaining how we work to keep costs as low as possible within our regulatory context while exercising our values. We also introduced three proposals to customers in this stage.

### Content

Communication at this stage focused on the following:

- Operating environment context and current cost context by cost category (including historical and forecast costs).
- What customers value in their irrigation service.
- Service standards by scheme (excluding service levels Sunwater is required to meet by law or regulation).
- Initial operating expenditure and renewals expenditure costs by scheme.
- The simple and transparent forecasting methods used to derive cost forecasts (e.g., base year opex methodology, renewals forecasting as well as the difference between RAB and annuity forecasting with revenue and price impacts).
- Price setting process/calculation (by year and per scheme).
- Preliminary cost reflective (price targets) and proposed prices for each scheme.
- Three proposals for customer consideration and feedback:
  - changes to Service and Performance plans
  - changes to the way renewals expenditure is recovered through irrigation prices
  - a permanent, symmetrical ECPT mechanism in seven schemes.

We explained the challenging operating environment; cost impacts – inflation (higher than QCA expected when it set current cost allowances and prices), labour (to meet emerging risks and obligations) and insurance; the cost allocation process; operating expense forecasts methodology; indirect costs; and renewals expenditure forecasts. We explained Sunwater's approach to minimising costs and how, at scheme level, customer service standards drive the work we do and influence our operations and maintenance costs.

## Materials

Supporting materials prepared for this stage provided draft costs and prices and outlined the proposals being put to customers:

- 25 scheme-specific fact sheets
- 3 proposals fact sheets
- 5 ECPT scheme-specific fact sheets
- 22 scheme-specific presentations
- 1 online forum presentation

Sunwater also launched an online customer bill calculator. Using the calculator, a customer could enter their entitlement holding and expected usage and see their annual bill under both a RAB- and an annuity-based approach. This was important for customers to understand the expected pricing impact of moving to a RAB-based approach.

These materials can be accessed here: [www.sunwater.com.au/projects/price-path/](http://www.sunwater.com.au/projects/price-path/)

## Activities

Activities hosted during this stage that covered the content and utilised materials:

- 17 face-to-face forums
- 1 online forum presentation for all schemes
- 3 scheme-specific online forums
- 2 Consultative Committee meetings

As one way of evaluating preferences for the three proposals, Sunwater used a collaborative method of participation – an online voting system called GoVote – to capture de-identified, quantified customer feedback. All Sunwater irrigation customers were invited to lodge preferences about the renewals recovery and Service and Performance Plan proposals, and customers within eligible tariff groups in the seven schemes where an ECPT mechanism was proposed were invited to lodge their preference about that proposal.

Hundreds of customers took the opportunity to utilise the GoVote system with:

- 369 customers providing feedback on the RAB-based approach and reporting refresh proposals
- 178 customers providing feedback on the ECPT mechanism specific to their scheme.

In the specific case of the ECPT proposal, customers in these schemes were empowered to fully determine the outcome. 'Empower' is the most stakeholder-led level of engagement in IAP2's Spectrum (Figure 2) and is rarely committed to because it removes organisational control. Sunwater is proud to have offered customers this level of influence over our pricing proposal.

## Who was engaged

During this stage Sunwater invited irrigation customers to corresponding forums in their scheme, and all customers to the all-schemes online forum using SMS, email, and post (as determined by preference on customer account profiles).



Table 5 - Customer participation during Stage 2 by scheme

Forum details	Water supply scheme	Number of customers in scheme	Number of attendees
<p><b>17 face-to-face sessions were organised, with all irrigation customers within these schemes invited</b></p> <p><i>“View draft future prices and the following proposals for customer feedback:                      - changes to Service and Performance plans                      - changes to the way renewals expenditure is recovered through irrigation prices                      - a permanent, symmetrical ECPT mechanism in seven schemes.”</i></p>	Callide Valley	127	3
	Dawson Valley	94	5
	Nogoa Mackenzie	308	3
	Proserpine River	83	2
	Eton	302	5
	Mareeba-Dimbulah	1106	16
	Barker Barambah	150	17
	Upper Burnett	141	6
	Boyne River and Tarong	49	2
	Three Moon Creek	88	7
	Bundaberg	1015	14
	Lower Mary River	160	4
	Burdekin Haughton	312	20
	Chinchilla Weir	23	1
	Upper Condamine	112	3
	Macintyre Brook	86	3
St George	175	7	
<b>Supplementary Teams meeting at request of Tinaroo Water Committee</b>	Mareeba-Dimbulah	1106	5
<b>Supplementary Teams meeting at request of Nogoa Mackenzie Irrigator Advisory Committee</b>	Nogoa Mackenzie	308	6
<b>Supplementary Teams meeting at request of Customer Advisory Committee</b>	Upper Condamine	112	3
<b>Teams meeting, all customers invited</b>	All schemes (including Pioneer River, Cunnamulla, Lower Fitzroy, Bowen Broken Rivers, and Maranoa)	4372	15
<b>Total attendees for Stage 2 forums</b>			<b>146</b>

## Outcomes

Insights and outcomes were recorded during the engagement activities in Stage 2 and fed back to the project team to inform the development of the pricing proposal.

