

PRICE MONITORING INVESTIGATION FY28-FY30

Part 2 Submission to the Queensland
Competition Authority (QCA)

AUGUST 2026

Public release



REFERENCE – PART 2 STATED MATTERS

Stated Matters	Section of submission
(1.1) The forecast maximum allowable revenue (MAR), forecast distributor-retailer prices and water bill impact for the price monitoring period from 1 July 2027 to 30 June 2030	• Annexure 9 – Regulatory Setting and Revenue Requirements • Annexure 3 – Demand Forecast • Annexure 7 - Regulatory Asset Base (RAB) • Annexure 8 - Rate of Return (WACC) • Annexure 10 – 2028-30 Prices and Bill Impacts
(1.2) Reasonable productivity initiatives and efficiency targets aimed at reducing capital and operating costs, including but not limited to efficiency improvements, innovation and demand management	• Annexure 4 – Operating Expenditure • Annexure 5 – Infrastructure Capital Expenditure • Annexure 6 – Digital and Information Investment • Annexure 11 – Benchmarking and Efficiency
(1.3) Reasonable performance measures, benchmarks and indicators against which progress from initiatives identified under Stated Matter F (1.2) can be assessed	• Annexure 4 – Operating Expenditure • Annexure 5 – Infrastructure Capital Expenditure • Annexure 6 – Digital and Information Investment • Annexure 11 – Benchmarking and Efficiency
(1.4) Capital expenditure and operating expenditure prudence and efficiency as required/to the extent necessary to support productivity measures and cost reductions	• Annexure 4 – Operating Expenditure • Annexure 5 – Infrastructure Capital Expenditure • Annexure 6 – Digital and information
(1.5) Service quality and reliability, consistent with other regulatory obligations using existing and published performance indicators of Urban Utilities and Unitywater for the purpose of assessment of service standards	• Annexure 2 – Service Standards and Customer
For the periodic reports, how the forecast MAR, distributor-retailer prices and water bill impact compare to actual MAR, distributor-retailer prices and water bill impact over the period from 1 July 2027 to 30 June 2030.	This information will be provided once actuals are reconciled for the respective annual period.

REFERENCE – QCA ACT – PRICE MONITORING INVESTIGATION

Matters to be considered by authority for investigation (s 26 QCA Act)

(1) In conducting an investigation under this division, the authority must have regard to the following matters:

Stated Matters	Section of submission
(a) the need for efficient resource allocation	• Annexure 4 – Operating Expenditure • Annexure 5 – Infrastructure Capital Expenditure • Annexure 6 – Digital and Information Investment
(b) the need to promote competition	• Annexure 11 – Benchmarking and Efficiency
(c) the protection of consumers from abuses of monopoly power	• Annexure 9 – Regulatory Setting and Revenue Requirements • Annexure 10 – 2028-30 Prices and Bill Impacts
(d) in relation to the goods or services to which the monopoly business activity relates: (i) the cost of providing the goods or services in an efficient way, having regard to relevant interstate and international benchmarks (ii) the actual cost of providing the goods or services (iii) the standard of the goods or services, including quality, reliability and safety	• Annexure 4 – Operating Expenditure • Annexure 5 – Infrastructure Capital Expenditure • Annexure 6 – Digital and Information Investment
(e) the appropriate rate of return on assets	• Annexure 8 – Rate of Return (WACC) • Annexure 9 – Regulatory Setting and Revenue Requirements
(f) the effect of inflation	• Annexure 9 – Regulatory Setting and Revenue Requirements
(g) the impact on the environment of prices charged by the government agency or other person carrying on the monopoly business activity	• Annexure 2 – Service Standards and Customer

(h)	considerations of demand management	• Annexure 3 – Demand Forecast
(i)	social welfare and equity considerations, including community service obligations, the availability of goods and services to consumers and the social impact of pricing practices	• Annexure 10 – 2028-30 Prices and Bill Impacts
(j)	the need for pricing practices not to discourage socially desirable investment or innovation by government agencies and persons carrying on non-government business activities	• Annexure 2 – Service Standards and Customer
(k)	legislation and government policies relating to ecologically sustainable development	• Annexure 2 – Service Standards and Customer
(l)	legislation and government policies relating to occupational health and safety and industrial relations	• Annexure 2 – Service Standards and Customer
(m)	economic and regional development issues, including employment and investment growth.	• Annexure 2 – Service Standards and Customer • Annexure 3 – Demand Forecast • Annexure 5 – Infrastructure Capital Expenditure

ADDITIONAL REFERENCE – QCA STATEMENT OF REGULATORY PRICING PRINCIPLES OF THE WATER SECTOR

Principles	Section of submission
1. Prices should recover the efficient costs of providing the relevant services	• Annexure 4 -- Operating Expenditure • Annexure 5 – Infrastructure Capital Expenditure • Annexure 11 – Benchmarking and Efficiency
2. Prices should signal the efficient use of the relevant services	• Annexure 9 – Regulatory Setting and Revenue Requirements • Annexure 10 – 2028-30 Prices and Bill Impacts
3. Prices should signal the efficient scale and timing of augmentations in supply infrastructure	• Annexure 10 – Prices and Bill Impacts • Annexure 5 – Infrastructure Capital Expenditure
4. Prices should reflect the appropriate sharing of risk between businesses and their customers	• Annexure 9 – Regulatory Setting and Revenue Requirements • Annexure 10 – 2028-30 Prices and Bill Impacts
5. Prices should be informed by the service standard and the tariff structure preferences of customers	• Annexure 2 – Service Standards and Customer
6. Prices should reflect the broader public interest	• Annexure 10 – 2028-30 Prices and Bill Impacts • Annexure 2 – Service Standards and Customer
7. Prices should be transparent, predictable and simple	• Annexure 10 – 2028-30 Prices and Bill Impacts • Annexure 2 – Service Standards and Customer

CONTENTS

Contents	6
Acknowledgement of Country	8
Foreword	9
Overview	11
About this submission.....	11
Aligning with our evolving strategic direction	12
Our submission at a glance	14
How we have engaged with our customers.....	15
How we will engage with customers during the price monitoring period	16
PART A: OUR OPERATING CHALLENGES AND THEIR CONSEQUENCES	17
1. Overview of Part A	18
2. Water and wastewater costs are rising as service needs evolve	20
3. Three operating challenges are driving our investment program	22
3.1 Customer growth that is rapid, sustained and concentrated where it is most expensive to serve	22
3.2 An ageing asset base requiring renewal	24
3.3 Managing a changing environmental and regulatory operating context.....	25
3.4 Lead indicators show the pressure is risking future performance	28
4. The water sector is in transition and overseas experience shows what is at stake	31
4.1 The scale of investment is shifting across the Australian sector	31
4.2 International experience illustrates the consequences of failing to adequately invest.....	33
4.3 The Brisbane 2032 Olympic and Paralympic Games raise the stakes	35
PART B: OUR PLAN TO MEET THESE CHALLENGES	36
5. Overview of Part B	37
6. Investing in the infrastructure our customers need.....	38
6.1 We test alternative investment scenarios to balance service outcomes and affordability	39
6.2 Our investment governance process further supports prudent and efficient decision making ...	43
6.3 We are responding to a sustained step change in investment need	44
6.4 A growth driven step change.....	48
6.5 Preserving service reliability through risk-targeted renewals	51
6.6 Protecting environmental and public health outcomes through compliance investment	55
6.7 Readyng the State for the Brisbane 2032 Olympic and Paralympic Games and beyond	56
6.8 We will efficiently deliver our forecast infrastructure capital expenditure	58
6.9 Our procurement framework maintains competitive tension and value for money	58
6.10 Our delivery model is built on long-term partnerships.....	59

6.11	We govern delivery through a structured, portfolio-wide framework	60
6.12	We have tested and planned for the deliverability of our program	60
6.13	Our track record supports the scale of this step-up	61
6.14	NG4D was mobilised specifically to provide this capacity	62
6.15	We are managing a competitive construction market	62
6.16	We have identified and are managing the principal delivery risks	63
7.	Investing in our digital and information backbone.....	65
7.1	The digital estate underpins our water and wastewater services.....	66
7.2	Our governance process ensures we spend only what is prudent for customers	68
7.3	A temporary step-up in expenditure is required to renew our digital estate	69
7.4	Five strategic programs deliver our response	71
7.5	Our planned digital capital uplift is deliverable and efficient.....	72
7.6	We have tested our D&I strategic programs for deliverability.....	73
7.7	Our planned expenditure is proportionate to the size and complexity of our organisation	74
7.8	Deferring investment will increase operational, cyber security and compliance risks	76
8.	Operating our network efficiently for the future	77
8.1	We have forecast our operating expenditure using the base-step-trend methodology	78
8.2	Adding prudent and efficient step changes	84
8.3	Our forecast operating expenditure over FY28-FY30	85
9.	Responsible revenue to deliver value for money	86
9.1	Our revenue recovers the efficient costs of delivering services for customers	87
9.2	A number of factors are driving our increasing revenue requirement.....	89
9.3	We have tested our forecast revenue for financial sustainability	90
10.	What our planned expenditure means for prices and customer bills.....	91
10.1	Price increases are needed to support service outcomes	92
10.2	Balancing rising costs of service provision with customer affordability.....	96
10.3	We provide a range of assistance to support vulnerable customers	97
11.	We are committed to continuous improvement.....	98
11.1	Efficiency targets are embedded into our forecast prices	99
11.2	The efficiency target will be tracked and delivered through an enhanced Operational Efficiency Program (OEP)	100
11.3	We are pursuing broader improvement initiatives	101
12.	Technical Reports (Annexure)	104
13.	Glossary.....	106

ACKNOWLEDGEMENT OF COUNTRY

Urban Utilities is proud to acknowledge the Traditional Owners and Custodians of the land and waterways on which we work and live, the Turrbal, Yuggera, Ugarapul, Quandamooka, Yugambeh, Jagera and Jinbara peoples, and acknowledge their continuous living cultures, diverse languages, customs and traditions, knowledge systems and governance. We recognise and value their traditional responsibility for the land and water and pay our respects to their Elders past and present.



FOREWORD

Urban Utilities is one of Australia’s largest distributor-retailers, delivering essential water and wastewater services to 1.6 million customers across South East Queensland. Our vast network includes over 20,000km of pipes, 26 wastewater treatment plants, 350 wastewater pump stations and 115 reservoirs, forming the backbone of essential services that support our growing communities.

This submission, with supporting technical Annexures, sets out Urban Utilities’ planned expenditure program and forecast prices for the FY28 to FY30 period in response to the Queensland Competition Authority’s (QCA) price monitoring review. It outlines the investment required to continue delivering safe, reliable and efficient water and wastewater services while supporting South East Queensland’s rapid growth (especially the housing required to enable this growth), replacing ageing assets, responding to evolving environmental obligations and maintaining the level of service our customers and communities expect.

Investing to address significant and converging challenges

We’ve entered a period of significant and sustained change that is reshaping how we plan, deliver and operate essential water and wastewater infrastructure. Over the next two decades, the population in our operating region is expected to grow by more than one third or over 500,000 people. This growth will drive new demand for housing, employment and the essential services that underpin thriving communities.

Meeting this demand will require substantial investment in new water and wastewater infrastructure. At the same time, we must continue to renew a significant portion of ageing assets, some of which date back to the nineteenth century; strengthen network resilience in the face of increasingly frequent extreme weather events; and manage environmental impacts in line with compliance obligations and community expectations. These challenges are becoming increasingly pronounced as population growth and housing development expand further west from the coastline, where the cost of delivering and maintaining water and wastewater services is substantially higher.

The Brisbane 2032 Olympic and Paralympic Games will place additional pressure on these priorities, with the Games requiring new and upgraded water and wastewater infrastructure to support venues, athlete accommodation and increased visitor demand. We are responsible for delivering a considerable share of this infrastructure within immovable timeframes, while uncertainty regarding funding arrangements adds further complexity to planning and delivery.

Managing this convergence of growth, renewal, resilience and Games-related infrastructure demands will require careful prioritisation and sustained investment to ensure the region continues to receive safe, reliable and sustainable water and wastewater services.

Balancing rising costs of service provision with customer affordability

Throughout the development of this submission, affordability has remained a central consideration. As an essential service provider, we're committed to keeping our prices as affordable as possible while continuing to invest in the infrastructure our growing region needs. We have a proven track record of delivering on this commitment, with our residential bills remaining the lowest in South East Queensland.

We have challenged every element of our planned expenditure program, deferring investment where it is responsible to do so, prioritising renewal activities for assets presenting the greatest service risk, and identifying and committing to significant efficiencies across both our capital and operating expenditure programs. The planned expenditure reflects our considered assessment of the investment required to continue delivering safe, reliable and environmentally responsible services while supporting South East Queensland's growth, including the delivery of more than 12,000 new houses each year across our service region.

Funding future investment responsibly

The scale of investment needed to maintain and expand essential services means price increases will be necessary, given we have limited alternative sources of funding to access. Our pricing strategy is focused on the final bill outcome and minimising impacts on small and more vulnerable customers by focusing on the volumetric charges that customers have more control over from a usage perspective.

Over the FY28 to FY30 period, we forecast that the typical residential bill will indicatively increase by an annual average of \$1.78 per week, or CPI plus 2.8% across this period. These increases reflect the true cost of renewing critical infrastructure, supporting new housing and economic development, supporting local jobs, attracting investment while strengthening resilience to climate impacts and providing the standard of service our customers expect. As a result, more than 70% of the uplift in a typical bill is driven by an increase in capital-related costs. When combining these impacts with the FY27 total bill increase of CPI minus 3%, the average

typical residential increase reduces to CPI plus 1.4% across FY27 to FY30. This translates to an average total bill increase of \$1.47 per week each year for our typical customer.

We recognise that any price increase is challenging for customers, particularly amid ongoing cost-of-living pressures. These are indicative prices and we remain committed to working collaboratively with government and other stakeholders and are actively pursuing funding and cost recovery approaches that support long-term investment while minimising impacts on customer bills. In doing so, we aim to balance customer affordability with the investment required to deliver safe, reliable and environmentally responsible services, while maintaining our long-term financial sustainability and providing appropriate shareholder returns to our five Participating Councils on behalf of their communities.

We believe this submission presents a prudent and efficient expenditure program that appropriately balances customer affordability with the investment required to support growth, maintain essential services and strengthen long-term network resilience.



Paul Arnold
Chief Executive Officer



Paul Vincent
Chair

OVERVIEW

About this submission

This document is Urban Utilities' **Part 2 submission** to the Queensland Competition Authority's (QCA's) price monitoring investigation for the period 1 July 2026 to 30 June 2030. The Minister for Finance referred Urban Utilities and Unitywater to the QCA in September 2025 under the *Queensland Competition Authority Act 1997*.



It follows Urban Utilities' earlier Part 1 submission in respect of the period 1 July 2026 to 30 June 2027 and the related QCA Interim Report of May 2026. The QCA's Interim Report noted the business is well-positioned to demonstrate improvements and respond constructively to the QCA's prudence and efficiency review, and this is the next step in doing so.

This submission now covers the period FY28–FY30 (1 July 2027 to 30 June 2030). It outlines a price and a bill path for the three-year period developed using a detailed building block methodology, including our maximum allowable revenue, efficiency targets and detailed expenditure forecasts.

Aligning with our evolving strategic direction

A refresh of Urban Utilities' strategic framework, undertaken earlier this year, builds on and continues the evolution of the strong foundation laid by the 'Critical Few' priorities set in FY24. This serves to address the increasing complexity and challenges of Urban Utilities' operating environment and balance long-term financial sustainability, customer affordability, resilience and service outcomes.

The Critical Few, established to focus our business priorities and effort from FY24, have enabled us to get the foundations right to strengthen our performance, mature customer and stakeholder relationships, as well as guide our readiness to service a region experiencing rapid growth.



📍 Luggage Point Wastewater Treatment Plant

The Critical Few: Strategic Priorities FY24-FY26



SAFE AND EFFICIENT WATER SERVICES EVERYDAY

Get the foundations right to deliver liveability outcomes for our customers and communities every day.



BUILD TRUST

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



SHAPE AND GROW OUR FUTURE

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

As we move into FY27 and beyond, these foundations have evolved into what we will call our 'Core Four'. Urban Utilities faces the challenge of renewing ageing assets while investing in new infrastructure to support South East Queensland's rapid growth and increasing climate impacts. This infrastructure 'trilemma' of asset renewal, climate resilience and population growth is driving significant capital investment over the coming decade.

Our Core Four provide a clear and actionable strategic direction for our business in the context of addressing these challenges and heightened expectations from key stakeholders, including industry regulators, government, shareholders and the customers and communities we serve.

Importantly, the Core Four builds on the foundation laid by the Critical Few. While we work to update the expanded focus of the Core Four priorities we will continue to maintain and build on our Critical Few framework. Building trust, continuing to deliver safe and efficient services and supporting and enabling growth across our regions continues to be at the heart of our operations.

They will guide enterprise alignment for decision making, prioritisation and critical investment choices over the next decade and beyond. They indicate the capabilities and outcomes needed for long-term success in the face of industry and affordability challenges.

The Core Four provide the foundation for progressing the delivery of our strategic direction towards 2035, enabling Urban Utilities to achieve prudent and efficient expenditure while maintaining long-term financial sustainability. Together, they reinforce the importance of customer and stakeholder engagement, and organisational capability in responding effectively to current and emerging challenges. The defining statements for each of the Core Four provide clarity of focus and shared objectives across the organisation. Each pillar will help map our priorities to continue to deliver our Critical Outcomes and commitments to our customers, communities and Participating Councils.

Core Four Strategic Pillars from FY27



OUR SUBMISSION AT A GLANCE

PRELUDE

Our Strategic Pillars

How we have engaged with our customers

PART A | Our operating challenges and their consequences



Evolving service needs

Evolution of service needs
Affordability commitment



Operating challenges

Growth and demand
Ageing assets and renewal
Climate change
Evolving environmental context



Sector in transition

Sector wide investment uplift
International lessons
2032 Olympic and Paralympic Games impact

PART B | Our plan to meet these challenges



Capital Investment Program

Investment Plan (Capex)
Growth-driven step change
Service reliability: risk targeted renewals
Planning for delivery
Efficiency and accountability



Our digital backbone

Investing in digital and information
Manage and protect
Efficiency through digital investment



Operating our network

Operating Plan (Opex)
Establishing an efficient base
Commitment to further efficiency
Step changes



Responsible revenue

Recovering efficient costs
Maximum allowable revenue
Regulatory building blocks
Financial sustainability



Customer bills and supporting customers

Indicative prices
Revenue smoothing
Efforts to limit bill impacts
Customer bill control
Supporting customers



Efficiency and continuous improvement

Evolution of service needs
Affordability commitment
Efficiency targets
Efficiency and accountability
Enhancing customer engagement
Innovation and technology
Enterprise risk management

HOW WE HAVE ENGAGED WITH OUR CUSTOMERS

In the development of Urban Utilities' FY28-FY30 Price Submission, we recognised the importance of understanding customer needs and expectations in developing a price path that balances service quality, reliability and affordability.

Given the limited timeframe to develop the submission we utilised existing insights from our Voice of the Customer Program and undertook an extensive engagement with our Customer and Community Reference Group (CCRG) first established in 2023. A sub-group of the CCRG was established — the Pricing Submission Working Group (PSWG), as a challenge group to test our approach and gain insight from a customer perspective.

The five group members have significant experience including community engagement, legislative and economic regulation activities, and supporting vulnerable customers. Their deep understanding of the external environment and key factors impacting Urban Utilities, coupled with a strong understanding of legislative requirements for utilities, has enabled the group to explore the key themes and complexities of the Price Submission.

The engagement with the Pricing Submission Working Group was built as an iterative approach to educate, engage, challenge, provide feedback, and demonstrate influence.



This has ensured that the PSWG are informed and empowered to challenge, with a view to be able to see how their input has shaped our decisions for the submission. The engagement program has included more than 50 hours of engagement:

-  10+ workshops
-  Regular briefing and feedback meetings with PSWG
-  Feedback provided to inform ongoing discussion
-  Regular briefing and feedback meetings with UU
-  Insights collated and shared with UU and PSWG
-  Capability and uplift understanding
-  Surveys and polls with PSWG

Information has been delivered by subject matter experts from across the organisation, with a commitment to transparency and willingness to adapt and share detailed information with the group to create understanding and provide the opportunity for feedback. Key topics covered have included:

- Regulatory Setting and Price Model
- Capital Investment Program – 10+ years
- Digital Investment Program – 10+ years
- Benchmarking and Efficiency
- OPEX and Efficiency
- FY27 Prices and FY28-FY30 Price Path
- QCA Submission Executive Narrative

THE PSWG IN THEIR OWN WORDS:

“

Our job, as best we can, is to provide a customer-formed view of these pricing decisions. We are the customer challenge panel. We don't give feedback. We're not a cheer squad, but we constructively challenge and scrutinise the plans and decisions as they develop. Our role is to ask, is it in the long-term interest of customers? We're about exploring the underlying assumptions and testing them, considering trade-offs and thinking about unintended consequences. We're here to translate the customer impact and watch for fairness and equality. I hope through this we can remain curious and skeptical, constructive, not adversarial, and remember that we're here to help drive an outcome for customers.”

How we will engage with customers during the price monitoring period

The CCRG continues to be a valuable part of the Voice of the Customer engagement program, providing valued and actionable insights based on a deep understanding of Urban Utilities. We will continue delivering the Customer Engagement Pathway that includes the CCRG as a key touchpoint as part of delivering the current Service Standards review and planned Capital Investment Engagement.

The CCRG will continue to develop over time in response to changing customer needs and will adapt as needed, including maintaining or establishing sub-committees as needed in consultation with the group members, to support key activities at Urban Utilities while continuing to keep affordability and customer bill impact front of mind.

The CCRG, through its Price Submission Working Group, has prepared an Independent Customer Commentary on the development of our submission, drawing on the information and analysis we shared with it over the course of our engagement. That commentary is reproduced in full, and without amendment, at Annexure 1 to this submission.



PART A

OUR OPERATING CHALLENGES AND THEIR CONSEQUENCES

I. OVERVIEW OF PART A

Water and wastewater costs are rising as service needs evolve

We have held the typical residential water services bill below Brisbane CPI for the past decade — our component of the bill is lower in real terms today than at formation in 2010. That outcome reflects the benefits of consolidation, continuous improvement and sound management. However, the conditions that made it possible have now changed.

FOR MOST OF THE PAST 15 YEARS, THREE THINGS WERE TRUE AT ONCE

Three conditions held costs in check

Spare network capacity

Our inherited network had spare capacity built in for higher per-customer water use, giving us room to absorb substantial population growth without the need to expand infrastructure capacity.

Consolidation and efficiency gains

There was a strong opportunity to improve outcomes through consolidation of the five council businesses and the implementation of sound asset management practices and processes.

Historically low interest rates

Interest rates were at historic lows, materially reducing the cost of financing capital infrastructure.

WE NOW FACE A FUTURE WHERE EACH OF THOSE CONDITIONS HAS CHANGED

THREE OPERATING CHALLENGES ARE DRIVING OUR INVESTMENT PROGRAM

Each compounds the others and each is being intensified by external pressures

Customer growth in high-cost-to-serve areas

We serve one of the fastest-growing populations in Australia. Connections grew by 27% between FY13 and FY25. Growth is concentrated in locations that are inherently more expensive to serve — greenfield housing in Ipswich, dispersed regional communities, and urban infill within established Brisbane networks — all requiring investment in new infrastructure.

An ageing asset base requiring renewal

We manage assets spanning more than a century of development, with portions of the network dating back to the late 19th century. Critical infrastructure renewal can no longer be deferred — it is no longer the lowest-cost approach to sustaining the service performance our customers expect.

A changing environmental and regulatory operating context

Shifting rainfall patterns, evolving community expectations and regulatory standards, and intensifying critical infrastructure security obligations each compound the underlying challenges. These obligations are materially influencing the timing, scale and composition of our investment program.

These structural expenditure drivers are expected to be enduring rather than temporary. We are committed to addressing these challenges in a way that balances rising costs with customer affordability. We have already deferred expenditure where it is responsible to do so and are pursuing almost \$70 million in efficiencies. The remaining expenditure represents a balanced, risk-based analysis of the investment required. Without timely and targeted investment, higher costs would be shifted onto future customers. It would also mean a greater chance of water and wastewater services being disrupted, constrained support for new homes and development in our region, and a higher risk of failing to meet environmental standards.

The consequences of failing to adequately invest

Our intention to invest now is sharpened by clear international evidence of what happens when a utility's cost base does not keep pace with structural expenditure drivers, as well as the heightened operational pressure and scrutiny that the Brisbane 2032 Olympic and Paralympic Games will place on our network. We are committed to addressing these challenges in a way that balances rising costs with customer affordability while keeping services safe, reliable and environmentally responsible.

INTERNATIONAL EXPERIENCE ILLUSTRATES THE CONSEQUENCES OF FAILING TO ADEQUATELY INVEST

England and Wales: what happens when structural pressures are not adequately reflected in investment

15 yrs

Falling real bills

Structural pressures were not adequately reflected in prices or investment programs. Customers were, in effect, borrowing from their future selves.

3.6m

Hours of sewage overflows

Doubling of discharges as asset condition deteriorated. Environmental non-compliance became widespread. Public trust collapsed.

£104B

Reactive investment package

A 71% increase on the preceding period and an average household bill increase of around 36% — the cost of letting the problem accumulate.

The investment that had been deferred did not disappear — it accumulated, with interest.

THE BRISBANE 2032 OLYMPIC AND PARALYMPIC GAMES RAISES THE STAKES

The Games add delivery and operational risk on top of the ordinary challenges of running a growing network

A non-negotiable deadline

The Games will need new and upgraded water and wastewater infrastructure to support venues, athlete accommodation and the visitor footprint, with uncertainty surrounding the source of funding.

Venue plans continue to evolve and scope is still firming up. We have less of the usual flexibility to defer, re-sequence or rescope works when conditions change.

Wastewater is critical to venue operation

A stadium or precinct hosting tens of thousands of spectators over a short window generates a highly concentrated wastewater load quite different from the steady patterns our network is designed around day-to-day. Where capacity is constrained or a blockage occurs at the wrong moment, the consequence is not a gradual loss of amenity but a sudden one, with toilets and facilities taken out of action while an event is underway. Unlike many network issues, this kind of failure plays out in front of the very crowd it affects, with immediate and visible consequences for the event itself.

OUR COMMITMENT

A prioritised program that balances rising costs with customer affordability

What we have done

We have already deferred expenditure where it is responsible to do so and are pursuing almost \$70 million in efficiencies across our capital and operating programs. Our renewals program is confined to assets with the greatest service risk.

What remains

The remaining expenditure represents our best judgement of the investment required to deliver safe, reliable and environmentally compliant services. Any further deferral will shift larger costs onto our customers in the future.

We believe further deferral is inconsistent with the long-term interests of our customers and our role in safeguarding the health and hygiene of our communities through our essential services. By acting now through our measured and prioritised planned expenditure program — and having already applied significant downward pressure on costs — we will keep the long-term cost to serve customers as low as it responsibly can be.

2. WATER AND WASTEWATER COSTS ARE RISING AS SERVICE NEEDS EVOLVE

We have held the typical residential water services bill below Brisbane CPI for the past decade and our component of the bill is lower in real terms today than it was at formation in 2010. That outcome reflects the benefits delivered through the measured investment in the formation of Urban Utilities by integrating five council-owned water and wastewater businesses, the opportunities for efficiencies that could be delivered over time from that increased scale, along with a strong culture of continuous improvement and sound management.

For most of the past 15 years, three things were true at once:



Our inherited network had spare capacity built in for higher per-customer water use, which gave us room to absorb substantial population growth without the need to expand infrastructure capacity.



There was a strong opportunity to improve service outcomes and improve sustainable service delivery through the consolidation of five council businesses and the implementation of sound asset management practices and processes.



Interest rates were at historic lows, materially reducing the cost of financing capital infrastructure.

Throughout this period, we have worked hard to make the most of our existing assets and extend their service lives to contain the cost to customers for as long as those conditions allowed. Our efforts to make the most of existing assets were complemented by the introduction of metering in the 1990s and the widespread adoption by our customers of water-efficient appliances and practices following the Millennial Drought, significantly reducing per-customer water demand over this period.

We now face a future where each of those conditions has changed. The spare capacity inherited at formation has been largely utilised and further efficiency gains need to be supported through targeted investments, particularly in technology. In addition, interest rates have returned to more typical historic levels and are expected to rise over time.

We are currently servicing 40% more connections with the same total volume of water as before the Millennium Drought and some of our wastewater treatment plants are now operating beyond the load they were designed to serve through strategic investment.¹ Going forward, the inherited network cannot meet the anticipated increase in wastewater demand from connections growth. We need to invest in additional capacity to meet South East Queensland's housing growth needs.

At the same time, the structural drivers of higher expenditure are intensifying:

- While population growth continues across our service region, it is occurring at a faster rate in our highest-cost-to-serve regions, requiring significant investment in new infrastructure.
- Community expectations, scientific understanding and regulatory standards continue to evolve, requiring increased investment to manage the environmental impacts of our services in meeting these changing expectations.
- The security threat environment we operate in is becoming increasingly complex, driven by the frequency and sophistication of emerging security threats.
- Rainfall has remained significantly above historical levels for five consecutive years, with increasingly intense, short-duration and heavy downpour rain events, exposing legacy network designs to conditions they were not built to manage.
- Critical infrastructure renewal cannot continue to be deferred, since it is no longer the lowest-cost approach to sustaining the service performance our customers expect.

¹ For example the existing Beaudesert Resource Recovery Centre (RRC) has reached both its treatment capacity and environmental licence limits and cannot accommodate forecast growth.

Importantly, these structural expenditure drivers are expected to be enduring rather than temporary. We consider that our increased future expenditure profile represents the new baseline cost of running a safe, reliable and environmentally compliant water and wastewater network in South East Queensland.

We are committed to addressing these challenges in a way that balances the rising cost of providing water and wastewater services with customer affordability, particularly amid current cost-of-living pressures. Our prioritised expenditure program is designed to ensure we only spend what is necessary to deliver the outcomes our customers expect. Our planned expenditure enables us to:



support the construction of new housing supply in our service region



manage the impact of our services on the environment, as well as the environment's impact on our services, in a manner that aligns with our community's expectations



continue to provide the level of service our customers are accustomed to and expect.

In balancing rising costs with customer affordability, we have deferred expenditure where it is responsible to do so and applied significant downward pressure on remaining costs. We have confined our renewals program to those assets with the greatest service risk, while we are pursuing almost \$70 million in efficiencies across our capital and operating expenditure programs.

The remaining expenditure represents a balanced, risk-based analysis of the investment required to deliver on each of the above commitments. Without this timely and targeted investment, higher costs would be shifted onto future customers. It would also mean a greater chance of water and wastewater services being disrupted, constrained support for new homes and development in our region, and a higher risk of failing to meet environmental standards. This is inconsistent with the long-term interests of our customers and our role in safeguarding the health and hygiene of our communities through our essential services.

We recognise that recovering the full cost of addressing our evolving service needs within the price monitoring period will place real pressure on customer bills, particularly given current cost-of-living conditions. We are committed to working with government and other stakeholders to identify funding and cost recovery options that ease this pressure without undermining the long-term investment our services need.

Getting this balance right means balancing affordability for customers against the level of investment required to keep services safe, reliable and environmentally responsible. We must do this while preserving our financial sustainability and continuing to deliver appropriate returns to our five Participating Councils on behalf of their communities.

3. THREE OPERATING CHALLENGES ARE DRIVING OUR INVESTMENT PROGRAM

Consistent with the broader water sector, we face three key operating challenges that, alongside the need to manage bill impacts for our customers, have shaped our planned investment program:



managing substantial customer growth in higher-cost-to-serve areas that require investment in new infrastructure



renewing an ageing asset base

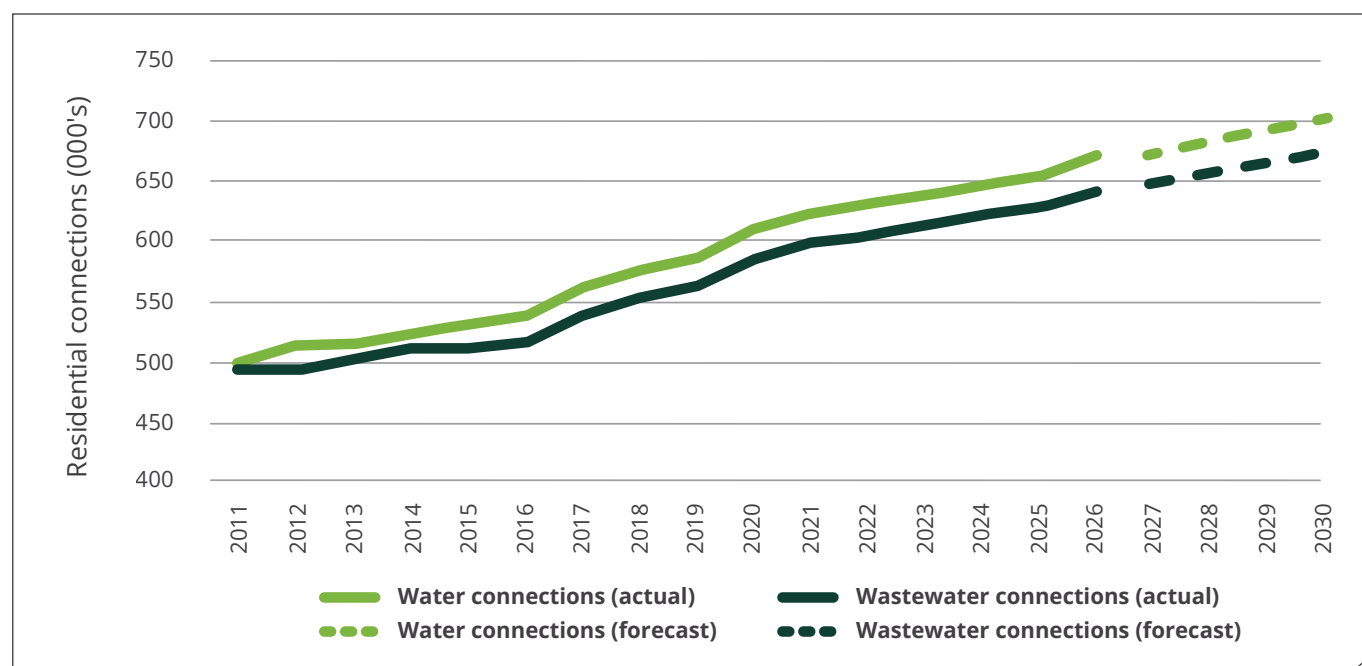


managing a changing environmental and regulatory operating context resulting from climate change, changing community expectations and critical infrastructure security and resilience obligations.

Each compounds the impacts of the others and is further intensified by external pressures, including increasingly volatile climatic conditions and economic shocks affecting input costs.

We explain each of these challenges, which we describe collectively as a 'trilemma', in turn below.

Figure 1: Growth in residential connections (000's)



² Queensland Government Statisticians Office, 2025 population projections, medium series 2026-2046 indicate a total increase in population of 512,744 persons across the Brisbane, Ipswich, Lockyer Valley, Somerset and Scenic Rim LGAs over the 20-year period.

The geographic distribution of growth reflects broader demographic and economic trends across South East Queensland – both of which are strongly influenced by significant government incentives. The western growth corridor, encompassing Ipswich and parts of Brisbane, has been the primary driver of new connections, while the Scenic Rim has grown through lifestyle-driven migrations into peri-urban areas.

