



Annexure 10 – FY28-30 Prices and Bill Impacts

QCA Price Monitoring Investigation – Part 2 Submission

Public Release

This Annexure is a key component, and forms part of, the overall Urban Utilities' Part 2 Submission to the Queensland Competition Authority's (QCA) price monitoring investigation for the period 1 July 2026 to 30 June 2030. The Urban Utilities' Part 2 Submission should be read as a whole and, because of the interrelated nature of the subject matter, no part should be read in isolation or taken out of context.

The Executive Narrative provides a summary of the entire Urban Utilities' Part 2 Submission, and this Annexure should be read in conjunction with that narrative.

Amongst other items, the Executive Narrative outlines how this technical Annexure, along with the other Annexures provided with the Part 2 Submission, specifically addresses different elements of the Part 2 Stated Matters of the QCA investigation covering the period FY28–30 (1 July 2027 to 30 June 2030).

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Overview

- Price increases are necessary to support the scale of investment needed to support growth, unlock housing supply, replace ageing assets, preserve service reliability, protect environmental and public health outcomes, and improve efficiency through enhanced digital capability.
- We are focused on achieving an equitable and balanced pricing outcome that focuses on the factors that are within the customer's control to minimise their bill impacts. The pricing strategy focusses 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.
- Our indicative prices assume that all planned prudent and efficient expenditure will be recovered from customers. The typical residential bill is forecast to increase by CPI plus 2.8% in each year of the price monitoring period. For the Urban Utilities component of the bill, an average annual increase across FY27 to FY30 of CPI plus 4.3% is forecast.
- This increase is reflective of the capital-intensive nature of the business, particularly wastewater infrastructure, with 3.8 percentage points of the uplift in a typical residential bill driven by an increase in capital-related costs (in line with the QCA pricing principles such as capital investment, depreciation, rate of return and asset inflation). The remaining increase reflects below CPI changes driven by increases operating expenditure (1 percentage point) and the pass through of bulk water costs (0.5 percentage points).
- The above bill impacts are indicative and relate to a typical residential customer. On average, 58% of residential customers will see a bill impact less than this amount for the Urban Utilities component of the bill over the price monitoring period, and 95% of residential customers will see a total bill impact either below or very close to that of the typical residential customer.
- When combining these impacts with the FY27 total bill increase of CPI minus 3%, the average annual increase across FY27 to FY30 reduces to approximately CPI plus 1.4% for a typical residential customer.
- Urban Utilities continually strives to balance service outcomes with customer affordability and has worked hard to limit bill increases by employing several measures, including:
 - under-recovering the revenue required to fund efficient costs, which was done in FY27 to provide cost-of-living relief in line with government priorities
 - smoothing revenue over the price monitoring period, delivering a more predictable price path for customers
 - pursuing significant efficiencies that have been incorporated into the indicative prices
 - achieving an equitable and balanced pricing outcome that focuses on factors that are within customers' control to help minimise bill impacts
 - passing through bulk water charges with no mark-up.
- Urban Utilities is committed to working with government and other stakeholders to identify funding and cost recovery options (such as loss capitalisation and alternative funding sources for growth expenditure) to further ease bill impacts without undermining the required long-term investments. These options will continue to be explored in the coming months with further details to be provided in response to the QCA's draft report in early 2027.
- Water fixed and volumetric charges are carefully set each 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 larger-use residential customers.
- Bulk water charges are passed through to customer with no mark up, consistent with pricing practices and existing legislative requirements since Urban Utilities' formation in 2010.

1 Introduction

This annexure sets out Urban Utilities' prices and tariff structures for the FY28 to FY30 price monitoring period in response to Part 2, Section F (The Stated Matters) of the Queensland Government's referral for the Queensland Competition Authority's price monitoring investigation for the period 1 July 2027 to 30 June 2030.

In particular, it addresses Stated Matter 1.1, which requires Urban Utilities' to demonstrate the relationship between forecast Maximum Allowable Revenue (MAR), forecast prices, customer bill impacts and Urban Utilities' financial sustainability outcomes for the price monitoring period.

It provides details of:

- how the prices and tariff structures have regard for both Urban Utilities and QCA's pricing principles
- important considerations in setting Urban Utilities' prices and tariff structures and the reform journey to date
- how prices are set each year, having regard to chargeable quantity demand forecasts
- Urban Utilities' forecast FY28 to FY30 prices and estimated bill impacts arising from these prices
- how the forecast prices maintain financially sustainable outcomes for Urban Utilities.

For clarity, throughout this annexure the term "Tariff Structure" refers to the mix of charging parameters used to recover revenue from customers. Each charging parameter has a numeric "Price" typically expressed as a rate (i.e. \$/day, \$/kL or \$/kg) depending on the chargeable quantity to which the charging parameter applies.

In addition, the terminology "wastewater" and "sewerage" are used interchangeably throughout this annexure. Use of the term "sewerage" aligns with terminology that appears on customer bills and in the published pricing guidelines and has been retained to ensure consistency where appropriate.

2 Pricing principles

Urban Utilities has developed its current prices and tariff structures having regard to its established internal pricing principles (adopted in 2013). These principles align with the Queensland Competition Authority's (QCA's) regulatory pricing principles¹, which in turn provide the overarching framework for pricing monopoly water services in Queensland.

QCA's pricing principles emphasise that prices should:

1. recover the efficient costs of service delivery
2. signal efficient use of water services
3. signal the efficient scale and timing of infrastructure investment
4. reflect an appropriate sharing of risk between the service provider and customers.

More generally, QCA recognises prices should also:

5. be informed by the service standard and tariff structure preferences of customers
6. reflect the broader public interest
7. be transparent, predictable and simple to understand.

Importantly, QCA's pricing principles are not prescriptive and regulated entities have discretion in setting prices to balance competing objectives (such as economic efficiency, equity and affordability) to best meet the needs of the entity and its customers. This recognition of inherent trade-offs is central to the effective design of practical tariff structures and price settings.

Urban Utilities' pricing principles translate QCA's principles into a set of operational guiderails for setting prices and tariff structures. Collectively, they ensure prices promote efficient outcomes, reflect community expectations and align with QCA's broader regulatory requirements.

Urban Utilities' pricing principles include:

- revenue adequacy
- sustainability
- equity (i.e. cost reflectivity)
- simplicity of design
- price shock minimisation
- customer control.

Urban Utilities applies and balances these principles as follows:

Revenue adequacy is met by setting prices that, when applied to the forecast chargeable quantities for water and sewerage services, recover the efficient costs of those services as reflected in the Maximum Allowable Revenue (MAR). This aligns with the QCA principle that prices should recover efficient costs and supports productive efficiency by ensuring that only prudent and efficient costs are recovered over time.

Sustainability is promoted through tariff structures that promote efficient water use. This includes the application of inclining block usage charging parameters for water and capacity-based fixed service charging parameters, which together encourage conservation and aim to reflect the cost of consumption decisions. These structures are consistent with allocative efficiency objectives, ensuring

¹ Queensland Competition Authority (QCA), *Statement of Regulatory Pricing Principles for the Water Sector*, April 2021

that customers face price signals that broadly reflect the cost of service provision and, over time, the costs associated with infrastructure augmentation.