### Service levels and customer values

General comfort with existing scheme service levels and Sunwater's understanding of what customers value about their irrigation service.

### Information provided

During Stage 2 (via face-to-face sessions and written correspondence) customers expressed a desire for more detailed scheme-specific information on operational and renewal expenditure; indirect support costs and controls; and how to provide feedback on the pricing proposal.

Sunwater provided the channels available for feedback and included more scheme-specific detail in Stage 3 engagement materials.

### General feedback

Generally, customers told us they:

- appreciated Sunwater's transparency on costs and investment priorities
- wanted more detail on projects within the price path period and scheme-specific costs
- had concerns more generally around rising prices.

Where scheme-based groups or individuals provided specific feedback directly to Sunwater on the proposal, our approach or operational matters more generally, Sunwater responded directly and shared both the customer correspondence and our response with all customers in the scheme as part of our final Stage 3 engagement. This is included in our scheme-specific appendices attached to this submission.

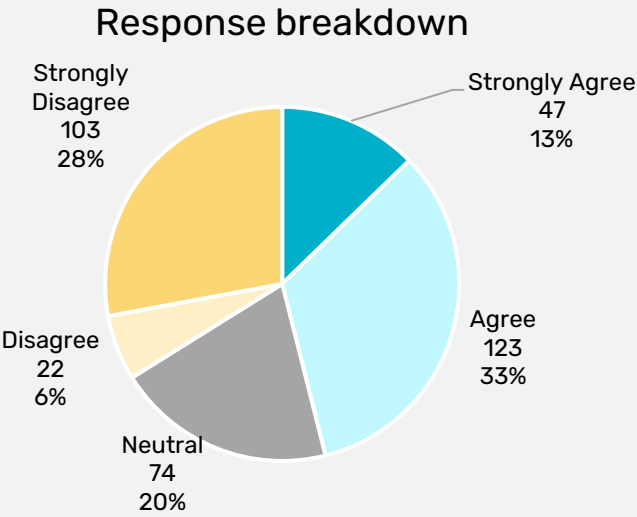
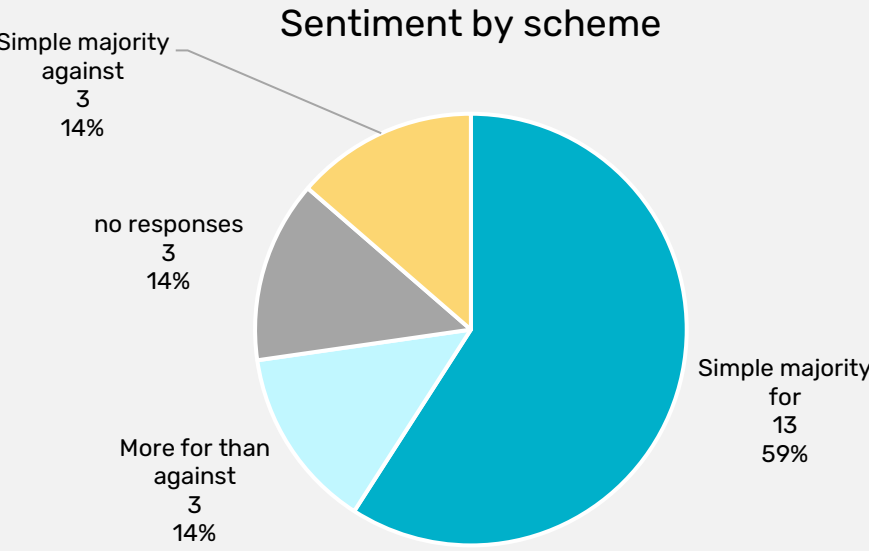
We also received specific requests during Stage 2, noted in the table below.