The strong growth in these regions is forecast to continue, with the projected CAGR of connections growth greatest in these higher-cost-to-serve areas over the FY28–FY30 period – Figure 2. Longer-term capital investment, service delivery and Queensland Government planning settings all point to sustained growth in the western corridor and peri-urban localities through to 2042. We anticipate a further 30,000 residential properties to be provided water services and 33,000 residential properties to be provided wastewater services by the end of FY30 relative to FY26.

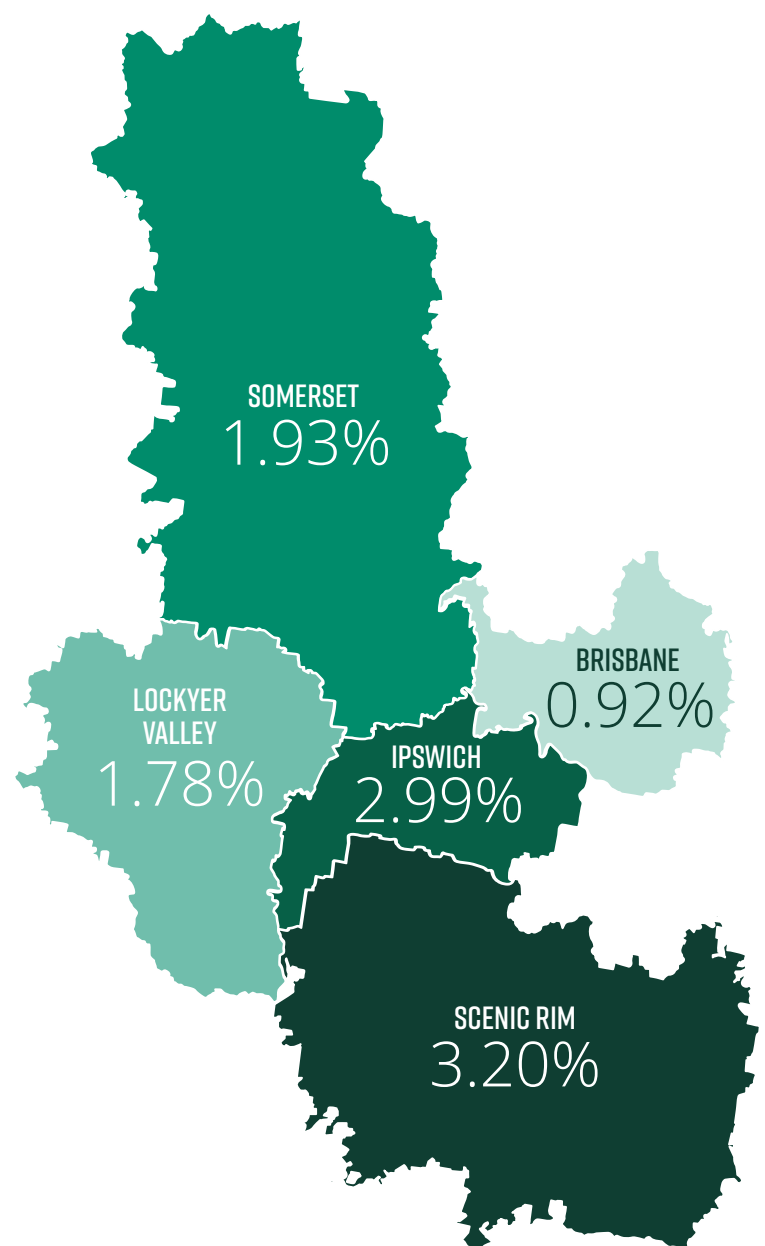
This pattern of growth has implications for our future cost base because it is occurring in locations that are inherently more complex and expensive to serve. In particular:

- Greenfield housing growth, particularly in Ipswich, which requires entirely new infrastructure networks rather than augmentation of existing systems.
- Regional growth across Lockyer Valley, Scenic Rim and Somerset is dispersed, with limited economies of scale and a structurally higher cost per connection.
- Urban renewal and infill within Brisbane, including transit-oriented development, requires costly capacity augmentation and integration within ageing established networks.

Our geographic footprint compounds the cost challenge. The network spans high-rise inner-city Brisbane, rural townships and agricultural communities. Topographic diversity requires complex pressure management and pumping across varied terrain. Dispersed rural wastewater systems serve small, isolated communities in environmentally sensitive areas, where the cost per connection is inherently higher.

We are also facing increasing pressure from developers to support development outside the Priority Infrastructure Area (PIA), which presents risks of fragmented and uncoordinated planning, inefficient expansion of the urban footprint and increased costs to deliver essential infrastructure and services that have not been fully considered.

Figure 2: Distribution of annual connections growth across our service region over the price monitoring period



3.2 An ageing asset base requiring renewal

Infrastructure maturity presents one of our most significant medium-term challenges. We manage assets spanning more than a century of development, with portions of the network dating back to the late nineteenth century – Figure 3 – and a very significant proportion of the network being built in the 1960s and 1970s. As a result, significant proportions of the network are now operating beyond their original design life. Much of the older infrastructure is located in densely populated, well-established urban areas.

Asset age and condition drive several pressures at once:

- Progressive renewal programs are needed to replace infrastructure reaching the end of its service life and must be carefully prioritised given capital constraints.
- Older infrastructure is more vulnerable to failure, requiring enhanced maintenance and emergency response capability.
- Leakage reduction across an ageing pipe network requires programs that balance cost-effectiveness against the volume of water lost.
- New technology offers opportunities to improve how assets work together and adds complexity in integrating modern systems with legacy infrastructure not designed for current standards or monitoring.

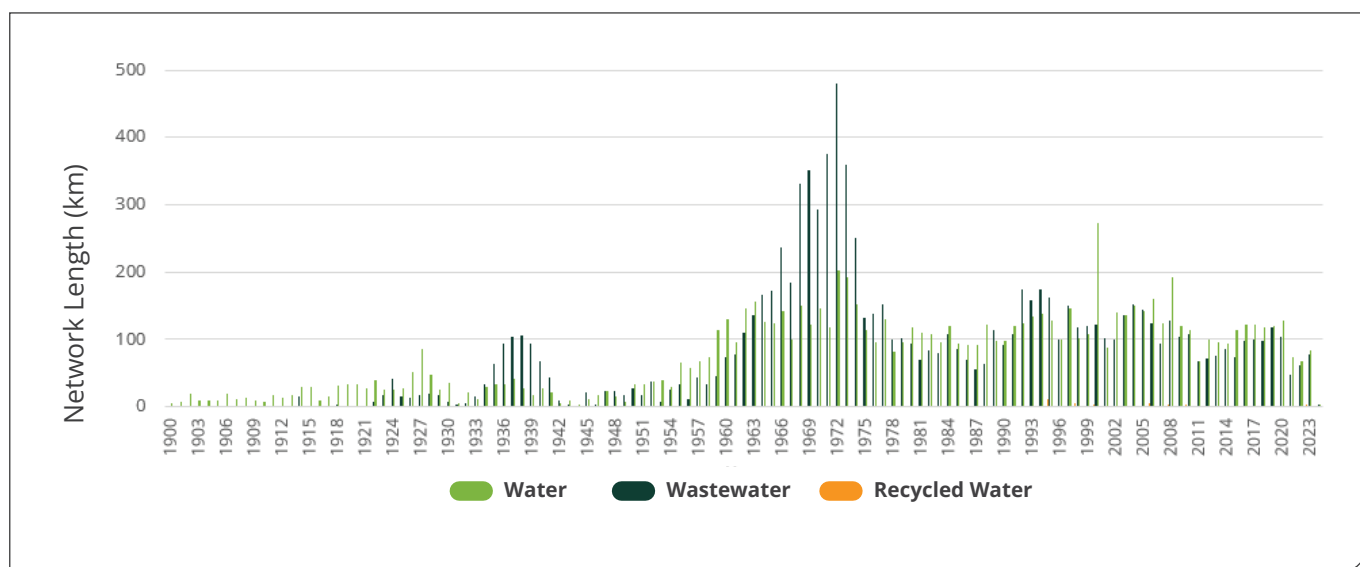
This needs to be managed alongside expanding regulation obligations aimed at improving the security and resilience of Australia's critical infrastructure.

Asset information has itself been a constraint and we are working to improve the collection of asset condition information. This will strengthen our ability to predict failures and identify renewal priorities.

This information underpins our risk-based approach to efficient renewal. Rather than replacing assets simply because they have reached a certain age, we assess the condition and performance of each asset and prioritise investment where the risk to service is greatest. As our data improves, so does our ability to target spending where it delivers the most value for customers. This is discussed in more detail in Part B of our submission.

The combined effect is a renewal challenge of unprecedented scale for our business. We must manage a complex network spanning century-old infrastructure alongside modern assets, while delivering uninterrupted service to one of the fastest-growing customer bases in the country.

Figure 3: Network asset age profile



3.3 Managing a changing environmental and regulatory operating context



Our growth and asset renewal challenges are amplified by an increasingly complex environmental and regulatory context in which investment must be planned and delivered. Shifting rainfall patterns, evolving community expectations, scientific and regulatory standards regarding environmental compliance obligations, and tightening critical infrastructure security requirements further compound the underlying challenges. These combined pressures are increasing the investment required to maintain compliance, meet community expectations for service levels and support growth.

A changing climate

A significant system-wide driver is inflow and infiltration (I/I), where stormwater enters the wastewater network through defects such as legacy property connections, cracked pipes and deteriorated maintenance holes. Excess stormwater increases hydraulic loads, which creates capacity constraints across both conveyance networks and treatment plants, driving higher operational costs. Many parts of the network were designed to accommodate around five times average dry-weather flow, based on rainfall patterns that are no longer representative, which can lead to our customers being affected by wastewater overflows.

Recent rainfall records illustrate this. Brisbane experienced rainfall at 191% of the long-term average in 2022, one of the wettest years on record. Rainfall in 2024 was 161% of the long-term average, and this pattern continued into 2025.³

Importantly, these are no longer isolated events. They reinforce a structural climatic shift that requires ongoing, prioritised investment in network capacity, treatment resilience and emergency response capability. As Figure 4 shows, in our service area:



the average rainfall on wet days increasing



the wettest days of the year getting progressively wetter, with 2025 recording more rainfall on a single day than any of the preceding 24 years

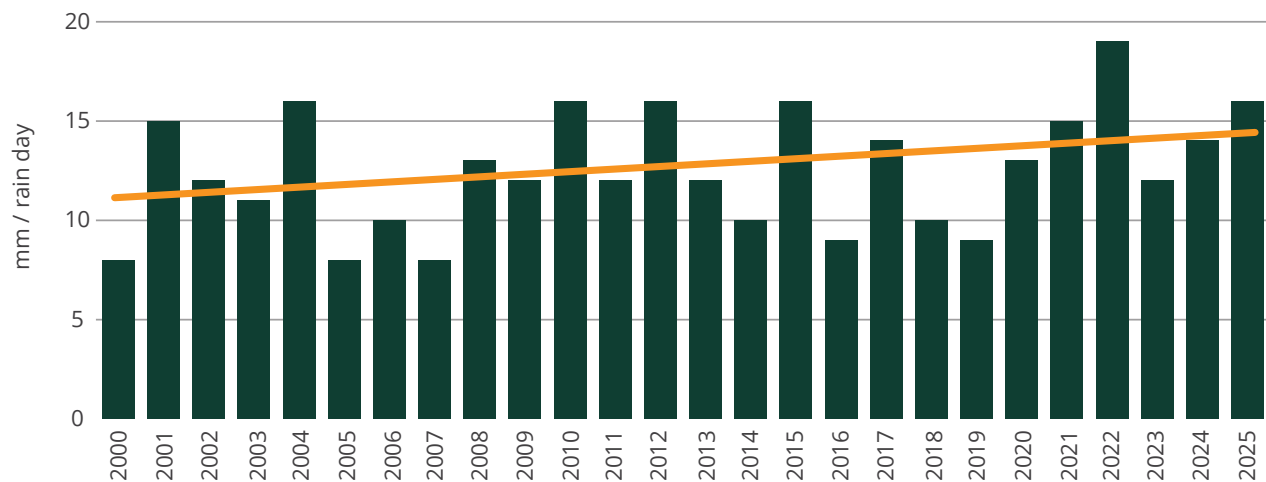


the number of days exceeding 25 millimetres of rain increasing, indicating the frequency of days with heavy rainfall is increasing.

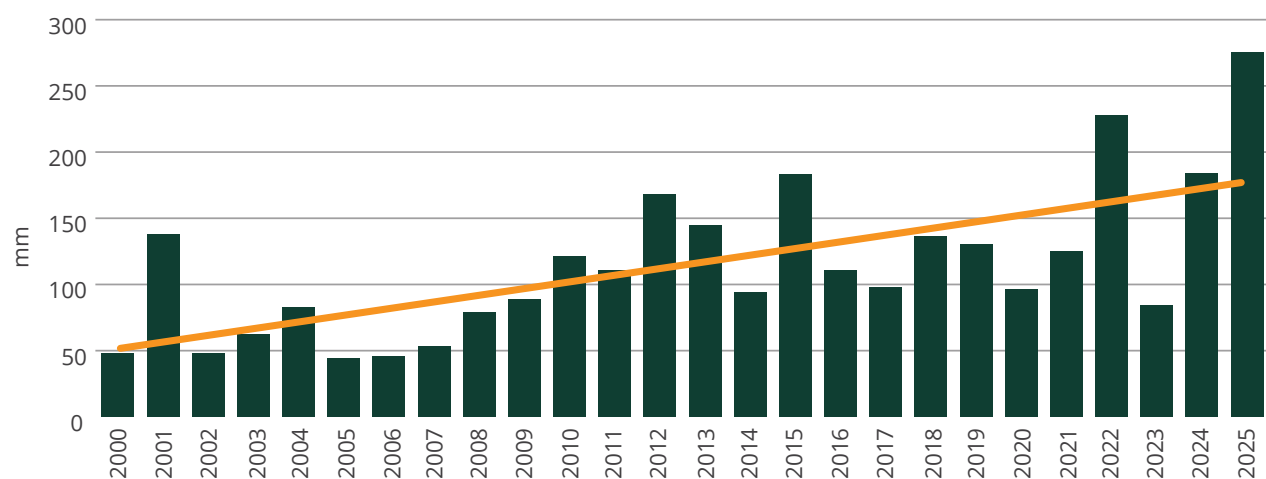
³See the Bureau of Meteorology annual climate summary for Greater Brisbane in 2022, 2024 and 2025.

Figure 4: Rainfall intensity in our service area is increasing

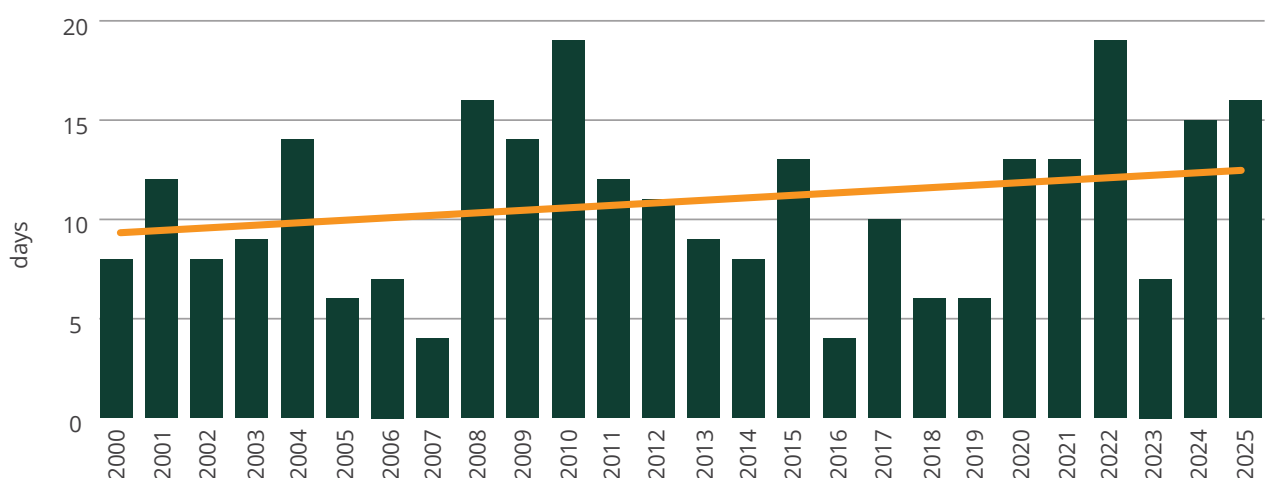
Average rainfall intensity (Avg mm rain day each year)



Annual maximum daily rainfall Single wettest day of the year (mm)



Frequency of heavy rain days Days per year recording ≥ 25 mm



Source: Bureau of Meteorology, station 04913 (Brisbane CBD). Daily rainfall records 2000–2025.

Rain days defined as days with ≥ 1 mm recorded. Partial years 1999 and 2006 excluded.

Trend calculated using ordinary least squares (OLS) linear regression.

The interaction between stormwater and wastewater systems also creates a structural tension. Properties require efficient drainage to prevent flooding and protect public health. However, when stormwater enters the wastewater system, it dilutes wastewater and increases the volume of treated, diluted and/or screened wastewater discharged to waterways, with associated environmental impacts.

We face particularly pronounced compliance pressures in our regional service territories of Somerset, Lockyer Valley and Scenic Rim. Receiving environments are highly constrained and wastewater reuse opportunities are limited, while our solutions must achieve 100% compliance. We also operate within one of South East Queensland's largest drinking water catchments. Forecast growth will activate new Environmentally Relevant Activity (ERA63) population thresholds within the next decade, which is likely to require enhanced environmental performance at regional treatment facilities.

Further compounding these challenges associated with climate change is our lack of access to the same disaster recovery funding as other community and state and local government organisations. This also limits access to disaster resilience funding to invest in infrastructure and service resilience. As a result, our ability to minimise the cost burden on customers associated with both the acute and long-term impacts of climate change is constrained.

Evolving regulatory and security obligations

Across both metropolitan and regional networks, evolving compliance requirements are driving expenditure, including:

- emerging contaminants such as perfluoroalkyl and polyfluoroalkyl substances (PFAS)
- tighter discharge limits
- strengthened monitoring and reporting obligations
- rising community expectations around environmental outcomes, recycled water and climate adaptation.

These obligations are materially influencing the timing, scale and composition of our investment program, frequently bringing upgrades forward and altering the balance between growth, renewals and compliance-driven expenditure.

More broadly, the security threat environment in which we operate is intensifying. In response, government continues to increase regulatory requirements under the *Security of Critical Infrastructure Act 2018 (Cth)* (SOCi), driving the uplift of security controls for critical infrastructure owners at a similar pace. To meet these requirements and improve the security of our assets and services, we must continue investing in risk control improvements across cyber, physical, personnel and supply chain security. The sophistication and frequency of potential threats are growing, and a serious security incident – whether leading to service disruption or the exposure of customer data – is not an acceptable outcome.

We are already investing to meet our existing SOCi obligations and prepare for additional requirements that came into effect from July 2026. This investment is essential to ensure our risk controls keep pace with the evolving threat environment and to maintain the resilience of our business and services. While we work towards significant investment to meet these new requirements by June 2028, Government has already signalled further reforms to these obligations in the years ahead.

3.4 Lead indicators show the pressure is risking future performance

While our service performance remains strong overall, lead indicators point to growing pressure on the network from our operational challenges. Sustaining current performance levels will require increased expenditure.

Each year, we measure and report against a comprehensive set of service performance indicators, most of which continue to demonstrate strong outcomes. These service quality and reliability measures are discussed in detail in Annexure 2 - Service Standards and Customer. However, they are inherently lagging indicators. They confirm that the network has met customer expectations to date, but they do not, on their own, demonstrate whether it can continue to maintain service levels.

To understand whether current performance is sustainable, we also monitor lead indicators – forward-looking signals that show whether the network has the capacity to keep delivering the service standards our customers expect as demand grows. These include:

- forecast wastewater flows against installed capacity for wastewater treatment plants
- remaining service life of critical assets
- projected compliance margins under tightening environmental obligations
- timing of emerging constraints in particular catchments
- impacts of a changing climate on asset resilience.

Across our network, these lead indicators are now showing consistent and converging pressure. The growth, asset age and condition, and environmental and regulatory obligation challenges described above are real challenges that are actively being managed. For some time, we have been able to optimise spare capacity in our assets and defer capital expenditure, keeping costs down for customers. However, that capacity is diminishing. To sustain current levels of service, we must now respond to these signals. Acting early in making efficient investments now helps avoid performance deterioration that would otherwise be reflected in lag indicators, such as service failures, asset conditions incompatible with compliance obligations or unplanned incidents, which would otherwise lead to higher costs over the medium to longer term.

Figure 5 below illustrates three consistent patterns emerging across the network, all of which indicate the need to act now.



Figure 5: Three patterns are consistently emerging across our network

Growth is consuming spare capacity faster than it is being replaced	Compliance margins are narrowing	Asset condition data is showing an accelerating renewal need
LEAD INDICATORS	LEAD INDICATORS	LEAD INDICATORS
→ Demand modelled from Queensland Government population projections and Local Government Infrastructure Plans is approaching, and in some cases exceeding, the capacity for which the relevant assets are licensed and rated. → The spare capacity that allowed us to absorb growth through the 2010s and early 2020s is now substantially used. → Our forward asset plans show capacity exhaustion dates within the current price monitoring period for several catchments.	→ Tightening environmental obligations, including EP thresholds under ERA63, mean that the same nominal assets carry less practical capacity than they did five years ago. → In a number of wastewater treatment plants, the licensed treatment threshold is now the binding constraint, not the physical capacity of the assets. → Projected EP loads and process unit utilisation curves are signalling that interventions are required before the underlying assets reach the end of their service lives.	→ Reliability modelling, condition assessments and failure-prediction outputs from our asset management system identify a growing number of assets approaching the point at which the cost of continued operation exceeds the cost of intervention. → These indicators are not yet visible in customer-facing performance metrics, but they show where future failures are most likely to concentrate if renewal is deferred.

The Beaudesert Resource Recovery Centre, discussed in the case study below, illustrates how these three patterns combine in a single catchment. Forecast growth (a lead indicator) shows demand exceeding the licensed Equivalent Person (EP) threshold immediately and the rated capacity of the centre being exhausted by 2031. Process-unit lag indicators confirm what the lead indicators predicted: individual treatment units are projected to exceed their capacity progressively from 2026 onwards. Acting on these lead indicators during the price monitoring period through a planned Stage 1 upgrade allows us to maintain compliance and service to a fast-growing community before these constraints are reflected as lag indicators such as service failures or compliance exceedances.

This reflects a prudent proactive approach to sustaining service reliability for our customers.

Beaudesert is but one example of a pattern repeated across our network. Sections 6 and 8 set out how the capital and operating program responds to these lead indicators, and Annexure 2 - Service Standards and Customer describes the service performance outcomes the program is designed to sustain.

We are also using these lead indicators to inform our planned review of service standards, which will test whether the standards customers expect us to meet remain aligned with what they are willing to support through their bills. This review is described further in Annexure 2 - Service Standards and Customer.



CASE STUDY

A growth catchment where lead indicators are signalling action ahead of failure – the Beaudesert Resource Recovery Centre case study

Beaudesert is a fast-growing community in the Scenic Rim, served by a single wastewater treatment plant that discharges treated wastewater into Teviot Brook, upstream of the Logan River and Wyaralong Dam. The catchment is one of the more challenging in our network: it is a drinking water catchment, it has aggressive growth profiles linked to Bromelton Stage 1 State Development Area and surrounding residential development, and it sits within one of Queensland's poorer-health receiving environments.

What the capacity lead indicators show

Population and load forecasting, prepared on the basis of Scenic Rim Regional Council growth projections, shows demand on the Beaudesert Resource Recovery Centre rising sharply from current levels:

- The centre's current licensed capacity is around 12,000 EP, against an ERA 63 threshold of 2.0 ML/d that is exceeded immediately at forecast loads.
- Interim interventions, including a new cloth media filter, an upgraded reuse pump and configuration, and a wet-weather bypass, lift practical capacity to around 17,200 EP, which is still below the forecast load profile through the late 2020s.
- The Stage 1 upgrade increases capacity to 40,000 EP, with a Stage 2 upgrade to 80,000 EP required in the following decade.

The lead indicator is unambiguous: an immediate threshold increase is required, and the Stage 1 upgrade must be delivered by 2031 to remain ahead of forecast demand.

What the unit-level lag indicators show

Process-unit-level monitoring at the existing plant shows the same pressure translating into measurable constraints on individual treatment units. Process unit capacity is projected to be exceeded between 2026 and 2032. Without intervention, these lag indicators will progressively materialise as compliance and reliability events.

How the lead indicators have shaped our response

The Beaudesert Water, Sewer and Treatment Growth Servicing Stage 1 program (2026–31) responds directly to these signals, with sequencing aligned to the Wyaralong Water Treatment Plant (Seqwater, 2032). This case study demonstrates our approach to proactively managing our assets through data-informed action. By acting on the lead indicators, rather than waiting for the lag indicators to record failure, Urban Utilities maintains compliance with ERA 63, protects a sensitive drinking water catchment and serves growth in line with the South East Queensland Regional Plan.

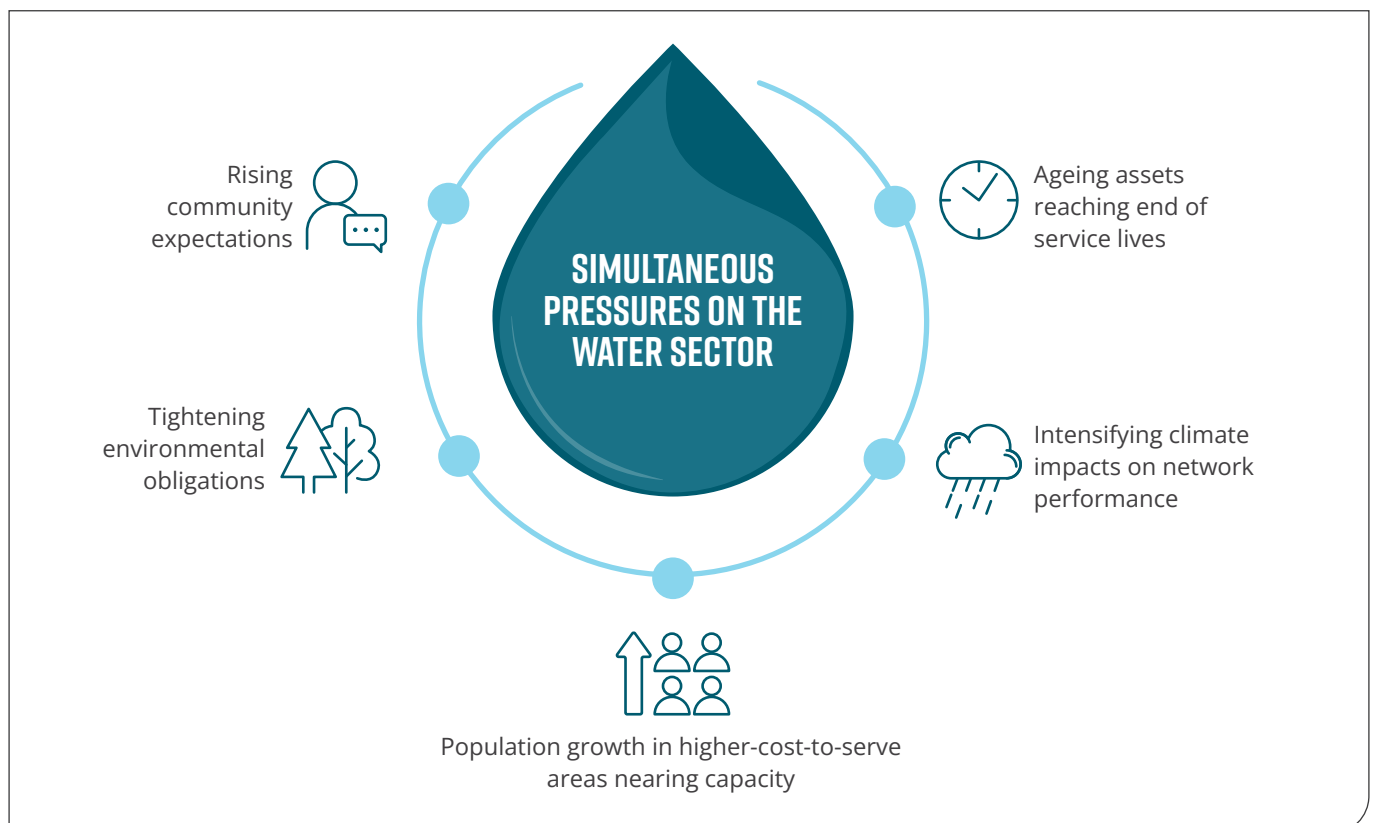
4. THE WATER SECTOR IS IN TRANSITION AND OVERSEAS EXPERIENCE SHOWS WHAT IS AT STAKE

4.1 The scale of investment is shifting across the Australian sector

The challenges we face and their associated cost pressures are not unique to our operating context. Several drivers, summarised in Figure 6 below, are placing simultaneous pressure on water utilities across the sector. This reflects the fact that the Australian water sector is in a period of transition in which the cost of delivering water and wastewater services is increasing. The long-term sustainable level of expenditure, especially capital expenditure, required to provide safe, reliable and environmentally compliant services has shifted upwards, with cost implications for customer bills into the future.

Underlying these pressures is a more fundamental shift, identified by the Water Services Association of Australia (WSAA) and increasingly recognised by regulators in Australia and overseas.⁴ For much of the modern history of the sector, the environmental impacts associated with water and wastewater services were absorbed by natural systems at little direct cost to water businesses.

Figure 6: Drivers of cost pressures across the Australian water sector

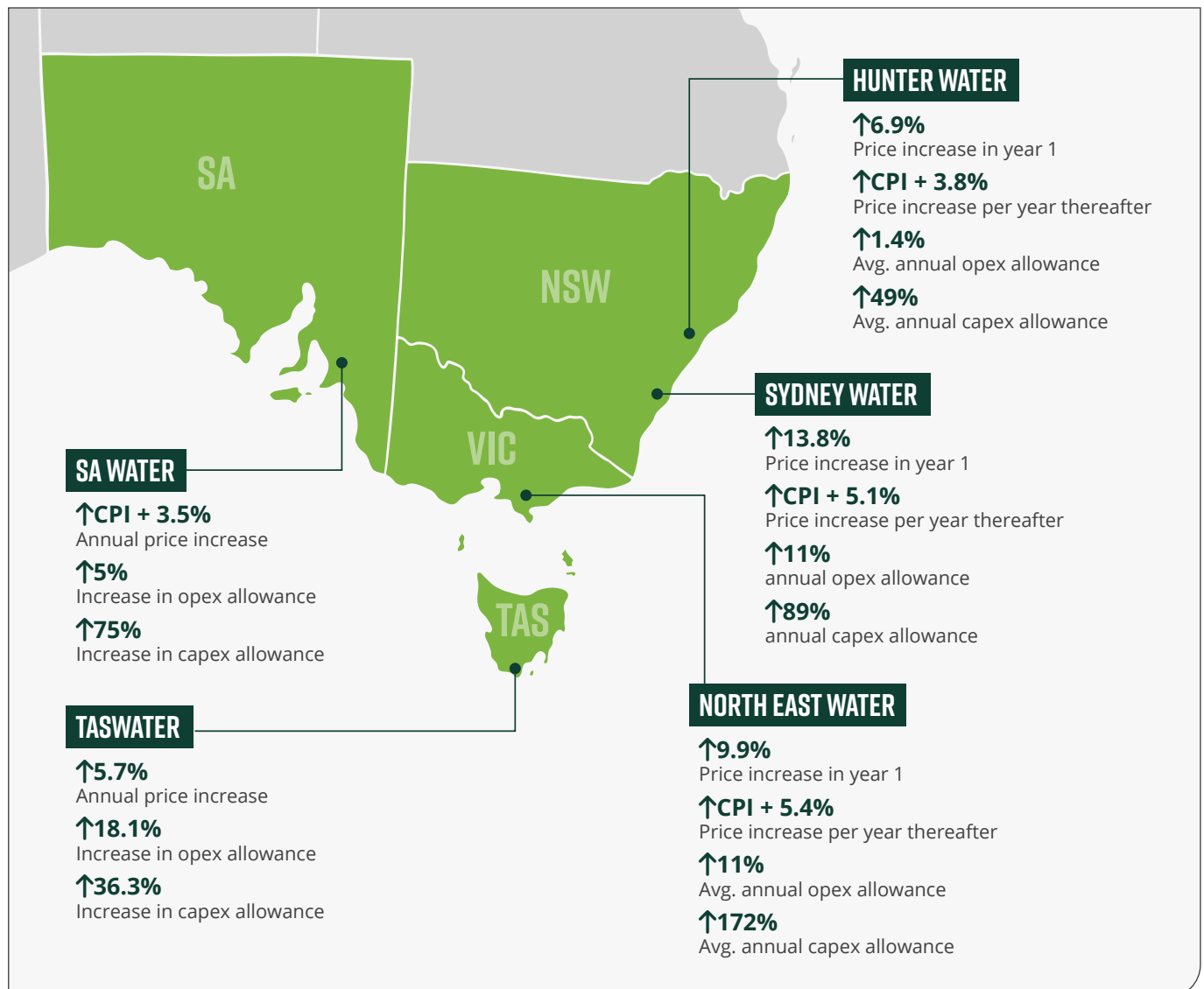


⁴ Water Services Association of Australia, (2026), *Water in transition – Rising costs and the decline of 'free' environmental services*, March.

Community expectations, scientific understanding and regulatory standards are evolving, and so too are operational practices that require greater investment. WSAA identifies climate change, population growth and environmental degradation as underlying drivers of this shift. Together, they are accelerating the move towards tighter regulation and higher community expectations of water businesses. Investment required to support government housing targets and other regional growth policy drivers is further adding to these pressures. As a result, comparable jurisdictions are now recovering the cost of this transition.

For instance, Australia's major water businesses spent more than \$5 billion on capital works in FY24. WSAA projects this will exceed \$10 billion annually within three years. Recent regulatory determinations, summarised in Figure 7, confirm the scale of this shift. These increases are consistent with our expectations and highlight the general cost trends facing all water businesses across Australia. They also illustrate the dangers of any attempts to assess prudence through benchmarking or comparisons to historical data.

Figure 7: Recent regulatory determinations are confirming the scale of Australia's water transition



4.2 International experience illustrates the consequences of failing to adequately invest

The clearest illustration of what happens when a utility's cost base does not keep pace with the structural expenditure drivers comes from England and Wales.

For 15 years, real household water bills there fell, even as the drivers of higher expenditure (ageing assets, population growth and tightening environmental standards) continued to accumulate. These factors were not adequately reflected in prices or investment programs. While customers benefited from bill stability during this period, it was funded by deferring the work needed to maintain the network. In effect, existing customers were borrowing from future customers, creating significant intergenerational inequity in outcomes.

The consequences emerged gradually before becoming increasingly apparent. Asset condition deteriorated across the network and environmental non-compliance became widespread. Environment Agency monitoring, which reached 100% coverage of storm overflows for the first time in 2023, showed wastewater overflow discharges into rivers and coastal waters in England more than doubling from 1.75 million hours in 2022 to 3.6 million hours in 2023.⁵ Overflows remained at this record level in 2024. Public trust collapsed, with surveys finding that fewer than one in three customers trusted their water company to prevent wastewater from entering rivers and seas.