Equity is achieved by setting prices to balance cost reflectivity against affordability and consistency, with inherent trade-offs required to appropriately balance these objectives. For example, price harmonisation for all customer types across the entire service territory trades off cost-reflectivity in favour of improved affordability outcomes, particularly in rural areas. However, a degree of cost-reflectivity is still achieved through the design of tariff structures that support a “user-pays” approach.

Customer control is achieved through tying a significant proportion of Urban Utilities’ revenue to usage charges, thus allowing customers to reduce their bill by reducing their consumption. This approach aligns with QCA’s pricing principle of signalling efficient use, while also recognising customer preferences and the importance of providing customers with a clear and actionable link between their usage and bills.

Simplicity of design is achieved by establishing a tariff structure and setting prices that are readily understood by customers and which are relatively simple to administer, thus minimising transaction costs for Urban Utilities. This directly aligns with the QCA’s expectation that prices be transparent, predictable and simple.

Price shock minimisation is a central consideration in setting prices each year. Urban Utilities sets prices based on a smoothed MAR path (with the MAR set to recover only efficient costs) to minimise year-on-year bill volatility and support customer affordability. Annual changes to individual prices are also minimised wherever possible to further manage the risk of bill volatility and price shock for customers. This is consistent with QCA’s emphasis on predictability and the need to consider customer impacts when implementing price changes.

Finally, Urban Utilities benchmarks its bill impacts against other water utilities operating in South East Queensland and nationally, as well as other economic measures (such as Consumer Price Index benchmarking) when considering affordability. This aligns with QCA’s pricing principle that pricing outcomes should consider broader community expectations and public interest considerations in all circumstances and that efficiency outcomes alone should not determine an organisation’s pricing approach.

Urban Utilities has continued to apply and balance the pricing principles outlined in this section in setting prices for FY28 to FY30. Further details are provided in the following sections of this annexure.

3 Tariff structures

This section outlines Urban Utilities' tariff structures and constituent charging parameters, which form the framework for how prices are set and applied on customer's bills. These have evolved considerably since formation in 2010, through structural reforms summarised below:

- Residential reforms:
 - introduction of two-tier inclining block water usage charging parameters for all customers, replacing a mixture of one-tier (Scenic Rim), two-tier (Somerset and Lockyer Valley) and three-tier (Brisbane and Ipswich) water usage charging parameters inherited from the shareholding councils
 - water service and sewerage service charging parameters set on a per-dwelling basis, shifting away from the previous practice of applying these on a per account or per lot basis
 - the removal of all low-pressure water charging parameters previously available to rural customers with trickle feed systems
 - the removal of sewerage pedestal-based charging parameters for multi-dwelling residential properties.
- Non-residential reforms:
 - water service and sewerage service charging parameters set based on the number and size of water meters connecting the property to the network. This replaced a disparate mix of account-based fixed water and/or sewerage service charging parameters in some regions, and meter-based water service charging parameters in Ipswich and Scenic Rim
 - introduced sewage disposal charging parameters applied to deemed effluent discharge, to replace a range of different sewerage pedestal-based charging parameters in each region
 - removed minimum trade waste, trade waste domestic and below domestic strength discharge charging parameters
 - expanded the Category 2 trade waste usage charging parameter to apply to above domestic strength discharge in all regions (rather than just Brisbane and Ipswich)
 - removed the existing Category D trade waste prices and introduced a new tariff structure ("Category 3A") to apply to actual metered effluent discharge and effluent meter sizes
 - removed all other bespoke tariff structures for non-residential customers
 - removed water and sewerage service charging parameters from all unconnected vacant land.
 - removed the fixed charging parameter for tankered waste.

No changes to the current water or sewerage tariff structures and water charging parameters are forecast for the FY28 to FY30 price monitoring period.

The following sections provide an overview of the current tariff structures and charging parameters and how these are assigned to customers. Further details are set out in the Pricing Guideline published on Urban Utilities' website.

3.1 Charging parameters

Urban Utilities' charging parameters include:

Fixed charging parameters

- Fixed water charging parameters, which are applied on a dollar per day (\$/day) basis. These appear on customers' bills as the "water service charge" and are herein referred to as such.

Residential water service charges are set and levied on a **per dwelling** basis and non-residential water service charges are set and levied on a **per meter** basis, scaled based on the size of each meter using a Flow Capacity Factor (FCF).

- Fixed sewerage charging parameters, which are applied on a \$/day basis. These appear on customers' bills as the "sewerage service charge" and are herein referred to as such. Residential sewerage service charges are set and levied on a **per dwelling** basis and non-residential sewerage service charges are set and levied on a **per meter** basis, scaled based on the size of each meter using an FCF and the customer's Discharge Factor (DF).
- Fixed standpipe lease fees applied on a dollar per month (\$/month) per standpipe basis to water tankering customers leasing an Urban Utilities-owned metered standpipe.

Usage (variable) charging parameters

- Two-tiered water usage charging parameters for residential and non-residential customers, set on a dollar per kilolitre (\$/kL) basis, based on actual water consumption. These appear on customers' bills at the "Urban Utilities distributor-retailer price" and are herein referred to as such
- Single-tiered tanker filling station usage charging parameters, which are applied on a \$/kL basis
- Single-tiered sewage disposal charging parameters for non-residential customers, set on a \$/kL basis, based on deemed or actual effluent discharge (with deemed discharge calculated as actual water consumption multiplied by the customers DF). These appear on customers' bills as the "sewage disposal charge" or "sewage disposal Category 3A charge as appropriate and are herein referred to as such
- Single-tiered tankered waste usage charging parameter for tankered waste discharge on a \$/kL basis, based on actual discharge per tanker
- Single-tiered trade waste Category 2 discharge charging parameter for non-residential customers, set on a \$/kL basis, based on deemed effluent discharge (calculated as actual water consumption multiplied by the customer's DF). These appear on customers' bills as the "Trade waste Category 2 charge" and are herein referred to as such
- Single-tiered trade waste contaminant charging parameters set on a dollar per kilogram (\$/kg) basis, for discharges of Biological Oxygen Demand (BOD), Suspended Solids (SS), Total Nitrogen (TN) and Total Phosphorus (TP). These are referred to as "Trade waste Category 3A charges".

Further detail on the application of the current charging parameters is set out below.

3.1.1 Water charging parameters

3.1.1.1 Water service charge

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

- recovers part of the water revenue requirement (the remainder is recovered through the Urban Utilities distributor-retailer price)
- is determined based on the actual or deemed size and number of water meters connecting a customer to the network (capped at 156.25 times the minimum meter size/charge, per meter, to minimise customer bill impact), with:
 - all residential dwellings deemed to have a 20mm water meter
 - the non-residential water service charge determined by the premise's actual meter size(s).

Water (and sewerage) service charges are scaled up from a base level (i.e. a 20 or 25 mm meter) using the combined FCF multiplier, which is based on the ratio of the diameter of a meter relative to a 20mm (or 25mm) meter as per the table below.