*Table 6 - Stage 2 specific customer requests*

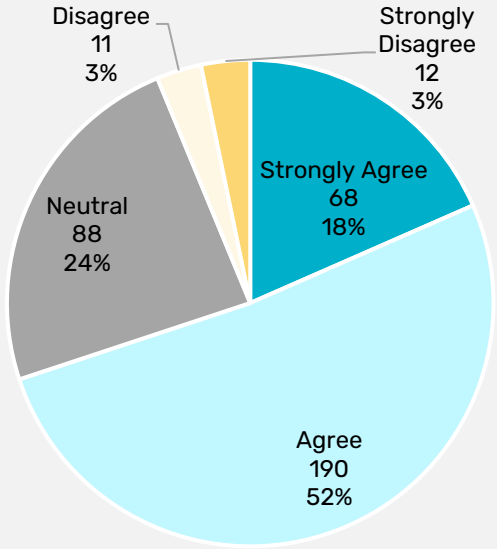
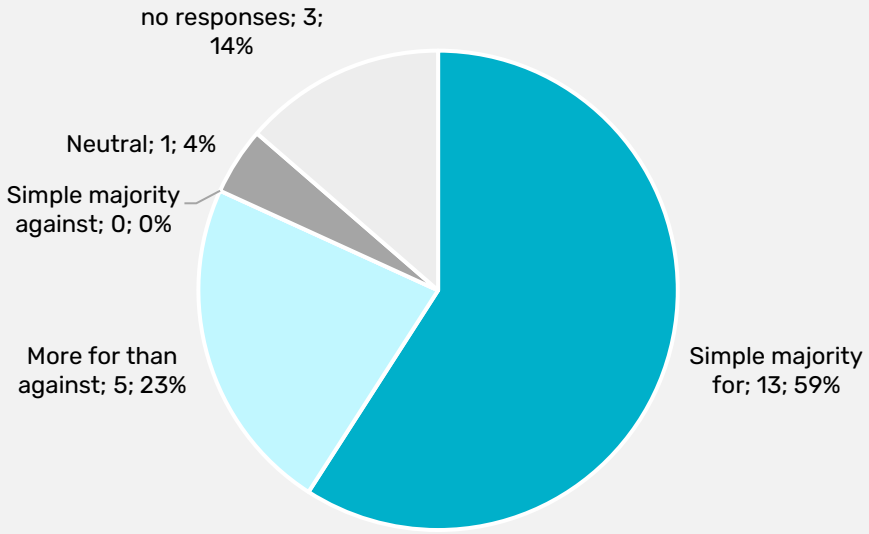
Customer requests	How Sunwater responded
<b>The Nogoia Mackenzie Irrigator Advisory Committee (IAC) requested a supplementary customer meeting. The region was experiencing weather conditions that meant some irrigation customers were unable to attend the face-to-face session</b>	Sunwater hosted an additional online customer meeting with the IAC
<b>The Upper Condamine Customer Advisory Committee (CAC) requested a supplementary customer meeting in addition to the face-to-face session</b>	Sunwater hosted an additional online customer meeting with the CAC
<b>The Tinaroo Water Committee requested a supplementary meeting in addition to the face-to-face Mareeba-Dimbulah customer meeting</b>	Sunwater joined a Tinaroo Water Committee meeting via teams to discuss the draft pricing proposal

**Specific feedback on proposals** The table below sets out the process, feedback, and outcomes regarding the proposals we put to customers.

Table 5 - Clear customer choices and outcomes

Proposal	Purpose	Engagement	Results	Outcome
<p><b>Transition from an annuity-based funding method for renewals expenditure to RAB-based funding method</b></p>	<p>While historically rural water businesses across a number of Australian jurisdictions have used annuity approaches for calculating the appropriate allowance for asset renewals, since the early 2000s a growing number of the larger rural water businesses have transitioned to RAB-based approaches. This transition has been universally supported by economic regulators.</p> <p>The QCA considers that there are benefits in transitioning to a RAB-based approach. Such an approach can be more transparent as it allows customer to see the pricing impacts of near-term renewals expenditure and requires the business to provide the capital and service the associated financing costs. This aligns closely with the planning focus of Sunwater's Service and Performance plans, which provide detail on renewals expenditure over the short-term to the end of the next price path period.</p> <p>Reflecting the potential merit of a RAB-based approach, the QCA in the previous irrigation pricing review recommended that Sunwater work with our customers and the government to develop a proposal on transitioning to a RAB-based approach.</p>	<p>Prior to taking this proposal to customers Sunwater engaged with the Consultative Committee to test and refine our engagement material.</p> <p>We then presented material to customers in Stage 2 forums outlining the reason for our proposal, its benefits, how the methodology would work/be applied and its impact on prices in the scheme. We extended forecast to three four-year pricing periods to provide insight into medium term impacts of the change following queries raised during engagement with the Consultative Committee</p> <p>Considerable time was devoted to discussing this proposal with customers at scheme presentation sessions, and Sunwater staff stayed behind to enable discussion with customers seeking further understanding.</p> <p>Presentation materials were also uploaded to our project website.</p> <p>Prior to providing feedback through the Go-Vote platform, customers were also required to watch an informational video that summarised the proposal and provided them with pertinent information about what the change would mean for them before they could cast their preference.</p>	<p><b>RAB responses overall</b></p>  <ul style="list-style-type: none"> <li>The RAB methodology received a positive sentiment of 46 per cent, with 20 per cent neutral and 34 per cent unsupportive</li> <li>"Agree" was the largest single response (33 per cent), followed by "strongly disagree" (28 per cent)</li> </ul> <p><b>RAB sentiment by scheme</b></p>  <ul style="list-style-type: none"> <li>13 schemes recorded a simple majority in support of a RAB methodology (no minimum vote cutoff)</li> <li>3 schemes recorded a simple majority against a RAB methodology</li> </ul>	<p>Based on "agree" being the strongest sentiment and the majority support by scheme, Sunwater is proposing a transition to a RAB-based funding model as part of this pricing proposal.</p>