The UK government responded with what it described as the largest review of the water sector since privatisation. The result was an average household bill increase of around 36% over 2025–30. This reflects the scale of the response: a £104 billion investment package approved by Ofwat (the economic regulator), representing a 71% increase in approved expenditure relative to the preceding period. The investment that had been deferred did not disappear, but rather had accumulated, with interest. Moreover, deferral of investment led to a material decline in service quality.

It is important to emphasise that the operating context in South East Queensland is fundamentally different from that of the UK. Our network is publicly owned, the regulatory framework is different and our performance against environmental objectives remains sound.

Nevertheless, the experience in the UK was driven by structural pressures that are present and intensifying across our network. They are what happens when a water utility is unable to keep pace with the structural drivers of its cost base. Avoiding that outcome is the central purpose of our expenditure plans.

⁵ Environment Agency, EDM storm overflow annual return long-term trends, available at: <https://environment.data.gov.uk/dataset/21e15f12-0df8-4bfc-b763-45226c16a8ac>.





The UK water sector illustrates the risk of failing to adequately invest

The UK water sector offers an instructive case study in what happens when network investment fails to keep pace with the structural drivers of a system's cost base.

By 2024, the UK water businesses were routinely described in the national media as polluting Britain's rivers, dumping raw sewage into protected coastal waters, and operating networks that discharge sewage hundreds of times a day. Southern Water was fined £90 million, a record for the sector, for deliberately dumping untreated sewage into protected seas off England's southern coast over a six-year period,⁶ and Thames Water was fined £122.7 million (including £104.5 million for wastewater operations) by Ofwat for its role in illegal sewage discharges into rivers and the sea.⁷

The Mayor of London publicly called the five-fold increase in sewage discharged into the capital's rivers "scandalous".⁸ Activist groups that had not previously been part of the water sector conversation, including Surfers Against Sewage, River Action and the Rivers Trust, became

routine sources for national news coverage.⁹ Live discharge data was published on public maps, beaches displayed sewage warnings, customers were told not to swim, and campaigners called for water companies to be renationalised.¹⁰

A regulatory question – namely whether the right amount had been invested, and in the right assets – became a broader question about whether the sector could be trusted at all. The shift took years to build but unfolded rapidly once it broke, and by the time public sentiment had hardened, no level of subsequent investment could restore trust quickly. The £104 billion package now being delivered is a downpayment for transformative change of the sector in response to the underinvestment of the past.¹¹

⁶ Environment Agency, *Southern Water sentenced to record £90m fine following EA prosecution*, media release, 9 July 2021, <https://www.gov.uk/government/news/southern-water-sentenced-to-record-90m-fine-following-ea-prosecution>.

⁷ Ofwat, *Ofwat issues record £122.7m penalty against Thames Water*, media release, 28 May 2025, <https://www.ofwat.gov.uk/ofwat-issues-record-122-7m-penalty-against-thames-water/>.

⁸ Mayor of London, *Mayor calls on water companies to take more action over sewage spills*, media release, Greater London Authority, 2024, <https://www.london.gov.uk/press-releases> (search "Khan sewage scandalous"); see also coverage in *The Guardian*, *Sadiq Khan calls fivefold rise in London sewage spills 'scandalous'*, 27 March 2024, <https://www.theguardian.com/environment/2024/mar/27/sadiq-khan-calls-fivefold-rise-in-london-sewage-spills-scandalous>.

⁹ Surfers Against Sewage, *Water Quality Report 2024*, October 2024, <https://www.sas.org.uk/water-quality/water-quality-report-2024/>. River Action UK, *State of our rivers report*, 2024, <https://riveractionuk.com/>. Independent Water Commission, *Review of the water sector: final report*, July 2025, <https://www.gov.uk/government/publications/independent-water-commission-review-of-the-water-sector> (referencing the role of campaign groups in driving public attention on the sewage issue).

¹⁰ Department for Environment, Food and Rural Affairs, *Storm overflows discharge reduction plan*, updated 2023, <https://www.gov.uk/government/publications/storm-overflows-discharge-reduction-plan> (regarding requirement for water companies to publish near-real-time discharge data from 2025). Surfers Against Sewage, *Safer Seas and Rivers Service*, <https://www.sas.org.uk/water-quality/sewage-pollution-alerts/> (live discharge alerts and sewage warning maps). Independent Water Commission, *Review of the water sector: final report*, July 2025 (discussion of public calls for nationalisation and broader trust deficit).

¹¹ UK Government, *A New Vision for Water*, January 2026, p 7.

4.3 The Brisbane 2032 Olympic and Paralympic Games raise the stakes



Our imperative to invest now to address these risks is sharpened by an event that will place our network under heightened operational and reputational scrutiny while adding delivery risk to the ordinary challenges of operating a growing network.

The Brisbane 2032 Olympic and Paralympic Games (the Games) will bring more than 10,000 athletes and several hundred thousand visitors to South East Queensland. The Games will need new and upgraded water and wastewater infrastructure to support venues, athlete accommodation and the visitor footprint. We are responsible for delivering a substantial share of this infrastructure to a non-negotiable deadline, with uncertainty surrounding the source of funding for these works.

Our current infrastructure delivery planning indicates that the risk profile over this price monitoring period is high. Venue plans continue to evolve, athlete accommodation requirements are still being finalised, and the supporting transport and precinct works will shape what our network needs to carry and where. This makes it more difficult to identify opportunities to integrate the Games works with our planned capital program and realise delivery efficiencies.

The required investment will also be delivered in a construction market that will be under sustained resourcing and cost pressures across the lead-up to 2032 due to the significant slate of other Games-related construction works. These factors are occurring against a backdrop of a fixed delivery date that cannot slip. Together, they increase both cost and program risk and reduce our ability to defer, re-sequence or rescope works as circumstances change.

Once the Games arrive, they will concentrate attention on our network in a way that ordinary operations do not. There are several operational risks that become particularly consequential during this period.

Wastewater capacity is critical to keeping a venue operating. A stadium or precinct hosting tens of thousands of spectators over a short window generates a highly concentrated wastewater load quite different from the steady patterns our network is designed around for day-to-day activity. Where capacity is constrained or a blockage occurs at the wrong moment, the consequence is not a gradual loss of amenity but a sudden one, with toilets and facilities taken out of action while an event is underway. Unlike many network issues, this kind of failure plays out in front of the very crowd it affects and attracts worldwide attention, with immediate and visible consequences for the event itself.

Another fundamental requirement is a secure and reliable water supply. Games venues, the athletes' village, media facilities and the transport corridors connecting them cannot experience interruptions to water supply. The Games operate to fixed schedules that cannot be deferred. A competition venue without water or a precinct experiencing supply pressure issues during peak demand, is not a matter that can be managed quietly.

We also face the risk that a water main break affects a venue or major transport corridor while the city is hosting international visitors. There is also the risk of a wastewater or rising main failure occurring in a highly visible location, where it would be noticed, photographed and reported. These are not new risks and we manage them every day. What changes during the Games is the audience, as global attention focuses on Brisbane.

PART B

OUR PLAN TO MEET THESE CHALLENGES

5. OVERVIEW OF PART B

OUR PLAN TO MEET THESE CHALLENGES

Our planned expenditure, revenue and pricing for FY28–FY30

\$2,275M

**Capital
Expenditure**

Unlock housing supply
Preserve service reliability
Protect environmental and public health outcomes
Keep enterprise systems secure, compliant and efficient to help contain long-term costs

\$1,363M

**Operating
Expenditure**

Deliver safe, reliable and resilient water and wastewater services
Support a growing customer base

\$3,750M

**Forecast Maximum
Allowable Revenue**

Recover only our efficient costs of service provision

\$1,440M for our water service

\$2,310M for our wastewater service

INDICATIVE PRICING | FY28–FY30

Price increases are needed to support service outcomes



Including Bulk Water Charges
+\$1.78 / week
on average, each year

**CPI + 2.8% average annual
headline bill increase**
Typical residential customer consuming 150kL/year



Our Component Only
+\$1.61 / week
on average, each year

**CPI + 4.3% average annual
headline increase**
Typical residential customer consuming 150kL/year

Limiting Bill Increases

We are focused on balancing service outcomes with customer affordability and have worked hard to limit our bill increases. We have challenged every element of our planned expenditure program, deferring investment where responsible to do so, and prioritising renewal for assets presenting the greatest service risk. Significant efficiencies have been identified and committed to across both capital and operating expenditure programs, reflected in our forecast prices.

Exploring Further Options

We are exploring further options to reduce our prices, including recovering less than our efficient costs from customers in the short term, such as capitalising these losses to be recovered in the future — easing immediate affordability concerns while not compromising our planned investment program — and securing alternative funding to support growth across South East Queensland over the next decade and beyond.

6. INVESTING IN THE INFRASTRUCTURE OUR CUSTOMERS NEED

Key messages

- We are forecasting a total capital expenditure program of \$2,275 million, in FY27 real terms, over the FY28-FY30 price monitoring period. This chapter focuses on the core infrastructure component of that expenditure, which we forecast to be \$1,751 million. We are also forecasting an additional \$291 million of readiness infrastructure for the Games. The remainder of our capital program comprises digital and information (\$183 million) and property, plant and equipment (\$50 million) expenditure.
- We acknowledge our forecast infrastructure capital expenditure represents a step change compared with recent historical levels. Our capital expenditure is forecast to increase from recent annual delivery of around \$420 million per year to approximately \$535 million in FY28, \$604 million in FY29 and \$612 million in FY30. Including Games-related infrastructure, infrastructure delivery requirements increase further to approximately \$613 million in FY28, \$758 million in FY29 and \$671 million in FY30.
- This step change in forecast capital expenditure is necessary to deliver on four complementary investment objectives:
 - Unlocking housing supply, economic development and new customer connections through growth investment, reflecting our role as a critical delivery partner of government.
 - Preserving service reliability, particularly in our most critical areas, through risk-targeted renewals.
 - Protecting environmental and public health outcomes, consistent with community expectations, through compliance investment.
 - Digital and operational capacity investment to ensure enterprise systems remain secure, compliant and improve efficiency to help contain long-term costs (digital investment is discussed in the next chapter).
- Without this timely and targeted investment, significant costs would be deferred and ultimately borne by future customers, who would face higher expenditure to address assets and service needs that could have been managed more efficiently today. Delaying investment would also materially increase the risk of disruptions to critical water and wastewater services, constrain our ability to support new homes and regional growth, and heighten the risk of failing to meet environmental obligations.
- We plan our capital expenditure to deliver on the above objectives within an affordability-constrained, Board-approved investment envelope. We actively balance service outcomes and customer affordability by assessing which investments should proceed now, which should be deferred or re-sequenced and what risk is accepted by doing so.
- In addition to the prudence, prioritisation and affordability discipline that shapes our capital expenditure forecast, we are committing to a capital efficiency target of 2% across our FY28-FY30 infrastructure program. We are seeking to deliver the full program required to meet the above objectives while recovering 2% less from customers than the bottom-up build of the program's capital expenditure would otherwise require.
- We have assessed the deliverability of our forecast infrastructure capital expenditure by considering internal capability, market capacity, procurement strategy, program sequencing, delivery dependencies and historical delivery performance. We are well placed to be able to deliver the whole program prudently and efficiently, underpinned by our:
 - track record of increasing capital delivery over time
 - collaborative working relationship with our delivery partners
 - mitigation strategies for the key delivery risks facing the program.
- Supporting information for our forecast infrastructure capital expenditure can be found in Annexure 5 – Infrastructure capital expenditure.

6.1 We test alternative investment scenarios to balance service outcomes and affordability

We plan our capital program within an affordability-constrained, Board-approved investment envelope. Within this envelope we deliver on four complementary investment objectives to address the needs and service outcomes important to our communities and customers:



Unlocking housing supply, economic development and new customer connections through growth investment, reflecting our role as a critical delivery partner of government.



Preserving service reliability, particularly in our most critical areas, through risk-targeted renewals.



Protecting environmental and public health outcomes, consistent with community expectations, through compliance investment.



Digital and operational capacity investment to ensure enterprise systems remain secure, compliant and improve efficiency to help contain long-term costs.

Each of these objectives are an important aspect of our role in safeguarding the health and hygiene of our communities through our essential services. The key prioritisation question is not whether every identified need has merit, but which investments should proceed now, which should be deferred or re-sequenced and what risk is accepted by doing so. We answer this question through a consistent cost-risk-performance decision framework. Each intervention is categorised by investment driver, service-risk severity, critical outcome, maturity and deliverability.

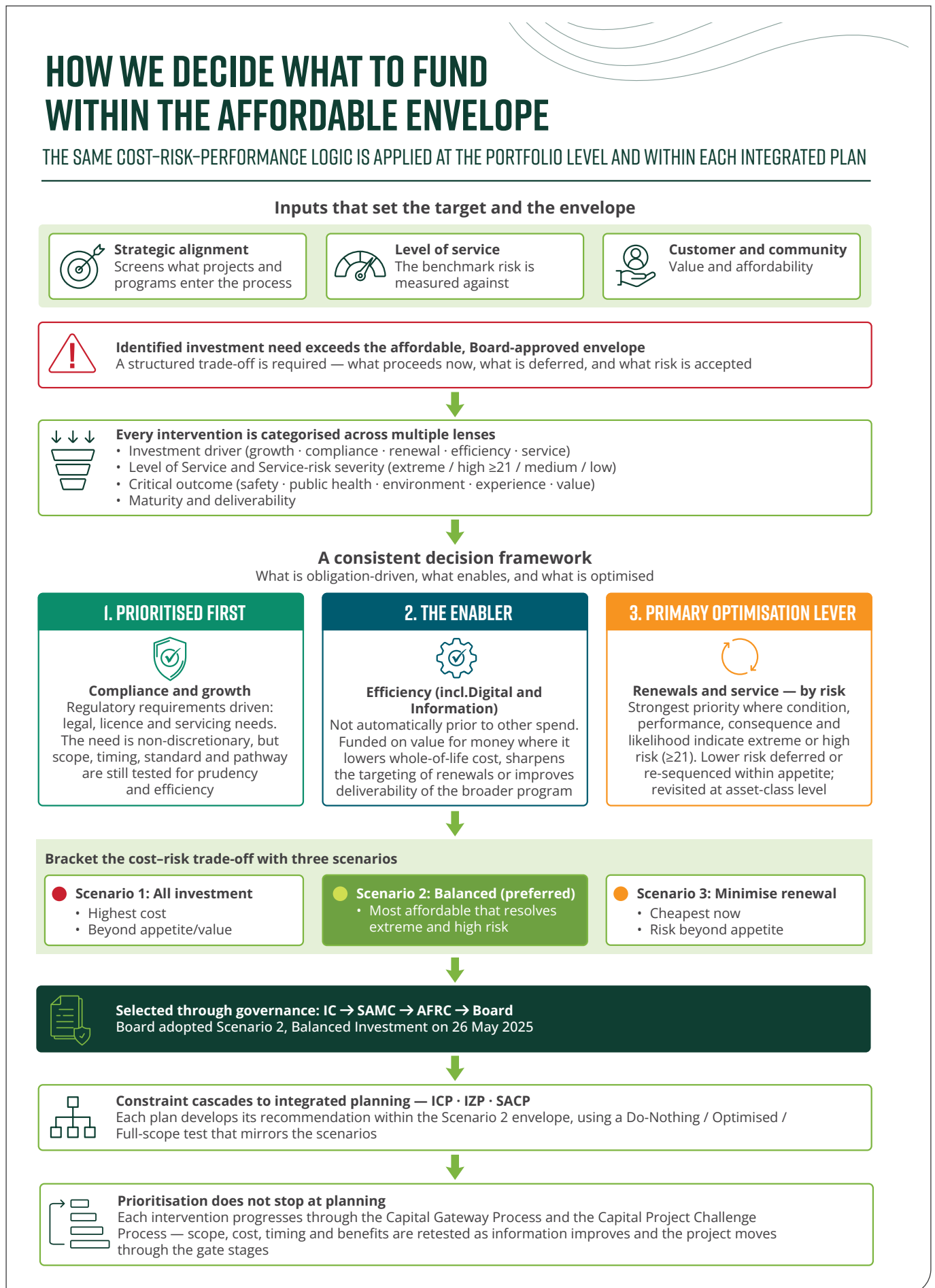
Figure 8 provides an overview of a capital prioritisation process. At its core is the acknowledgement that not all investment is equally discretionary. We classify each intervention by its primary investment driver using the QCA's drivers of growth, compliance, renewal, efficiency and service. We prioritise in a consistent order of preference that reflects how much discretion we have over the need, timing and scope of investment. Importantly, this does not mean that any category of expenditure is automatically funded. It means that the non-discretionary nature of the underlying need is recognised first, with the capital response subsequently tested for prudence, efficiency and value for money.

We prioritise growth and compliance first because they relate to legal, licence and servicing obligations. For compliance, the discretion we have is not whether the obligation must be met but rather how it is met and what scope represents the prudent and efficient response.

For growth, our role is to enable development and service new customers through a combination of Urban Utilities-delivered infrastructure and assets delivered by the development industry and assets donated into our asset base. The main investment discretion for growth is therefore one of timing, staging and coordination. We work hard to ensure capacity is added when demand, development sequencing and network triggers justify it. This avoids both premature investment in idle capacity and late investment that creates service, development or operating risk. This promotes expanding capacity to meet growth in a way that is cost efficient.

We prioritise efficiency-related investment where it demonstrates a clear value-for-money case and supports lower long-term costs, better asset decisions or improved delivery performance. It is not treated as automatically higher priority than obligation-led expenditure and must compete for funding based on the strength, certainty and timing of its benefits.

Figure 8: Overview of a capital prioritisation process



Within the infrastructure capital program, stand-alone efficiency investments are comparatively limited because most investment is driven by growth, compliance and renewal needs. Efficiency-related capital expenditure is directed primarily towards digital and information investments. We discuss our forecast digital expenditure in the next chapter and Annexure 6 – Digital and information investment.

Finally, renewal and service-driven investments are the primary optimisation levers within the Board-approved investment envelope. These are sequenced carefully, rather than deferred as a broad category, because we recognise that poorly targeted deferral can increase service, safety, environmental and customer risk.

Renewal investment is prioritised by asset and system risk, with the strongest priority given to assets and systems where condition, performance, consequence of failure and likelihood of failure indicate an extreme or high service risk. Service driven investments are also prioritised using evidence of risk and performance need, for which our digital investments are increasingly improving our decision making. These investments are also tested against alternative or complementary

responses, including ongoing maintenance, field testing and targeted rectification programs, to confirm the most prudent and efficient intervention.

To translate this prioritisation process to the portfolio level, we apply a structured optimisation process to determine the appropriate ten-year capital investment envelope. The portfolio is rebuilt and validated, each investment categorised, scenarios grouped and analysed and the capital forecast optimised under each scenario. A preferred portfolio is then selected from these scenarios.

Table 1 summarises the three scenarios we examined in preparing our forecast capital expenditure for the FY28-FY30 price monitoring period. We use three scenarios to deliberately bracket the realistic decision space and make the inherent cost-risk trade-off explicit and transparent to decision makers as opposed to presenting a single point estimate. The three scenarios span:

- maintaining service fully in line with the current risk appetite
- resolving only the extreme and high service risks
- adopting a more aggressive residual risk position on critical outcomes.

Table 1: We explored three investment scenarios to forecast our infrastructure capital expenditure

Scenario	Risk position	Customer affordability impact
SCENARIO 1 All investment	Maintain service performance fully in line with current risk appetite; addresses service risks across all drivers, including those rated below the extreme/high threshold	Highest bill impact. Funds capital to resolve lower-priority (medium and low) risks alongside extreme and high risks, committing additional capital without a commensurate reduction in critical service risk. Least affordable of the three.
SCENARIO 2 Balanced investment (preferred)	Resolve extreme and high (≥ 21) service risks; compliance and growth needs prioritised; high-risk renewal prioritised, lower-rated renewal and service investment deferred or re-sequenced where consistent with risk appetite.	Manages the extreme and high risks that sit at or beyond risk appetite while maintaining affordability. Anticipated to deliver the required risk reduction at the lowest cost consistent with the Board's risk appetite, balancing customer bills against critical service outcomes.
SCENARIO 3 Minimise renewal investment	Minimise renewal investment and adopt a more aggressive residual service-risk position on critical outcomes, while protecting growth, public health, safety and compliance obligations. This scenario sits well outside the Board's accepted risk appetite.	Lowest near-term bill impact, but with a greater proportion of high and extreme residual service risk across critical outcomes, including public health, safety, environmental compliance and reliability. Deferring asset investment will increase whole-of-life costs and elevate customer, service and compliance risks in future periods.

To inform our assessment of these different scenarios, we modelled customer affordability and pricing impacts for each scenario that we presented to our Audit, Finance and Risk Committee (AFRC). This process ensures affordability constraints directly informed the choice of forecasting basis. Portfolio optimisation and reprioritisation were considered across a sequence of governance forums, including the Investment Committee and the Strategic Asset Management Committee, before the Board endorsed scenario two as the basis for our long-term capital planning.

Scenario two was selected because it is the most affordable scenario that resolves the extreme and high service risks that sit outside, or at the edge of, our risk appetite, while avoiding expenditure on lower-priority risks that do not require immediate funding within an affordability-constrained envelope. In contrast:

- Scenario one was not adopted because it would commit additional capital to lower-consequence risks below the extreme and high threshold, increasing customer bills beyond the point of diminishing marginal returns, meaning without a commensurate risk reduction.
- Scenario three was not adopted because, while it would reduce near-term capital expenditure, it would do so by accepting a higher residual risk position, including a greater proportion of high and extreme residual service risks across critical outcomes such as public health, safety, environmental compliance and service reliability. Deferring investment under this scenario would likely increase whole-of-life costs and shift a disproportionate share of those costs and associated risks to future customers.

Although this submission presents planned investment for the FY28-FY30 price monitoring period, the capital program was not developed around that three-year period. It represents the near-term tranche of a risk-based 10-year investment portfolio. We plan to service needs and asset lifecycles, rather than to the boundaries of price monitoring periods. This is consistent with our Asset Management Policy, which requires a long-term, holistic and whole-of-life approach that balances cost, risk, performance, customer expectations and uncertainty, and delivers services at the lowest sustainable cost. Our integrated planning framework similarly assesses preferred pathways across a longer time horizon by balancing cost, risk and performance, with portfolio optimisation used to allocate limited funding to the investments that provide the greatest service value.

The longer-term perspective is also how we keep bills as low as they prudently and sustainably can be, both during FY28-FY30 and over time. Considering the complete portfolio allows investment to be sequenced when it is needed, operational and delivery dependencies to be managed, and unnecessary early expenditure to be avoided. It also prevents short-term deferral from simply transferring greater costs or unacceptable risks to future customers. The FY28-FY30 program therefore contains the highest-priority work that must proceed now, while lower-priority investment is deliberately deferred or re-sequenced to contain near-term bill impacts.

6.2 Our investment governance process further supports prudent and efficient decision making

All capital investments progress through a formal six-stage gateway process as described in Figure 9. The gateway process has been refined through three separate third-party reviews in recent years, with each review informing iterative improvements to the process. Each stage culminates in a defined decision gate at which the investment must be endorsed and approved before proceeding.

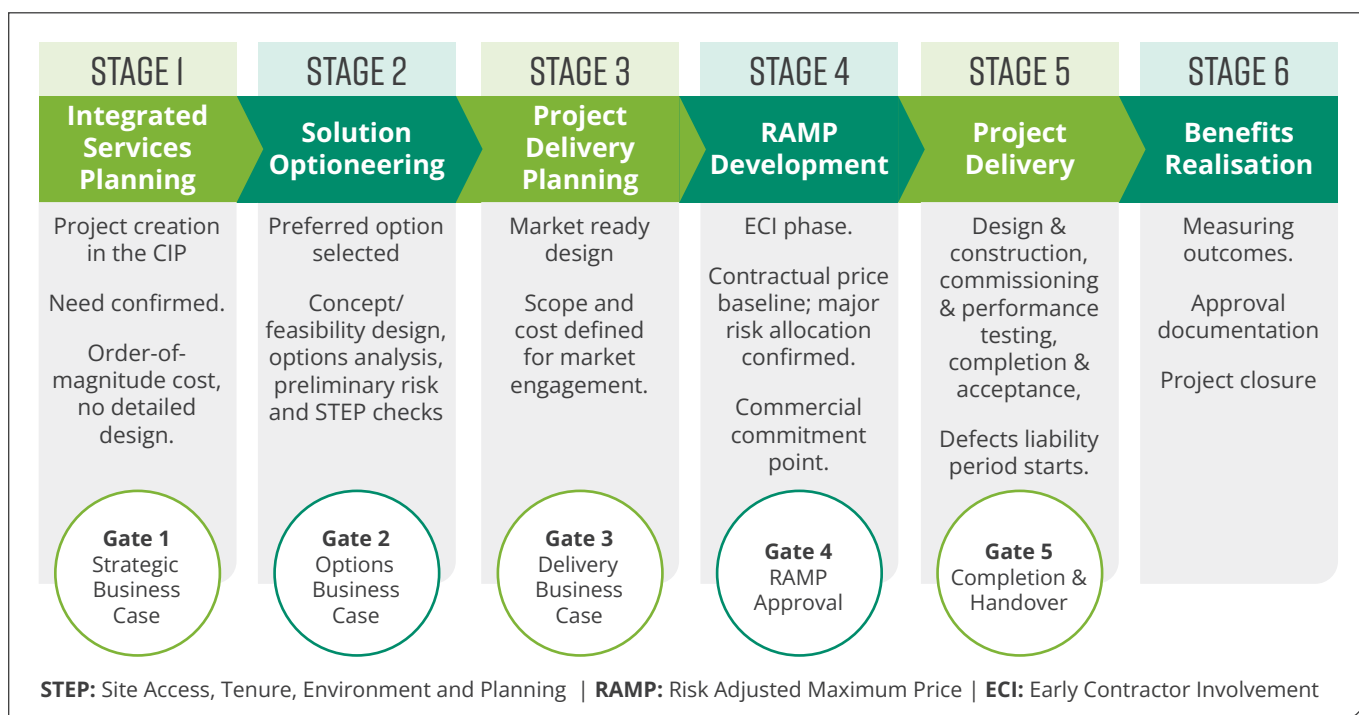
At each stage, cross-functional teams assess the project to ensure that capital expenditure is prudent, efficient and represents best value for money. This includes considering capital and operating expenditure together when determining the most prudent and efficient way to achieve a required service outcome. The appropriate balance depends on the nature of the need and becomes progressively more detailed as an investment moves from long-term asset and system planning through options assessment, design and delivery.

The gateway process applies three project complexity pathways (high, medium and low) reflecting the principle that the level of scrutiny applied to an investment should be proportionate to its scale, risk and complexity. Higher-value and lower-complexity investments follow streamlined processes that avoid unnecessary overhead without compromising the fundamental requirements of prudence and efficiency.

In practice, high complexity projects require a full options report providing a comprehensive options evaluation before solution selection, followed by a separate Gate 2 and Gate 3 business case. Each of these steps is subject to Investment Assurance Group (IAG) endorsement and approval by the CEO or Board depending on value. Medium complexity projects may combine Gate 2 and Gate 3 documentation, where solution identification and delivery planning can be efficiently managed together. Low complexity or rolling programs follow further streamlined pathways, including Minor Capital Project Submissions and Rehabilitation Submissions, appropriate to their scale while still requiring formal endorsement and approval. At all levels, the requirements for benefit confirmation, options consideration and risk assessment remain. What scales is the depth and formality of the analysis, not the underlying discipline.

A dedicated capital project challenge process provides an additional layer of scrutiny to test whether a planned capital investment remains necessary, appropriately scoped and correctly timed before it proceeds. This process can be applied at any stage of the project lifecycle and is particularly recommended where a significant period of time has elapsed since the previous gate approval, or where project assumptions may have changed.

Figure 9: Our gateway decision process for capital works



6.3 We are responding to a sustained step change in investment need



We are forecasting total capital expenditure over the FY28-FY30 period of \$2,275 million in real FY27 terms. Table 2 illustrates how this figure comprises core infrastructure investment, digital and information, property, plant and equipment, and Games-related infrastructure investment. The focus of this section is our infrastructure capital program. Our digital and information expenditure is detailed in the next chapter.

The FY28-FY30 capital program represents a step change compared with recent historical levels. Core infrastructure capital expenditure is forecast to increase from recent annual delivery of around \$380 million to \$420 million per year to approximately \$535 million in FY28, \$604 million in FY29 and \$612 million in FY30. Including separately tracked Games-related infrastructure increases the delivery requirement to \$613 million in FY28, \$758 million in FY29 and \$671 million in FY30.

Table 2: Forecast capital expenditure by category over FY28-30 (\$FY27, m)

Capital category	FY28	FY29	FY30	Total
Infrastructure	535	604	612	1,751
Digital and information	69	57	57	183
Property, plant and equipment	19	16	15	50
Games-readiness infrastructure	78	154	59	291
TOTAL	701	831	743	2,275

Figure 10: Historical and forecast capital expenditure by driver FY20-30 (\$FY27, m)

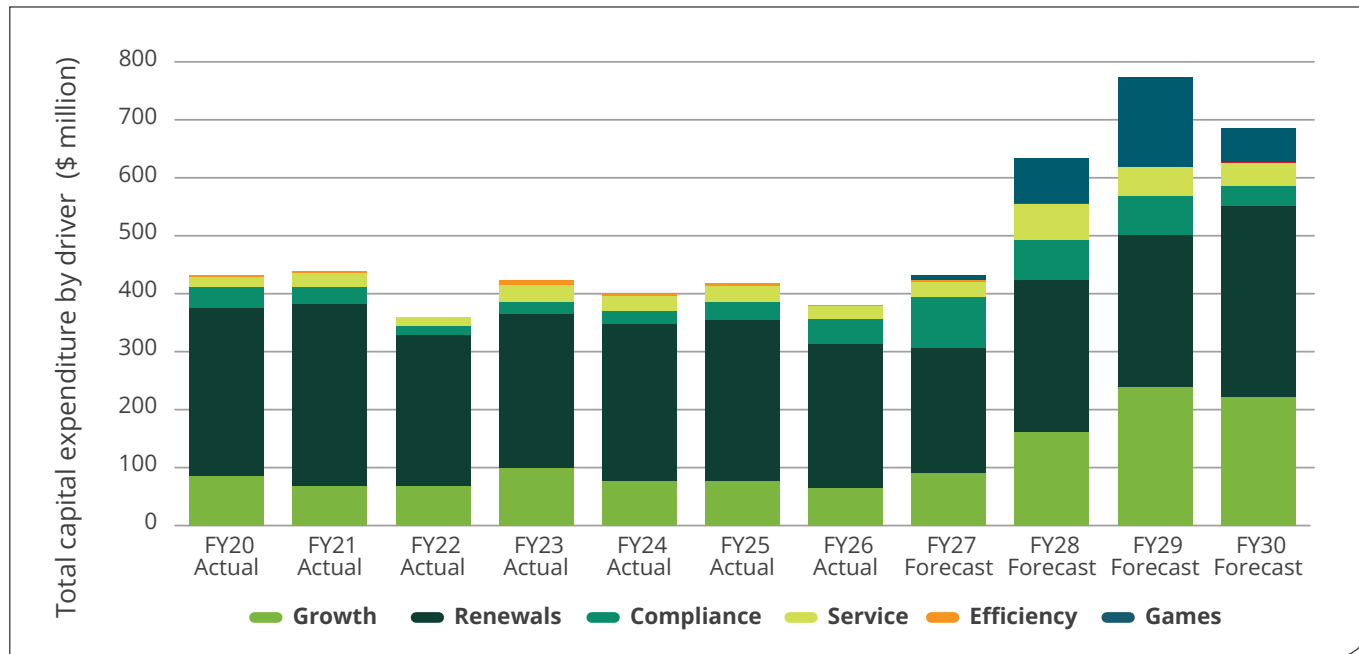


Figure 10 illustrates that the forecast uplift in efficient capital expenditure is driven by growth. Our service region encompasses some of Queensland's fastest growing areas including Ipswich, Beaudesert (Scenic Rim), Goodna and Lockyer Valley. This growth relies on the water and wastewater infrastructure that enables housing supply and economic development, reflecting our role as a critical delivery partner of government. We are forecasting to spend approximately the same amount of capital expenditure on growth in FY28-FY30 (\$622 million) as we did over the FY20-FY27 period (\$630 million) to support the development of our region, reflecting the significantly faster population growth in South East Queensland in recent years.

Renewals account for around 47% of infrastructure capital expenditure across the period, representing a risk-prioritised approach to preserving service reliability. The balance of our program delivers on our remaining objectives of meeting our compliance obligations, realising efficiency benefits and improving service outcomes for our customers.

Figure 11 shows the product split of our forecast capital expenditure, which demonstrates that the uplift spans the entire service delivery value chain rather than a single asset class or investment type. Specifically:

- wastewater transportation investment supports the renewal, capacity and resilience of wastewater networks, pump stations and conveyance assets
- wastewater treatment investment supports treatment capacity, environmental compliance and resource recovery
- water distribution investment supports network reliability, growth servicing and water quality
- property, plant and equipment investment supports the enabling assets such as fleet, facilities and operational technology that are required to operate and maintain the network.

Critically, this uplift is not a one-off peak confined to the FY28-FY30 period. It is the leading edge of a sustained increase in investment that continues beyond the current regulatory period as further assets reach capacity and the end of their service life, and as committed growth is progressively serviced. Our long-term planning gives us clear line of sight to this forward profile and indicates the investment task is expected to remain elevated beyond FY30.

The uplift in our capital expenditure is concentrated in our growth corridors – see Figure 12 below. While Brisbane accounts for around 65% of forecast FY28-FY30 capital expenditure – reflecting the scale of the asset base in this area and its combined growth, renewal and compliance needs – the additional growth-driven uplift is concentrated rural and peri-urban centres.