Table 3-1: FCF multiplier for water (and sewerage) service charges

Actual Meter Size	FCF
20 or 25 mm	1.00
32 mm	2.56
40 mm	4.00
50 mm	6.25
65 mm	10.56
80 mm	16.00
100 mm	25.00
150 mm	56.25
200 mm	100.00
>200mm	156.25

Urban Utilities constantly monitors the relative contributions of the Urban Utilities distributor-retailer price and the water service charge on customer bills to ensure the pricing principles of customer control and equity are appropriately balanced and that the balance is not materially different to that of other water utilities in South East Queensland.

3.1.1.2 Urban Utilities' distributor-retailer price

The Urban Utilities' distributor-retailer price has two tiers as follows:

- **Water Usage Tier 1:** a rate for water consumption up to 300 kilolitres per year
- **Water Usage Tier 2:** a rate for water consumption at or above 300 kilolitres per year.

This structure aims to incentivise efficient usage of water by sending a price signal to customers who consume more than 822 Litres per day, which equates to 300 kilolitres per year (around 5% of residential customers and 23% of non-residential customers). This structure also promotes social welfare outcomes for small customers by ensuring the lower Tier 1 prices apply to most (if not all) of their annual water usage. The 300 kilolitre per year threshold is equivalent to over 300 litres of water per person per day, which is nearly twice the per capita residential consumption level of the typical residential customer.

Water tiering is applied differently to residential CTS Option C and non-strata titled multi-residential properties without submetering. For these properties, the tiering is based on the number of dwellings within the property, so a property with 10 residential units would have the tier 2 threshold apply to consumption above $10 \times 300\text{kL} = 3000\text{kL}$ per year.

Urban Utilities passes on the Seqwater state bulk water price without alteration and displays this separately on customer bills. This does not form part of the Urban Utilities distributor-retailer price.

3.1.1.3 Tankered filling station usage charge and standpipe lease fees

Customers who fill tankers from Urban Utilities' water tanker filling stations with a metered standpipe are charged a single-tiered usage charge based on the combined Seqwater state bulk water price and the Urban Utilities distributor-retailer tier 2 price. They are also charged a fixed monthly standpipe lease fee.

3.1.2 Sewerage and trade waste charging parameters

Sewerage service charge

The sewerage service charge reflects the predominantly fixed-cost nature of sewerage service provision, which relies on extensive infrastructure such as pipes, pumping stations and treatment works. All customers with a permanent connection to the sewerage network have a fixed sewerage service charge. The current sewerage service charge:

- recovers part of the sewerage revenue requirement (the remainder is recovered through the other sewerage and trade waste charging parameters).
- is determined for most customers based on the size and number of water meters connecting a customer to the network (capped at 156.25 times the minimum meter size, per meter), with:
 - all residential dwellings deemed to have a 20mm water meter with a 90% DF already included in the price (the price is set assuming 90% of forecast residential water volumes are returned to the sewer)
 - most non-residential sewerage service charges determined by the premise's FCF (based on the actual water meter sizes) and DF (based on the customer's land use code).
 - Trade Waste Category 3A customers' sewerage service charges determined by the actual effluent meter size(s).

Sewage disposal charges

A sewage disposal charge is also applied to non-residential customers as follows:

- For customers without a trade waste or effluent meter, the sewage disposal charge is applied to the deemed effluent volume (in kL) discharged to the sewer network, calculated as the customer's water usage multiplied by the customer's DF.
- For customers with a trade waste or effluent meter, the sewage disposal Category 3A charge is applied to actual metered sewage discharge. The sewage disposal price and the sewage disposal Category 3A price differ because Category 3A customers also have trade waste Category 3A charges based on actual contaminant strength (whereas the sewage disposal charge for all other customers includes the cost of each contaminant at a deemed domestic strength).

Tanker waste charges

Customers who discharge effluent from tankers into Urban Utilities' discharge locations are charged a single-tiered usage charge based on the actual volume discharged per tanker.

Trade waste Category 2 charge

Non-residential trade waste customers providing food services are levied an additional trade waste Category 2 charge based on the same effluent volumes applied to the sewage disposal charge.

Trade waste Category 3A charges

Category 3A trade waste customers and customers with trade waste or effluent meters are charged trade waste Category 3A charges. This comprises separate charges (in \$/kg) based on sampled contaminant strength (in \$ per millilitre of effluent discharged) for BOD, SS, TN and TP and actual effluent discharge volumes.

No changes to sewerage charging parameters are forecast for the FY28 to FY30 price monitoring period. However, Urban Utilities will be undertaking investigations into additional trade waste charging parameters over the FY28 to FY30 regulatory period seeking to further improve cost reflectivity and better align with contemporary industry pricing practices. This may result in the introduction of new trade waste charging parameters and/or new fee for service trade waste prices in the future.

3.2 Tariff structures

Urban Utilities' tariff structures logically combine the various charging parameters summarised above into groupings that best reflect customers' property type, connection arrangement and usage characteristics. Tariff structures are designed to balance the pricing principles by considering a range of factors including:

- ensuring the combination of charging parameters reflect the costs associated with providing services to customers with similar connection and usage characteristics
- promoting sustainable use of finite resources, for example by signalling the cost of water consumption or of discharging contaminants into the sewerage network
- promoting simplicity and understandability by minimising the number and type of charging parameters and aligning wherever possible with contemporary industry practices.

Consistent with other water utilities and contemporary regulatory pricing practices, Urban Utilities generally applies two-part tariffs, comprised of a fixed charging parameter and a usage charging parameter (plus the Seqwater state bulk water price). Variations to this structure exist for certain customer types, property types and metering arrangements to better reflect their usage of water and sewerage services, as outlined later in this section.

3.2.1.1 Water tariff structures

Most of Urban Utilities' residential customers reside in a single detached dwelling located on a single lot and connected to the Urban Utilities network through a single 20mm or 25mm metered connection. Similarly, most of Urban Utilities' non-residential customers operate within a single property with at least one metered connection to the network (with varying combinations of meter numbers and sizes). In these instances, customers are assigned the standard two-part water tariff structure plus the Seqwater state bulk water price, comprising:

- the water service charge,
- the Urban Utilities distributor-retailer price, and
- a direct pass-through of the Seqwater state bulk water price.

This represents the most commonly assigned water tariff structure, however there are variations to this standard arrangement reflecting the variety of property types and metering arrangements across Urban Utilities' service area and the cost to service these properties.

Multi-dwelling residential and multi-unit non-residential properties (strata and non-strata titled) and mixed-use properties have different physical connection and ownership arrangements to standalone residential dwellings or non-residential properties. For example, residential strata-titled properties typically have a single connection to the water network, but the individual dwellings within the property are not directly connected to Urban Utilities' network and in some instances do not have individual sub-metering.

Nuanced water tariff structures apply in these instances to ensure pricing principles are applied consistently. This includes:

- not applying any water usage charging parameters to individual dwellings within a residential property where no sub-metering exists, but still applying the water service charge to each individual dwelling. In these instances, water usage charging parameters apply to the entire residential property as a whole and are divided amongst individual dwelling by the property owner.

- not applying water service or water usage charging parameters to non-residential units where there is no sub-metering (no water charges apply to these properties as all charges go to the body corporate or the complex owner).