Proposal	Purpose	Engagement	Results	Outcome																																										
<p><b>Implementing an electricity cost pass-through mechanism for seven schemes with highly variable electricity costs</b></p>	<p>There are seven schemes Sunwater operates that, given the nature of the infrastructure in those schemes, incur high electricity costs. A permanent pass-through mechanism would ensure customers only pay for actual electricity costs, and that Sunwater was reimbursed for actual electricity costs. Sunwater put this proposal to the seven water supply schemes where electricity costs are material due to significant pumping assets. The pass-through mechanism would only apply to electricity costs in the following water supply schemes: Barker Barambah; Bundaberg distribution; Burdekin Haughton distribution; Lower Mary River distribution; Mareeba-Dimbulah distribution; Upper Condamine and Eton.</p> <p>Sunwater wished to gauge whether there was customer support for a permanent and fully symmetrical ECPT mechanism applying for the 1 July 2025 to 30 June 2029 period.</p>	<p>Prior to taking this proposal to customers Sunwater engaged with the Consultative Committee to co-design the proposed pass-through mechanism and refine our engagement material.</p> <p>We then presented material to customers outlining the reason for our proposal, its benefits, how the methodology would work/ be applied and its impact on prices in the scheme.</p> <p>Presentation materials were also uploaded to our project website.</p> <p>Prior to providing feedback through the Go-Vote platform, customers were also required to watch an informational video that summarised the proposal and provided them with pertinent information about what the change would mean for them before they could cast their preference.</p>	<p><b>Responses to pass-through proposal by scheme</b></p> <table border="1"> <caption>Survey Results by Scheme</caption> <thead> <tr> <th>Scheme</th> <th>Strongly Agree</th> <th>Agree</th> <th>Neutral</th> <th>Disagree</th> <th>Strongly Disagree</th> </tr> </thead> <tbody> <tr> <td>Bundaberg</td> <td>77%</td> <td>16%</td> <td>6%</td> <td>0%</td> <td>1%</td> </tr> <tr> <td>Burdekin Haughton</td> <td>71%</td> <td>14%</td> <td>5%</td> <td>5%</td> <td>5%</td> </tr> <tr> <td>Eton</td> <td>40%</td> <td>27%</td> <td>20%</td> <td>13%</td> <td>0%</td> </tr> <tr> <td>Lower Mary</td> <td>37%</td> <td>18%</td> <td>36%</td> <td>0%</td> <td>9%</td> </tr> <tr> <td>Mareeba-Dimbulah</td> <td>67%</td> <td>11%</td> <td>22%</td> <td>0%</td> <td>0%</td> </tr> <tr> <td>Barker Barambah</td> <td>0%</td> <td>0%</td> <td>0%</td> <td>0%</td> <td>88%</td> </tr> </tbody> </table> <p>Response rates in eligible schemes ranged from 5 per cent (Eton) to 89 per cent (Barker Barambah – Redgate relief) through the GoVote platform.</p> <p>Barker Barambah customers clearly did not support the adoption of a pass-through mechanism. Respondents from the other six schemes were clearly in favour.</p>	Scheme	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Bundaberg	77%	16%	6%	0%	1%	Burdekin Haughton	71%	14%	5%	5%	5%	Eton	40%	27%	20%	13%	0%	Lower Mary	37%	18%	36%	0%	9%	Mareeba-Dimbulah	67%	11%	22%	0%	0%	Barker Barambah	0%	0%	0%	0%	88%	<p>Sunwater discussed these results in the scheme-specific face-to-face forums along with final prices in Stage 3 and received feedback that sentiment had become unfavourable. See main submission for final positions.</p>
Scheme	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree																																									
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Proposal	Purpose	Engagement	Results	Outcome																																				
<p><b>Improving Sunwater's reporting and monitoring regime</b></p>	<p>Feedback from regional operations teams, who know and understand their customers, led Sunwater to undertake a review of the purpose and effectiveness of the Service and Performance plans (S&amp;PPs).</p> <p>The current S&amp;PP process typically takes 9-12 months to complete. This extensive timeframe is largely due to S&amp;PPs having the dual purpose of performance and forecast. By the time actuals are collated and reviewed, the next forecasting cycle has commenced, contributing to a delay in publication. Performance data is effectively "out-of-date" by the time it is published. Forecasts generally lack relevance, do not impact prices and are left to an appendix. S&amp;PPs lack pricing context – Sunwater's actuals and forecasts do not affect prices until they have been through a QCA review.</p> <p>As a result, Sunwater developed a proposal to refresh the plans to make them more relevant, timely, and easier to interpret. Sunwater proposed that we:</p> <ul style="list-style-type: none"> <li>continue to prepare S&amp;PPs annually for each irrigation service contract area</li> <li>compare actual cost performance against cost targets recommended by the QCA in a focused and timely manner</li> <li>limit the focus on forecasts to the next year only.</li> </ul> <p>These changes would help Sunwater to publish S&amp;PPs in a timely manner, leading to more timely and meaningful customer engagement.</p>	<p>Prior to taking this proposal to customers Sunwater engaged with the Consultative Committee to test and refine our engagement material.</p> <p>We then presented material to customers outlining the reason for our proposal, its benefits, how the methodology would work/be applied and its impact on timing of publication.</p> <p>Presentation materials were also uploaded to our project website.</p> <p>Prior to providing feedback through the Go-Vote platform, customers were also required to watch an informational video that summarised the proposal and provided them with pertinent information about what the change would mean for them before they could cast their preference.</p>	<p><b>Service and Performance plans responses overall</b></p>  <table border="1"> <caption>Overall Sentiment Data</caption> <thead> <tr> <th>Sentiment</th> <th>Count</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Agree</td> <td>190</td> <td>52%</td> </tr> <tr> <td>Neutral</td> <td>88</td> <td>24%</td> </tr> <tr> <td>Strongly Agree</td> <td>68</td> <td>18%</td> </tr> <tr> <td>Disagree</td> <td>11</td> <td>3%</td> </tr> <tr> <td>Strongly Disagree</td> <td>12</td> <td>3%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>The S&amp;PP refresh received a positive sentiment of 70 per cent, with 24 per cent neutral and 6 per cent unsupportive</li> <li>"Agree" was the largest single response (52 per cent), followed by "neither agree nor disagree" (24 per cent)</li> </ul> <p><b>Service and Performance plans sentiment by scheme</b></p>  <table border="1"> <caption>Sentiment by Scheme Data</caption> <thead> <tr> <th>Sentiment</th> <th>Count</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Simple majority for</td> <td>13</td> <td>59%</td> </tr> <tr> <td>More for than against</td> <td>5</td> <td>23%</td> </tr> <tr> <td>no responses</td> <td>3</td> <td>14%</td> </tr> <tr> <td>Neutral</td> <td>1</td> <td>4%</td> </tr> <tr> <td>Simple majority against</td> <td>0</td> <td>0%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>13 schemes recorded a simple majority in support of a refresh of the S&amp;PP reports</li> <li>5 schemes recorded more for than against, one was neutral</li> <li>3 schemes did not respond</li> </ul>	Sentiment	Count	Percentage	Agree	190	52%	Neutral	88	24%	Strongly Agree	68	18%	Disagree	11	3%	Strongly Disagree	12	3%	Sentiment	Count	Percentage	Simple majority for	13	59%	More for than against	5	23%	no responses	3	14%	Neutral	1	4%	Simple majority against	0	0%	<p>Based on strong support at a business level and by scheme, Sunwater is proposing a refreshed reporting process as part of this pricing proposal.</p>
Sentiment	Count	Percentage																																						
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Simple majority against	0	0%																																						