Figure 11: Historical and forecast capital expenditure by product FY20-30 (\$FY27, m)

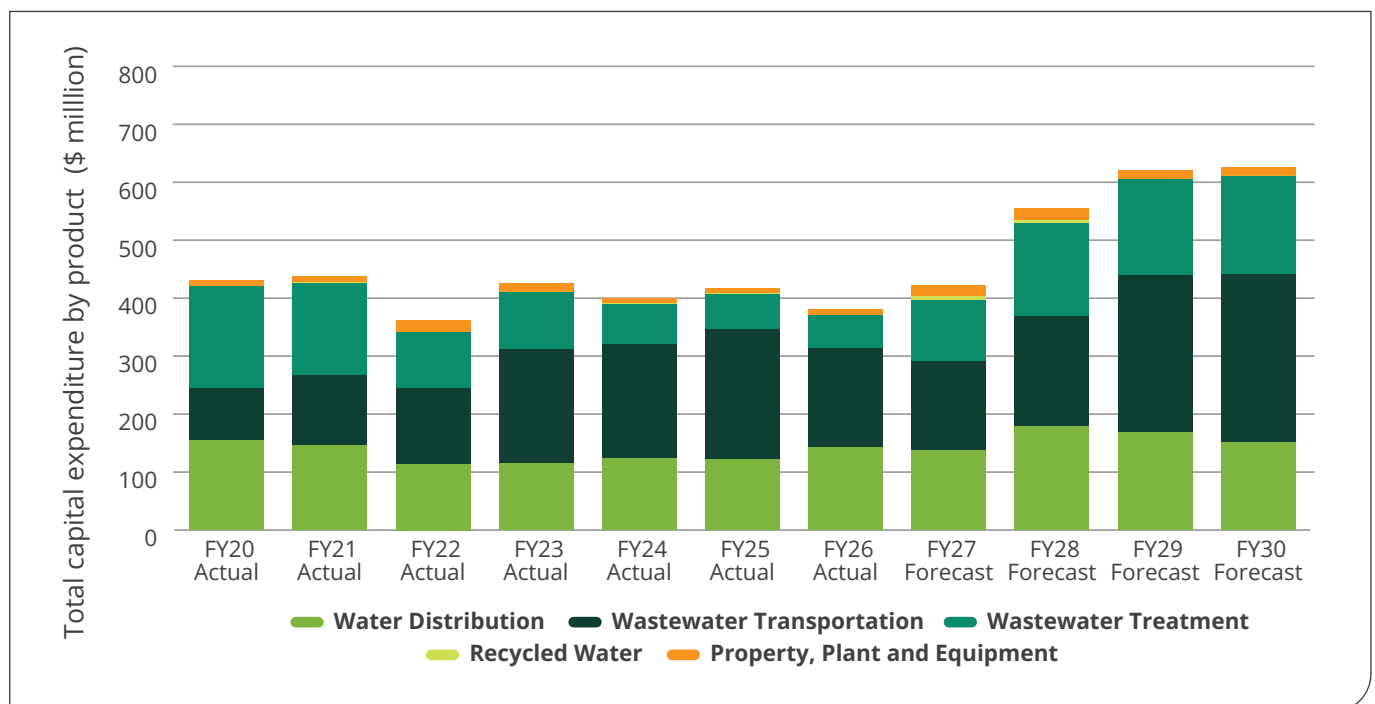


Figure 12: Overview of our forecast capital expenditure across our service region (\$FY27, m)

WHERE GROWTH MEETS INVESTMENT

SOMERSET

↑29% POPULATION FORECAST IN 10YRS

\$71m TOTAL INVESTMENT (FY28-FY30)

- Kilcoy WWTP Recycled Water Pipeline
- Toogoolawah WWTP Irrigation Upgrade
- Tarampa to Jacqueline Road Reservoir Trunk Main

LOCKYER VALLEY

↑22% POPULATION FORECAST IN 10YRS

\$58m TOTAL INVESTMENT (FY28-FY30)

- Gatton WWTP & Recycled Water Upgrades
- Laidley WWTP Upgrades
- Program of Reservoir Rehabilitation & Water Quality Upgrades

SCENIC RIM

↑30% POPULATION FORECAST IN 10YRS

\$91m TOTAL INVESTMENT (FY28-FY30)

- Beaudesert WWTP, Reuse Scheme & Network Growth Upgrades
- Beaudesert Water Network Growth Upgrades
- Peak Crossing & Warrill View Disinfection Enhancements

BRISBANE

↑9% POPULATION FORECAST IN 10YRS

\$1,141m TOTAL INVESTMENT (FY28-FY30)

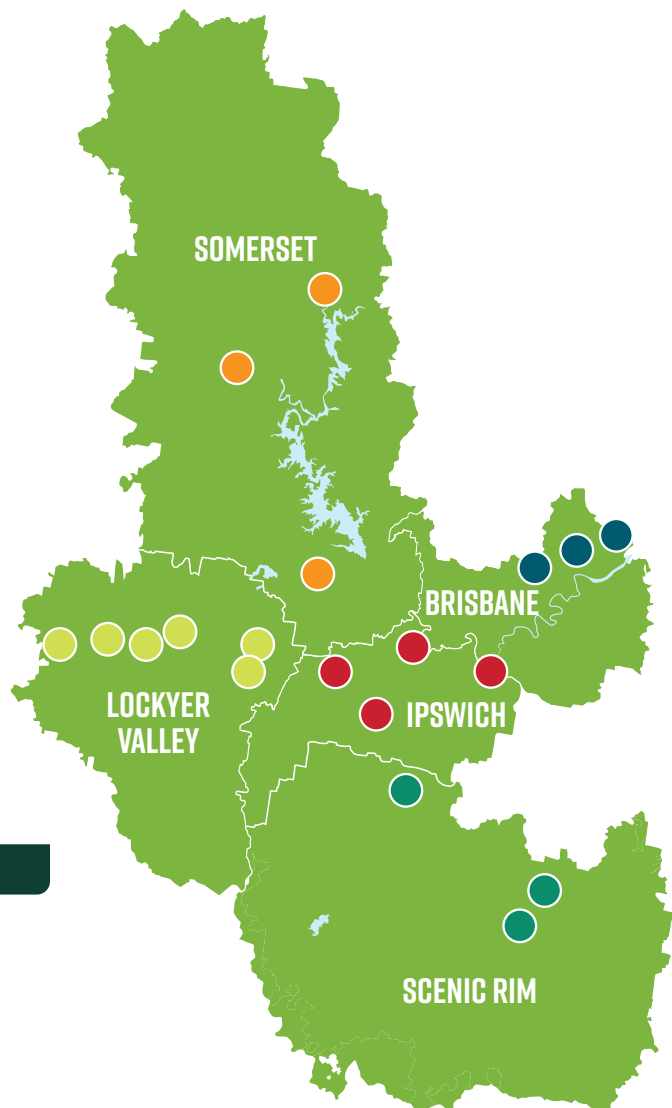
- S1 Trunk Sewer Augmentation
- Eagle Farm Rising Mains Renewal
- Z4 Catchment Water Critical Mains Renewals

IPSWICH

↑41% POPULATION FORECAST IN 10YRS

\$390m TOTAL INVESTMENT COST (FY28-FY30)

- Walloon SP492 to Wulkuraka Sewer
- Bundamba WWTP Intensification
- Goodna WWTP Upgrades
- New Ipswich WWTP



6.4 A growth driven step change

The principal driver of the uplift in our forecast capital expenditure is population and demand growth, particularly the need to expand wastewater treatment and conveyance capacity in areas where demand is increasing with new developments and housing and existing infrastructure capacity is reducing.

Between FY27 and FY30, at least seven of our 26 wastewater treatment plants will be already experiencing, or forecast to experience, capacity constraints. Projects are included in the capital program to progressively address these constraints through a staged approach, aligned with the timing and scale of forecast needs. Over the 10-year planning horizon, the number of wastewater treatment plants forecast to experience capacity constraints is expected to increase to approximately 16, reflecting the growing pressure on treatment capacity across the asset base.

This means that almost half of our treatment plant portfolio will require capacity intervention within the next decade. Collectively, these constraints require more than 250,000 equivalent persons of additional treatment capacity – a scale of expansion equivalent to servicing a new city. A number of these capacity triggers are emerging concurrently across multiple catchments, creating a sustained investment task that cannot be addressed through incremental annual upgrades.

We prioritise meeting population growth and resulting demand requirements as a non-discretionary expenditure. This reflects our role as a critical delivery partner of government in unlocking housing supply, economic development and customer connections. Upgrading the capacity of our wastewater treatment plants is required to:

- accommodate growth under ShapingSEQ 2023
- maintain compliance with ERA 63 environmental licence thresholds under the *Environmental Protection Act 1994*
- continue meeting our statutory service obligations to a rapidly expanding customer base.

Figure 13 below investing illustrates why we need to invest in additional wastewater system as spare capacity has now been exhausted.

Two features that are unique to our current growth challenge – where the growth is occurring and the timing and scale of the required capacity additions – underpin the increasing cost of managing growth in our region.

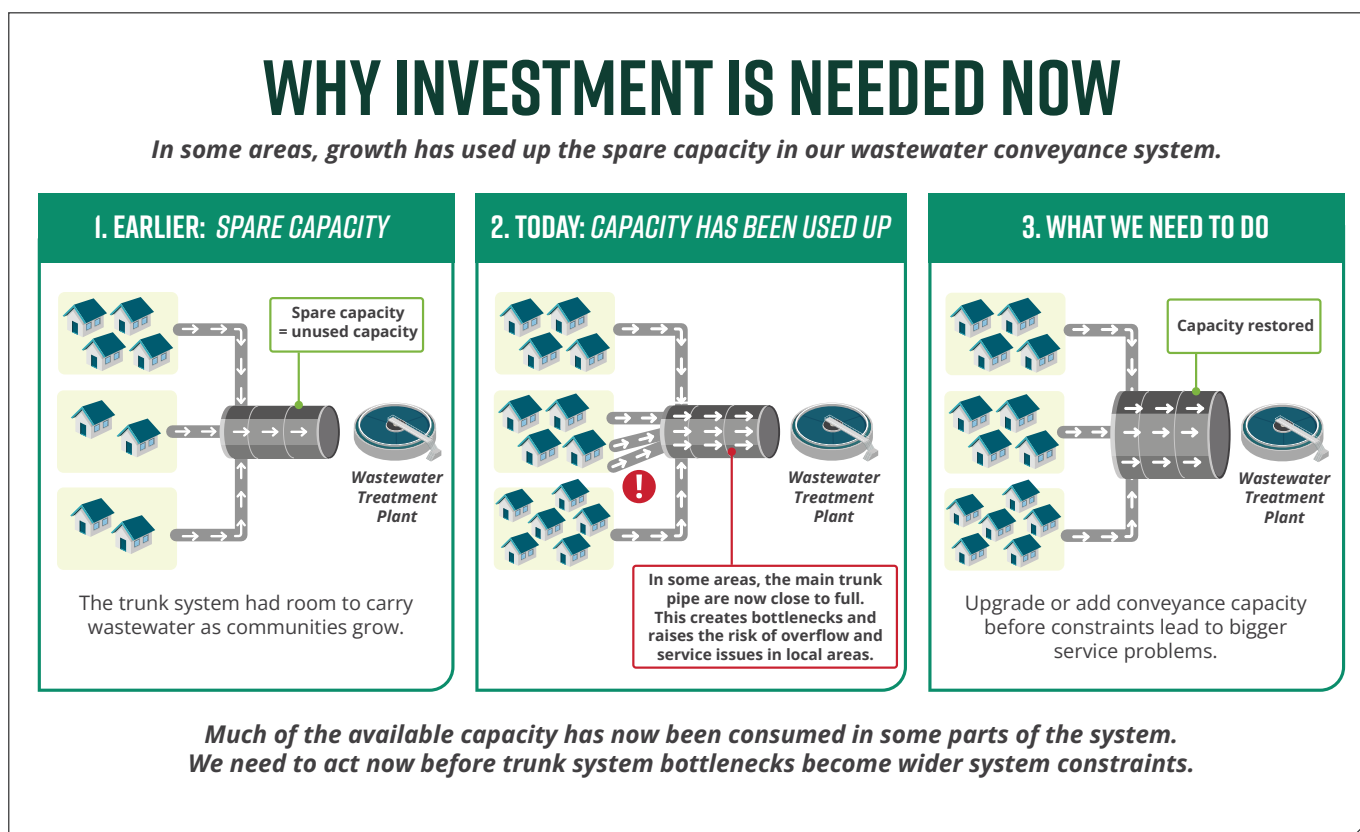
Growth is no longer concentrated in established Brisbane catchments. It is accelerating across our western and regional corridors, particularly Ipswich City, Beaudesert (Scenic Rim) and the Lockyer Valley. In these areas, development is occurring beyond the existing infrastructure footprint and is materially more costly to serve due to the need for greenfield trunkline infrastructure investments. The rural and peri-urban centres are further challenged by legacy treatment technology and limited economies of scale. These corridors require new trunk infrastructure and treatment capacity rather than incremental augmentation of established systems.

Wastewater treatment and major conveyance capacity is often delivered in large, stepwise increments because it cannot be efficiently or prudently added in small annual amounts. A number of these major investments are now reaching their required decision and delivery points at the same time across multiple catchments. In several corridors, observed development is also running ahead of the previous planning basis, reducing available capacity and bringing triggers closer together.

Given the long lead time to plan, design, approve and deliver major treatment and conveyance upgrades, deferring this investment would not avoid the underlying need. It would instead increase the risk of higher future costs, deteriorating service performance and would be incompatible with environmental and statutory obligations and increasing whole of life costs.

As we set out in page 51, the infrastructure charging environment is a further contributing factor of the growth challenge.

Figure 13: Wastewater treatment and conveyance is driving the step change in our capital program



Fair recovery of growth costs through infrastructure charging

Growth requires new trunk infrastructure while also consuming planned capacity in existing assets. Investment in growth must be balanced against renewal of existing assets, to keep total investment sustainable for customers.

Careful sequencing of development is critical because out-of-sequence development raises costs for communities and developers. This is particularly important where development is inconsistent with the South East Queensland Regional Plan and Local Government Infrastructure Plans, with which our planning decision must legally align with.

Under Queensland legislation, cost recovery for growth trunk investment is collected through developer-contributed infrastructure charges. These charges are capped at a Maximum Adopted Charge (MAC) set by State legislation. The MAC is meant to be indexed annually, but indexation has not been consistently applied. Had the MAC been indexed using the State's nominated Roads and Bridges Index, the current capped charge would now be 22% higher. By way of example, the current MAC for a three-bedroom house is \$36,670. If this figure were 22% higher (as it would need to be in order to hold developer contributions constant in real terms), it would be approximately \$44,700. WSAA estimates that the average cost of new connections is \$20,000 overall but can be between \$40,000 to \$50,000 in greenfield areas.

The consequence of developer contributions declining in real terms is twofold. Developers do not see a cost-reflective signal of the actual cost of providing growth infrastructure such as roads, transport, water, wastewater and other infrastructure needed to service new growth areas, while our existing customers are left to cross-subsidise the shortfall. This shortfall can be material. In 2025, WSAA estimated that, across a sample of 18 utilities, combined growth expenditure was \$4.2 billion. Developer contributions totalled a little under \$1.1 billion, illustrating a funding gap of \$3.1 billion.

We estimate the under-recovery from the MAC and Priority Development Areas (PDAs) currently adds around \$93 per year to the typical residential customer bill.

PDA settings shift further costs onto Urban Utilities and our customers. Within a PDA, all infrastructure charges are collected by Economic Development Queensland (EDQ). Those charges are not transferred to Urban Utilities, as they would be outside a PDA.

The risk of under-recovery is exacerbated where EDQ recognises only "new trunk", meaning trunk installed after the PDA is declared. That approach fails to recover costs towards existing upstream and downstream capacity, much of which was installed in anticipation of future growth. Any growth-trunk costs not borne by developers are ultimately required to be recovered from the broader Urban Utilities customer base.

The way growth-related infrastructure is currently funded cannot continue without creating more financial pressure on our existing customer base. This pressure will worsen as South East Queensland continues to grow.

Other sources of funding have also tightened. Before Urban Utilities was established, the Queensland Government provided a significant subsidy to councils for water infrastructure under the Water and Sewerage Program (WASP). That subsidy was discontinued as part of the South East Queensland water reforms.

Some councils, such as Ipswich, have introduced infrastructure levies while others have received funding through state schemes such as the recently introduced Residential Activation Fund (RAF) by the Queensland Government. Distributor-retailers, including Urban Utilities and Unitywater, are not directly eligible for RAF funding. This creates further inequity for Queenslanders based on where they reside.

We support the recent Queensland Productivity Commission recommendation that the existing infrastructure charges regime be reviewed. Consideration should be given to rebasing the MAC to account for past inconsistent indexation, to be fully cost-reflective and to ensure the future sustainability of growth funding.

6.5 Preserving service reliability through risk-targeted renewals

Our water and wastewater networks have been built progressively over more than 130 years, with some assets dating back to the late nineteenth century and a high proportion of assets being 50-60 years old and closing in on their maximum design life. Today we manage around 9,800 kilometres of water mains and 10,100 kilometres of wastewater pipelines alongside the reservoirs, pump stations and treatment facilities that support them. This scale of depth and reach is a strength, but it also means that asset renewal becomes a prominent driver of our forward capital profile.

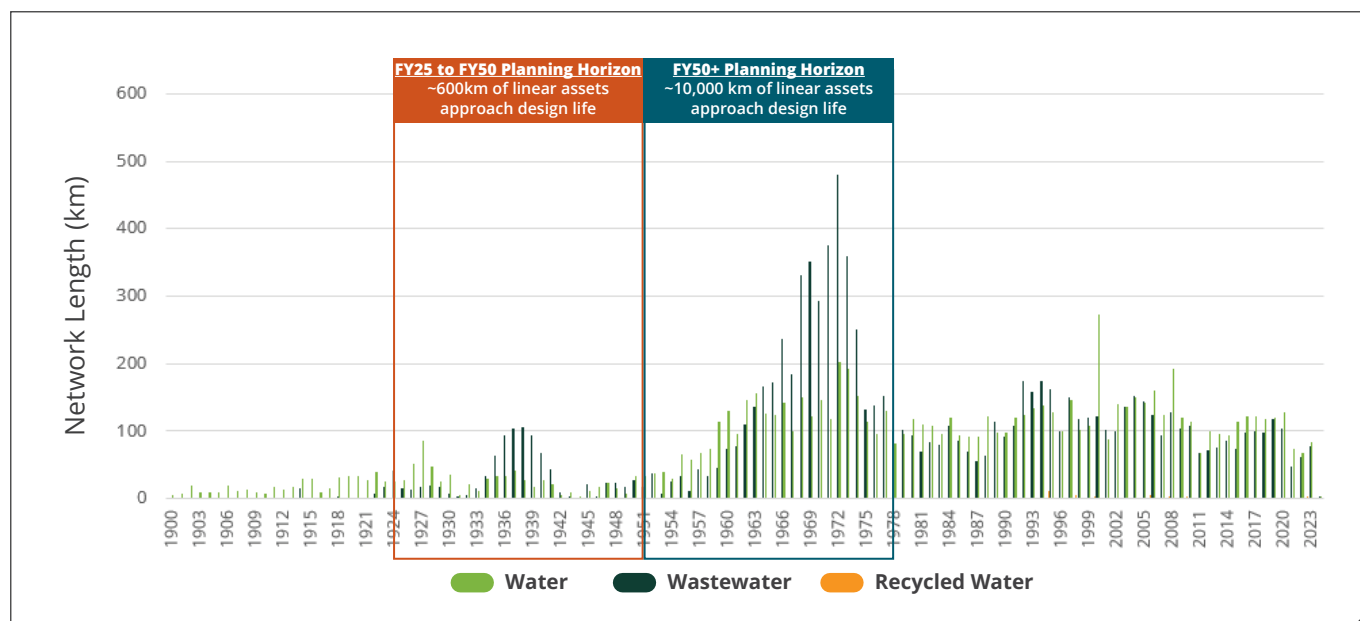
The age of our linear network reflects distinct construction cohorts. Significant portions were constructed during the inter-war period and, more materially, during the 1960s and 1970s as Brisbane's suburbs were progressively sewered and water services expanded.

Depending on material, asset type and operating environment, these assets were designed for service lives in the order of 70 to 100 years or more. A small proportion of these assets have already extended beyond their original 100-year design lives, with some as old as 130 years. The majority of this cohort of assets from these periods is therefore now approaching, or has begun to enter, the later stages of its design life – Figure 14.

Critically, we do not replace assets simply because they reach a particular age or end of design life. We have tested more automatic, age-based renewal explicitly and found it does not represent the most efficient strategy for customers. We maintain asset renewal optimisation models for scenario analysis and understanding the trade-off between cost, risk of failure and performance in selecting the preferred long term asset management strategy. For our linear assets, an age-based renewal strategy, which would replace assets as they reach their theoretical service life, was modelled as one investment scenario. It was not adopted because it would require an extraordinary level of capital investment that would be neither prudent nor affordable for customers.

When identifying and prioritising asset renewals or upgrades, we consider the current performance of the asset base alongside asset condition, criticality and the consequences of failure. The strategy underpinning our forecast renewals expenditure prioritises intervention by service risk, first addressing extreme risk network length and then working systematically through the high-risk band.

Figure 14: Linear assets are reaching their design life



The effect of this targeting is visible in the current state of the network. When network length is mapped across the risk matrix by criticality and likelihood of failure the overwhelming majority of our linear assets sit in the lower-criticality bands and within each band, in the lower likelihood of failure grades. Only a small proportion of network length is both high criticality and high likelihood, resulting in extreme risk rating.

It is this cohort, rather than the age profile as a whole, that the renewal program is built to proactively address. Older assets within the network continue to perform within acceptable risk settings well beyond their nominal design life, and as such our investment is prioritised towards the critical and most extreme risks, not the asset age. This risk-based approach presents opportunities for significant deferral of cost (approximately \$380 million) over the 10-year profile when comparing two extreme risk scenarios, one inclusive of reticulation mains and the other (preferred) excluding reticulation mains.

This focuses our investment towards the most critical trunk service assets and defers investment in non-critical assets, enabling us to leverage our civil maintenance crews for targeted capital replacements while sustaining service at materially lower cost. The result is a more efficient, evidence-based program, lower overall investment that balances service outcomes with customer affordability.

Service performance provides further evidence that this approach is working. In FY25, water main breaks were 18.1 per 100 kilometres of main, against a target of fewer than 39. Sewerage main breaks and chokes were 15.6 per 100 kilometres, against a Customer Charter standard of fewer than 30. This strong performance provides a sound foundation, while targeted investment remains necessary to sustain outcomes as asset and service risks increase. Maintaining service at these levels as the asset base continues to age is a key purpose of the forward renewal program.

Our approach to risk management is summarised on page 53. This is the framework we follow in considering asset service risk and further detail is available in our Part 1 submission.

Our approach to risk management

We have progressively matured our risk management practices since establishment, building on Brisbane Water's foundation to develop an enterprise-wide system aligned with AS/NZS ISO 31000 that integrates risk considerations into strategic planning and day-to-day operations.

Our current risk management approach comprises six elements:

- **Enterprise risk management practice.** Our enterprise risk management (ERM) practice enables us to understand uncertainty in a structured way before committing to major financial or investment decisions. This approach embeds risk analysis, managing risks, risk governance and audit and assurance into business-as-usual. ERM enables risk-informed decision making at all levels of the organisation and aims to embed risk management as a continual management activity throughout all strategy development, planning, decision-making, project, operational, change and performance management activities.
- **Enterprise risk framework.** Our risk management framework provides simple guidance for all executives, leaders, employees and delivery partners in relation to the organisational structures, policies and arrangements in place to promote, integrate and improve the management of our risks. The framework establishes risk principles, governance, policies, procedures, systems and processes to ensure the management of risk in an efficient, effective and consistent manner.
- **Risk management policy.** The risk management framework expresses our commitment to risk management and provides an enterprise approach for dealing with the effect of uncertainty on our objectives using a consistent risk management framework. The policy recognises that all individuals have a responsibility to manage risk, while focusing on the accountabilities of higher levels of management.
- **Risk management procedure.** Our risk management procedure provides simple guidance for all executives, leaders, employees and delivery partners in the day-to-day management of our risks in a manner consistent with the risk management policy and risk management framework. The risk analysis and management process is embedded as an integral part of business management in each business group. The procedure aligns with the Board approved risk appetite statement, the overall objective of which is not to eliminate risk, but to ensure that risk is actively monitored and maintained at a level to achieve our strategic and operational objectives.
- **Risk appetite statement.** The risk appetite statement articulates, from an entity-wide perspective, how much risk is acceptable in pursuing our strategic direction and to promote a responsible approach to risk management. We are focused on managing operations in a financially prudent manner, while accepting a level of risk where risk mitigation is disproportionate or excessive. When conducting a risk assessment, the general rules for accepting (or not accepting) risk applies. The overall objective is not to eliminate risk but to ensure that risk is actively monitored and maintained at a level where we can be confident in achieving our critical outcomes.
- **Risk governance.** Our risk governance is based on the three lines of defence model. The Executive Risk Committee advises the CEO on the governance and effective management of risk in line with the Board-approved risk appetite, providing a forum to discuss risks that may materially affect business outcomes. At Board level, the Audit Finance and Risk Committee oversees all enterprise risks, capital management, regulation, pricing and financial management, with financial and risk considerations embedded as a requirement for any item to put to committee. The Strategic Asset Management Committee assists the Board in overseeing strategies, policies and systems for asset management, including strategic asset management, capital investment decision making, risk management and innovation and continuous improvement. The Board's risk-related responsibilities include overseeing the implementation and effectiveness of the risk management framework and setting the risk appetite for management to operate within.

We are continuously improving the way in which our risk management system operates in practice. Our plan to enhance our risk management framework is detailed in section 11.

Figure 14 shows that, looking forward, the scale of the renewal task is stepping up. We must prepare for this step up now, not only through targeted investment to manage current service risk, but by building the data, condition assessment, planning and delivery capability required for a much larger future replacement task. The cost and complexity of this replacement task will be shaped by:



renewing ageing assets in established urban corridors, with many older critical assets located in dense, highly developed areas where road corridors, rail interfaces, other utilities, traffic management requirements and limited access constrain how works can be undertaken and often increase the costs of such renewal being implemented



managing inherited infrastructure with different ages, materials, design standards, records and operating histories, meaning assets within a single catchment or zone can have materially different condition and risk profiles.

Ageing assets also influence operating expenditure. Older assets typically require more intensive inspection, maintenance and response to sustain service. Where assets deteriorate, they can increase exposure to unplanned failures, customer interruptions, water loss, inflow and infiltration, environmental incidents or emergency works. Prudent well-timed renewals manage these risks by intervening before assets fail, where replacement or rehabilitation represents the lowest sustainable whole-of-life cost for customers.

Our forward capital profile is therefore not being driven by any single factor. It reflects the combined effect of asset age, observed condition, the level of service risk, growth, compliance obligations and the practical realities of working in mature urban environments – representing a prudent and efficient investment response. Our approach is to renew assets at the right time, in the right location and at the right scale, using evidence-based prioritisation to balance cost, risk and service performance. This supports safe and reliable services today while preparing for the larger renewal wave that will emerge over coming decades.



6.6 Protecting environmental and public health outcomes through compliance investment

Our forecast compliance capital expenditure addresses the investment required to meet legislative, licensing and regulatory obligations. It is non-discretionary in that the timing and scope are determined by external obligations rather than our discretion. Compliance is treated as a first-priority investment category in portfolio optimisation, reflecting our responsibility to protect environmental and public health outcomes, consistent with our community's expectation.

The principal compliance regulatory drivers for the FY28-FY30 period include:

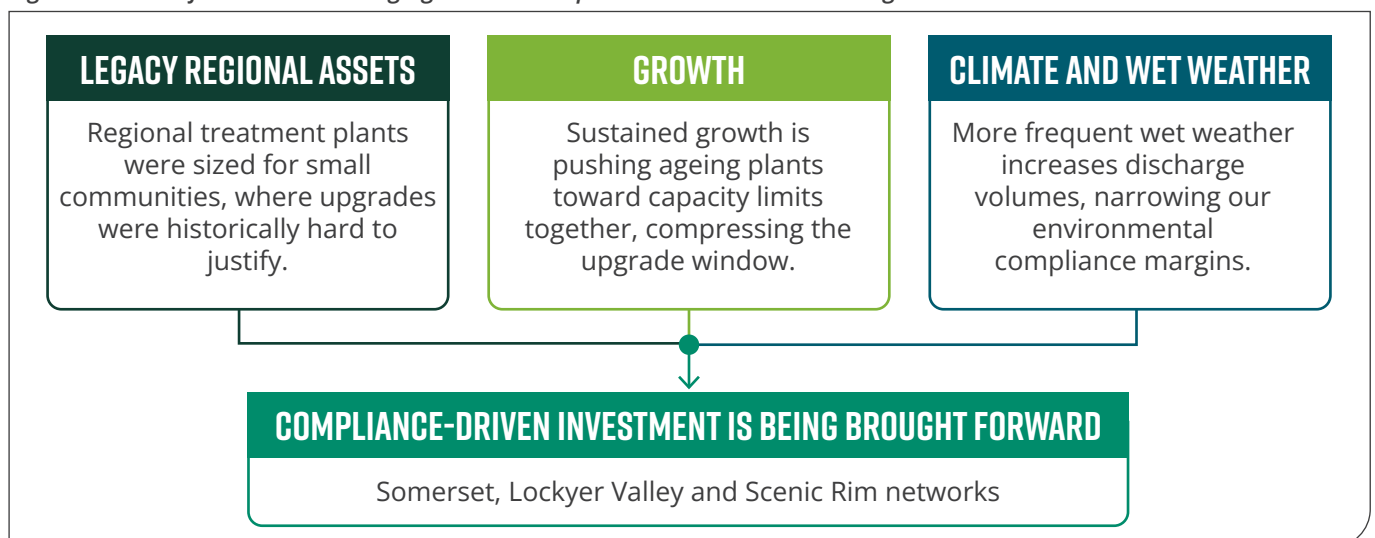
- drinking water quality compliance under the *Water Supply (Safety and Reliability) Act 2008* and the *Public Health Act 2005*, including treatment upgrades, dosing systems and monitoring capability
- environmental authority conditions and the more general environmental duties under the *Environmental Protection Act 1994*, including treatment plant upgrades, wastewater quality improvement, overflow management and protection of receiving environments
- critical infrastructure security and resilience requirements under the *Security of Critical Infrastructure Act 2018*, including measures associated with the physical security, resilience and operation of infrastructure assets
- other targeted investments required to respond to site-specific licence conditions, safety obligations or changes in regulatory requirements.

Three factors are converging to bring forward compliance-driven investment, particularly in our regional networks. We summarise these factors in Figure 15 below, which explains why obligations that were previously well within tolerance are now materialising as near-term investment needs to avoid non-compliance with higher regulatory requirements.

The below external drivers are enforceable in that the regulatory obligations exist regardless of investment timing. Deferral carries direct regulatory, public health and environmental consequences and will also increasingly result in obligations being met through less-efficient operational measures, including wastewater tankering and incremental plant interventions. This places upward pressure on operating costs without resolving the underlying obligation.

While compliance-driven expenditure appears small when viewed within the context of our capital program, total compliance-driven investment across the program is greater than the primary driver grouping suggests. This is because our capital investment plan allows each project to carry multiple drivers, with this proportional driver allocation flowing through to our regulated asset base (RAB). Where a project is primarily triggered by capacity but also delivers compliance outcomes, its compliance proportion is captured in our asset base even through the project is shown under growth in the primary driver grouping. Several of our key projects over the price monitoring period are more accurately understood as multi-driver, combining growth and compliance.

Figure 15: Three factors are converging to drive compliance investment in our regional networks



6.7 Ready the State for the Games and beyond



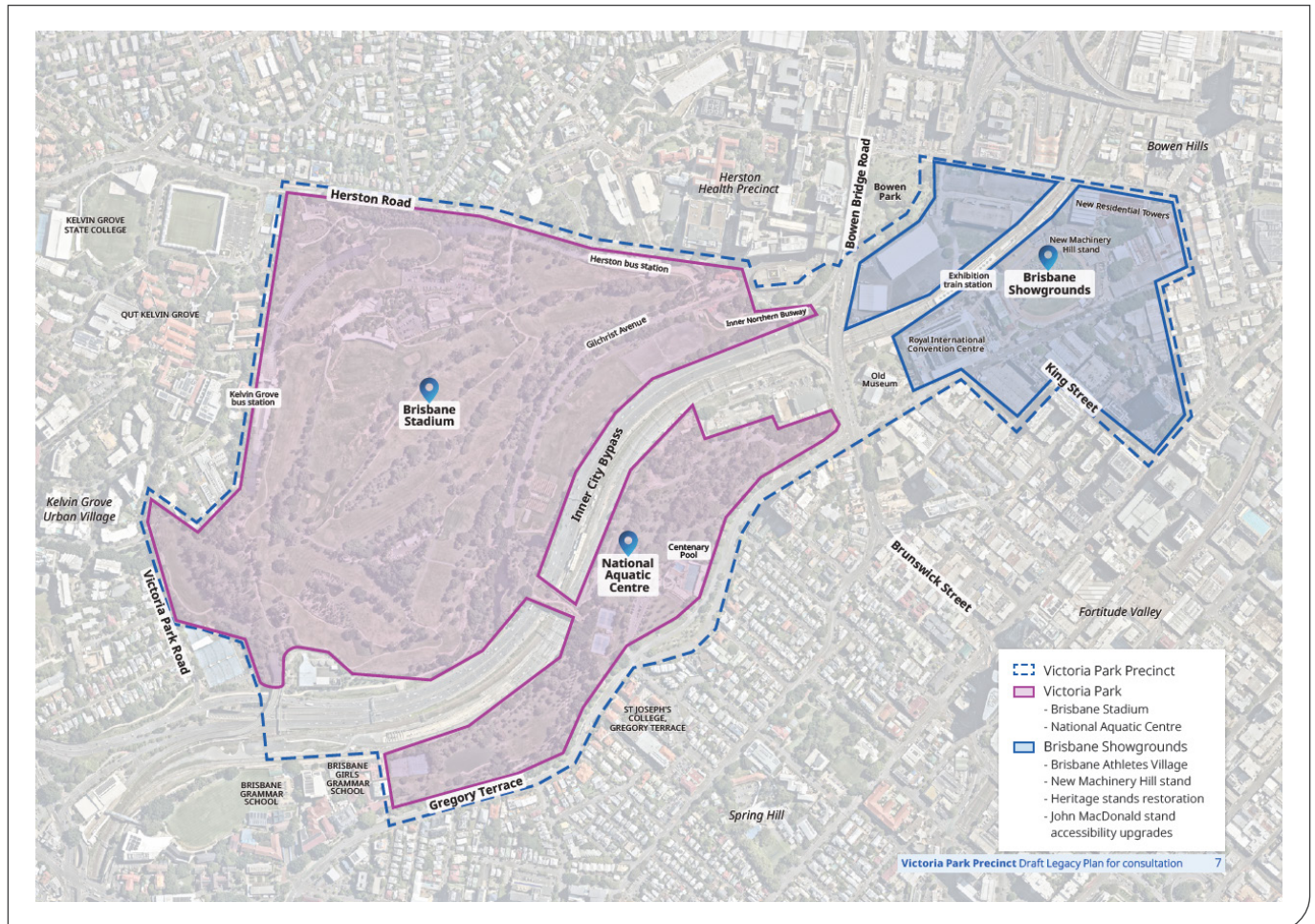
The Games will create a significant and concentrated uplift in visitor activity, workforce activity and operational demand across South East Queensland. Much of this activity will be focused on established inner-Brisbane catchments that are already among the most built-up parts of our network. Our role is to ensure that water and wastewater services remain safe, reliable and resilient before, during and after the Games, not only for Games venues and operations but for the surrounding communities that depend on the same infrastructure every day.

Our Games-related infrastructure has an enduring purpose beyond 2032. Major Games precincts are expected to transition from temporary event capacity to permanent community, residential and mixed-use demand, including the athletes' village, the new aquatic centre and other legacy facilities. Accordingly, much of the network augmentation required to support Games readiness will therefore continue to serve the community long after the event. The investment accordingly reflects a combination of Games readiness, service reliability and enduring growth drivers.

Planning has commenced to allow us to support a successful Games while protecting core service obligations, public health outcomes and long-term value. We are undertaking this planning through sustained engagement with the Queensland Government, Games coordinating authorities, local government and other infrastructure providers. This coordination is essential because the timing, sequencing and scope of water investment depends on the final precinct designs, construction programs, access arrangements, easements and approvals for the broader Games infrastructure program.