3.2.2 Sewerage and trade waste tariff structures

Similar to water, sewerage tariff structures are designed to reflect the physical characteristics of different customer and property types as defined by Urban Utilities, as well sewage discharge volumes and contaminant strengths.

Residential customers are charged only a fixed sewerage service charge (\$/day), which is simple for customers to understand and consistent with most water and sewerage utilities across Australia. Residential customers do not have a sewage disposal charge because domestic sewerage discharge is generally homogeneous in volume and contaminant strength, and this is adequately reflected through a fixed sewerage charge.

Non-residential sewage discharge is heterogeneous and both the volume and contaminant strength can vary significantly between customers. For this reason, different sewerage tariff structures apply to non-residential customers as follows:

- **Non-residential non-trade waste and trade waste Category 1 tariff structure:**
 - a sewerage service charge (\$/day), and
 - the sewage disposal charge (\$/kL)
- **Non-residential trade waste Category 2 tariff structure** (i.e. for food service businesses with no effluent metering):
 - a sewerage service charge (\$/day)
 - the sewage disposal charge (\$/kL), and
 - the trade waste Category 2 charge (\$/kL)
- **Non-residential trade waste Category 3A tariff structure** (i.e. approval to discharge more than 25kL per day and/or more than 25kg/day BOD and/or with effluent metering):
 - a sewerage service charge (\$/day)
 - a sewage disposal Category 3A charge (\$/kL), and
 - trade waste Category 3A charges for each of BOD, SS, TN and TP (\$/kg).
- **Tankered waste tariff structure:** This tariff structure is different to those for network connected customers, as tankered waste customers do not require a permanent continuous connection to the sewerage network and only access the sewerage treatment facilities and not the sewerage network. For these customers a single usage charge (in \$/kL) applies to the total volume of effluent discharged into any of Urban Utilities' discharge locations.

Nuanced sewerage tariff structures apply to multi-dwelling residential and multi-unit non-residential properties (strata and non-strata titled) and mixed-use properties, to account for features of these properties that affect pricing arrangements. This includes:

- applying the sewerage service charge for each dwelling within a residential property even if no sub-metering exists
- not applying any sewerage service, sewage disposal nor trade waste charging parameters for non-residential units where no sub-metering exists (no sewerage charges apply to these properties as all charges go to the body corporate or the complex owner).

4 Prices

Urban Utilities inherited a disparate set of prices from each of the five shareholding councils upon formation in 2010, along with bespoke prices applied to a very limited number of customers. Prices for the same services were different between each of the shareholding council regions, and in the case of Somerset Regional Council were different between the towns of Esk and Kilcoy. Prices also differed between residential and non-residential customers, and even by customer type within the non-residential customer cohort in some regions.

From FY17 through to FY25, steps were taken to gradually harmonise prices, initially between residential and non-residential customers, then gradually across the regions and finally to tankered waste pricing. Whilst the resulting harmonised pricing results in an inherent cross-subsidisation of the higher cost to serve rural regions (in the Somerset, Scenic Rim and Lockyer Valley Regional Council areas), this trade-off has been balanced by the following considerations:

- Price harmonisation best meets the equity pricing principle. With similar levels of service being provided across the entire service area, customers reasonably expect similar bill outcomes regardless of their location. Differential pricing by region would result in slightly lower typical bills in Brisbane and Ipswich, but significantly larger bills in the Somerset, Scenic Rim and Lockyer Valley Regional Council areas. The price signal may disincentivise growth and investment in these rural regions
- Price harmonisation improves simplicity and minimises transaction costs. Fewer prices to maintain and update results in lower transaction costs for Urban Utilities and a simpler, more concise set of prices for customers to understand

The following sections outline how prices are set each year and the important considerations in setting prices.

4.1 How prices are set

Urban Utilities updates annual prices for each charging parameter at 1 July each year. Prices are updated to achieve a balance of the following objectives, in line with the pricing principles:

- to recover no more than the MAR (for water and sewerage separately and in total) each year when applied to the forecast chargeable quantities for each service
- to send efficient, non-distortionary price signals to customers of the costs imposed by their use of water and sewerage services
- to minimise year on year total bill volatility and minimise adverse affordability impacts.

The price setting process is complex and involves a combination of quantitative and qualitative approaches to balance the pricing principles. In general, prices for each water and sewerage charging parameter are set by adjusting current prices to levels that allow Urban Utilities to recover its target revenue, given the forecast chargeable quantities each year. Subjective discretion is also applied in selecting the water service and water usage price adjustments to balance the pricing principles. For example, lower water service price increases and higher water usage price increases minimise bill impacts for smaller users whilst promoting sustainable usage of water.

The following sections outline how demand forecasts for pricing purposes are prepared, how revenue targets are set, and ultimately how prices are set using these components.

4.1.1 Demand forecasts for pricing purposes

The chargeable quantities (i.e. demand) forecasts are a critical component of the price setting process, impacting both how prices are set and how much revenue is recovered from various customer types. In general, higher year on year price increases occur when the growth in target revenues is forecast to outpace the growth in demand (and vice versa). Sudden changes in demand, particularly for water usage and trade waste Category 3A charges, can also result in price shocks in the absence of price rebalancing or smoothing.

If actual demand is higher than the forecasts used to set prices, Urban Utilities will over-recover revenue relative to its efficient costs (the MAR). On the other hand, if actual demand is lower than the forecasts used to set prices, Urban Utilities will under-recover revenue relative to its efficient costs. The operation of the unders and overs mechanism set out in the *Annexure 9 - Regulatory Settings and Revenue Requirements* aims to partially mitigate these risks.

It is therefore important that accurate demand forecasts are produced to minimise the risk of bill volatility for customers and revenue volatility for Urban Utilities through the price setting process.

The remainder of this sub-section sets out how demand is forecast for pricing purposes, with the term demand referring to all chargeable quantities used within the pricing model, including:

- **connections** annual forecasts, including:
 - residential dwellings by council region
 - non-residential accounts by council region
 - trade waste Category 2 accounts by council region
 - trade waste Category 3A accounts.
- **volumetric** annual forecasts, including:
 - tier 1 and tier 2 residential water consumption by council region
 - tier 1 and tier 2 non-residential water consumption by council region (including tanker filling stations)
 - contaminant quantities for each Category 3A customer (for BOD, SS, TN and TP)
 - non-residential sewage disposal volumes by council region (calculated as metered water volumes multiplied by the relevant DF)
 - trade waste Category 2 volumes by council region
 - trade waste Category 3A sewage disposal volumes for each Category 3A customer
 - tankered waste volumes.
- **other** chargeable quantity forecasts, including:
 - non-residential aggregated FCF quantities by council region
 - non-residential aggregated DF multiplied by FCF quantities by council region
 - forecast annual tanker filling station standpipe leases
 - non-revenue water (NRW) percentage.

4.1.1.1 Connections forecasts

Connections forecasts are an important input into the pricing model and Urban Utilities uses a forecasting approach for pricing that is aligned with, but distinct from, the forecasts used for long-term infrastructure planning. For clarity, connections for pricing purposes does not equate to the number of physical connections to the water and sewerage network, rather it relates to the number of residential dwellings and non-residential accounts in line with the pricing principles outlined above.