Proposal	Purpose	Engagement	Results	Outcome
<p><b>The treatment of medium priority entitlements for pricing purposes in the Eton Water Supply Scheme</b></p>	<p>There are a small number of customers categorised as Risk A priority that use the Mirani diversion channel of the Eton Water Supply Scheme. Currently these customers are treated as medium priority users from a pricing perspective even though the cost of supplying these customers is likely to be materially lower.</p> <p>Table 21 below shows Sunwater’s proposed water charges to apply to customers using the Mirani diversion channel in the next price path period.</p>	<p>Sunwater proposed to exclude these customers from the calculation of irrigation charges for medium and higher priority users and include a revenue offset in the next price path period that relates to the revenue that Sunwater would have earned from these customers if these water charges had applied. Sunwater proposed to apply a volumetric only water charge to these customers in the next price path period as this is likely to be a more equitable and cost reflective pricing approach given the nature of the service that we provide these customers.</p> <p>Sunwater proposed to treat electricity costs as a fixed cost and recover these costs from customers via the Part A charge. This means that under the ECPT mechanism, the removal of electricity costs from existing charges only impacts the Part A charge. It should also be noted that Sunwater has adopted a variable/fixed split for electricity costs for the purpose of setting Part E and Part F charges under the proposed ECPT mechanism reflective of the electricity usage and retail tariff arrangements applying to the Eton Scheme.</p> <p>More detailed information on the proposed price-setting approach under the ECPT mechanism is provided in the Technical Appendix – Electricity Cost and the Eton Scheme Summary.</p>	<p>Presented in scheme meetings and included in materials made available to Eton customers. No feedback received to suggest not supported.</p>	<p>Outcome is reflected in our pricing proposal for Eton Water Supply Scheme.</p>

## Engagement program

During Stage 2 Sunwater received feedback from customers that they wanted more:

- detail on the proposed operating expenditure and renewals expenditure at a scheme level
- information on how they could provide feedback on the proposals being presented to them.