Investment to support the Games is identified as a separately tracked stream within our capital investment plan, distinct from business-as-usual service obligation investment. Funding for the water and wastewater infrastructure required to service the Games has not yet been confirmed. This is because the scope, funding basis and cost allocation for this investment remain subject to active engagement with the relevant government parties. We are presenting this expenditure for completeness should the costs ultimately need to be recovered from our customers.

Figure 16: Victoria Park Precinct Draft Legacy Plan - proposed precinct and key Games venue locations. Source: DSDIP (Qld), Victoria Park Precinct Draft Legacy Plan, August 2026, Page 7 © State of Queensland, CC BY 4.0.



Current planning has identified in the order of \$300 million of network infrastructure is initially required for the Games, to support the Victoria Park and Bowen Hills priority Games precinct – Figure 16. This is a preliminary, concept-level estimate that will be refined through subsequent precinct engagement with The Games Independent Infrastructure and Coordination Authority (GIICA), design and gating stages and it should be treated as a preliminary indicator rather than a final program cost.

In addition, we are still assessing the incremental operational costs required to support, deliver and maintain Games infrastructure across the FY28-FY30 price monitoring period.

Since confirmed precinct designs are not yet available, our assessment is necessarily preliminary. It is based on preliminary planning assumptions, benchmarked to comparable major event requirements, while detailed venue master planning is completed by the Games coordinating authorities. We are progressing the work in stages through our standard investment gated process, with priority precincts assessed first followed by treatment and reservoir impacts and then the remaining venues. This allows scope and cost to be refined as detailed design information becomes available while maintaining a clear evidence base for prudence and efficiency.

6.8 We will efficiently deliver our forecast infrastructure capital expenditure

How we procure and deliver our capital program directly affects prudence and efficiency outcomes for customers. We are committed to a capital efficiency target of 2% across our FY28-FY30 infrastructure capital program. This means we will deliver the full program required to keep services safe, reliable and compliant while recovering 2% less from customers than the bottom-up build of the forecast capital program would otherwise require. This target does not rely on reducing scope, lowering service standards or removing required investment from the program.

This commitment is additional to the prudence and affordability discipline already applied in shaping the program. The portfolio development process has already deferred lower-risk expenditure and moderated the program to a level consistent with our risk appetite and our customer affordability considerations.

We will deliver on our commitment through our efficiency governance arrangements for continuous improvement (described further in section 11) and a well-governed delivery model. The key aspects of the delivery model are:



procurement and contracting frameworks that maintain competitive tension and control costs



long-term delivery partnerships that align commercial incentives with customer outcomes



a programmatic approach that continuously improves delivery performance.

We describe each of these aspects of our delivery model below.

6.9 Our procurement framework maintains competitive tension and value for money

Our procurement activities are governed by a Board-approved procurement policy, which requires that procurement approaches be commensurate with the risk and value of each activity. We have invested significantly in procurement capability since our establishment, including a dedicated procurement function, a multi-year procurement transformation strategy and a supplier risk management platform providing ongoing assurance over supply chain performance. We benchmark our procurement practices against professional standards and peer utilities through our participation in forums.

Our contracting framework allocates risk to the party best placed to manage it and creates financial consequences for both cost overruns and savings through shared-risk commercial models rather than fixed-price arrangements. All significant procurement is subject to probity oversight, with Board approval required above defined value thresholds.

We note the QCA's preliminary conclusions in its Interim Report that:

- we have mature frameworks for procurement, asset management and capital planning and delivery that are aligned with good industry practice
- the frameworks are supported by processes and procedures that demonstrate structured governance and decision-making and in which robust oversight and challenge processes are embedded into them
- current practices suggest an appropriate level of planning discipline and rigour and a clear link between expenditure decisions and strategic objectives.

We will continue to refine and improve our procurement processes going forward to ensure value for money is achieved, particularly as we enter a period of intense pressure on resourcing capacity in the infrastructure market in Queensland.

6.10 Our delivery model is built on long-term partnerships

Our capital delivery model is structured around long-term partnerships rather than project-by-project contracting, consistent with established practice for large-scale regulated infrastructure programs. This continuity reduces indirect costs, supports continuous improvement and allows our delivery partners to invest in the systems and workforce needed to deliver projects efficiently at scale.

From 2017 to December 2025, our Program Management Approach (PMA) delivered over \$1 billion of infrastructure across around 200 projects and produced measurable improvements. These include:

- pre-market engineering and design costs fell from 11.5% to 5.2% of capital
- the proportion of projects meeting their approved cost, time and benefit outcomes improved from around 20% to around 90%
- safety performance improved materially in its final years.

The PMA was subject to ongoing internal and independent external review and the lessons from these reviews directly informed our next delivery framework.

As outlined in our Part 1 Submission, Next Generation for Delivery (NG4D) is our new capital delivery framework, bringing an integrated services provider and two delivery groups, each combining a construction partner and an engineering designer, into an integrated model with shared accountability for outcomes.

NG4D is designed to improve on the PMA in several ways, including:



delivery partners being involved earlier in planning and business case development to shape efficiency of delivery rather than only picking this up from construction



the number of delivery contracts has been reduced from seven to three, reducing interface risk



commercial incentives are aligned to whole-of-program performance through a blended fee model with a greater proportion of fee at risk



expenditure delivered under NG4D remains subject to competitive market procurement, with work packages competitively tendered and supported by multiple quotations. This preserves competitive tension throughout the program while enabling the efficiency benefits of an integrated delivery model.

We have set program-wide efficiency targets for NG4D of 80% standardisation of selected solutions, 20% additional value through smarter design and supply-chain innovation and 50% reduction in time spent on site through standardisation and off-site fabrication.



6.11 We govern delivery through a structured, portfolio-wide framework

Delivery is governed through a tiered structure, from project teams through to our executive leadership group and portfolio Board, with delivery performance, cost and emerging risk reviewed at the appropriate level. Each program undergoes structured monthly performance reviews and cost estimates progress through defined accuracy classes as investment commitments increase, subject to independent review at each stage. Lessons from completed projects are captured and applied to future work and where a recurring body of similar work is identified we structure it as a rolling program to standardise delivery and progressively reduce unit costs.

6.12 We have tested and planned for the deliverability of our program

Our capital program for FY28-FY30 represents a significant step-up in delivery, so deliverability has been treated as a core test alongside prudence, efficiency and affordability. We have assessed deliverability by considering our internal capability, market capacity, procurement strategy, program sequencing, delivery dependencies and historical delivery performance.

Two risks sit at either end of this challenge. If the program is not delivered, service outcomes, compliance obligations and growth commitments are placed at risk with the underlying need deferred rather than removed, potentially at higher future cost. Conversely, if the program is compressed beyond a sustainable delivery rate, costs can rise from reduced efficiency, scarce labour and materials attracting a premium and delivery quality coming under pressure.

Our objective is to deliver the program at a pace that is both achievable and efficient. Our long-term planning gives us an evidence-based view of the forward program by catchment, asset class and year, allowing it to be sequenced to a realistic delivery profile informed by market capacity and our delivery partners.



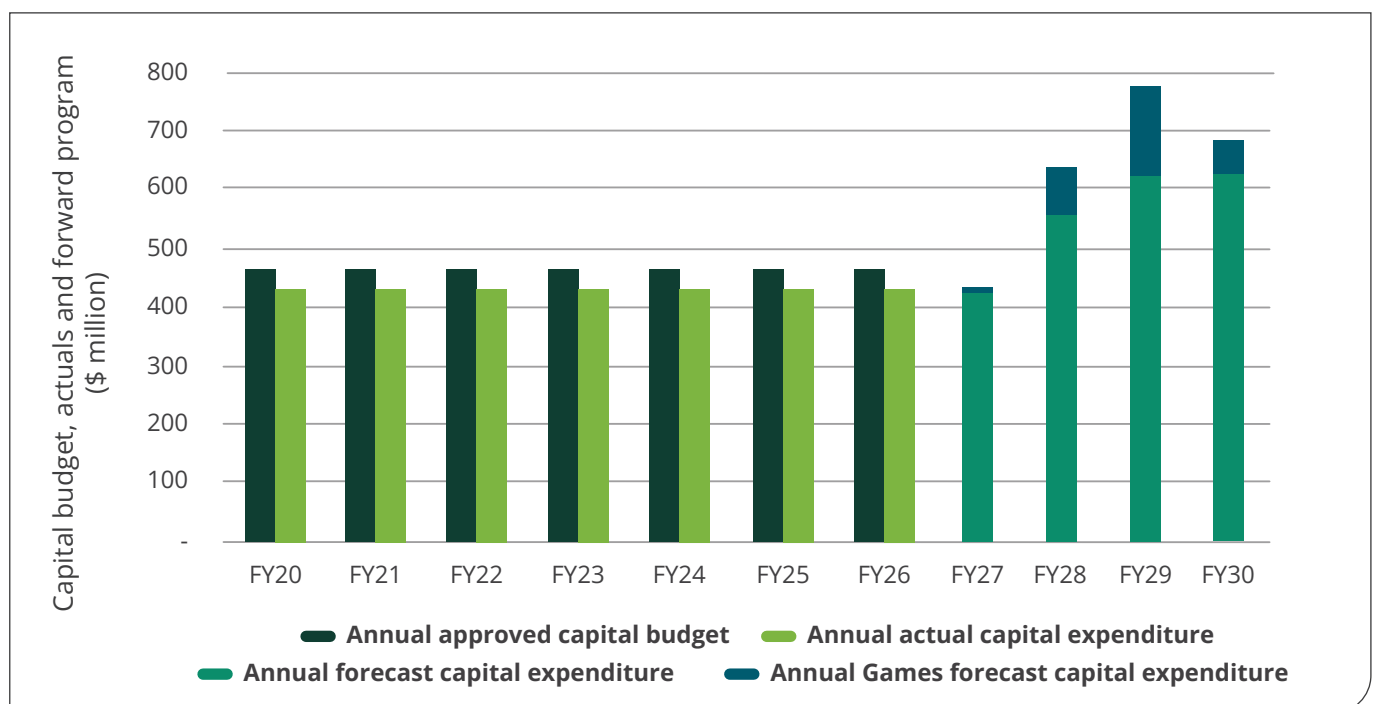
6.13 Our track record supports the scale of this step-up

We have a demonstrated track record of increasing capital delivery over time. Annual delivery grew from around \$225 million in FY11 to around \$418 million in FY25 – an increase of around 80% sustained at close to \$400 million across the last three years. We have delivered this investment safely, competitively and to budget, giving us a demonstrated platform from which to scale – Figure 17. Between FY20 and FY26 the infrastructure portion of capital expenditure has achieved a Schedule Performance Index (SPI) of equal or greater than 0.95.

Our forecast represents a further step-up, to around \$625 million by FY30, roughly 1.5 times our recent delivery rate. This increase is progressive, building across the period with the steepest single year increase falling between FY28 and FY29 before levelling off into FY30. This is a deliberate sequencing that provides a managed glide path for delivery capability to scale ahead of the largest years. More than \$300 million of the forecast FY28 program is already in development with our delivery partners advancing scope, design and approvals well ahead of construction to reduce execution risk.



Figure 17: Annual Games forecast capital expenditure, excluding digital and information, FY20-30 (\$FY27, m)





6.14 NG4D was mobilised specifically to provide this capacity

A step-up of this scale requires a planned increase in our own delivery capability and that of our partners. NG4D was procured and mobilised specifically to provide this capacity ahead of the forecasted increase, selected through a rigorous, multi-stage competitive evaluation, testing capability, capacity, financial standing and safety systems. Consolidating delivery from seven contracts to three also simplifies coordination across the portfolio.

The transition from our previous delivery framework (PMA) to NG4D was itself managed as a delivery risk, structured as a planned, gradual transfer of responsibility, supported by detailed transition plans with each partner, an establishment audit before full commitment, and insurance covering the transition period.

The increase in delivery activity also has operating expenditure implications, with resourcing, program management, systems capability and the ongoing operation and maintenance of new assets once commissioned. These requirements are captured in the growth factor in our operating expenditure forecast, ensuring the program is resourced on both sides of the capital and operating divide.

6.15 We are managing a competitive construction market

We are conscious that delivery over FY28-FY30 will occur in a South East Queensland construction market affected by competing demand for labour, materials and contractor capacity, including from preparation for the Games.

Our long-term partnership model under NG4D gives partners and the market a longer forward view of our pipeline than previous delivery models, enabling earlier planning for labour, materials and specialist capability. This allows us to package related works to secure committed capacity while retaining flexibility for major or complex investments, such as testing alternative delivery models for strategic projects.

6.16 We have identified and are managing the principal delivery risks

Table 3 sets out the principal risks to delivering our program over FY28-FY30 and how we are prudently managing each risk.

Table 3: Delivery risks and mitigations

Delivery risk over FY28-FY30	How we are prudently managing it
Internal resource capacity: Our own workforce, program management and systems capability scaling to plan, govern and assure the program	Workforce planning, procurement and delivery functions are being scaled in step with the forward program. The delivery PMO has been established and subject to an establishment audit. Early partner involvement under NG4D also shifts more planning and design effort to partners, supporting internal capability to be built ahead of the delivery peak rather than in reaction to it.
Contractor and partner market capacity: A competitive SEQ market, intensified by the Games and other major infrastructure programs may constrain available delivery capacity	NG4D provides committed access to core delivery capacity ahead of need, reducing reliance on project-by-project competition for scarce resources. Partners were selected partly on capacity and financial standing. The non-exclusive contract structure also allows the wider market to be tested for peak, specialised or major works where this is likely to deliver better value or additional capacity and capability.
Supply chain: Demand pressure may affect the price and availability of materials, plant and long-lead items during the peak years	Early contractor involvement enables earlier supply chain engagement and procurement of long-lead items. Partner supply chain depth is built into the NG4D model while standardisation, modularisation and off-site fabrication reduce delivery interfaces and time on site. Market dynamics are also factored into procurement sequencing.
Profile sequencing and smoothing - An uneven profile could exceed deliverable capacity in a single year or create avoidable cost pressure.	A long-term view of the program by catchment, asset class and year allows the profile to be smoothed and sequenced. The steepest single-year increase falls mid-period between FY28 and FY29, with delivery broadly levelling into FY30 rather than peaking at the edge of the regulatory period. Annual delivery assessments, informed by experienced construction professionals test and adjust the profile against delivery capacity.

Delivery risk over FY28-FY30

How we are prudently managing it

Cost, contingency and schedule performance: Cost or scope may escalate during a period of high delivery activity and market pressure

Estimates mature through defined accuracy classes to RAMP, with P50 probabilistic contingency scaled to complexity and independent Cost Intelligence review and RAMP certification before commitment. Schedule performance is monitored through monthly program controls, earned value analysis and forecast performance reporting. NG4D pain/gain and KPI mechanisms align delivery partners to cost, schedule and delivery performance outcomes, supporting early intervention where cost or schedule variances emerge.

Governance and adjustment: Emerging delivery, affordability or service-risk changes may go uncorrected if not identified early

Capital Portfolio Board oversight, monthly program controls reviews, earned value analysis and efficiency monitoring provide early visibility of variances. The Capital Project Challenge Process and gateway governance allow scope, timing and priority to be resequenced, deferred or revised transparently, with service risk kept visible in portfolio decision-making.

Beyond these arrangements, deliverability is managed through a combination of portfolio planning, procurement strategy, delivery monitoring and investment governance. A Portfolio Board, comprising executive leadership from Urban Utilities and the delivery partners, provides strategic oversight and portfolio-wide alignment. Annual delivery assessments of the next-year, five-year and 10-year forecasts, are undertaken with input from experienced construction professionals to test whether the program can be delivered as planned and whether the profile needs to be adjusted.

We also target more than 80% of planned investment for the coming year to have progressed beyond Gate 3, providing greater confidence that scope, delivery strategy, funding requirements and delivery planning are sufficiently developed before the delivery year commences. Portfolio sequencing and smoothing then align the program with available market and internal capacity.

Taken together, these mechanisms support a capital program that is realistic, achievable and capable of being delivered at the lowest sustainable cost to customers.

7. INVESTING IN OUR DIGITAL AND INFORMATION BACKBONE

Key messages

- Digital and information (D&I) underpins the delivery of our water and wastewater services. It enables operational technology, customer service, asset management, cyber security, regulatory compliance, workforce productivity and enterprise decision-making.
- Our D&I governance and assurance framework aligns operating and capital expenditure with enterprise strategy, enterprise risk, enterprise architecture and organisational priorities to support prudent, efficient, affordable and deliverable investment decisions.
- Our forecast D&I expenditure over the FY28-FY30 price monitoring period is \$305.6 million, comprising \$131.2 million in operating expenditure and \$174.4 million in capital expenditure.
- Our digital capital investment is rising materially across the period relative to historical levels, with this temporary step-up in expenditure required to renew our digital estate (our digital assets, systems, platforms, data and technology capabilities).
- This renewal will create new or enhanced capabilities that require ongoing operation and support. To support these critical enhancements to systems and capabilities, we will incur ongoing operating expenditure from software subscriptions, cloud consumption, vendor support and maintenance.
- By renewing our digital estate we will:
 - improve customer outcomes through enterprise-wide efficiency, automation and more responsive service delivery
 - drive long-term efficiency through smart, informed asset and capital decision-making
 - support safe, reliable and efficient service delivery through modern digital platforms and improved network visibility
 - establish trusted and governed data foundations for decision making, regulatory reporting and long-term planning
 - renew and modernise ageing digital assets to maintain reliable service and optimise whole-of-life value
 - manage increasing cyber security threats and regulatory obligations as our dependence on digital capability grows
 - maintain resilient digital capability across our operational technology and critical business functions.
- Our D&I expenditure benchmarks well against comparable water utilities, with historical expenditure around or below the industry median on a total expenditure basis. We focus on total expenditure because of the close connection between our core operations and project investment.
- We have established a delivery and commercial model designed to support the efficient delivery of a significantly expanded capital program while maintaining the ongoing operation of critical digital services.
- Supporting information for our forecast D&I expenditure can be found in Annexure 6 – Digital and information investment.

7.1 The digital estate underpins our water and wastewater services

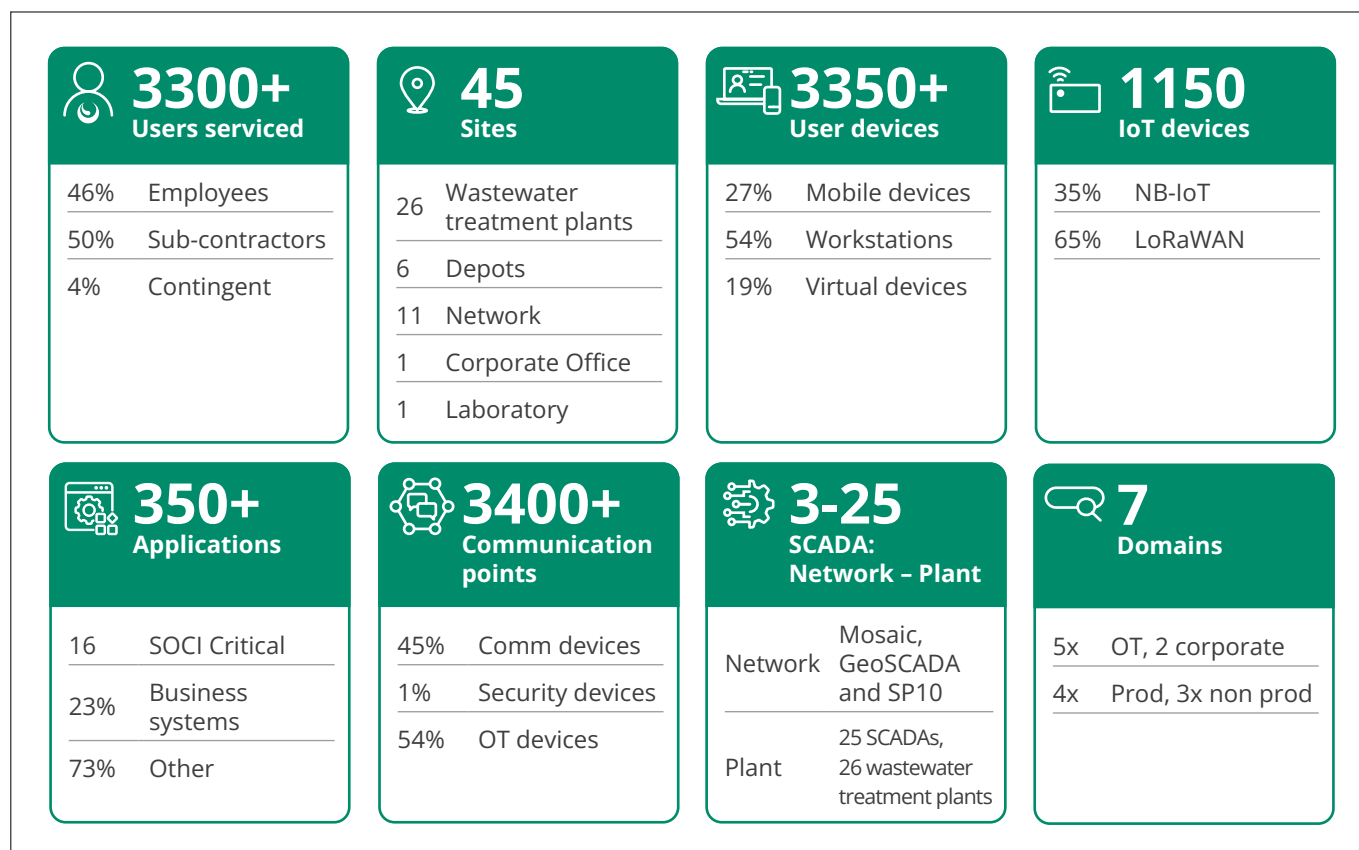
Digital and information underpins the delivery of our services. The delivery of safe, reliable and efficient water and wastewater services depends not only on physical assets, but also on the integrated digital estate managed by D&I. As we have matured as a modern utility, digital capability has evolved from a supporting technology function into essential operating infrastructure underpinning every aspect of service delivery.

Figure 18 provides an overview of the key elements of our digital estate.

Figure 18: Our digital estate underpins service delivery



Figure 19: The digital estate is core operating infrastructure



The scale and complexity of this digital estate reflects its role as critical enterprise infrastructure rather than a traditional corporate support service. As Figure 19 shows, we support more than 3,300 users across 45 operational sites through a technology environment comprising over 350 applications, 1,150 internet of things (IoT) devices and more than 3,400 communication points spanning our operational technology, enterprise systems and customer-facing platforms.

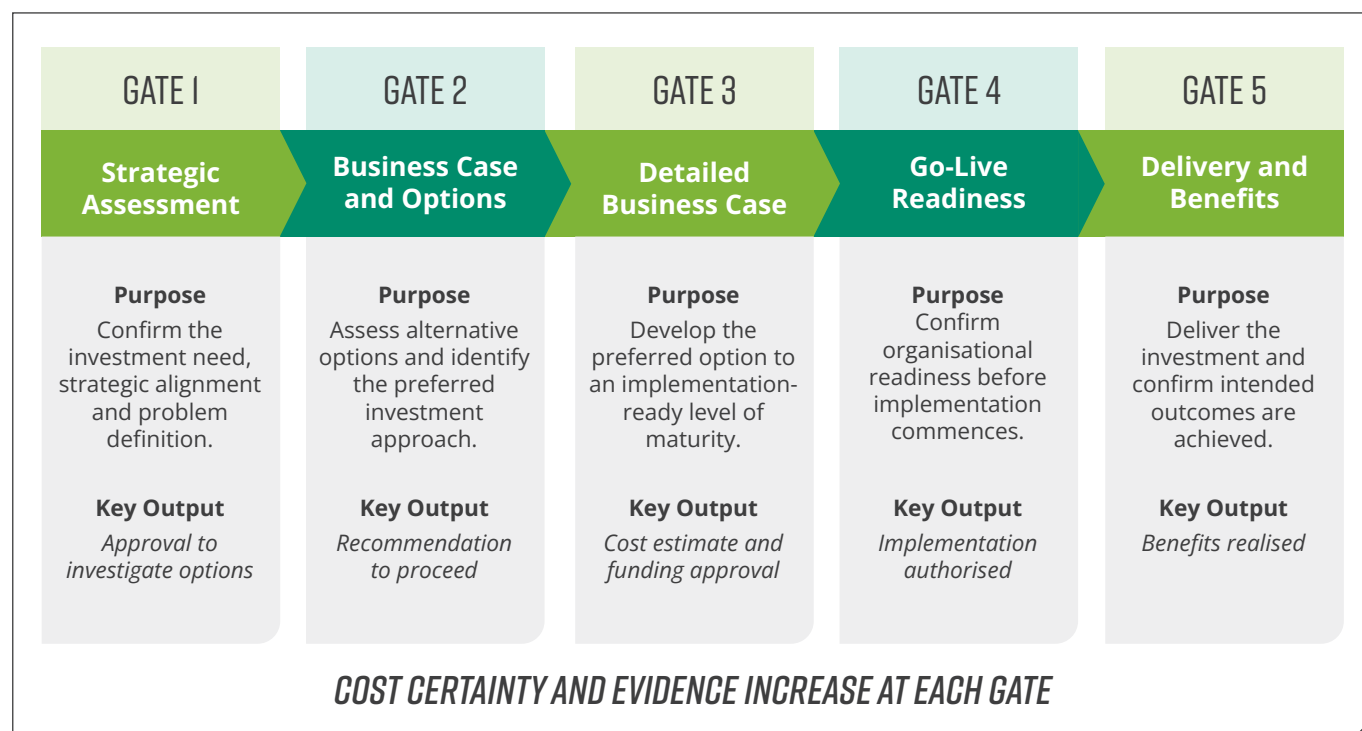
The significance of this capability extends well beyond information technology. Digital infrastructure performs two fundamental enterprise functions. First, it protects the organisation by managing critical enterprise risks, including cyber security, operational resilience, business continuity, data integrity and regulatory compliance. Second, it enables efficient, coordinated and increasingly automated service delivery across the organisation. Together, these functions make digital capability a prerequisite for safe operations, efficient asset management, informed decision-making and high-quality customer service.

The importance of digital capability is recognised in our Enterprise Risk Management Framework and Risk Appetite Statement. The Technology Risk Appetite establishes clear organisational expectations regarding the management of cyber security, system reliability, technology investment, data governance and operational efficiency. Collectively, these settings recognise that maintaining an effective, secure and modern digital estate is fundamental to the delivery of safe, reliable and efficient water and wastewater services.

Digital capability is also foundational to our operations, enabling everything from automated field assets to the systems, processes and data that support service delivery. Modern platforms, integrated data, automation and digital workflows reduce manual effort while improving information quality, decision-making and organisational coordination. These capabilities enhance workforce productivity, optimise asset management and improve customer experience and service performance. Continued maturity strengthens operational planning, reduces complexity across the digital estate and enables more efficient service delivery.

7.2 Our governance process ensures we spend only what is prudent for customers

Figure 20: Our five-stage gated framework for D&I expenditure



We identify D&I expenditure needs through an integrated planning process that considers our enterprise strategy, digital asset condition and lifecycle, enterprise risk and business capability requirements. This process identifies investment needs that exceed what could reasonably be delivered within our available funding envelope and delivery capacity. Rather than fund every opportunity, we systematically prioritise and sequence investment against enterprise risk, customer outcomes, affordability and delivery capability. We test each proposal against the others rather than assessing it in isolation.

Individual investment proposals are then developed through the five-stage gated framework summarised in Figure 20. This is the same discipline we apply to our infrastructure capital works but

tailored to reflect the different risk profile of digital assets. At each gate, the investment's need, options, costs, benefits, risks and delivery approach are independently assessed and challenged. Cost certainty and evidence requirements increase at each stage of the process, meaning the scrutiny applied to a proposal is proportionate to its scale.

The result of this process is that our planned D&I program is not the full scope of digital investment we consider is beneficial. It is the outcome of a disciplined governance process that tested competing investment needs against affordability and prioritised accordingly. This process ensures that our D&I expenditure is the minimum required to manage our risk and service obligations while enhancing the efficiency of our operations.

7.3 A temporary step-up in expenditure is required to renew our digital estate

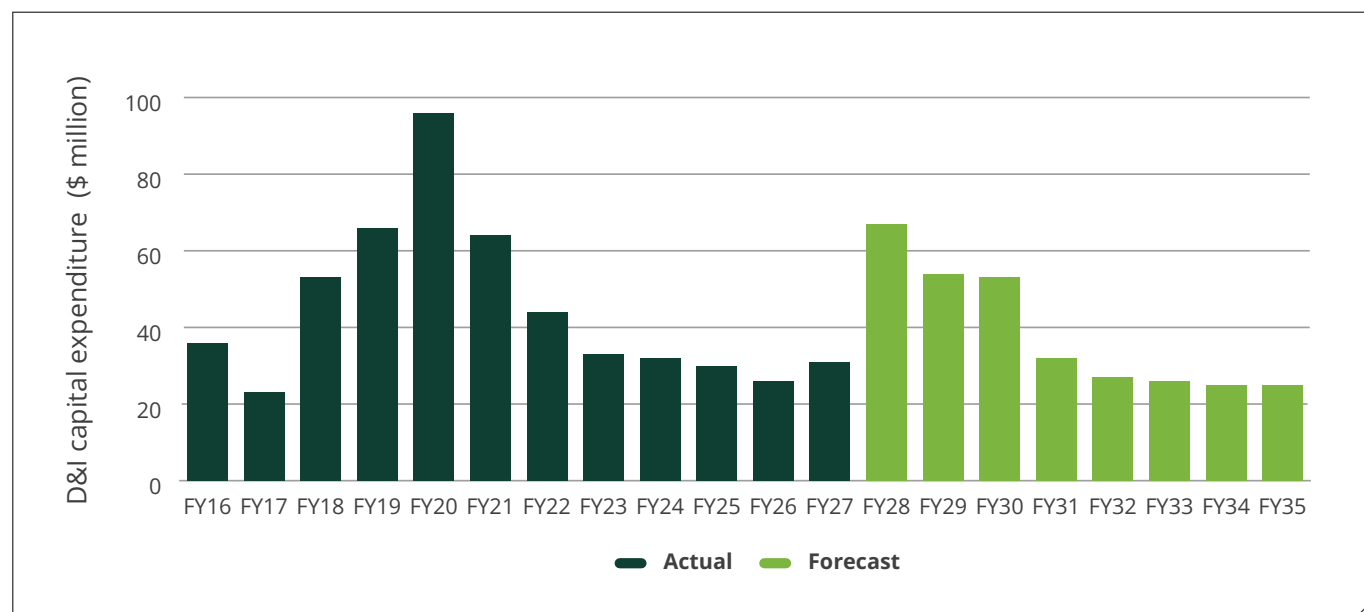
Our forecast D&I expenditure over the FY28–30 price monitoring period is \$305.6 million, comprising \$131.2 million in operating expenditure and \$174.4 million in capital expenditure. Figure 21 shows that this capital investment is a material increase relative to our historical levels. Much of this capital program will create or enhance capabilities that require ongoing operation and support. To support these critical enhancements to systems and capabilities, we will incur ongoing operating expenditure for software subscriptions, cloud consumption, vendor support and maintenance.

Our digital estate has progressively evolved through targeted investment appropriate to our operational maturity and technological environment at the time. However, the scale, criticality and complexity of our digital estate has now fundamentally changed. Increasing cyber security obligations, greater integration of operational and information technology, growing reliance on enterprise platforms and data and ageing technology assets have materially changed our operating environment and investment requirements.

As a result, further incremental enhancements of our existing systems are no longer the most prudent and efficient investment response. Continuing to extend ageing platforms would increase enterprise risk, constrain operational efficiency and result in higher whole-of-life costs. The planned expenditure program will strengthen our enterprise platforms, cyber resilience, data capability and operational efficiency.

As we have become increasingly dependent on digital capability, cyber resilience has become fundamental to the safe, reliable and compliant delivery of our services. We operate interconnected operational technology, enterprise systems, communications networks and information platforms that support critical infrastructure. These are environments that are exposed to evolving cyber threats, increasing supply chain risks and heightened regulatory obligations. This includes those arising under the SOCI framework. Given our role as a critical infrastructure provider, these investments are fundamental to maintaining our licence to operate. They are not discretionary technology enhancements, but essential investments that support the secure, reliable and compliant delivery of critical water and wastewater services.

Figure 21: Our five-stage gated framework for D&I expenditure



We also manage a diverse portfolio of digital assets with varying lifecycles, technology maturity, vendor support arrangements and operational criticality. As these assets age, vendor support reduces, security vulnerabilities increase and maintenance becomes more complex and costly. Deferred renewal creates technical debt, being the accumulated cost, complexity and risk of continuing to operate ageing or outdated technology beyond its optimal lifecycle (in the same way as a capital underspend on physical infrastructure). Our investment program adopts a disciplined lifecycle management approach, renewing priority digital assets before lifecycle risks materially affect performance, avoiding the higher costs associated with deferred renewal.

Finally, a contemporary digital estate is a critical aspect of our continuous improvement journey. Modern platforms, integrated data and automation reduce manual effort, improve decision-making and increase coordination across our organisation. Our forecast program continues this work through improved data quality, enterprise integration and analytics capability. This provides the foundations for emerging capability such as advanced analytics and artificial intelligence, while ensuring our information remains secure, reliable and appropriately governed. Together, these investments position us to operate a modern, resilient and efficient digital estate capable of supporting essential service delivery over the long term.



📍 Goodna Wastewater Treatment Plant

7.4 Five strategic programs deliver our response

Our D&I investment is planned as an integrated portfolio of strategic programs, enabling enterprise risks, technology renewal requirements and organisational priorities to be considered collectively rather than through individual technology projects.

The portfolio comprises five strategic programs that together maintain, protect and modernise our digital estate while supporting operational efficiency, customer outcomes and long-term organisational capability. Figure 22 summarises these strategic programs.