The starting point for pricing model connections forecasts is the infrastructure planning demand forecast, as set out in Annexure 3 - *Demand Forecast*. This forecast reflects the best available view of system demand over the planning horizon and is used to inform decisions relating to capacity augmentation, network development and long-term investment. This forecast sets out key assumptions about population growth, land use development and long-run consumption trends.

While this forecast provides a robust and internally consistent baseline, it is not applied directly for pricing purposes. Instead, Urban Utilities adopts a short-run, pricing-specific forecast that reflects recently observed dwelling growth and consumption trends. These adjustments are then applied uniformly for the three-year pricing period. This approach ensures the connection inputs used to set prices are grounded in current, observable data, rather than relying solely on long-range projections that may not fully capture short-term variability in customer behaviour and economic conditions. It improves accuracy and reduces the risk of systematic over- or under-recovery of revenue arising from a forecasting error. Further details on how these adjustments are performed are set out in the *Annexure 3 - Demand Forecast*.

4.1.1.2 Volumetric and other forecasts

Volumetric usage forecasts and other chargeable quantities are generally derived based on recently observed customer data and trends, with adjustments made to remove atypical consumption behaviour due to unexpected or unusual events (recent examples include major flooding and the impact of COVID-19 shutdowns). Larger non-residential customers and Category 3A trade waste customers are individually account managed and their combined water usage and effluent discharge forms a material component of the total non-residential water usage and sewage discharge forecasts. These usage forecasts are adjusted to reflect known future developments for these customers, which may affect their expected water usage and effluent discharge.

All forecast quantities are expressed in mid-year terms on the assumption that annual growth in chargeable quantities occurs evenly and consistently throughout each financial year. Taking the mid-point avoids understating or overstating chargeable quantities as would be the case if beginning or year-end quantities (respectively) are used. This in turn avoids prices being overstated or understated (respectively), whilst still ensuring MAR recovery is achieved by the end of each financial year.

Further detail on the derivation of pricing demand forecasts for all chargeable quantities is provided in the *Annexure 3 - Demand Forecast*. The mechanisms for the resolution of forecast variance are discussed further in the *Annexure 9 - Regulatory Settings and Revenue Requirements*.

4.1.2 Target revenue for pricing purposes

The other key component of the price setting process is establishing the revenue “targets” for which the prices are designed to recover. This includes annual revenue targets for:

- the total revenue (i.e. the Total MAR)
- residential sewerage revenue
- non-residential sewerage revenue, further disaggregated into:
 - non-trade waste sewerage revenue
 - trade waste Category 2 revenue
 - trade waste Category 3A revenue
 - tankered waste revenue.

The target revenues for water and wastewater services are derived based on the Total MAR less an allocation of the sundry revenue offset. The sundry revenue offset comprises forecast revenues from non-utility services that are priced separately from the water and wastewater prices (noting wastewater includes trade waste services). These services support the provision of water and wastewater services, and include developer customer services, recycled water and co-digestion contractual arrangements, special meter reads and a range of smaller services. The costs for these services form part of the Total MAR build up and hence the total sundry revenue offset is netted off the total MAR. The sewerage allocation of the sundry revenue offset is netted off the sewerage MAR to calculate the Target Sewerage MAR.

Having netted out the sundry revenue offset amounts, the sewerage target revenues by customer type are set as follows:

- The sewerage target revenue is apportioned into capital and operating components for both the sewerage transport activity and the sewerage treatment activity. The apportionment is based on the sewerage MAR building blocks, the relative proportions of sewerage treatment and transport assets in the Regulatory Asset Base and the relative proportions of sewerage treatment and transport operational expenditure in the MAR.
- The sewerage target revenue is further disaggregated into sewerage cost drivers, based on mapping capital and operating costs by activity to the sewerage cost drivers (Flow, BOD, SS, TN and TP) consistent with the Sewerage Cost Allocation Model,
- The target sewerage revenue by cost driver is converted into an incremental target revenue per kilolitre (for Flow) and revenue per kilogram (for BOD, SS, TN and TP) based on the total annual forecast discharge volumes and total contaminant mass loads (i.e. the total mass in kilograms of each contaminant) for all customers.
- The target sewerage revenue by customer type is determined by applying these incremental target revenues (\$/kL and \$/kg) to the forecast discharge volumes and contaminant mass loads for each customer type.

Water target revenues are not set by customer type because all water prices are the same for all customers. The approach to determining the total water target revenue is explained below.

4.1.3 Sewerage and trade waste price setting

Having established the demand forecasts and target revenues required for the price setting process, sewerage prices are set first using the following approach:

- For residential sewerage service prices, the residential sewerage target revenue is divided by the forecast mid-year number of residential sewerage connected dwellings to calculate the residential sewerage service price. This price implicitly includes a deemed 0.9 DF for all residential customers.
- The non-residential base sewerage service price is set equal to the residential sewerage service price divided by 0.9, to remove the deemed 0.9 DF. This base price is scaled up by the FCF multiplier as noted above when applied to customer bills based on the customer's water meter size(s).
- Trade waste Category 3A prices per kilogram for BOD, SS, TN and TP are set equal to the incremental target revenue per kilogram for each of these drivers.
- Tankered waste prices are set based on the incremental revenue per kilogram for each of the BOD, SS, TN and TP converted into an equivalent revenue per kilolitre based on the forecast tankered waste volumes and deemed tankered waste discharge contaminant strengths. In addition, the annual administrative costs associated with tankered waste services is converted into a cost per kilolitre and added to the final tankered waste price.
- The sewage disposal prices (in \$/kL) and trade waste Category 2 prices are calculated to recover, based on the respective forecast effluent volumes, the remaining target revenue for the respective customer types that is not already recovered from the sewerage service (\$/day) and trade waste Category 3A (\$/kg) charges.

4.1.4 Water price setting

With sewerage prices set to recover the sewerage target revenue, water prices are then set to recover the water target revenue. The water target revenue is based on the Urban Utilities component of the Target Water MAR, which is itself based on the Target Water MAR less forecast bulk water sales revenue.

Urban Utilities' water service and water usage prices are set such that the sum of the following elements equals the Urban Utilities component of the Target Water MAR:

- The residential water service price multiplied by the number of water connected residential dwellings.
- The base non-residential water service price multiplied by the forecast non-residential aggregated FCF quantity (the base non-residential water service price is the same as the residential water service price).
- Residential tier 1 and tier 2 water usage prices multiplied by the forecast residential water volumes apportioned into tier 1 and tier 2 volumes respectively, based on the previous year's actual billed apportionment.
- Non-residential tier 1 and tier 2 water usage prices multiplied by the forecast non-residential water volumes apportioned into tier 1 and tier 2 volumes respectively, based on the previous year's actual billed apportionment. The non-residential tier 1 and tier 2 prices are set equal to the residential tier 1 and tier 2 prices.

Non-Revenue Water (NRW) costs (which are associated with water losses in the network, fire water usage, theft, bursts and other factors where water usage is unable to be billed) are recovered through the Urban Utilities distributor-retailer price. This is because forecast bulk water revenues are less than the forecast bulk water expense included in the water target revenue, and water usage prices are set to recover the Urban Utilities component of Target Water MAR which includes the NRW cost.