Sunwater actioned this feedback immediately by developing more detailed information per scheme for Stage 3 engagement (discussed in the next section); reminding customers of the ways they could engage on the proposals in the presentation sessions and after sessions in SMS, email reminders; and by promoting GoVote directly and from the provider.

## Pricing proposal

Stage 2 engagement informed the pricing proposal by confirming:

- customer values and priorities, which provided strategic direction for investment decisions
- that current service levels are appropriate, which meant Sunwater did not need to put forward proposals to customers to change service levels and the various costs for various levels of service to determine customer willingness to pay
- Sunwater's position on tariff issues in three schemes (see Appendix 1).

We also finalised the outcomes of the external consultancy review of our expenditure (discussed in break out box below) to address customer concerns.

### Listening to our customers' cost concerns

While undertaking Stage 2 engagement, we concurrently organised an independent review of our operating and renewals expenditure for prudence and efficiency.

Listening to our customers' concerns about the costs of running their businesses in stages 1 and 2, and water pricing being one of those concerns, we sought to improve our renewals forecasting processes as best we could with the systems and processes we currently have.

Following a robust, independent review, the consultancy recommended the following:

- A 4.6 year increase to the scheduling of renewals because it found Sunwater was managing assets well and assets are lasting 4.6 years longer on average than they were designed to last.
- A 2.3 per cent reduction of cost estimates to align Sunwater estimates with current market prices.

Sunwater adopted these recommendations in full, understanding customer concerns largely centred around price and cost inputs to their businesses. Adopting these recommendations in full resulted in an overall reduction of 22.7 per cent across the renewals forecast for 2025-2059, with \$13 million saved in the 2024-25 year (a 30 per cent reduction); \$17 million saved during the 2025-26 to 2028-29 period (a 17 per cent reduction); and \$531 million saved during the 2029-30 to 2057-58 period (a 34 per cent reduction).

# Stage 3: Finalising

## Timing

August to November 2023

## Purpose

The purpose of Stage 3 engagement was to communicate the outcomes of Stage 2 and outline the final proposal, but after receiving feedback that customers wanted additional detailed information on proposed operating and renewals expenditure by scheme, we extended the engagement period by a month and prepared additional material. Sunwater was prepared to change our proposals should customer engagement inform such changes at this point, so the pricing proposal project needed to remain flexible until the end of this stage.

The purpose of this stage was therefore to present and validate detailed cost proposals, and revenue and pricing outcomes for all schemes to finalise the proposal.

## Content

Our Stage 3 engagement materials included a Draft Final Scheme Summary document – our intention was that these summaries reflected the final proposal we put to each scheme, pending receipt of any material Stage 3 feedback. A presentation was also prepared that talked through the process Sunwater followed to adjust and finalise our Stage 2 cost estimates for Stage 3, as well as talk through the feedback received from customers at the end of Stage 2.

Responding to Stage 2 feedback we presented more granular views of both our operating expenditure and renewals forecasts. Our renewals forecasts included both the four-year price path period (relevant to a RAB methodology) and an additional 29-year period (relevant to an annuity methodology).

Scheme level revenue requirements and prices were presented reflecting a RAB-based recovery of renewals expenditure in line with Stage 2 feedback.

Six of the seven largest electricity consuming schemes were also presented with a final view of prices under an ECPT mechanism.

## Materials

Supporting materials prepared for this stage detailed final costs, revenue requirements and positions on the three proposals:

- 22 scheme-specific presentations
- 22 Scheme Summaries
- 1 online forum presentation

These can be accessed here: [www.sunwater.com.au/projects/price-path/](http://www.sunwater.com.au/projects/price-path/)

## Activities

Activities hosted during this stage that covered the content and utilised materials:

- 17 face-to-face forums
- 1 online forum presentation for all schemes
- 3 Consultative Committee meetings



## Who was engaged

During this stage Sunwater invited irrigation customers in 17 schemes to corresponding forums in their scheme, and all customers to the all-schemes online forum using SMS, email, and post (as determined by preference on customer account profiles).

Table 7 - Customer participation during Stage 2 by scheme

Forum details	Water supply scheme	Number of customers in scheme	Number of attendees
<b>17 face-to-face sessions were organised, with all irrigation customers within these schemes invited</b>	Nogoa Mackenzie	308	5
	Callide Valley	127	4
	Dawson Valley	94	7
	Proserpine River	83	5
	Eton	302	5
	Chinchilla Weir	23	3
	Upper Condamine	112	3
	Mareeba-Dimbulah	1106	16
	Macintyre Brook	86	2
	St George	175	5
	Barker Barambah	150	0
	Upper Burnett	141	3
	Boyne River and Tarong	49	1
	Three Moon Creek	88	3
	Bundaberg	1015	6
	Lower Mary River	160	5
	Burdekin Haughton	312	21
<b>Teams meeting, all customers invited</b>	All schemes (including Pioneer River, Cunnamulla, Lower Fitzroy, Bowen Broken Rivers, and Maranoa)	4372	7
<b>Total attendees for Stage 3 forums</b>			<b>101</b>

## How engagement data was recorded

During activities in all three stages, customer feedback was captured by the attending Stakeholder Advisor and recorded in Sunwater's online engagement platform under enterprise usage guidelines.