Figure 22: Overview of our strategic programs

	Primary Purpose	Enterprise Contribution	Forecast FY28-FY30 expenditure
MANAGE AND PROTECT	Strengthen cyber security, digital resilience, governance and foundational technology controls to protect critical services and information assets.	Protects critical services, manages enterprise risk and provides the secure foundation for all other digital investment.	\$77.9m
INFRASTRUCTURE MODERNISATION	Renew and modernise the enterprise technology platform to maintain secure, reliable and supported infrastructure capable of meeting future business.	Provides the resilient, scalable and supported infrastructure required for enterprise systems and future capability.	\$22.2m
DIGITAL CORE MODERNISATION	Modernise and optimise core enterprise platforms to improve business capability, simplify processes and support efficient service delivery.	Drives productivity and efficiency, improves service delivery, business processes and enterprise integration through modern core platforms.	\$50.2m
OPERATIONAL INTELLIGENCE	Develop integrated operational data, monitoring and decision-making capabilities to improve the management of water and wastewater services.	Improves operational performance, efficiency, asset management, decision-making and network resilience.	\$16.9m
AUTOMATION AND ANALYTICS	Increase organisational productivity and decision-making capability through automation, advanced analytics and artificial intelligence.	Delivers enterprise-wide efficiency improvements, reduces manual effort and supports data-driven decision-making.	\$15.6m

7.5 Our planned digital capital uplift is deliverable and efficient

Our D&I program represents a step-up in investment, reflecting lower than industry capital expenditure in recent years. Our objective is to deliver this program at a pace and in a manner that is both achievable and efficient. Our planned program is deliverable and efficient because:

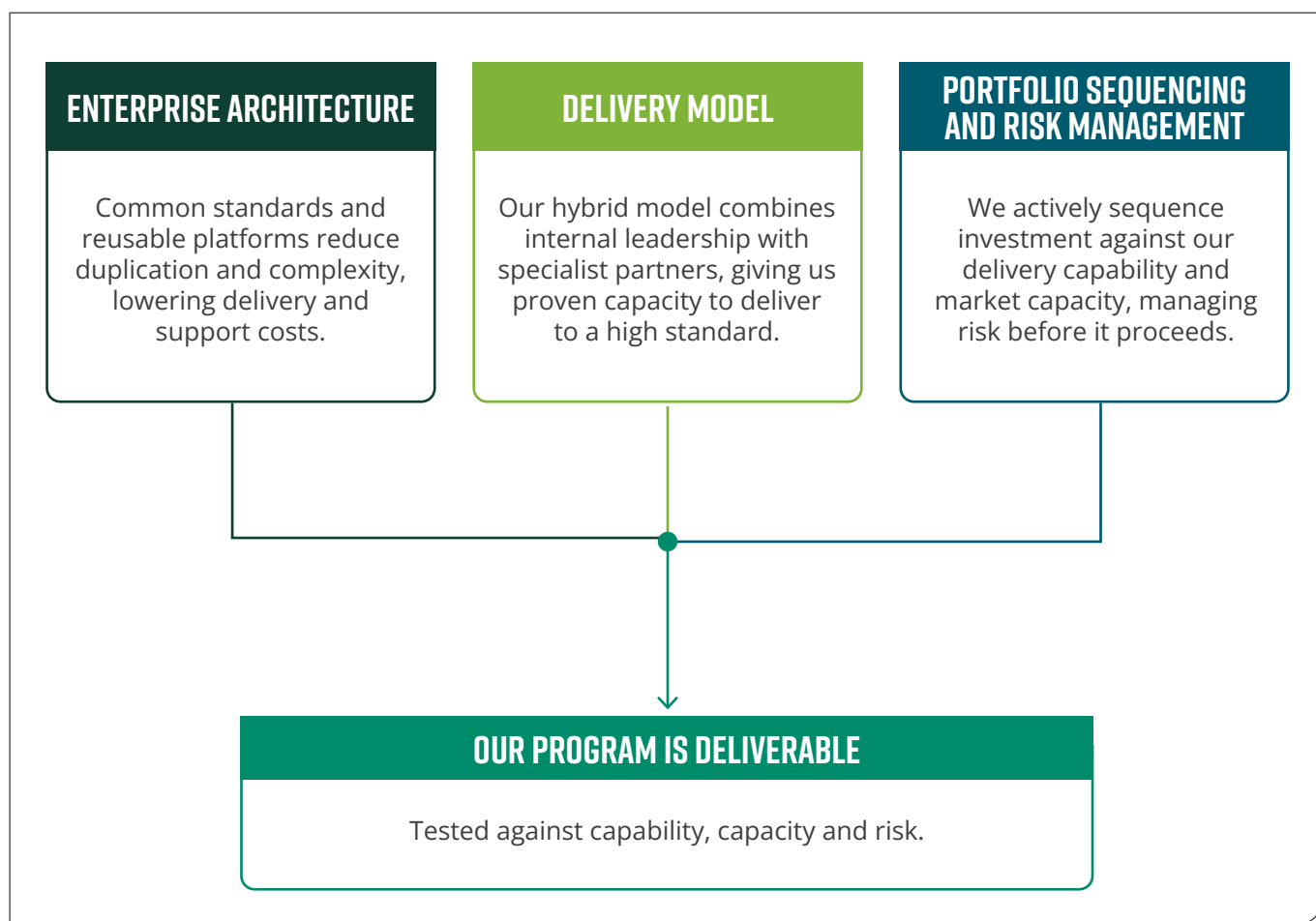
- our delivery model, procurement approach and stage-gate governance give us a robust evidence base for sequencing this investment realistically
- benchmarking of our total D&I expenditure against comparable Australian water utilities confirms that the expenditure this approach produces is proportionate.



7.6 We have tested our D&I strategic programs for deliverability

Deliverability has been a key consideration throughout the development of our D&I program. There are a number of arrangements that collectively provide confidence that the proposed capital program can be delivered efficiently while maintaining the ongoing operation of critical digital services. We summarise these factors in Figure 23 below.

Figure 23: Factors contributing to the deliverability of our D&I capital program



In addition to the above factors, while there is a temporary step-up in expenditure during the price monitoring period, the total capital investment over the full 10-year planning horizon remains broadly equivalent to the level of investment delivered in the previous 10 years. Our planned expenditure therefore represents a rephasing of investment to address accumulated renewal requirements rather than a structural increase in long-term expenditure.

7.7 Our planned expenditure is proportionate to the size and complexity of our organisation



In assessing the prudence and efficiency of our D&I expenditure, we consider the sum of our operating and capital expenditure. We do this because operating and capital expenditure together represent the total investment required to operate, sustain, renew and progressively modernise our digital estate.

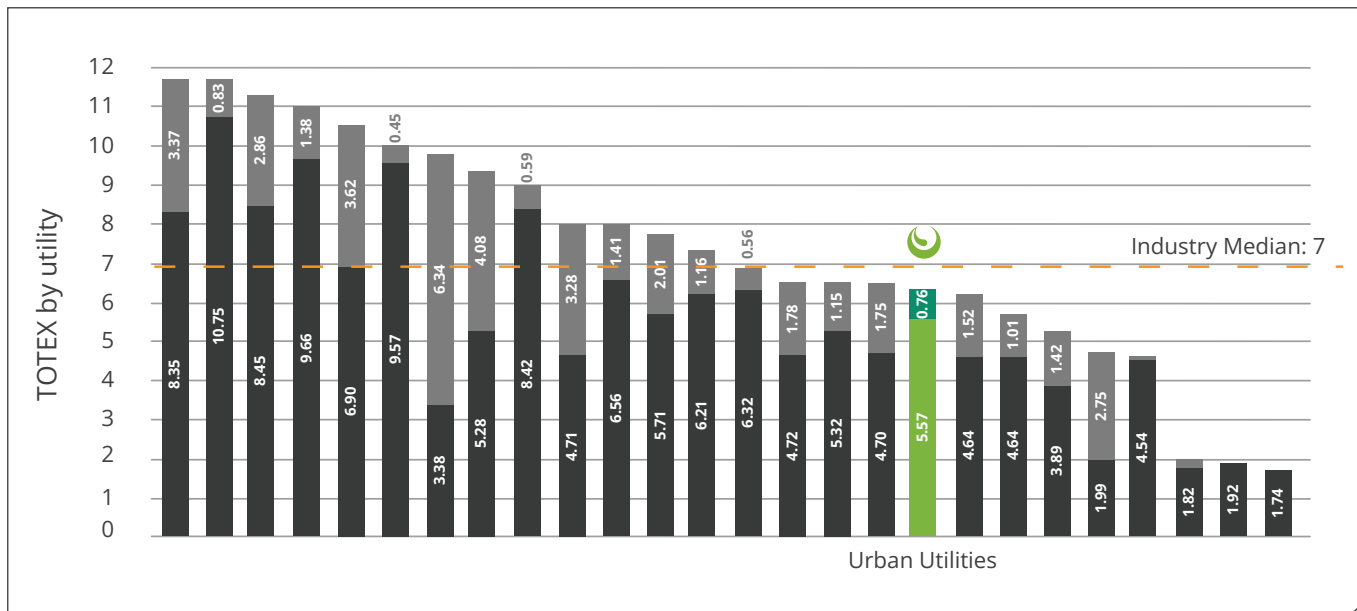
Operating expenditure and capital expenditure are planned together to achieve the lowest whole-of-life cost while maintaining required service, risk and compliance outcomes. Investment decisions are based on lifecycle value rather than accounting treatment, recognising that many digital investments involve trade-offs between operating expenditure and capital expenditure.

To understand the efficiency of our planned D&I expenditure, we have benchmarked our historical and proposed program by:

- comparing our historical digital expenditure with that of comparable regulated utilities
- comparing our planned expenditure against the scale of digital investment undertaken by comparable utilities
- reviewing recent regulatory decisions, which demonstrate that significant digital programs appropriately result in both capital expenditure and ongoing operating expenditure.

These comparisons demonstrate that our forecast D&I expenditure is proportionate to the size and complexity of our organisation, reflects prevailing industry practice and is consistent with expenditure that has been previously accepted by Australian economic regulators.

Figure 24: Our historical total IT expenditure is around the industry median - WSAA, 2025



Comparing our historical expenditure with other Australian water utilities

Our historical D&I expenditure compares favourably with other Australian water utilities. Figure 24 shows FY25 information technology expenditure as a proportion of regulated revenue across a range of comparable utilities.

It demonstrates that our historical expenditure is around the industry median, indicating that the existing cost base has been managed efficiently and does not reflect excessive capital or operating expenditure. Rather, it represents an appropriate level of expenditure for a metropolitan water utility operating an extensive digital environment supporting operational technology, customer services, enterprise systems, cyber security and corporate functions.

Comparing our planned expenditure with other Australian water utilities

We have assessed our planned D&I expenditure against benchmarking information for comparable Australian water utilities using the WSAA benchmarking dataset. The assessment considers the impact of our forecast total D&I expenditure relative to comparable regulated water utilities.

Our forecast expenditure remains consistent with the range of investment undertaken by comparable regulated water utilities. The temporary uplift does not represent excessive or inefficient expenditure but reflects a prudent response to the renewal and modernisation requirements of Urban Utilities' digital estate. The investment establishes the foundational digital capabilities necessary to support safe and reliable service delivery, improve operational resilience and reduce the long-term risks and costs associated with ageing technology.

As the major capital investment program is completed, D&I expenditure is expected to reduce relative to the benchmark and stabilise. The modernised digital environment will deliver enduring benefits through lower lifecycle costs, reduced technology complexity, greater platform standardisation, improved automation, enhanced asset management and lower ongoing support and maintenance requirements. These improvements are expected to generate sustained operating and capital expenditure efficiencies beyond the regulatory period while improving service reliability, organisational productivity and customer outcomes and will underpin our efficiency program across FY28 to FY30.

7.8 Deferring investment will increase operational, cyber security and compliance risks



Deferring our planned investment in D&I infrastructure would increase operational, cyber security and compliance risks. It would also significantly increase the operational cost of maintaining and supporting ageing and fragmented technology. Productivity improvements and operational efficiencies that would be enabled by modern digital platforms would not be achieved or would be delayed. This would directly result in increased manual effort, higher support costs and continued technology complexity across the organisation.

Investment deferral would also increase the likelihood and consequence of security, service and data incidents. This will result in greater current and future expenditure on remediation and recovery. Critical technology assets are past their useful life, which is causing increased enterprise risks relating to cyber security, service continuity, data integrity and operational resilience. Risks are currently outside of the allowances set in our risk appetite statement. The planned renewal and modernisation of the digital estate is the most prudent and efficient response. It addresses risks and avoids the higher financial, operational and risk costs associated with delayed investment.

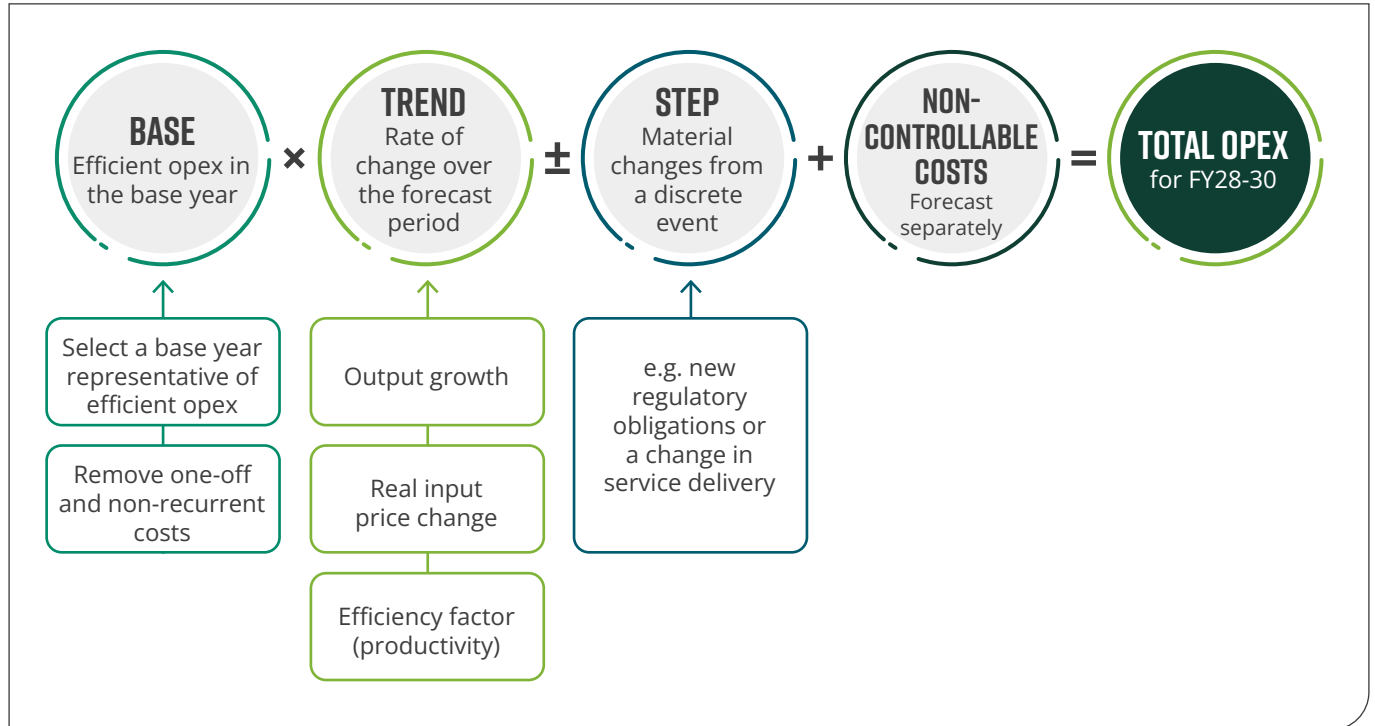
8. OPERATING OUR NETWORK EFFICIENTLY FOR THE FUTURE

Key messages

- We have applied the base-step-trend method to forecast our operating expenditure over the FY28-FY30 price monitoring period. This method is consistent with accepted regulatory practice and our existing approach to top-down cost discipline.
- We adopt FY25 as our base year because it is the most recently completed and audited, and remove non-recurrent expenditure to ensure the analysis reflects the cost of ongoing operations.
- We test the efficiency of our expenditure through a bottom-up, zero-based budgeting review of our cost base at FY27, and in the process of doing so have identified \$10 million in efficiency opportunities. We apply this as a permanent, up-front reduction to the expenditure we forecast from, delivering the affordability benefit to customers immediately.
- We commit to further efficiency with an ongoing productivity improvement of 1.5% per annum from FY28, which lowers operating costs to customers by the end of the period by a further \$20 million. This is in addition to the upfront \$10 million efficiency dividend applied to our FY27 base. The upfront efficiency dividend and ongoing productivity improvement collectively reduces our operating expenditure by \$71 million over FY28-FY30.
- Our forecast operating expenditure includes step changes for costs we will incur that are not in our base year and are too material for us to absorb over the price monitoring period. These step changes relate to:
 - meeting our expanded obligations under the Security of Critical Infrastructure Act 2018
 - managing growing utilisation of enterprise technology platforms, supporting an expanding use base and operating enhanced operational, information management, cyber security and compliance capabilities
 - establishing new cyber security, infrastructure, operational intelligence, enterprise systems, automation and analytics capabilities as business-as-usual operations. Rebalancing our maintenance profile to greater planned maintenance to address increasing infrastructure risk, while also increasing maintenance for our assets operating under constrained capacity conditions ahead of capital expenditure coming online
 - increasing environmental monitoring requirements at discharge locations
 - enhancing our customer engagement practices
 - complying with the QCA price monitoring investigation.
- Our total forecast operating expenditure over FY28-FY30 is \$1,363.3 million. The most significant drivers of growth in our operating expenditure over the period are:
 - employee costs, reflecting the market conditions in South East Queensland and alignment to negotiated enterprise bargaining agreements
 - maintenance expenditure, reflecting the increasing effort required to manage a growing, ageing and geographically dispersed network affected by a changing climate
 - information, communication and technology costs, reflecting additional specialist technical and operational support to manage an expanding technology landscape
- Supporting information for our forecast operating expenditure can be found in Annexure 4 – Operating expenditure.

8.1 We have forecast our operating expenditure using the base-step-trend methodology

Figure 25: Our approach to forecasting operating expenditure



We have used a base-step-trend approach to forecast our operating expenditure over the FY28–FY30 price monitoring period. This method is consistent with accepted regulatory practice and our existing approach to top-down cost discipline.

The base-step-trend methodology builds a forecast for total operating expenditure rather than forecasting each cost category separately. It has three components:

- 1 The **base** reflects the efficient level of our recurrent, controllable operating expenditure.
- 2 The **trend** captures the predictable changes to that base expenditure over the forecast period, driven by output growth, productivity and movements in real input prices.
- 3 The **step** captures a material change to the efficient level of that expenditure (that is, over and above the trend) that arises from a discrete event such as a new regulatory obligation or a change in how we deliver a service.

Figure 25 provides an overview of the steps that comprise the base-step-trend forecasting approach. We set out how we have applied each of these components to our own operating expenditure below, including how we have established the efficient level of expenditure that comprises our base.

Establishing an efficient starting point

We adopt FY25 as our base year for our FY28–FY30 operating expenditure forecast because it is the most recent completed and audited financial year. This is consistent with accepted regulatory practice for the base-step-trend method.

Our actual operating expenditure in FY25 was \$474.4 million. To ensure our base year is representative of our ongoing operations, we remove:

- non-recurrent expenditure items, including Ex-Cyclone Alfred, residual impacts of the 2022 flood events and other expenditure not expected to continue
- digital expenditure reclassified under our revised capitalisation treatment
- capital expenditure that was expensed through operating expenditure in FY25
- expenditure that is not associated with the provision of water and wastewater services.

Table 4 sets out these adjustments. Once these items are removed, our adjusted FY25 base year figure is \$414.3 million.

Table 4: Adjustments to our base year (FY27 dollars)

Adjustment	Total (\$FY27, m)	Reason for exclusion
FY25 actual operating expenditure	\$474.4	
Less capital program expensed items	\$12.8	Remove non-recurrent expenditure
Less digital capitalisation	\$18.5	Account for change in capitalisation treatment
Less non-recurrent items	\$30.7	Remove non-recurrent expenditure
Less costs associated with other services	\$1.6	Remove costs for services other than water and wastewater
Plus ROU amortisation	\$3.6	
Adjusted FY25 base figure	\$414.3	

Notes: totals may not add due to rounding. Further details of these adjustments are set out in Annexure 4 – Operating expenditure.

Public release

Our FY25 recurrent, controllable operating expenditure provides an appropriate basis for our base expenditure only if it is efficient. Regulated businesses typically demonstrate the efficiency of the base expenditure by comparing actual expenditure against the allowance set at their previous determination. Where actual expenditure is below the allowance, it is taken to be presumptively efficient.

This practice relies on a revealed cost approach. Since prices or revenues are fixed against a forecast allowance for the regulatory period, any underspend flows to the business as additional profit and any overspend is borne by the business as a loss. This gives the business a direct financial incentive to spend no more than its efficient cost, which is what allows the regulator to treat actual expenditure against the allowance as good evidence of that cost.

Because we have only recently returned to being subject to price monitoring, and have never been regulated in a manner that involves pricing determinations, no such recent determination exists for us to draw on and so this comparison is not available to us. While we apply our own top-down discipline to the costs we recover from customers, no external party sets or tests the benchmark this discipline relies on, so it does not, on its own, provide the same independent assurance of efficiency as a regulatory determination. Further, benchmarking against comparator businesses is of limited value in evaluating efficiency given the difficulty of constructing a robust and comparable peer set for our unique operating conditions.

In the absence of these conventional tools, we have scrutinised the efficiency of our base expenditure through a zero based budgeting (ZBB) review of our cost base. ZBB is a disciplined budgeting approach that requires all expenditure to be justified from a zero base at the start of each budget cycle, rather than being based on historical spending levels. Under ZBB, activities and costs are systematically reviewed and assessed against strategic objectives, regulatory and service requirements and outcomes to ensure resources are allocated efficiently and effectively. This approach promotes cost transparency, strengthens financial accountability and supports the identification of savings and reprioritisation opportunities while maintaining the delivery of core services and organisational objectives.

We recognise that ZBB goes beyond what is typically expected within an economic regulatory framework. However, we consider a ZBB review of the nature outlined above meets the same intent that revealed cost and benchmarking are designed to serve, while tailored to our circumstances as a business not subject to regular determinations.

Our ZBB analysis was completed for FY27, the year immediately preceding the start of the price monitoring period. To assess the implications of the ZBB results, it is necessary to have an appropriate point of comparison, namely what our FY27 expenditure might otherwise have been.

To construct this point of comparison, we trend our adjusted FY25 base year figure forward to FY27. We do this to reflect:

- output growth
- real input price changes
- recurrent operating expenditure that is not captured in FY25 but form part of our ongoing operations.

We deliberately exclude a productivity or efficiency factor from this step, since the purpose of the ZBB exercise is to identify any potential efficiency improvement. This process produces an adjusted FY27 comparison point of \$447.1 million – Table 5.

Table 5: Our FY27 point of comparison for the ZBB exercise

Adjustment	Total (\$FY27, m)
Adjusted FY25 base figure	\$414.3
Plus growth factor between FY25 and FY27	\$20.2
Plus real input price growth between FY25 and FY27	\$2.3
Plus other recurrent costs not captured in FY25	\$10.3
Point of comparison for ZBB analysis	\$447.1

Notes: totals may not add due to rounding. Further details of these adjustments are set out in Annexure 4 – Operating expenditure.

Comparing our FY27 ZBB result against this trended-forward FY25 actuals, we find that ZBB has identified a range of efficiency opportunities. This includes immediate efficiencies relating to strategic workforce changes and benefits realised through recent procurement activities. As a result, we consider \$10 million worth of opportunities can be realised in FY27.

We adopt this \$10 million lower figure as the basis for forecasting our operating expenditure over the FY28-FY30 price monitoring period. In other words, we are applying an up-front efficiency dividend of \$10 million to our forecast operating expenditure. We have taken this approach to bring the benefit of these efficiencies to customers immediately.

This gives us an efficient starting point for forecasting our operating expenditure of \$437.1 million.

As a cross-check on the efficiency of our base expenditure, we compare it to our efficient recurring, controllable expenditure found by the QCA in FY14. We 'roll forward' this figure to FY27 by applying a trend factor that:

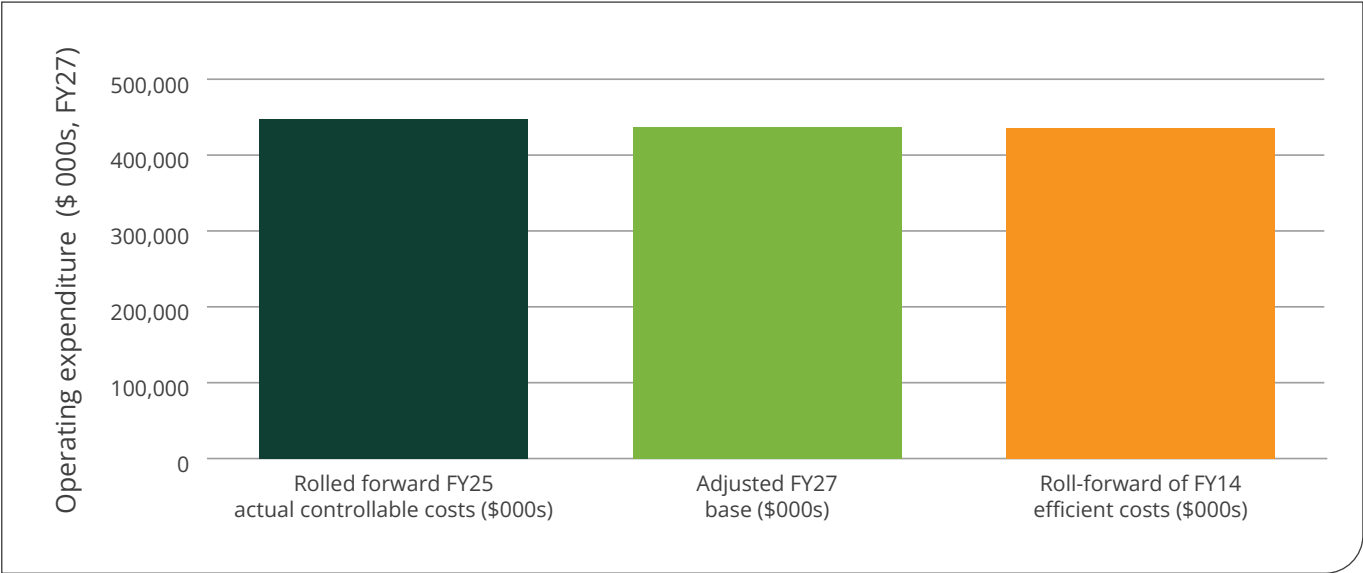
- accounts for growth in connections and water volumes
- assumes no real price increases in input costs between FY14 and FY27
- applies an efficiency factor of 1% per year, which compounds over the 13 years between FY14 and FY27.

We also apply no step changes, so the rolled-forward efficient costs do not reflect any new obligations, changes in scope or changes in operating conditions that have arisen since FY14.

We recognise that rolling forward the QCA finding as to our efficient costs involves judgement, since the choice of growth measure, the assumption of no real price escalation and the size of the efficiency factor cannot be derived mechanically from the FY14 price monitoring investigation. We have selected assumptions that we consider are reasonable and conservative so that this approach is more likely to understate the efficient cost for FY27 than to overstate it.

Figure 26 compares our actual FY25 recurrent, controllable expenditure (rolled forward to FY27) with the adjusted FY27 base and rolled-forward QCA finding. It shows that the base expenditure we adopt for forecasting purposes is less than 1% different from the roll forward of the QCA's findings. This close alignment supports our conclusion that the base expenditure we have adopted is efficient.

Figure 26: Our adopted base expenditure is efficient



Trending forward our efficient starting point

The trend factor is applied to our efficient starting point operating expenditure for each year of the FY28-FY30 price monitoring period. It captures the year-on-year change in efficient expenditure due to forecast changes in output levels, prices and productivity. Consistent with accepted regulatory practice we calculate the trend factor in each year as:

$$\text{Trend factor} = \text{output growth} + \text{real price growth} - \text{productivity growth}$$

We explain each component of the trend factor below.



Output growth

Our efficient starting point for operating expenditure reflects our current outputs. However, the outputs we deliver are expected to increase over FY28-FY30. We have therefore included an allowance in our operating expenditure forecast for the impact of this growth. This reflects the fact that delivering greater outputs is associated with an increase in underlying infrastructure and activities, which costs more to operate and maintain.

We have developed our output growth factor using:

- a 70% weighting on forecast customer connections, which reflects cost increases associated with the number of customers requiring water and wastewater services
- a 30% weighting on forecast water and wastewater volumes, which capture changes in service demand.

Table 6 shows the annual output growth factors for the FY28-FY30 price monitoring period as well as the total output growth based on the above weightings.

Table 6: Forecast output growth over FY28-FY30

Output measure	FY28	FY29	FY30
Customer connections	1.3%	1.3%	1.3%
Water and wastewater volumes	1.3%	1.3%	1.3%
Total output growth	1.3%	1.3%	1.3%



Real input price growth

Our efficient starting point for operating expenditure reflects the current prices of our cost inputs. The base-step-trend methodology therefore adjusts this starting point for forecast real changes in input costs (labour and materials) over the FY28-FY30 period.

Our approach to forecasting real input price changes aligns with the QCA's inflation forecasting position paper. Specifically, we use forecast consumer price index (CPI) inflation to escalate operating expenditure where the underlying cost drivers are not materially different from CPI inflation. Where there is a material difference, we use appropriate input specific or sector-specific cost escalators.

We have applied CPI inflation to most of our cost categories. The areas where we have deviated from CPI inflation are:

- Employee costs, which we escalate using the Queensland Treasury wage price index (WPI) forecast for FY28 and FY29 and the 10-year average Queensland Treasury WPI for FY30. Employee costs are driven by labour market conditions and Queensland's utilities sector faces strong wage pressure from competition for technical and operational skills with the construction, energy and major infrastructure sectors. The Queensland Treasury WPI reflects these conditions and provides the most appropriate basis for forecasting our labour cost escalation.

- Materials, equipment, contractors and services (excluding civil contract maintenance), which we escalate using a blended price factor that uses the WPI for the labour component (30%) and the producer price index (PPI) to the materials and services component (70%). This reflects the mixed labour and non-labour input these costs comprise, with the PPI escalation based on the annual average cost growth observed over the past three years.
- Energy, which we escalate to FY29 using contracted prices under our current electricity supply agreement, beyond which we forecast electricity costs using projected retail electricity prices and regulated network charges. This approach reflects the key drivers of our expenditure once our current contract expires.
- Information, communication and technology costs, which we escalate using a technology specific escalation factor of 6.1% per annum to software licences, subscriptions and cloud platform costs. These costs are influenced by global technology market conditions rather than domestic inflation and have experienced sustained increases driven by vendor pricing practices, cloud-based delivery models, increasing cyber security requirements and the growing incorporation of analytics and artificial intelligence capabilities into enterprise software platforms.



Productivity growth

The productivity growth component of the trend factor reflects the efficiency gains a business would be expected to achieve over the price monitoring period. In setting our efficiency factor for the FY28-FY30 price monitoring period, we have had regard to the QCA's consultant's recommendations that efficiencies identified through a bottom-up assessment be used to inform the efficiency factor.

To that end, we have developed our operating expenditure efficiency target through a combination of top-down and bottom-up assessment of our cost base. We have used top-down benchmarking analysis as a diagnostic tool to identify areas in our business with potential efficiency opportunities. These top-down areas of focus have been complemented by a bottom-up assessment of our current operating costs through zero base budgeting initiative to ensure the proposed efficiencies are achievable in our unique operating environment. We detail our approach in Annexure 11 – Benchmarking and efficiency.

This work has helped to identify and shape a pipeline of productivity and efficiency initiatives to be pursued over the price monitoring period. This pipeline amounts to \$20 million by the end of the period, which is equivalent to a 1.5% annual compounding efficiency factor. Importantly, this amount is in addition to the \$10 million up-front efficiency dividend.

Collectively, the efficiency and productivity adjustments have reduced our total forecast operating expenditure over the price monitoring period by \$71 million. That is, without the efficiency and productivity adjustments, our forecast operating expenditure would have been \$71 million higher.

8.2 Adding prudent and efficient step changes

We have included an allowance in our forecast operating expenditure of step changes for events or obligations that will cause us to incur additional costs over and above our efficient starting point and the application of the trend factor during the FY28-FY30 period. We have identified and developed these step changes by reference to the QCA's step change criteria. These are prudent and incremental costs that are:

- necessary to fulfil new, or changed, binding statutory or regulatory obligations
- reasonably required to achieve an outcome that is explicitly endorsed by customers or broadly accepted changes in community expectations in relation to corporate responsibility

- not funded through other components of forecast expenditure, so as to avoid double counting of costs
- cyclical activities that are not within annual business-as-usual budgets
- sufficiently material such that the costs could not reasonably be met by an efficient entity operating within business-as-usual budget constraints, through prudent prioritisation of expenditure, or be otherwise mitigated.

Table 7 below sets out the seven step changes that are incorporated into our forecast expenditure and their underlying drivers.

Table 7: Seven step changes are incorporated into our forecast operating expenditure

Step change	FY28-FY30 (\$FY27, million)	Driver
SOCI compliance	\$4.00	Expanded regulatory obligations require additional security risk management, supply chain assurance and personnel and physical security capability.
Environmental monitoring	\$1.33	New and expanded environmental approval and permit requirements.
Customer engagement	\$0.52	Maturing our evidence-based engagement program to enhance how we test affordability, service and investment trade-offs with customers and incorporate customer priorities into our decision-making.
ICT costs	\$5.46	Expanded core digital capability requires additional operating and specialist support for platform visibility, planning and customer service.
Digital and innovation strategic projects	\$10.70	Support for new cyber security, infrastructure, operational intelligence, enterprise systems, automation and analytics capabilities from strategic programs following commissioning and into business as usual operations.
QCA investigation	\$3.00	Participation in the QCA's price monitoring investigation requires additional regulatory, forecasting and assurance capability.
Maintenance (contractors, services and materials)	\$9.10	Increasing asset risk and a shift to more proactive maintenance require additional contractor services and materials.
Total	\$34.11	

8.3 Our forecast operating expenditure over FY28-FY30

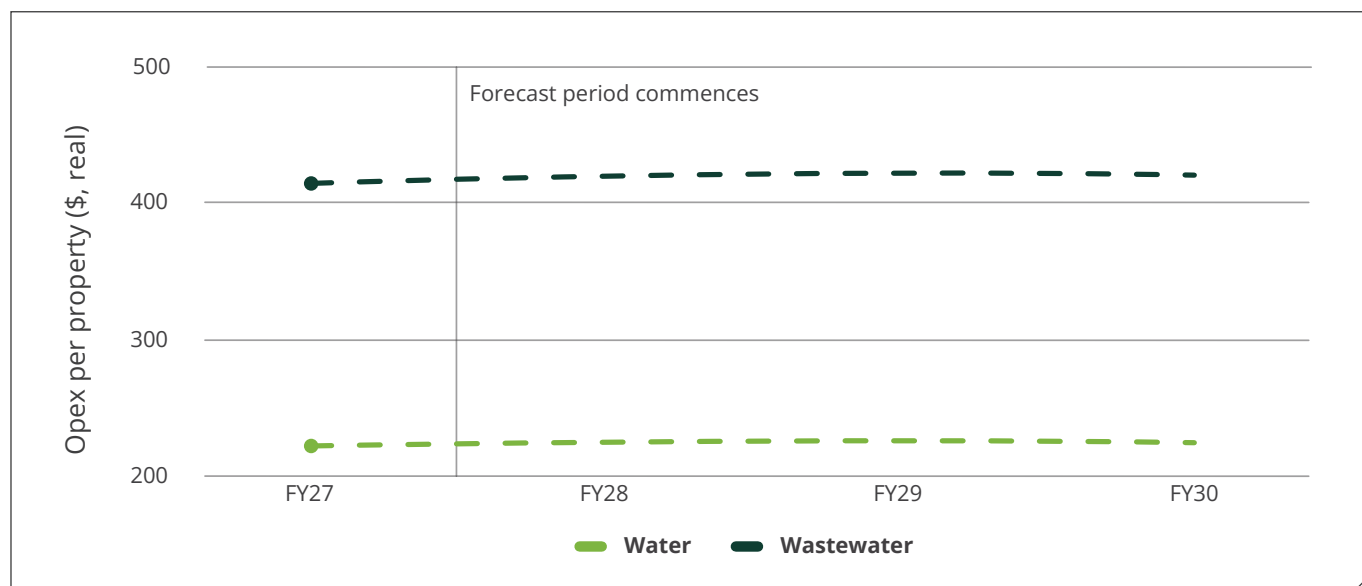
Table 8 details our base-step trend forecast operating expenditure over the FY28-30 price monitoring period, which is a summation of the above components.