The balance of fixed and usage water prices can affect customers in different ways. Higher water service prices increase bills for customers who use less water; whereas higher water usage charges increase bills for customers who use more water. Water usage charges provide customers with more control over their bills by allowing them to adjust their usage, which can help improve affordability for customers who can reduce their water consumption.

In setting water service and water usage prices, Urban Utilities is:

- Gradually increasing the usage component of a typical residential customer's bill to provide customers with more control over their bill without introducing undue price shock or year-on-year bill volatility. This is consistent with the customer control and price shock minimisation pricing principles and represents a continuation of the approach Urban Utilities has taken since FY22.
- Ensuring the annual change in the Urban Utilities component of the bill is as close to that of the typical residential customer for as many customers as possible, regardless of their annual consumption. This is consistent with the equity pricing principle.

4.1.5 Important pricing considerations and assumptions

4.1.5.1 Sewage usage price rebalancing

Trade waste Category 2 prices and sewage disposal Category 3A prices are not currently set at cost reflective levels. This has been an intentional pricing decision since FY22 to minimise customer bill impacts arising from the tariff structural reforms summarised earlier in this annexure. Trade waste Category 2 prices and sewage disposal Category 3A prices are lower than is necessary to ensure full recovery of the target revenue from these services. The shortfall is recovered from higher non-residential sewage disposal prices and hence represents a cross-subsidy from non-trade waste non-residential customers to trade waste customers.

Urban Utilities is unwinding this cross-subsidy over a six-year period by gradually transitioning trade waste Category 2 prices and sewage disposal Category 3A prices towards cost-reflective levels, commencing FY28, to minimise price shock whilst maintaining an orderly transition to greater cost

reflectivity. This rebalancing will result in higher year on year increases to these prices and smaller increases to the non-residential sewage disposal price from FY28 to FY33.

4.1.5.2 Affordability considerations

Urban Utilities recognises the importance of maintaining affordable water and wastewater services and has established clear definitions for water affordability and water affordability stress, which are monitored as part of the price setting process:

- Affordability is measured as the total Urban Utilities bill as a percentage of household disposal income, including water, wastewater and bulk water charges.
- Water Affordability Stress occurs where the total Urban Utilities bill exceeds 3% of household disposal income, as proposed by the UN.²

Whilst Urban Utilities does not set target levels of affordability, it does monitor how water affordability changes from year to year for each of the ten residential household income deciles and a range of annual residential consumption levels. This analysis is used to understand the impacts of price changes and to inform pricing decisions.

Urban Utilities aims to set prices to minimise adverse impacts on affordability. However, prices are not set with the aim of reducing existing levels of water affordability stress. This is because, as recognised by the National Water Initiative, there are strong arguments for cost-reflective pricing (including to promote efficient levels of investment and consumption). Furthermore, the price setting process on its own is too broad an instrument to materially improve affordability outcomes for customers experiencing water affordability stress. More targeted customer support measures including hardship assistance are better placed to materially improve affordability outcomes in these circumstances. To support customers with affordability concerns, Urban Utilities offers payment assistance options to all customers experiencing payment difficulties. In addition, our Urban Care team is a specialist team that supports customers experiencing social or financial hardship.

Urban Utilities will continue to monitor affordability metrics, bill impact modelling and customer segmentation throughout the price monitoring period to better understand who is most impacted by price increases. These insights will continue to be used to help inform both future pricing considerations and the design of targeted support measures to assist customers experiencing financial hardship and affordability challenges.

4.2 FY28 to FY30 indicative prices

This section outlines the indicative prices required to recover the planned prudent and efficient expenditure from customers over the price monitoring period. In setting these indicative prices, Urban Utilities has sought to “smooth” the total bill impact for the typical residential customer by achieving consistent annual total bill changes for each year of the price monitoring period. This aligns with the *Affordability* pricing principle by minimising annual bill volatility and providing greater price certainty for customers.

Prices will be updated to reflect any permissible changes to the MAR within the FY28-FY30 pricing period (refer to *Annexure 9 - Regulatory Settings and Revenue Requirements* for more details).

Urban Utilities will continue to work with government and other stakeholders to identify funding and cost recovery options (such as loss capitalisation and alternative funding sources for growth expenditure) to further ease bill impacts without undermining the required long-term investments. These options will continue to be explored in the coming months with further details to be provided in response to the QCA’s draft report in early 2027.

² United Nations, Global Issues – Water.

Water prices have also been carefully set to gradually rebalance the Urban Utilities component of the typical residential customer bill towards volumetric charges. This is a continuation of the approach taken in the Part 1 Submission and in previous years' pricing decisions, and upholds the objective of ensuring bill impacts are minimised wherever possible for small customers.

4.2.1 Indicative water prices

Urban Utilities' indicative water prices for each year of the FY28 to FY30 price monitoring period are set out in Table 4-1 below, with actual FY27 prices included for comparison purposes:

Table 4-1: Water Prices (\$ nominal)

Charging Parameter	FY27	FY28	FY29	FY30
Water Usage Tier 1 (\$/kL)	\$1.048	\$1.269	\$1.421	\$1.588
Water Usage Tier 2 (\$/kL)	\$2.177	\$2.636	\$2.953	\$3.300
Water Service Charge – Base (\$/day)	\$0.597	\$0.616	\$0.650	\$0.685

4.2.2 Indicative sewerage and trade waste prices

Urban Utilities' indicative sewerage and trade waste prices for the FY28 to FY30 price monitoring period are set out in Table 4-2 below, with actual FY27 prices included for comparison purposes:

Table 4-2: Sewerage Prices (\$ nominal)

Charging Parameter	FY27	FY28	FY29	FY30
Sewerage Service Charge – Residential (\$/day)	\$2.107	\$2.231	\$2.359	\$2.487
Sewerage Service Charge – Non-residential Base (\$/day)	\$2.340	\$2.478	\$2.621	\$2.763
Sewage Disposal Charge (\$/kL)	\$3.230	\$3.286	\$3.332	\$3.378
Trade Waste Category 2 Charge (\$/kL)	\$1.250	\$1.532	\$1.592	\$1.650
Sewage Disposal Category 3A Charge (\$/kL)	\$1.140	\$1.502	\$2.065	\$2.688
Trade Waste BOD Charge (\$/kg)	\$1.703	\$1.990	\$2.069	\$2.145
Trade Waste SS Charge (\$/kg)	\$2.801	\$3.050	\$3.157	\$3.258
Trade Waste TN Charge (\$/kg)	\$3.439	\$4.791	\$5.010	\$5.239
Trade Waste TP Charge (\$/kg)	\$8.635	\$6.310	\$6.461	\$6.581
Tankered Waste Charge (\$/kL)	\$37.481	\$40.899	\$42.353	\$43.761

4.2.3 Revenue summary

The table below sets out how the indicative water, sewerage and trade waste prices are expected to contribute to the full recovery of the MAR each year from FY28 to FY30 inclusive, consistent with the *Revenue Adequacy* pricing principle. FY27 revenue recovery is shown for comparative purposes only and reflects an expected MAR under-recovery of \$50 million (refer to *Annexure 9 - Regulatory Settings and Revenue Requirements* for more details).