In most cases, questions were answered in session by a subject matter expert. Where a matter required further investigation, the Stakeholder Advisor followed up with internal stakeholders and then provided the customer with a written response.

Feedback received via the price path email inbox was managed by the Stakeholder Advisor and written responses were provided and, in some cases, a follow up phone call was made. Feedback received via the Sunwater Customer Interactions team or other internal teams was forwarded to the price path email inbox and responded to as above.

Several formal submissions were received, and these were shared with the Project team, recorded in the online platform, and responded to in writing (included in individual scheme summaries).

Customer feedback about the three proposals was captured in the GoVote platform. The process anonymised customer information so only scheme, tariff group and megalitres held (within a range) were visible and reportable as characteristics.

# How engagement informed the pricing proposal

Sunwater’s Stakeholder and Customer Relations team was embedded in the pricing proposal project team (as the Stakeholder Engagement workstream) with full responsibility for informing the project of customer values and preferences both prior to, and during, customer engagement.

Following each stage of engagement, the Stakeholder Engagement workstream informed project team leads of the outcomes for the project leads to operationalise.

The table below shows the information links to other key workstreams within the project.

*Table 8 - Stakeholder Engagement workstream dependencies*

Workstream	Key contact	Information required
<b>Opex workstream</b>	Workstream co-leads	<ul style="list-style-type: none"> <li>• Customer values</li> <li>• Service standards required</li> <li>• Customer preferences on specific regulatory matters that could be implemented with customer support</li> </ul>
<b>Renewals workstream</b>	Workstream lead	<ul style="list-style-type: none"> <li>• Customer values</li> <li>• Service standards required</li> <li>• Customer preferences on specific regulatory matters that could be implemented with customer support</li> </ul>
<b>Documentation workstream</b>	Workstream lead, Project Director	<ul style="list-style-type: none"> <li>• Customer values</li> <li>• Service standards agreed with customers</li> <li>• Customer preferences on specific proposals</li> <li>• Engagement design and phasing</li> <li>• Data and outcomes of each stage of engagement</li> </ul>

# Appendix 1: Customer insights on tariff issues

Table 9 - Customer insights on tariff issues

Scheme	Tariff group	Issue for discussion/consideration	Sunwater's position
Mareeba-Dimbulah	Access charge	The cost-reflectivity of the access charge has been questioned at previous price reviews. In 2024-25 the access charge is set at \$751.5/customer.	Sunwater does not propose any changes to the tariff groups or cost allocators for these tariff groups at this review. Sunwater's priorities in the Mareeba-Dimbulah scheme during the period have included the continuation of service during the COVID pandemic, and the delivery of the Mareeba-Dimbulah Water Supply Scheme Efficiency Improvement Project and a reduction in distribution losses.
	Channel - outside a relift	The cost-reflectivity of the three-part declining block tariff for customers has been questioned at previous price reviews.	This priority benefits all customers in the distribution service via downward pressure on prices.
	River Supplemented Streams and Walsh's River	The QCA recommended Sunwater explore the appropriate basis for the apportionment of costs to this tariff group and engage with customers if there are grounds for a change from the current 60 per cent allocator.	Customer engagement has not identified a strong desire for tariff reform, however Sunwater will continue to engage and may explore these issues further at a future review.
Eton	Risk A	Risk A priority entitlement holders taking water from the Mirani Diversion Channel have engaged with Sunwater over the reform of their tariff given past practice included reference to Part C and Part D price elements associated with Sunwater's former management of the distribution service in this scheme. Sunwater has identified a structural under-recovery that has arising from the practice of assigning fixed costs to the 504 ML in entitlements held by this group, the 100 per cent volumetric tariff applied, and the typically low usage in this group.	Sunwater's proposal addresses both customer concerns and the structural under-recovery via: <ul style="list-style-type: none"> <li>the calculation of the Risk A tariff using only Part A and Part B components, and the continuation of a 100 per cent volumetric tariff</li> <li>removal of the 504 ML in Risk A priority entitlements from the price calculation process to address the structural under-recovery of fixed costs</li> <li>treatment of any revenue earned from Risk A priority entitlements as a revenue offset.</li> </ul> This proposal formed part of our engagement material with Eton customers. No concerns have been raised.