Table 8: Forecast operating expenditure of the FY28-30 price monitoring period (\$FY27, m)

	FY27 base year	FY28	FY29	FY30	Total (excl base year)
Base	437.1	437.1	448.0	454.6	1,339.7
Step change	0.0	7.5	4.1	3.3	15.0
Trend	0.0	10.5	9.8	10.1	30.5
Productivity factor	0.0	(6.7)	(6.9)	(7.1)	(20.7)
ROU Amortisation	0.0	(0.4)	(0.5)	(0.2)	(1.1)
Total	437.1	448.0	454.6	460.7	1,363.3

Figure 27 shows that our operating expenditure per connection across water and wastewater is forecast to remain relatively stable in real terms across the price monitoring period.

Figure 27: Operating expenditure per connection for water and wastewater (\$FY27)



9. RESPONSIBLE REVENUE TO DELIVER VALUE FOR MONEY

Key messages

- Consistent with standard regulatory practice, we use a 'building block' methodology to set revenue that recovers only the efficient costs of providing our water and wastewater services. This involves separately estimating the prudent and efficient amount of each underlying cost category, referred to as our building blocks.
- The annual revenue stream calculated under this building block methodology, known as unsmoothed revenue, is typically uneven due to the inherently lumpy nature of capital expenditure. While this unsmoothed revenue is designed to deliver our expected cost recovery, it can create undesirable price volatility for our customers.
- To address this, we smooth our revenue which changes the timing of cost recovery for customers within the period without changing the total amount recovered. This delivers a more predictable price path for customers over the price monitoring period.
- Our maximum allowable revenue (MAR) for water and wastewater services for FY28-FY30 is \$3,567.7 million, comprising \$1,367.2 million for our water services and \$2,200.5 million for our wastewater services, removing sundry or non-regulated revenue and excluding bulk water sales revenue.
- Our MAR is expected to grow by approximately 4% each year on average in real terms over the price monitoring period, driven by a combination of external cost pressures and the step change in investment we need to serve a growing South East Queensland.
- External economic factors, primarily a higher weighted average cost of capital (WACC) and customer connections growth in higher-cost-to-serve areas, are key drivers of our increasing MAR. These increases are outside our control but are partly offset through our efforts to drive efficiencies across our operating and capital expenditure programs.
- Our forecast revenue from prices passes standard financeability tests, which means we can fund the investment program and remain financially sustainable over the price monitoring period.
- The information underpinning our forecast building blocks and revenue methodology can be found in:
 - o Annexure 4 – Operating expenditure
 - o Annexure 5 – Infrastructure capital expenditure
 - o Annexure 6 – Digital and information investment
 - o Annexure 7 – Regulatory asset base (RAB)
 - o Annexure 8 – Rate of return (WACC)
 - o Annexure 9 – Regulatory setting and revenue requirements.

9.1 Our revenue recovers the efficient costs of delivering services for customers

Consistent with standard regulatory practice, we use a conventional 'building block' methodology to set revenue that recovers only the efficient costs of providing our water and wastewater services. This involves separately estimating the prudent and efficient amount of each underlying cost category, referred to as our building blocks. Our building blocks comprise:



Return on assets, being the return generated by applying a benchmark rate of return (the weighted average cost of capital – WACC) to the value of our regulatory asset base (RAB). This compensates our investors for the cost of capital deployed in our business.



Indexation, being a deduction that removes the inflationary component embedded in the nominal RAB and nominal WACC. This prevents a double allowance for inflation within the return on assets building block.



Return of assets (depreciation), being the recovery of capital invested in the RAB over the remaining life of the asset base. This returns the initial capital outlay to investors over time.



Operating expenditure, being our forecast efficient cost for the provision of essential water and wastewater services to our customers.



Bulk water purchases (costs), being the pass-through of our cost of purchasing bulk water from Seqwater to customers without mark-up.



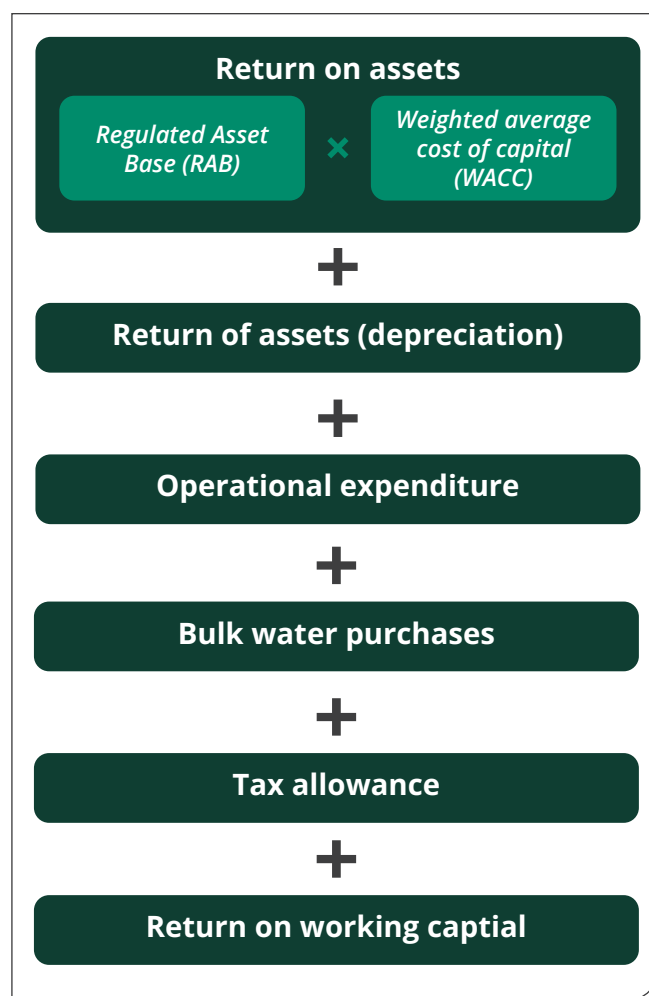
Tax allowance, being an allowance for the corporate income tax liability attributable to our water and wastewater services.



Revenue adjustments, being adjustments that reconcile actual to forecast revenue from the previous period (correcting for under- or over-recovery) and remove sundry or non-regulated revenue from the building block calculation.

Figure 28 below summarises how we derive our total MAR based on these building blocks.

Figure 28: Setting our maximum allowable revenue through the building block methodology



We adjust the total MAR to account for:

- Forecast revenue earned from non-utility services, which we refer to as sundry revenue. This includes revenue from services such as developer application fees, recycled water sales and special meter readings.
- Forecast revenue earned from bulk water sales, as we directly pass these bulk water costs through to our customers.

We adopt this approach to ensure our customers pay only the net efficient cost of providing water and wastewater services. The resulting annual revenue stream calculated under this building block methodology is known as unsmoothed revenue, which is our target MAR for water and wastewater services. We summarise our forecast unsmoothed revenue for both water and wastewater in Table 9 below, which presents revenue in real \$FY27.

Table 9 illustrates that the annual growth in unsmoothed revenues of the building block model

can be uneven or lumpy. This is due to the uneven timing of capital expenditure in water and wastewater services. While this revenue pattern is designed to deliver our expected cost recovery, it can create undesirable bill volatility for our customers.

To address this, we have smoothed our revenue to moderate changes in customers' total bills which changes the timing of cost recovery for customers without changing the total amount. This provides customers with a more predictable bill path over the price monitoring period.

Table 9: Forecast unsmoothed revenue for water and wastewater services (\$FY27, m)

Building block	FY28	FY29	FY30	Total
Return on assets	459.2	477.9	509.0	1,446.1
Indexation adjustment	-165.5	-170.4	-179.9	-515.9
Return of assets (depreciation)	310.8	330.4	355.6	996.8
Operating expenditure	448.3	455.1	461.4	1,364.7
Return on working capital	17.9	18.6	19.6	56.0
Tax	58.2	59.1	60.2	177.5
Revenue adjustments	6.5	-	-	6.5
Bulk water costs	504.3	511.9	519.6	1,535.8
Total MAR	1,686.1	1,729.7	1,793.4	5,209.2
Less bulk water sales	-504.3	-511.9	-519.6	-1,535.8
Less sundry revenue	-35.2	-35.2	-35.2	-105.7
Unsmoothed revenue	1,146.6	1,182.6	1,238.5	3,567.7

Annexure 9 - Regulatory setting and revenue requirements providers further detail on our revenue smoothing.

9.2 A number of factors are driving our increasing revenue requirement

We are forecasting that our smoothed MAR will increase to \$1,251.8 million by FY30. The growth in our MAR over the FY28-FY30 period reflects two distinct drivers:

- Our planned investment in our operating and capital expenditure programs. We have tested this for prudence and efficiency, and it is necessary to maintain safe, reliable and compliant services for a growing region.
- External economic and growth pressures that sit outside our control but affect our revenue requirements regardless of our efficiency discipline.

Our operating expenditure and capital expenditure (through the return on assets) form two of the building blocks used to calculate our MAR. Growth in either of these cost categories directly increases the revenue we need to recover to fund our efficient costs. As explained in previous chapters, our:

- operating expenditure is increasing to reflect the costs of managing a growing, ageing and geographically dispersed network affected by a changing climate and security obligations
- capital expenditure is increasing because our infrastructure program represents a step change compared with recent historical levels, driven principally by growth and renewals.

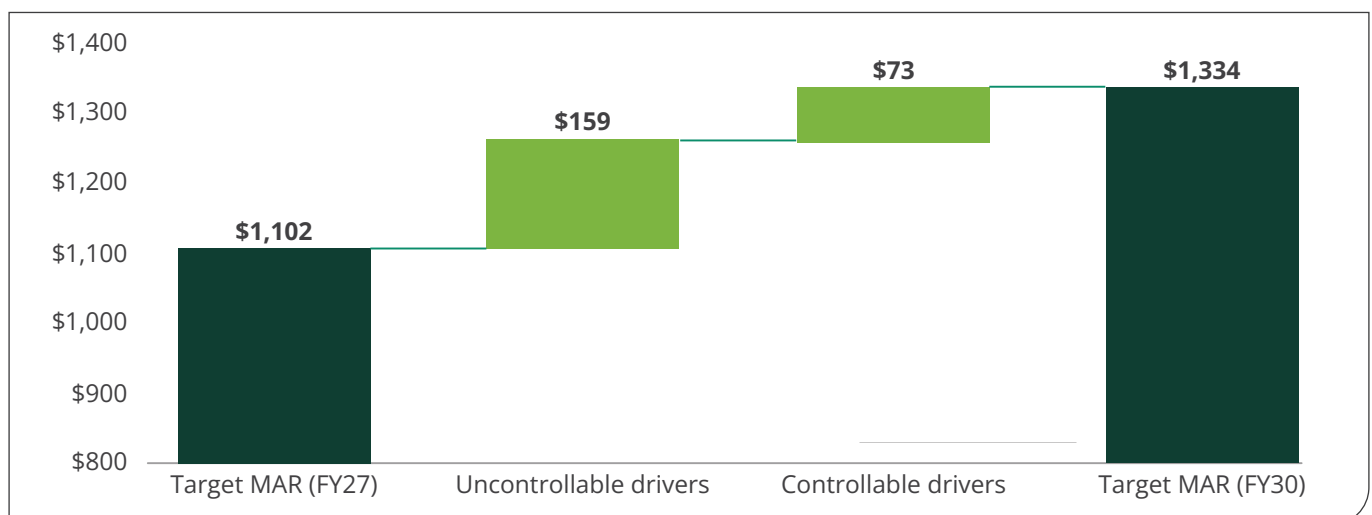
We have worked hard to place as much focus on customer affordability as we responsibly can across these areas, but they still contribute to our rising forecast revenue.

A material proportion of the growth in our MAR over the price monitoring period is also driven by factors outside of our control. For example, the cost of capital has increased significantly in recent times. Prevailing interest rates and the cost of debt have increased materially, reflecting the higher interest rate environment across the broader economy. This is not a business-specific or discretionary outcome; it reflects the return required by debt and equity markets more generally. At the same time, our RAB is growing, reflecting our capital investment program, this higher rate of return is now applied to a larger asset base – compounding its effect on our revenue requirement.

Figure 29 illustrates the drivers of our changing MAR between FY27 and FY30. It shows that:

- most of the increase in our MAR (\$159 million) is driven by factors that are outside our control, including inputs cost and price inflation, increases to our cost of capital, greater growth and compliance investment, and step changes in our operating expenditure
- the remainder of the increase in our MAR (\$73 million) is driven by factors within our control, including the roll forward of our asset base, capital expenditure relating to renewals, service levels and efficiency, the return on our working capital and adjustments to our base operating expenditure including our commitment to further efficiency during the price monitoring period.

Figure 29: Contribution of controllable and external factors to our increasing MAR (nominal, m)



9.3 We have tested our forecast revenue for financial sustainability

Our 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 ZBB, providing confidence that the proposed revenue requirement reflects efficient costs.

A financially sustainable revenue allowance is critical to maintaining our capacity to fund asset renewal, accommodate population growth, invest in network resilience and respond to future service requirements into the longer term. The indicative 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-FY30 price monitoring period. In doing so, we have 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 our financial capacity to efficiently finance our functions and obligations, particularly given that we have limited other sources of funding and, specifically, are not able to access equity capital markets. 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.



10. WHAT OUR PLANNED EXPENDITURE MEANS FOR PRICES AND CUSTOMER BILLS

Key messages

- 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 our efficiency through enhanced digital capability.
- In managing these price increases we are focused on achieving an equitable and balanced pricing outcome that focuses on the factors that are within customer's control to minimise their bill impacts. Our pricing strategy focuses on the total 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 for the monitoring period, which assume that we recover all our planned prudent and efficient expenditure from customers, have the following effects:
 - o the typical residential bill increases by an average of CPI plus 2.8% in each of year the monitoring period, of which our component of the bill increases by an average of CPI plus 4.3%
 - o our typical residential customer's bill increases, on average, by \$1.78 per week each year compared to the year before, of which our component represents \$1.61 per week.
- These increases are reflective of the capital-intensive nature of the business, particularly wastewater infrastructure. Specifically:
 - o 3.8 percentage points (or 72%) of the uplift is driven by an increase in capital-related costs such as capital investment, depreciation, rate of return and asset inflation
 - o 1 percentage point (or 19%) of the uplift is driven by an increase in operating costs (including non-revenue water), which is below average forecast CPI for the price monitoring period
 - o 0.5 percentage points (or 9%) of the uplift is driven by our pass through of bulk water costs, which is also below average forecast CPI for the period (based on the FY28 bulk water price freeze and the assumed forecast CPI bulk water price increases of 2.5% in FY29 and FY30).
- 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 our component of the bill over the price monitoring period.
- When combining these impacts with the FY27 total bill increase of CPI minus 3%, the average indicative typical residential increase reduces to CPI plus 1.4% across FY27 to FY30. This translates to an average total bill increase each year for our typical customer of \$1.47, of which our component represents \$1.34 per week.
- We continually strive to balance service outcomes with customer affordability and have worked hard to limit our bill increases. We have employed several measures to limit bill increases, including:
 - o under-recovering the revenue required to fund our efficient costs, which we did in FY27 to provide cost-of-living relief in line with Government priorities
 - o smoothing our revenue over the price monitoring period, delivering a more predictable price path for customers over the price monitoring period
 - o pursuing significant efficiencies that have been incorporated into our indicative prices
 - o achieving an equitable and balanced pricing outcome that focuses on factors that are within customers' control to help minimise bill impacts
 - o passing through our bulk water charges with no mark-up.
- We are 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 long-term investment our services need. We will continue to explore these options in the coming months and provide further details in our submission in response to the QCA's draft report in early 2027.
- We have a range of programs in place to support our customers. These include dedicated support for vulnerable residential customers through our Urban Care program and flexible payment arrangements.
- Further details on our indicative prices and associated bill impacts can be found in Annexure 10 – FY28-FY30 prices and bill impacts.

10.1 Price increases are needed to support service outcomes



Our planned expenditure will support growth, unlock housing supply, replace ageing assets, preserve service reliability, protect environmental and public health outcomes and ensure our enterprise systems remain secure, compliant and improve efficiency to help contain long-term costs. The scale of investment needed to maintain and expand essential services to deliver these outcomes means price increases will be necessary.

Table 10 sets out our indicative residential prices over FY28-FY30. These prices assume all our planned prudent and efficient expenditure will be recovered from customers over the price monitoring period. They are based on our forecast MAR and will be updated each year to reflect our updated revenue requirement, including our true-

up mechanism and demand variation adjustment mechanism. We describe these mechanisms in greater detail in Annexure 9 – Regulatory setting and revenue requirements.

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 our typical residential customer using 150kL of water per year, we forecast that the total annual bill will indicatively increase by an average of CPI plus 2.8% over the price monitoring period. We estimate an average headline increase for our component of the bill of CPI plus 4.3% over the FY28-FY30 price monitoring period.

Table 10: Forecast residential prices over the FY28-FY30 price monitoring period (nominal)

Price	FY27	FY28	FY29	FY30
Water Service Charge (\$/day)	\$0.597	\$0.616	\$0.650	\$0.684
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
Sewerage Service Charge (\$/day)	\$2.107	\$2.230	\$2.358	\$2.487

Table 11: Weekly bill changes for our typical customer consuming 150kL per year

Bill component	FY27	FY28	FY29	FY30	CAGR
Bulk water (\$/week)	\$0.00	\$0.00	\$0.25	\$0.26	1.2%
Urban Utilities (\$/week)	\$0.53	\$1.69	\$1.52	\$1.62	5.7%
Total bill (\$/week)	\$0.53	\$1.69	\$1.78	\$1.88	4.4%

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.

Table 11 illustrates what our indicative prices mean for the change in our typical customer's weekly bill. It shows that a typical customer would pay less than an additional \$2 per week each year over the price monitoring period.

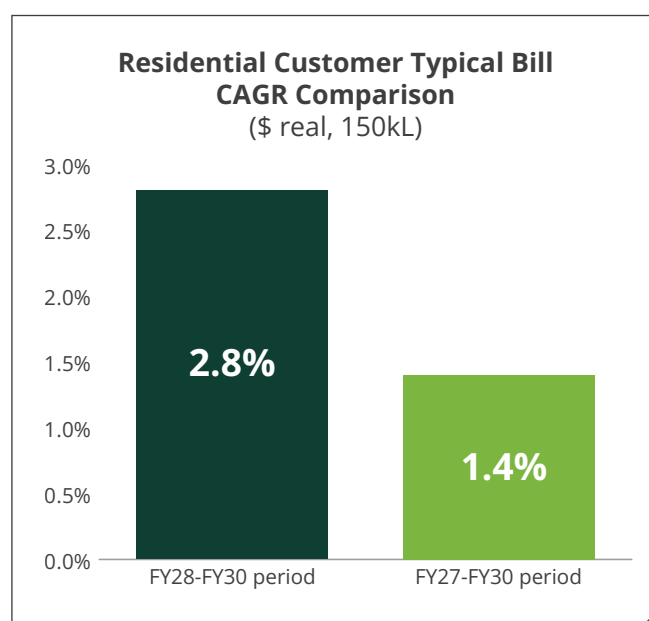
It shows that a typical customer would pay, on average, an additional \$1.78 per week each year compared to the year before, of which our component represents \$1.61 per week over the price monitoring period.

72% 3.8 percentage points (or 72%) of the uplift is driven by an increase in capital-related costs such as capital investment, depreciation, rate of return and asset inflation

19% 1 percentage point (or 19%) of the uplift is driven by an increase in operating costs (including non-revenue water), which is below average CPI for the period

9% 0.5 percentage points (or 9%) of the uplift is driven by our pass through of bulk water costs, which is also below CPI for the period (based on the FY28 bulk water price freeze and the assumed forecast CPI bulk water price increase of 2.5% in FY29 and FY30).

Considering the lower increase in FY27 of 1.7% (or CPI minus 3%), the indicative typical bill over FY27-FY30 moderates to CPI plus 1.4%.

Figure 30: Cumulative average growth rate in residential customer bills

Under our indicative prices, residential customers' bills will vary primarily depending on how much water they use and whether they are connected to our wastewater network. To provide further insights to our customers about what our indicative prices mean for their bills, we have estimated forecast bill impacts for four customer archetypes. We summarise these archetypes and the impact of our indicative prices on total bills in Figure 31.

Importantly, the above bill impacts are indicative and relate to a typical residential customer. Approximately 58% of residential customers will see a bill impact less than this amount for our component of the bill over the price monitoring period.

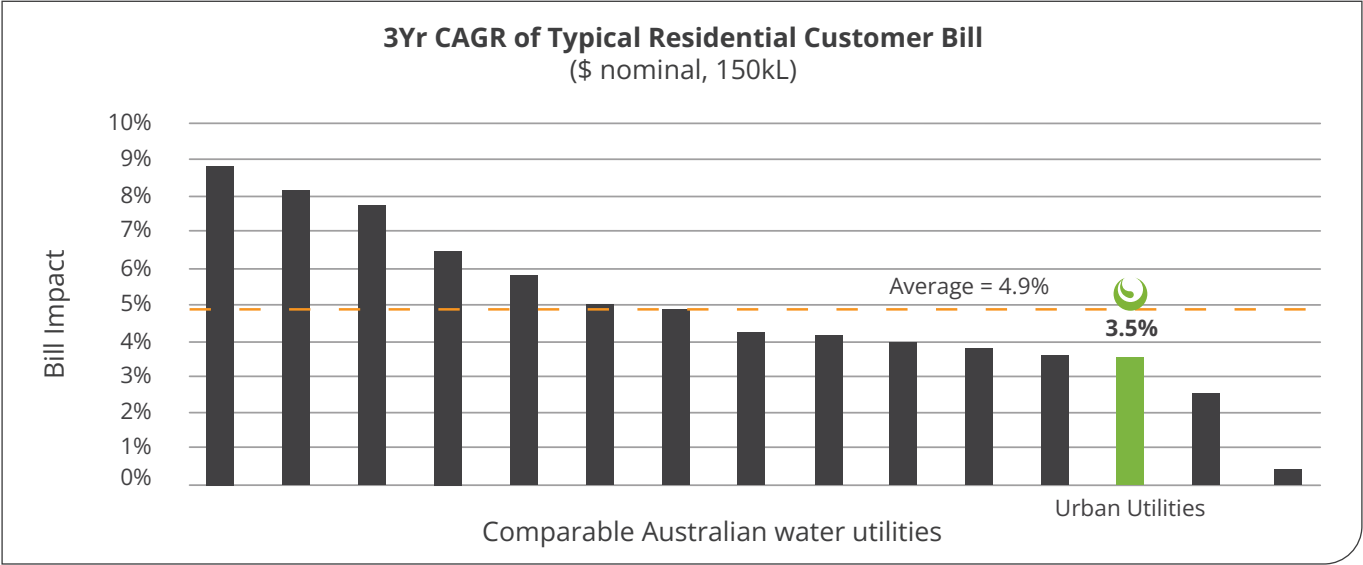
Figure 31: The total bill impact of our indicative prices varies across customer types

				
	ARCHETYPE 1	ARCHETYPE 2	ARCHETYPE 3	ARCHETYPE 4
	An inner city apartment with a single occupant who travels 80% of the time or works FIFO	A family household with 2 adults and 2 children in a detached house in the suburbs	A large city fringe acreage with significant garden and lawn irrigation volume	A family household with 2 adults and 2 children living in and unsewered detached house in our outer service areas
Tier 1 Water Vol.	Yes	Yes	Yes	Yes
Tier 2 Water Vol.	No	No	Yes	No
Water Usage Volume (kL/a)	30	150	350	150
Water Service Charge	Yes	Yes	Yes	Yes
Sewerage Service Charge	Yes	Yes	Yes	No
Customer Annual Bill FY27	\$1,123.90	\$1,671.76	\$2,465.30	\$902.65
Customer Annual Bill FY28	\$1,185.65	\$1,759.85	\$2,609.67	\$943.47
Change from FY27 (\$/week)	\$1.19	\$1.69	\$2.78	\$0.79

When setting prices, we consider how changes in our typical residential customer’s bills compare with those of other large urban water utilities in South East Queensland and across Australia. We take into account actual price changes in previous years and forecast price changes based on applicable regulatory determinations and the Reserve Bank of Australia’s forecasts for annual inflation.

Figure 32 shows that, on average, our typical residential customer’s total bill (including bulk water) has increased by less than most of our peers over the three years from FY26 to FY28.

Figure 32: Comparison of three-year compound average increase in typical residential customer’s total bill



10.2 Balancing rising costs of service provision with customer affordability

As an essential service provider, we recognise the importance of delivering safe, reliable and environmentally responsible services that are affordable for our customers. We are committed to balancing rising costs of service provision with customer affordability.

As part of this commitment, we chose to recover less than the efficient cost of providing our services in FY27 to provide cost-of-living relief for customers in line with Government priorities. We will not recover this under-recovery through our forecast revenue, however, as our investment task grows, we cannot continue to recover less than our efficient costs, while investing sustainably in support of customer service outcomes over the short and longer term.

Despite this shift, affordability has remained a central consideration throughout the development of our submission and indicative price outlook. This is reflected in the range of other measures we have adopted to manage customer bill impacts. These include:

- Challenging every element of our planned expenditure program, deferring investment where it is responsible to do so and prioritising renewal activities for assets presenting the greatest service risk.
- Identifying and committing to significant efficiencies across both our capital and operating expenditure programs.
- Smoothing the bill impact of our investment program across the price monitoring period to provide a more consistent and predictable price path for our customers.
- Giving our customers more control over their bills by continuing to transition to a greater prominence of volumetric charges.
- Continuing to apply a harmonised pricing approach, whereby our customers pay the same price for the same services whether they live in our metropolitan service area or our regional service area.

We recognise that, despite our strong focus on affordability, our indicative prices would result in challenging bill increases for our customers, particularly amid ongoing cost-of-living pressures. These indicative prices reflect the circumstance where we recover all our planned prudent and efficient expenditure from customers over the price monitoring period.

We remain committed to working collaboratively with Government and other stakeholders and are actively pursuing funding and cost recovery approaches that support long-term investment while minimising customer bill impacts. We are exploring options to mitigate customer bill impacts through options such as:

- Deferring the recovery of a portion of our FY28-FY30 efficient costs to beyond the period through a mechanism such as loss capitalisation. This approach would help to ease short-term affordability pressures on customers while maintaining our planned investment program to balance revenue adequacy with broader social welfare considerations.
- Securing alternative funding to support the infrastructure investment required to accommodate growth across South East Queensland over the next decade and beyond.

We will continue to explore these options in the coming months and provide an update on how we might further mitigate customer bill impacts in our submission to the QCA's draft report in early 2027.

10.3 We provide a range of assistance to support vulnerable customers



We set prices to minimise annual changes in customer bills and avoid worsening affordability outcomes for as many customers as possible. However, price setting is a relatively broad mechanism and, on its own, is not capable of materially improving affordability outcomes for customers experiencing financial hardship or ongoing affordability challenges. More targeted support measures, including hardship programs and tailored customer assistance, are therefore better positioned to deliver meaningful improvements for these customers.

To support customers experiencing affordability challenges, we offer payment assistance options to all customers experiencing payment difficulties. In addition, our Urban Care team provides specialist support to customers experiencing social vulnerability, financial hardship and other complex circumstances that may impact their ability to manage their account and access essential water and wastewater services.

Recognising the increasing diversity and complexity of customer needs, we are undertaking a review of our Customer Program to ensure our support frameworks remain effective, accessible and aligned to contemporary customer expectations and needs. The review will consider how we identify and support vulnerable customers, assess the effectiveness of existing assistance measures, and identify opportunities to strengthen our approach through enhanced customer insights, partnerships and tailored support pathways.

We will continue to monitor affordability metrics, bill impact modelling and customer segmentation throughout the price monitoring period to better understand which customer groups are most affected by price increases. These insights will inform both future pricing considerations and the design of targeted support measures, helping ensure our affordability and vulnerability programs remain responsive to evolving customer needs and deliver meaningful outcomes for customers experiencing hardship and vulnerability.

II. WE ARE COMMITTED TO CONTINUOUS IMPROVEMENT

Key messages

- We are committed to balancing the rising cost of providing water and wastewater services with customer affordability, particularly amid current cost-of-living pressures. We have developed a productivity and efficiency strategy to drive continuous improvement over the FY28-FY30 price monitoring period, reflecting a continuation of our commitment to efficiency.
- Through this strategy we have embedded a stretch efficiency target of \$68 million into our forecast prices by the end of the price monitoring period in FY30. This comprises:
 - \$30 million in operating expenditure efficiencies, being a \$10 million up-front efficiency dividend plus a further \$20 million by the end of the period through a 1.5% annual efficiency target
 - \$38 million in capital efficiencies, reflecting a 2% efficiency factor applied across our infrastructure capital program.
- We have developed our efficiency target through top-down and bottom-up analysis of our cost base. This analytical approach ensures our efficiency target is clear, credible and focused on genuine, controllable efficiency opportunities. Key areas of focus will be:
 - building our digital capabilities to transform the way we work, particularly through enhancing our data-driven decision making and improving our customer experience
 - undertaking enterprise workforce planning to build a workforce model aligned to our strategic objectives
 - leveraging opportunities for cost rationalisation, particularly our procurement process and undertaking strategic reviews of cost categories
 - implementing maintenance and operations optimisation, including centralisation of operations and continuing to drive efficiency in maintenance execution
 - enhancing our enterprise-wide approach to identifying, prioritising and embedding process improvements across corporate and operational functions
 - leveraging our capital planning and delivery framework and governance processes to drive capital efficiencies.
- Our efficiency target will be tracked and delivered through an enhanced enterprise-wide governance framework, the Operational Efficiency Program (OEP). This enhanced framework will improve the effectiveness of how we identify, prioritise and track productivity and efficiencies across the business.
- Beyond cost efficiency, we are also focused on process improvements that may not lower costs directly but will improve value for money for customers over time. Our key initiatives are:
 - enhancing our customer engagement practices
 - leveraging our in-house innovation and technology teams to improve the way we work
 - implementing an enhanced Enterprise Risk Management Framework.
- Further details on our productivity and efficiency strategy can be found in Annexure 11 – Benchmarking and efficiency.

11.1 Efficiency targets are embedded into our forecast prices

Our forecast prices incorporate stretch efficiency targets that plan to deliver \$68 million in efficiencies by the end of the price monitoring period in FY30. This total efficiency target comprises both operating and capital expenditure efficiencies.

Operating expenditure efficiencies represent \$30 million of our efficiency target. We are pursuing these efficiencies through:



building our digital capabilities to transform the way we work, particularly through enhancing our data-driven decision making and improving our customer experience



undertaking enterprise workforce planning to build a workforce model aligned to our strategic objectives



leveraging opportunities for cost rationalisation, particularly our procurement process and undertaking strategic reviews of each major area of expenditure



implementing maintenance and operations optimisation, including centralisation of operations and continuing to drive efficiency in maintenance execution



enhancing our enterprise-wide approach to identify, prioritise and embed process improvements across corporate and operational functions.

Capital expenditure efficiencies represent \$38 million of our target. These efficiencies will be driven by our robust adaptive, effects-based planning and delivery framework supported by strong investment governance.

We have identified these focus areas through a combination of top-down and bottom-up assessments of our cost base. We have used top-down benchmarking analysis as a diagnostic tool to identify areas in our business with potential efficiency opportunities. These top-down areas of focus have been complemented by a bottom-up assessment supported by zero base budgeting to ensure our efficiency target is clear, credible and focused on genuine, controllable efficiency opportunities.

11.2 The efficiency target will be tracked and delivered through an enhanced Operational Efficiency Program (OEP)

Our productivity and efficiency strategy for the price monitoring period represents a continuation of our commitment to efficiency. In this respect, we acknowledge the QCA's assessment in its Part 1 interim report that our productivity and governance measurement arrangements are consistent with good industry practice and appear capable of supporting sustained productivity improvements if applied effectively.¹¹

Notwithstanding this finding, we remain committed to enhancing our productivity and efficiency governance processes, with a particular focus on an enterprise-wide model. We believe such an approach will improve the effectiveness of how we identify, prioritise and track productivity and efficiencies across the business over the price monitoring period and into the future.

Our enhanced OEP governance model will operate through a continuous six-step annual cycle that we will use to track and deliver our efficiency target. It will deliver on our commitments to:

- enhance the executive mandate for the OEP with clear accountability measures
- establish a cross-functional team structure
- engage in a systematic peer benchmarking approach
- develop a staged opportunity pipeline
- embed delivery support into the OEP
- embed internal and external accountability.

The cycle will repeat annually and fully integrated into our group planning and budgeting process, ensuring that productivity and efficiency commitments are reflected in budget allocations, translated into measurable financial outcomes, and systematically tracked and reported through our performance management framework.

Figure 33 sets out the six steps in our enhanced OEP arrangements.

Figure 33: We are enhancing the governance of the OEP



¹¹ QCA Price monitoring review 2026-27: Urban Utilities, Interim report, May 2026, p 21.

11.3 We are pursuing broader improvement initiatives

Beyond cost efficiency, we are also focused on process improvements that may not lower costs directly but will improve value for money for our customers over time. Our key improvement initiatives over the price monitoring period include:

- enhancing our customer engagement practices
- leveraging our in-house innovation and technology teams to improve the way we work.

Enhancing our customer engagement practices

We believe that our current engagement model can be enhanced to deliver improved value for money for customers. We are continuing to strengthen our Voice of Customer (VoC) Program to build a deeper understanding of customers' evolving needs, expectations and priorities. As part of this work, a structured Customer Engagement Pathway has been established to support more meaningful and deliberative engagement on the issues that matter most to customers and the long-term sustainability of our services.