Table 4-3: Forecast Revenue Recovery (\$ million nominal)

Category	FY27	FY28	FY29	FY30
Water	\$378.5	\$433.3	\$478.9	\$529.1
Sewerage	\$670.6	\$720.2	\$767.4	\$817.8
Other	\$37.3	\$39.6	\$40.6	\$41.7
Total	\$1,086.4	\$1,193.1	\$1,286.9	\$1,388.6

4.3 Customer bill impacts

The proposed price path results in a range of bill impacts for customers across the water usage spectrum. To demonstrate how these prices affect bills for most customers, bill impacts below are presented for the typical residential customers using 150kL per annum.

Unless otherwise stated, Table 4-4 below presents bill changes relative to the previous year's outcomes (for example the FY28 values represent the change in bill components relative to FY27). These impacts include the effect of inflation on the customer bill.

Bulk water prices in FY28 remain frozen at FY26 levels, however bulk water prices are assumed to increase by forecast inflation of 2.5% in FY29 and FY30, noting this is subject to Ministerial discretion.

For Urban Utilities' typical residential customer using 150kL per year, the indicative prices result in a headline increase in the Urban Utilities component of the bill between CPI plus 3.9% and CPI plus 5.2% per year, with CPI at 2.5% each year. This represents a weekly increase between \$1.52 and \$1.69 to the Urban Utilities component of a typical residential customer's bill. Averaged over the FY28-30 period this represents an increase of CPI plus 4.3% (or 6.8%) each year, of which 5.4% is driven by capital cost increases and 1.4% is driven by operating cost increases.

When forecast bulk water charges are included, the total bill increase is CPI plus 2.8% per year. Averaged over the FY28-30 period this represents an increase of CPI plus 2.8% (or 5.3%) each year, of which 3.8% is driven by capital cost increases, 1.0% is driven by operating cost increases and 0.5% is due to forecast bulk water price increases.

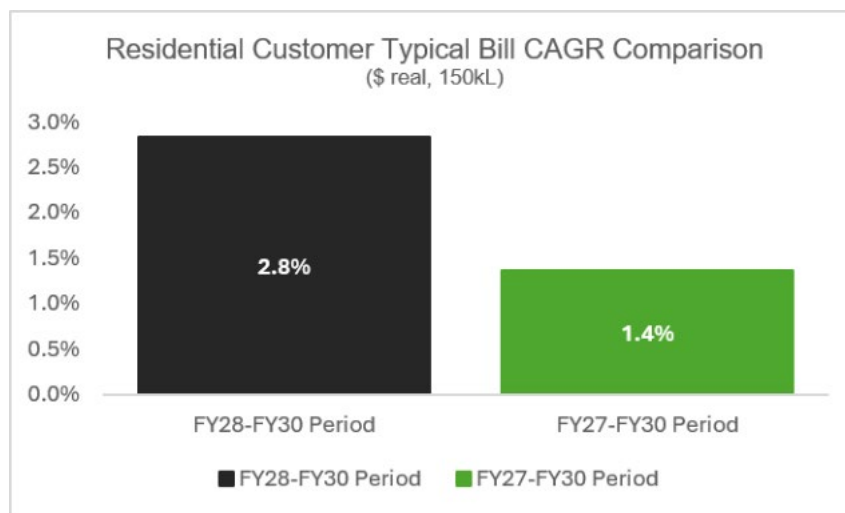
On average, 58% of residential customers will see the Urban Utilities component of their bill increase by less than the headline increase for a 150kL per year customer.

Table 4-4: Weekly Bill Change (\$) – 150kL per annum

Bill Component	FY27	FY28	FY29	FY30	CAGR
Bulk Water Bill	\$0.00	\$0.00	\$0.25	\$0.26	1.2%
UU Water Bill	-\$0.49	\$0.78	\$0.67	\$0.72	5.1%
Sewerage Bill	\$1.02	\$0.91	\$0.86	\$0.90	6.1%
UU Component Bill	\$0.53	\$1.69	\$1.53	\$1.62	5.7%
Total Bill Change	\$0.53	\$1.69	\$1.78	\$1.88	4.4%

For the typical residential customer there is a consistent total bill impact across the price monitoring period of CPI plus 2.8%. Figure 4-1 below demonstrates that when combining these impacts with the FY27 total bill increase of 1.7% (CPI minus 3.0%), this bill impact moderates to between CPI plus 1.3% and CPI plus 1.4%.

Figure 4-1: Customer bill impact comparison over different periods



In each year the total bill increase in percentage terms is very similar to that of the typical residential customer for at least 95 percent of our residential customers, regardless of their annual water usage. This has been achieved by carefully rebalancing Water Service Prices and Water Usage Tier 1 and 2 prices each year to achieve a consistent total bill impact, and is consistent with the pricing approach taken in the Part 1 Submission and in prior years' pricing decisions.

This pricing approach also achieves bill impacts that uphold the *Cost-Reflectivity – Equity* pricing principle and recognises that meaningful customer impact analysis must have regard to the final bill outcome, not just the Urban Utilities component of the bill. This approach also aligns with the QCA's broader public interest principle by ensuring the majority (95%) of Urban Utilities customers experience bill impacts that are consistent with that of the typical residential customer.

The tables below show a selection of residential customer bill impacts for FY28 for the Urban Utilities component of the bill and the total bill including bulk water. FY29 and FY30 bill impacts are not presented here as prices for those years are indicative only and subject annual updates to MAR as noted in *Annexure 9 - Regulatory Settings and Revenue Requirements*:

Table 4-5: Urban Utilities Bill Change by Consumption Band

Water Consumption (kL/year)	UU Component of Bill		Change (\$ per week)
	FY27	FY28	
0 (Access only customer)	\$987.06	\$1,042.01	\$1.57
50	\$1,039.44	\$1,105.44	\$1.27
100	\$1,091.82	\$1,168.87	\$1.48
150 (Typical Residential Customer)	\$1,144.21	\$1,232.30	\$1.69
300 (Threshold for Tier 2 Usage)	\$1,301.35	\$1,422.59	\$2.33
500	\$1,736.65	\$1,949.72	\$4.10
750	\$2,280.78	\$2,608.63	\$6.30

Table 4-6: Total Bill Change by Consumption Band

Water Consumption (kL/year)	Total Bill		Change (\$ per week)
	FY27	FY28	
0 (Access only customer)	\$987.06	\$1,042.01	\$1.06
50	\$1,215.29	\$1,281.29	\$1.27
100	\$1,443.52	\$1,520.57	\$1.48
150 (Typical Residential Customer)	\$1,671.76	\$1,759.85	\$1.69
300 (Threshold for Tier 2 Usage)	\$2,356.45	\$2,477.69	\$2.33
500	\$3,495.15	\$3,708.22	\$4.10
750	\$4,918.53	\$5,246.38	\$6.30