Scheme	Tariff group	Issue for discussion/consideration	Sunwater's position
Burdekin	Burdekin Channel Burdekin Channel – Gladys Lagoon (other than natural yield) Burdekin Channel – Giru Groundwater	<p>Customers in the Burdekin Channel – Giru Groundwater (Giru customers) continue to raise concerns with the alignment of their cost reflective price with the other two tariff groups in the distribution service.</p> <p>Giru customers are seeking a lower target price on the basis of one or both of lower cost to serve and lower standards of service.</p> <p>Reference continues to be made to matters that are no longer relevant under the current water plan.</p>	<p>Sunwater does not propose any changes to the way in which costs are assigned and cost-reflective prices are calculated for the Burdekin distribution service.</p> <p>Sunwater's view is that current pricing practices reflect an appropriate pricing response to the policy settings contained in the <i>Water Plan (Burdekin Basin) 2007</i>. Sunwater does not have any information that would support the QCA rescinding the findings it made at the 2020 review in relation to cost-to-serve and service levels.</p> <p>There is clear disagreement from customers in the Giru and non-Giru tariff groups around the nature of the issues and any proposed pricing solutions.</p> <p>Sunwater's preference is for the continuation of current cost allocation and pricing practices in this scheme, and notes that any holistic review of cost allocation would require considerable time (at least two years) given the competing customer positions and may lead to unexpected outcomes including the creation of more than two effective tariff groups within the distribution service.</p>

# Appendix 2: Consultative Committee Terms of Reference

## 1. Purpose

The purpose of the price path Consultative Committee (the committee or group) is to provide a platform to consider and workshop multi-scheme issues and opportunities to inform Sunwater's submission on irrigation pricing to the QCA.

The role of the committee will include:

- discuss individual organisational objectives and establish shared outcomes where possible
- identifying and developing areas of alignment between Sunwater and its customers
- developing and/or providing feedback on policy matters that may be included in Sunwater's submission
- advising on Sunwater's engagement and communication efforts, and
- providing direct feedback on Sunwater's proposals.

These Terms of Reference (ToR) are intended to provide a framework for the establishment and effective operation of the group.

## 2. Membership of the committee

Membership of the group is by invitation to key organisations that represent and promote the interests of the bulk of Sunwater's irrigation customer base.

The following organisations have been invited to nominate up to three representatives:

- Queensland Farmers Federation
- Cotton Australia
- Queensland Fruit & Vegetable Growers
- CANEGROWERS Queensland

## 3. Sunwater's commitment

Sunwater is committed to a comprehensive and effective engagement process with customers directly, and with key member organisations, on matters material to its QCA submission on irrigation pricing.

Two Sunwater executives will co-chair the committee – the EGMs Customer and Stakeholder Relations and Operations. Sunwater will ensure meetings are appropriately organised and resourced by a secretariat function and attended by relevant Subject Matter Experts.

While Sunwater acknowledges that alignment or consensus on every issue or opportunity may not be possible, it is committed to:

- being open and transparent with information
- explaining the rationale for positions and decisions
- asking for advice to develop the 'best' options for Sunwater and customers
- outlining how feedback from committee members has been considered, and
- sharing final positions.

#### **4. Member commitment**

Regardless of organisational affiliation, all members are asked to commit to:

- a willingness to work constructively on matters relating to irrigation pricing
- respectfully contributing their own views and those of their member base
- listening respectfully to differing views
- respecting requests for confidentiality
- sharing accurate information with their member base and bringing member feedback to the committee, and
- encouraging members to engage constructively on the issues and opportunities in other forums.

#### **5. Proxies**

Members should make all efforts to attend scheduled meetings. However, it is recognised that there will be times when a member may not be able to attend and if this occurs the member can nominate a suitable proxy. Proxies are required to:

- have an equivalent skillset and interest in the project
- be able to contribute to discussions on merit without seeking further approval
- present the views of the member they are representing, and
- abide by the ToR.

#### **6. Authority**

The committee is an advisory body and while Sunwater retains its right to form independent positions, the views of committee members will have influence on Sunwater's decision-making. Further, Sunwater may seek the endorsement of the committee on specific positions.

#### **7. Remuneration**

Committee membership is not remunerated given members will participate as part of their role with the organisation they represent. Sunwater will meet any costs associated with meetings, including catering.

#### **8. Period of operation**

This committee will operate initially for a period of eight months (March to November 2023) to reflect that Sunwater's submission to the QCA is due at the end of 2023.

## **9. Frequency and location of meetings**

It is intended that the group will meet monthly and preferably in person to facilitate effective workshop style discussions. Meetings will be held at Sunwater's Fortitude Valley offices.

## **10. Confidentiality**

Confidentiality regarding individual input is integral to the effective operation of the committee.

Members are encouraged to share information provided by Sunwater with their member base if material is clearly intended for that purpose.

## **11. Communication**

Sunwater intends to note the operation of the committee and its discussions at a high level in its QCA submission, noting that individual opinions will remain confidential.

While members are entitled to their own views about the subject matter, members are asked to not speak on behalf of Sunwater or share Sunwater material that is produced only for the group.