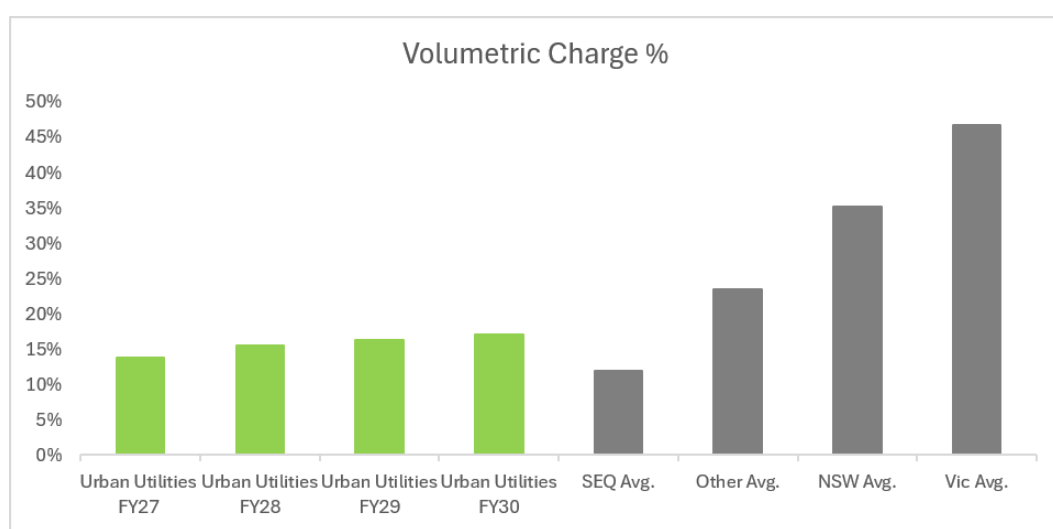
The indicative price settings gradually increase the volumetric proportion of the Urban Utilities component of the typical residential bill from 13.7% in FY27 to 17.1% in FY30, as shown in the table below.

Table 4-7: Typical Residential Customer Urban Utilities Bill Composition – 150kL per annum

Bill Component	Type	FY27	FY28	FY29	FY30
Sewerage Service Charge	Fixed	67.2%	66.3%	65.6%	65.0%
Water Service Charge	Fixed	19.1%	18.3%	18.1%	17.9%
Water Usage Charge	Variable	13.7%	15.4%	16.3%	17.1%

This strategy promotes the pricing principle of *Customer Control* by giving customers greater ability to control their bill through changes in their water usage behaviour. It also brings the proportion of volumetric charges into closer alignment with other Australian water utilities outside of NSW and Victoria, as shown in the figure below (note the figure excludes the fully volumetric bulk water charges).

Figure 4-2: Volumetric charges

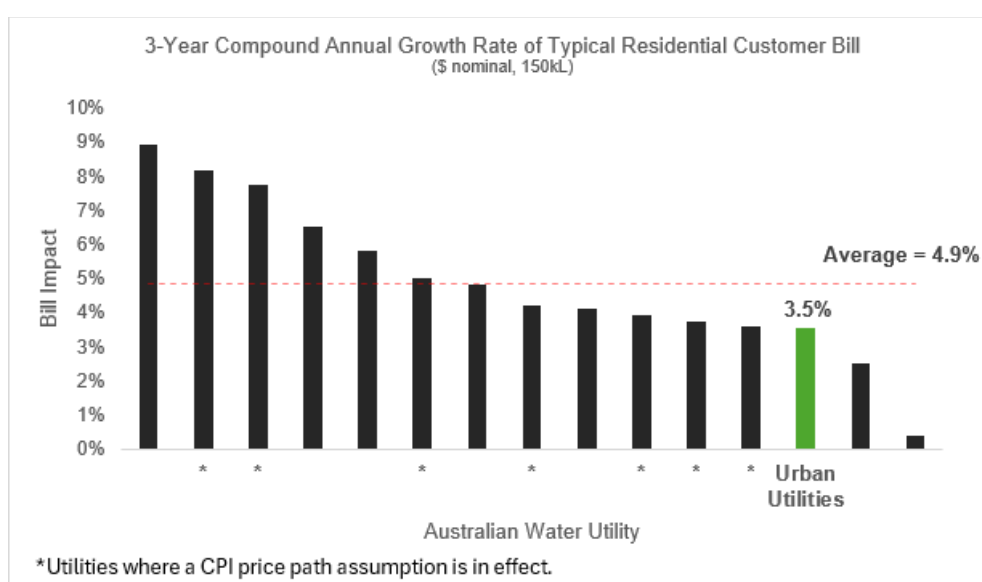


4.3.1 Comparisons with other jurisdictions

When setting prices, Urban Utilities considers how changes in the typical residential customer bill compare with those of other large urban water utilities in South East Queensland and across Australia. This comparison takes into account the forecast change in customer bills based on the indicative prices in FY28, together with the bill changes experienced over the preceding two financial years.

The figure below compares the change in Urban Utilities' typical residential bill over the period FY26 to FY28 with the known and forecast bill changes of comparable water utilities across Australia. The comparison reflects actual price changes in FY26 and FY27 and forecast price changes for FY28 based on applicable regulatory determinations. Where a regulatory determination is not available, bill impacts have been estimated using the Reserve Bank of Australia's June 2028 forecast for annual inflation. The analysis includes bulk water charges.

Figure 4-3: Three-year Compound Annual Growth Rate of Typical Residential Customer Bill



As noted in this submission, Urban Utilities will continue to consider options to reduce prices by exploring options such as loss capitalisation to ease the immediate cost concerns and will also continue to explore additional funding options with Government and stakeholders to manage the scale of growth investment to continue to support growth across South East Queensland across the next decade and beyond.

Urban Utilities will update its price settings and bill impacts in the Final QCA Pricing investigation Submission in early 2027.

4.4 Financial sustainability

Urban Utilities' indicative pricing and revenue requirement has been developed to support the long-term financial sustainability of the business while ensuring customers pay no more than is necessary for the efficient provision of regulated water and wastewater services. The proposal enables recovery of prudent and efficient operating and capital expenditure required to maintain service reliability, meet regulatory obligations, support customer growth and deliver essential infrastructure investment. The

expenditure forecasts have been subject to review, as supported by benchmarking and Zero-Based Budgeting, providing confidence that the proposed revenue requirement reflects efficient costs.

Pricing derived from a financially sustainable revenue allowance is critical to maintaining Urban Utilities' capacity to fund asset renewal, accommodate population growth, invest in network resilience and respond to future service requirements into the longer term. The proposed revenue requirement supports the maintenance of prudent financial metrics and ongoing access to funding required to deliver infrastructure programs on behalf of current and future customers through the FY28-30 price monitoring period and beyond. In doing so, Urban Utilities has balanced customer affordability with financial sustainability to continue to provide safe, reliable and resilient services over the long term.

The indicative pricing and revenue requirement is designed to maintain Urban Utilities' financial capacity to efficiently finance its functions and obligations. This includes supporting the funding of significant capital investment programs, maintaining prudent levels of liquidity and debt service capability, and preserving financial flexibility to respond to emerging risks and opportunities. A sustainable revenue pathway reduces the risk of future price volatility and supports the efficient delivery of services for the benefit of both current and future customers.