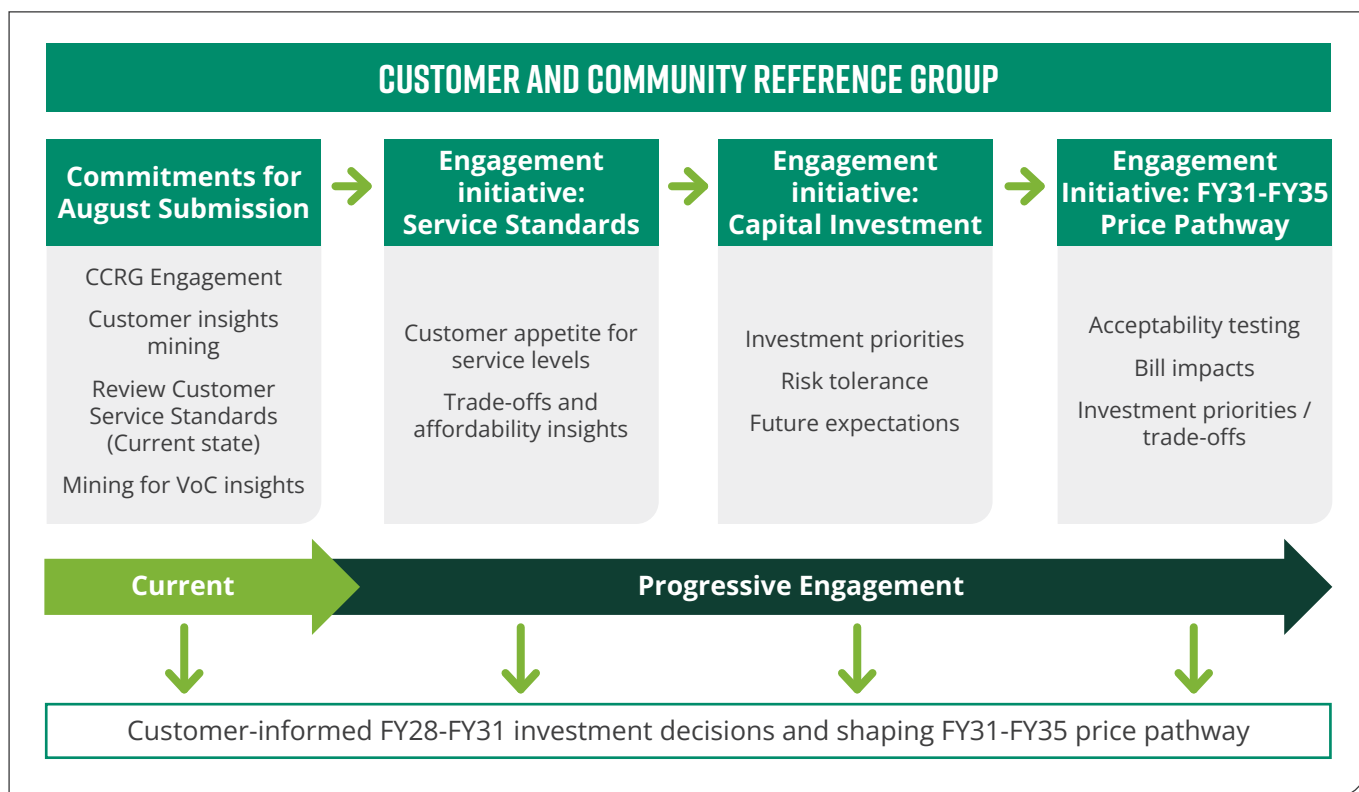
These enhancements are intended to strengthen engagement on:

- investment priorities rather than simply explaining decisions that have been largely determined (to better align with customer expectations as to service standards)
- expenditure trade-offs, which to date have been limited with the exception of some specific projects
- our expenditure program to build a deeper understanding of cost drivers amongst customers.

Collectively these actions will strengthen the evidence base for strategic and regulatory decision-making ensuring that customer engagement demonstrably informs business and pricing decisions.

Figure 34 provides an overview of our customer engagement pathway to deliver our enhanced engagement practices.

Figure 34: How we will transform our approach to customer-informed investment and pricing decisions



Leveraging our in-house and technology teams

We are committed to using innovation and technological advancement in our business over time for the benefit of our customers. We believe that innovation and continuous improvement thrives when people feel supported, connected and empowered to think differently.

To that end, we have an in-house innovation team that works across the organisation to improve how we operate. The team's approach is built on collaboration, curiosity and clarity with a focus on:



enterprise connection – connecting across departments to unlock value by bringing together diverse perspectives and capabilities



independent and objective advice – focusing on helping teams to achieve their goals and create benefits for Urban Utilities



multidisciplinary thinking – bringing a mix of skills that can be tailored to support business challenges



empowering others – building confidence, momentum and clarity across the business to promote an enduring continuous improvement mentality



creative problem solving – bringing fresh ways of thinking and working to help solve new and long-standing challenges.

We also have a well-established Technology Program, investing in research and development activities to support core business. We engage with universities and delivery partners through our Innovation Precinct to leverage our investment, support local technology development and manage intellectual property.

Over the last two years, the Technology Program has been reshaped to focus on four key priorities to address increasing regulatory, environmental, operational and customer driven challenges.

They are:

- biosolids and organics, where we are assessing best practice technologies in alignment with critical decisions in our capital plans, addressing the emerging regulatory risks associated with new contaminants and ensuring long-term, sustainable management pathways
- wastewater network performance, where we are advancing novel sensing, data/AI capabilities, process modelling and new technologies to support more proactive network management and source control interventions
- wastewater treatment approaches, where we are exploring adaptation of leading-edge scientific understanding of treatment processes, process intensification technologies (including AI integration) and implementing next generation treatment options
- water science and contaminants, where we are supporting best practice approaches for drinking and recycled water management while improving our capability to protect waterway health and recreational values through deployable, efficient and sustainable technologies.

More broadly, we have a number of well-established commercial ventures that leverage existing assets to provide services to customers and generate additional revenues to further balance rising costs and customer affordability. We are currently developing a commercial growth strategy with the objective of generating a pipeline of new and expanded commercial opportunities to meet emerging customer demand and create financial value.

Implementing our enhanced enterprise risk management framework

Our risk management requirements are incorporated in a number of organisation-wide processes that support the application of enterprise risk management principles. We acknowledge that there is an opportunity to further strengthen awareness, understanding and consistent application of enterprise risk management practices.

To achieve this, we are implementing a refreshed enterprise risk management framework. It is intended to:

- promote the value of risk-informed decision-making
- strengthen organisational capability
- embed enterprise risk management processes more consistently in day-to-day activities and decision-making across the organisation.

Our refreshed risk appetite statement will further support these objectives by providing clearer guidance on decision-making and risk-tolerance expectations.

As this refreshed framework is embedded, we expect it to generate further opportunities to refine how risk is assessed and weighed within our existing capital, procurement and asset planning processes to help us better target investment towards our highest genuine enterprise risks over time.

12. TECHNICAL REPORTS (ANNEXURE)

1. Annexure 1 – Independent Customer Commentary on Urban Utilities' FY28-FY30 Pricing Proposal
2. Annexure 2 – Services Standards & Customer
3. Annexure 3 – Demand Forecast
4. Annexure 4 – Operating Expenditure
5. Annexure 5 – Infrastructure Capital Expenditure
6. Annexure 6 – Digital & Information Investment
7. Annexure 7 – Regulatory Asset Base
8. Annexure 8 – Rate of Return (WACC)
9. Annexure 9 – Regulatory Setting and Revenue Requirements
10. Annexure 10 – 2028-30 Prices and Bill Impacts
11. Annexure 11 – Benchmarking and Efficiency
12. Annexure 12 - Urban Utilities' response to QCA / QCA consultants' Part 1 recommendations

QCA Stated Matters	Section/s of executive narrative	Relevant technical report (annexure)
(1.6) The forecast Maximum Allowable Revenue (MAR), forecast Distributor-retailer Prices and Water Bill Impact for the Price Monitoring Period from 1 July 2027 to 30 June 2030;	• Section 9 – Responsible revenue to deliver value for money • Section 10 – What our planned expenditure means for prices and customer bills	• Annexure 3 – Demand Forecast • Annexure 7 – Regulatory Asset Base • Annexure 8 – Rate of Return (WACC) • Annexure 9 – Regulatory Setting and Revenue Requirements • Annexure 10 – 2028-30 Prices and Bill Impacts
(1.7) reasonable productivity initiatives and efficiency targets aimed at reducing capital and operating costs, including but not limited to efficiency improvements, innovation and demand management;	• Section 6 – Investing in the infrastructure our customers need • Section 7 – Investing in our digital and information backbone • Section 8 – Operating our network efficiently for the future • Section 11 – We are committed to continuous improvement	• Annexure 4 – Operating Expenditure • Annexure 5 – Infrastructure Capital Investment • Annexure 6 – Digital & Information Investment • Annexure 11 – Benchmarking and Efficiency
(1.8) reasonable performance measures, benchmarks and indicators against which progress from initiatives identified under Stated Matter F(1.2) can be assessed;	• Section 11 – We are committed to continuous improvement	• Annexure 11 – Benchmarking and Efficiency

QCA Stated Matters	Section/s of executive narrative	Relevant technical report (annexure)
(1.9) capital expenditure and operating expenditure prudence and efficiency as required/to the extent necessary to support productivity measures and cost reductions;	• Section 6 – Investing in the infrastructure our customers need • Section 7 – Investing in our digital backbone • Section 8 – Operating our network efficiently for the future	• Annexure 4 – Operating Expenditure • Annexure 5 – Infrastructure Capital Expenditure • Annexure 6 – Digital & Information Investment • Annexure 7 – Regulatory Asset Base
(1.10) service quality and reliability, consistent with other regulatory obligations using existing and published performance indicators of UU and UW for the purpose of assessment of service standards; and	• Section 3 – Three operating challenges are driving our investment program	• Annexure 2 – Service Standards & Customer
For the periodic reports, how the forecast MAR, Distributor-retailer Prices and Water Bill Impact compare to actual MAR, Distributor-retailer Prices and Water Bill Impact over the period from 1 July 2027 to 30 June 2030.	This information will be provided once actuals are reconciled for the respective annual period.	

13. GLOSSARY

This glossary defines the terms, abbreviations and acronyms used in Urban Utilities' Part 2 Submission to the Queensland Competition Authority for the Price Monitoring Investigation for the period FY28-FY30 (1 July 2027 to 30 June 2030).

Terms are listed alphabetically. Where a term is also defined in legislation, in the Queensland Competition Authority's referral notice or in our supporting annexures, the definition here is intended as a plain-English guide only and does not displace that source.

Term	Definition
AFRC	Audit, Finance and Risk Committee – the committee of the Urban Utilities Board that oversees financial, audit and risk matters, including the affordability and pricing scenarios considered in preparing this submission.
Annexure	A supporting technical report or model submitted with this narrative. The annexures set out the detailed analysis underpinning the forecasts summarised here and are referenced against the QCA's Stated Matters.
Base year	The most recent year of actual operating expenditure used as the starting point for the operating expenditure forecast, adjusted to remove one-off and non-recurrent items.
Base-step-trend (BST)	The method used to forecast operating expenditure, in which an efficient base year is escalated forward (trend) and adjusted for identified new cost pressures or savings (steps).
Biochemical oxygen demand (BOD)	The amount of dissolved oxygen consumed by micro-organisms in breaking down organic matter in treated effluent, expressed in mg/L. It is the standard indicator of how effectively a treatment plant removes organic load before discharge, with lower values indicating better performance.
Building block methodology	The regulatory method used to calculate maximum allowable revenue by adding the separate cost components of providing the service – return on assets, indexation, return of assets (depreciation), operating expenditure, tax allowance, return on working capital and revenue adjustments.
Bulk water	Treated water purchased from Seqwater for supply to our customers. The cost is passed through to customers with no mark-up, and the associated revenue is deducted from the maximum allowable revenue recovered through our water and wastewater prices.
Capital expenditure (capex)	Expenditure on creating, renewing or upgrading infrastructure and other assets, which is added to the regulatory asset base and recovered from customers over the life of the asset.
CCRG	Customer and Community Reference Group – Urban Utilities' standing customer reference group, first established in 2023, through which we test our plans and priorities with customers.
Compound annual growth rate (CAGR)	The average annual rate of growth over a period, expressed as a constant percentage rate that would produce the observed change over that period.

Term	Definition
Consumer price index (CPI)	The Australian Bureau of Statistics measure of change in the price of a basket of household goods and services. References in this submission are to the Brisbane All Groups CPI unless otherwise stated.
Customer archetype	A representative customer profile (for example a detached family home or a single-occupant inner-city apartment) used to illustrate how forecast prices affect bills for customers with different water use and service connections.
Demand forecast	Our forecast of water consumption and of the number and mix of connections over the price monitoring period, which drives forecast revenue and informs the capital program.
Digital and information (D&I)	The digital, data and technology capability that underpins our services, including operational technology, customer systems, asset management, cyber security and regulatory reporting.
Distributor-retailer	A water and wastewater distributor-retailer established under the South-East Queensland Water (Distribution and Retail Restructuring) Act 2009. Urban Utilities and Unitywater are the two distributor-retailers subject to this investigation.
Economic Development Queensland (EDQ)	The Queensland Government body that plans and facilitates development in declared Priority Development Areas, including the collection of infrastructure charges within those areas.
Efficiency target	The reduction in forecast costs that we commit to deliver over the price monitoring period, embedded in our expenditure forecasts and tracked through the Operational Efficiency Program.
Environmentally relevant activity (ERA)	An activity regulated under the Environmental Protection Act 1994 that requires an environmental authority. ERA 63 applies to sewage treatment, with licence thresholds set by treatment capacity that trigger higher environmental performance requirements as loads grow.
Equivalent persons (EP)	A standard unit for measuring the load on a wastewater treatment plant, expressed as the equivalent number of persons whose wastewater the plant is designed or licensed to treat.
Financial year (FY)	The year ending 30 June. FY28 refers to the year from 1 July 2027 to 30 June 2028.
FIFO	Fly-in, fly-out – a work pattern used in illustrating the bill impact for low-occupancy, low-consumption households.
Gate (gating)	A decision point in our investment governance framework at which a project must satisfy defined assurance requirements before proceeding to the next stage of development or to commitment.
GIICA	Games Independent Infrastructure and Coordination Authority – the authority coordinating infrastructure delivery for the Brisbane 2032 Olympic and Paralympic Games.
ICT	Information and communications technology.
Indexation	The deduction that removes the inflation component embedded in the nominal regulatory asset base and nominal weighted average cost of capital, preventing a double allowance for inflation in the return on assets.

Term	Definition
Inflow and infiltration (I&I)	Inflow and infiltration describe clean rainwater and groundwater entering and overloading local wastewater networks.
Infrastructure charges	Charges levied on developers as a contribution towards the cost of trunk infrastructure required to service new development, capped by the Maximum Adopted Charge.
Integrated Catchment Plans (ICP)	Integrated Catchment Plans are outcomes-based planning approaches used by Urban Utilities to plan wastewater services by looking at entire catchment areas rather than isolated assets.
Integrated Zone Plans (IZPs)	Integrated Zone Plans are Urban Utilities strategies that coordinate different teams to plan, manage, and upgrade local water supply networks across South East Queensland.
Interim Report	The QCA's report of May 2026 on Urban Utilities' and Unitywater's Part 1 submissions for the period 1 July 2026 to 30 June 2027.
Investment Assurance Group (IAG)	The internal governance group that reviews and endorses business cases and investment decisions before approval by the Chief Executive Officer or the Board, depending on value.
Key performance indicator (KPI)	A measure used to monitor performance, including the delivery performance measures applied to our delivery partners under NG4D.
Lag indicator	A measure of performance that has already occurred, such as a service failure or a licence exceedance.
Lead indicator	A measure that signals emerging pressure on service or compliance performance before it results in a failure, allowing investment to be brought forward.
Maximum Adopted Charge (MAC)	The cap on infrastructure charges for water and wastewater set under Queensland legislation. The MAC is intended to be indexed annually, and inconsistent indexation has contributed to under-recovery of growth costs from development.
Maximum allowable revenue (MAR)	The revenue required to recover our efficient costs of providing water and wastewater services, calculated using the building block methodology. Prices are set to recover the MAR after adjusting for sundry revenue and bulk water revenue.
Megalitre (ML)	One million litres. ML/d denotes megalitres per day, the unit used to express treatment plant capacity and licence thresholds.
mg/L	Milligrams per litre – the unit used to express the concentration of a substance in treated effluent.
NG4D	Next Generation for Delivery – our capital delivery framework, comprising an integrated services provider and two delivery groups, each combining a construction partner and an engineering partner, and incorporating pain/gain and KPI mechanisms.
Net present value (NPV)	The value of a stream of future cash flows discounted to present-day terms, used to confirm that smoothed and unsmoothed revenue recover the same efficient costs.

Term	Definition
Nominal	Expressed in the dollars of the day, including the effect of inflation.
Operating expenditure (opex)	The recurrent cost of operating, maintaining and administering our water and wastewater services, recovered from customers in the year in which it is incurred.
Operational Efficiency Program (OEP)	Our enterprise-wide governance framework for identifying, prioritising, tracking and delivering productivity and efficiency improvements, including the efficiency target embedded in this submission.
P50	The cost estimate that has an equal likelihood of being exceeded or not exceeded, used as the basis for probabilistic contingency in our capital cost estimates.
Part 1 submission	Our earlier submission to the QCA in respect of the transitional period from 1 July 2026 to 30 June 2027.
Part 2 submission	This submission, covering the price monitoring period from 1 July 2027 to 30 June 2030.
PFAS	Per- and poly-fluoroalkyl substances – a group of persistent synthetic contaminants attracting increasing regulatory attention in water and biosolids management.
Price monitoring	The process under which the QCA investigates and reports on a distributor-retailer's prices, revenue and service performance, rather than setting prices directly.
Price monitoring period	The three years from 1 July 2027 to 30 June 2030 (FY28-FY30) to which this submission relates. Also referred to as the Monitoring Period.
Price path	The sequence of annual price changes proposed across the price monitoring period.
Pricing Submission Working Group (PSWG)	A sub-group of the CCRG formed to test and challenge our approach to this submission from a customer perspective.
Priority Development Area (PDA)	An area declared under the Economic Development Act 2012 in which development is facilitated by Economic Development Queensland, which collects infrastructure charges within the area.
Priority Infrastructure Area (PIA)	The area identified in our planning as intended to be serviced with trunk infrastructure over the planning horizon.
Producer price index (PPI)	The Australian Bureau of Statistics measure of change in the prices of goods and services purchased by producers, used to escalate the materials and services component of certain cost categories.
Program Management Approach (PMA)	Our previous capital delivery model, which delivered more than \$1 billion of infrastructure across around 200 projects between 2017 and December 2025 and whose lessons informed NG4D.
Queensland Competition Authority (QCA)	The independent statutory authority established under the Queensland Competition Authority Act 1997 that conducts the price monitoring investigation to which this submission responds.

Term	Definition
QCA Act	The Queensland Competition Authority Act 1997, under which the Minister for Finance referred Urban Utilities and Unitywater to the QCA in September 2025.
Real terms (\$FY27)	Expressed in dollars of constant purchasing power, with the effect of inflation removed. Amounts labelled \$FY27 are expressed in FY27 dollars.
Regulatory asset base (RAB)	The value of assets used in providing regulated water and wastewater services on which a return is earned and depreciation recovered.
RAB roll-forward	The annual updating of the regulatory asset base for new capital expenditure, depreciation, disposals and indexation. A roll-back applies the same mechanics in reverse to establish an opening value.
Residential Activation Fund (RAF)	A Queensland Government fund supporting infrastructure that enables residential development. Distributor-retailers are not directly eligible for RAF funding.
Risk Assessment and Management Plan (RAMP)	The plan prepared for major infrastructure and capital works projects that identifies project risks and sets out how they will be managed. Cost estimates mature to RAMP through defined accuracy classes, with independent review and RAMP certification required before commitment.
Return of assets (depreciation)	The building block that returns capital invested in assets to investors over the assets' economic lives.
Return on assets	The building block that compensates investors for the cost of capital deployed in the business, calculated by applying the weighted average cost of capital to the regulatory asset base.
Return on working capital	The building block that compensates for the timing difference between cash outlays on operating expenditure and the receipt of revenue from customers.
Revenue adjustments	Adjustments to the building block revenue requirement, including the deduction of sundry revenue and bulk water revenue and any correction for prior period over- or under-recovery.
Strategic Asset Class Plans (SACPs)	Strategic Asset Class Plans set the long-term renewals strategy for each major asset class, typically over 30 years, drawing on total cost of ownership, demand forecasts, regulatory drivers, climate resilience and local government land-use planning.
Strategic Asset Management Committee (SAMC)	Strategic Asset Management Committee is a sub-committee of Urban Utilities' Board which oversees long-term infrastructure, capital works, and asset reliability.
Security of Critical Infrastructure Act 2018 (Cth)(SOCI)	Commonwealth legislation imposing risk management, reporting and security obligations on owners and operators of critical infrastructure, including water utilities.
Seqwater	The Queensland Bulk Water Supply Authority, which supplies treated bulk water to Urban Utilities.
Service standards	The measures of service quality and reliability against which our performance is assessed, reported in the service standards annexure.

Term	Definition
ShapingSEQ 2023	The South East Queensland Regional Plan, which sets the growth and settlement pattern our infrastructure planning is required to accommodate.
Smoothing	The adjustment of the annual revenue path to moderate year-on-year price changes for customers, while recovering the same efficient costs in net present value terms.
South East Queensland (SEQ)	The region comprising our and Unitywater's service areas together with the surrounding local government areas served by the SEQ water supply system.
Stated Matters	The matters specified in the Minister's referral that the QCA is required to investigate and report on, and to which the sections of this submission are mapped.
Step change	A discrete, identified increase or decrease in forecast expenditure that is not captured by escalating base costs, such as a new regulatory obligation or a growth-driven expansion in the program.
Sundry revenue	Revenue earned from non-utility services, such as developer application fees, recycled water sales and special meter readings, which is deducted from the maximum allowable revenue recovered through prices.
Tax allowance	The building block providing for the corporate income tax liability attributable to our water and wastewater services.
Total nitrogen (TN)	The combined concentration of all nitrogen compounds in treated effluent, including ammonia, nitrate and organic nitrogen, reported as a concentration (mg/L) and as an annual load (tonnes per annum). Elevated nitrogen promotes algal growth and degrades downstream water quality.
Trunk infrastructure	The shared network and treatment infrastructure – such as major mains, pump stations and treatment plants – that services development at a catchment or regional scale, as distinct from local connection assets.
Typical residential customer	The representative residential customer used to express bill impacts, based on average water consumption and a standard water and wastewater service connection.
Unitywater	The other South East Queensland distributor-retailer, serving the Moreton Bay and Sunshine Coast regions. Also abbreviated to UW in this submission.
Urban Utilities	Central SEQ Distributor-Retailer Authority, trading as Urban Utilities, the distributor-retailer serving Brisbane, Ipswich, Lockyer Valley, Scenic Rim and Somerset. Also abbreviated to UU.
Wage price index (WPI)	The measure of change in wage rates used to escalate employee costs, based on Queensland Treasury's forecasts of the Queensland WPI.
Water and Sewerage Program (WASP)	The former Queensland Government subsidy program for council water infrastructure, discontinued as part of the South East Queensland water reforms.
Water Services Association of Australia (WSAA)	The peak industry body for the urban water sector in Australia and New Zealand, whose analysis of sector-wide investment pressures is drawn on in this submission.
Weighted average cost of capital (WACC)	The rate of return on the regulatory asset base, reflecting the cost of debt and equity for a benchmark entity, determined in accordance with the QCA's methodology.
Zero based budgeting (ZBB)	A budgeting approach requiring all expenditure to be justified from a zero base at the start of each budget cycle, rather than being based on the previous year's budget. We used a ZBB review to test the efficiency of our base costs.

Annexure 1 Independent Customer Commentary on Urban Utilities' FY28–FY30 Pricing Proposal

14th August 2026

Paul Arnold
Chief Executive Officer
Urban Utilities

Dear Paul,

The Customer and Community Reference Group, through its Pricing Submission Working Group appreciates the opportunity to have engaged with Urban Utilities as it developed its FY28–FY30 pricing proposal.

The process has given us a much deeper understanding of the significant and, in many cases, competing pressures facing Urban Utilities and its customers over the coming years. We particularly acknowledge the open and constructive way Urban Utilities' Board, Executive Leadership and staff engaged with the Working Group, responded to our questions and provided additional information when requested.

Based on the information presented to us, we broadly support the direction of the proposed investment program and recognise the challenge of balancing necessary investment with customer affordability. Our attached commentary should not, however, be interpreted as an endorsement of every aspect of the proposal. Rather, it provides our independent customer and community perspective and identifies matters that we believe warrant continued consideration by Urban Utilities and the QCA.

A central theme of our work has been that customers have an interest both in affordable prices today and in reliable, safe and sustainable services over the longer term. The lowest possible short-term price is not necessarily the best outcome if it comes at the expense of necessary investment or creates greater costs and risks for future customers.

We welcome the opportunity to continue working with Urban Utilities through the price monitoring period, particularly to understand how the investment, efficiency commitments and customer outcomes presented through this process are ultimately delivered.

Yours sincerely,

Urban Utilities Customer and Community Reference Group



A handwritten signature in black ink, appearing to read 'Neil Horrocks', written in a cursive style.

Neil Horrocks - Independent Chair Customer and Community Reference Group (CCRG)

Independent Customer Commentary on Urban Utilities' FY28–FY30 Pricing Proposal

Summary

The Urban Utilities Customer and Community Reference Group – Pricing Submission Working Group (CCRG-PSWG) welcomes the QCA's forward-looking approach to price monitoring. We see considerable value in providing a structured and transparent view of the likely future cost of providing water and wastewater services to consumers within the Urban Utilities (UU) Distribution footprint, particularly where decisions about the timing of price increases may differ from the underlying cost pressures facing the business.

The FY28–FY30 period presents UU with an unusual convergence of pressures. Higher input and financing costs, significant population growth, concurrent renewal requirements across a number of asset classes, increasing resilience and environmental obligations, digital modernisation and infrastructure requirements associated with the 2032 Olympic and Paralympic Games are collectively driving the need for substantial investment. These pressures are occurring at the same time as there is a strong imperative to constrain increases in customer prices.

Our review has given us confidence that UU is operating as an efficient organisation and that there are sound reasons for a material program of investment over FY28–FY30. We therefore broadly support the direction of the proposed program and recognise the challenge of balancing necessary investment with customer affordability.

Our support doesn't mean that every proposed expenditure should proceed without scrutiny. We encourage the QCA to continue testing whether expenditure is appropriately timed and efficient, whether opportunities for further productivity improvement have been captured, whether costs and affordability impacts are fairly distributed across customer groups, and whether the investment will deliver outcomes that customers can recognise and value.

Importantly, we also see value in the QCA process making the underlying cost pressures transparent. Constraining prices in the short term does not necessarily remove those costs and, if it results in necessary investment being deferred, may create greater cost pressures or service risks for future customers. The price monitoring process provides an important evidence base against which these longer-term consequences and trade-offs can be understood.

Purpose of this submission

The Customer and Community Reference Group (CCRG) was established by UU to provide an independent customer and community perspective within its planning and decision-making.

The CCRG does not represent UU. Members receive sitting fees for their time and participation and, as a result, the CCRG does not consider itself formally independent of UU. However, the CCRG's Terms of Reference expressly support the Committee providing honest and authentic commentary on matters it considers important to customers and communities.

The group is representative of a range of customer cohorts including families, small business, first nations, CALD communities, regional communities, older populations, renters and vulnerable customers. Members have strong backgrounds in infrastructure, public policy, community action, communications, regulation, commerce and sustainability. Some members were specifically recruited to represent key community and advocacy organisations and bring the perspectives, experience and priorities of those organisations to the group. Other members participate in an individual capacity as customers and community members, contributing their own experience and perspectives as a form of community service. This second set of members does not represent, or speak on behalf of, any organisation with which they may be employed or otherwise associated outside their work on the CCRG.

In its Part 1 submission to the QCA, UU committed to working closely with the CCRG as it developed its plans for FY28–FY30. The CCRG subsequently established a CCRG-PSWG to engage more deeply with the development of UU's pricing submission.

This document provides our independent commentary on that work leading up to UU's Part 2 submission. The CCRG-PSWG has not seen or reviewed UU's Part 2 submission or full drafts thereof. This document provides commentary based only on the information which UU has shared with the CCRG-PSWG for discussion and interrogation as UU have prepared their Part 2 submission.

Our role has not been to replicate the detailed technical, financial and economic assessment that appropriately sits with the QCA. Nor should this submission be interpreted as an endorsement of every aspect of UU's proposal.

Rather, we have sought to understand the major drivers of future customer prices, examine and challenge the information presented to us, and consider whether the proposed expenditure and resulting outcomes appear reasonable from a customer and community perspective.

Our purpose is therefore to provide the QCA with:

- A reflection of customer and community perspectives on the plans and information presented to us; and
- Matters which, from our review, warrant further consideration by the QCA.

How we undertook our review

The CCRG-PSWG was established in April 2026 and has undertaken an intensive program of engagement with UU.

The process began with briefings to build our understanding of the business, its regulatory environment and the factors influencing future water and wastewater prices. As our

understanding developed, the engagement increasingly focused on testing proposed plans, questioning assumptions and seeking further information.

Following presentations, the CCRG-PSWG met independently to consider the information provided, collate its views and identify questions or areas requiring further examination. These were subsequently provided to UU.

We acknowledge the constructive way UU responded to this process. Further information and presentations were generally provided when requested, within the constraints of the available timeframe.

What we examined

The CCRG-PSWG received briefings covering:

- the executive narrative underpinning UU's submission and historical customer prices;
- the regulatory environment and building blocks used to develop future prices;
- the capital investment program, including major projects, growth, renewal, resilience, replacement and innovation;
- digital and information technology investment, including customer and billing systems;
- operating expenditure and proposed step changes;
- UU's zero-based budgeting approach;
- its efficiency and continuous improvement program, including performance to date and future targets; and
- indicative prices for 2028-2030 period.

This allowed us to move beyond simply asking what UU intends to spend, to considering why expenditure is required, what alternatives have been considered and what customers should reasonably expect in return.

Limitations of our review

Our review was subject to several important limitations.

Although we received briefings on operating expenditure, the available timeframe did not allow a detailed examination of OPEX in the depth we would have preferred. This warrants further engagement during the monitoring period.

A second limitation is the timing related to the provision of final pricing and bill-impact information. Our engagement necessarily occurred while the underlying expenditure and pricing proposition was still being developed. Final impact on customer bills became available relatively late, leaving limited time to assess one of the proposal's most important outcomes for customers.

Additionally, we note that even though the CCRG-PSWG spent substantial time reviewing capital expenditure and associated building blocks, the timeframe did not allow for a detailed examination and deep dive into larger capital projects.

We recognise that these engagement arrangements, processes and timeframes are reflective of the QCA process rather than any willingness by UU to engage. Nevertheless, this constraint should be considered in future reviews.

This limited OPEX examination, CAPEX exploration and late availability of the final billing information constrained our review.

Accordingly, our review should not be regarded as a comprehensive validation of UU's proposal. It reflects our assessment of the information presented to us within the time available.

How we assessed the information

At the outset, the CCRG-PSWG developed five questions that we asked UU to address when presenting its plans:

1. What is in the plan?
2. Why is it needed?
3. How were choices made?
4. How is risk managed?
5. What do customers gain?

These questions helped move the discussion beyond whether expenditure could be technically justified. A project may be technically desirable but still raise legitimate questions about timing, alternatives, risk, affordability or who should pay.

We considered the information presented to us against eight customer-focused principles:

- Affordability;
- Reliability;
- Necessity;
- Sustainability;
- Safety;
- Efficiency;
- Accountability; and
- Transparency.

These principles underpin the observations that follow.

What is driving future customer prices?

Our engagement has given us a much better understanding of the cumulative pressures facing UU and its customers.

There is no single driver.

UU must operate and maintain an extensive existing network while simultaneously responding to population growth, ageing assets, treatment requirements, environmental obligations, resilience risks, changing technology and customer expectations.

Customers expect UU to operate efficiently and take all reasonable steps to offset these pressures before passing additional costs through to bills. They also expect UU, as a public infrastructure steward and long-term custodian of these assets, to make responsible decisions that protect service quality and asset sustainability.

This tension between necessary investment and customer affordability has been central to our consideration of UU's plans.

Of particular significance is the scale of capital investment required over coming years and the increasing proportion of that investment that is being driven by population and settlement growth.

We suggest the QCA examine how UU's submission aligns with long-term climate adaptation and regional water security planning. Population growth, hotter conditions, more intense rainfall events, drought risk and changing inflow patterns may affect both water supply reliability and wastewater network performance. Customers should be able to understand which investments are driven by present compliance or renewal needs, and which if any are being made to prepare for future climate and water security risks.

Capital investment

Growth – and who should pay

The CCRG-PSWG accepts that UU must respond to population growth. New communities cannot be developed without appropriate water and wastewater infrastructure.

Historically, a significant focus of investment has been on renewal, maintenance and extracting appropriate value from existing assets. Growth is becoming an increasingly significant driver, including in locations where new infrastructure can be expensive to provide.

This raises a fundamental customer question of who should fairly pay for growth?

Existing and new customers will inevitably contribute through their bills towards substantial infrastructure investment principally required to accommodate future customers.

That said, growth also creates benefits well beyond the customer base. It enables housing development, increases the value of developable land, expands council rate bases and supports broader state economic objectives.

We therefore believe there is an important distinction between determining whether infrastructure is needed and determining who should fairly bear its cost.

We also encourage UU as well as relevant policymakers at all levels of government to consider how non-network or lower-cost alternatives might affect future costs as they consider major

new infrastructure. This could include whole of system planning, network utilisation, demand management, leakage reduction, recycled water, pressure management, staged delivery and where investment is driven by growth or peak demand, customers should be confident that capital expenditure is not being proposed where a more efficient or more flexible option could achieve the same outcome.

Infrastructure charges

Developers appropriately contribute towards trunk infrastructure required to service new development. However, UU, in its first submission to the QCA, identified that current infrastructure charges do not reflect the full cost of infrastructure delivery and that capped charges have not kept pace with increasing costs.

This suggests that, to the extent growth-related infrastructure costs are not recovered through infrastructure charges, the broader customer base may be contributing to infrastructure that also benefits developers and future growth areas.

The CCRG-PSWG considers this an important equity issue and encourages the QCA to examine the extent of any gap between infrastructure charges and the efficient cost of providing growth-related infrastructure, and the resulting consequences for existing customers.

Growth also reinforces the importance of coordinated planning between governments, planning agencies and infrastructure providers.

UU does not control population growth or land-use planning. The efficiency of future water and wastewater infrastructure investment therefore cannot be considered entirely independently from broader government planning.

Brisbane 2032

The Brisbane 2032 Olympic and Paralympic Games add another dimension.

The CCRG-PSWG takes no position on the Games themselves. Our concern is their potential impact on water and wastewater costs for customers.

Development associated with the Games and the temporary influx of visitors and participants will require some infrastructure to be constructed earlier than otherwise necessary. This is not generally considered efficient expenditure for monopoly utilities.

Where water and wastewater infrastructure would ultimately have been required to support population growth, it is reasonable that customers contribute towards the underlying asset over its useful life.

However, there is a legitimate question about whether the additional cost of accelerating infrastructure specifically for the Games should fall entirely on water and wastewater customers, when the benefits of the Games accrue much more broadly.

We encourage the QCA and relevant governments to consider this distinction and explore opportunities to address this.

Large new loads

Data centres and other large new users raise a related question.

The CCRG-PSWG recognises their potential economic importance and opportunities to use recycled water and alternative supplies. However, our underlying principle is straightforward:

Infrastructure required specifically to service large new commercial loads should, as far as practicable, be funded by those creating that additional demand rather than being materially subsidised by existing residential customers. Australia also has a long history of water scarcity and therefore it is important that in the early planning stage, the water needs of, and technology solution for these bulk loads are fully considered from a future community perspective.

Renewal, resilience and wastewater

Growth does not remove the need to maintain and renew the existing network.

UU must manage assets of different ages, materials, condition and performance. We sought to understand how condition, risk, performance and customer consequences influence investment decisions.

Based on the information presented, we consider a risk-based approach appropriate. Assets should be retained where they can continue to operate safely and economically rather than being replaced simply because of age.

We also considered the substantial investment required in sewage transport and treatment. We remain particularly interested in the implications of increasingly volatile weather for wastewater treatment systems and the potential for overflows in vulnerable areas.

The consequences for individual customers can be severe. We would welcome continued examination of proactive options for reducing these risks and the costs and benefits associated with different levels of resilience.

Deliverability of the capital program

Given the scale of proposed capital and digital investment, we encourage the QCA to examine UU's delivery capacity, procurement strategy and exposure to market constraints. Delays, cost escalation and under-delivery can ultimately affect both costs and outcomes for customers. It would therefore be useful to take into account how UU is managing contractor availability, supply-chain risk, workforce capability, project governance and contingency allowances across the program.

Digital investment

UU is proposing substantial investment to modernise its digital systems.

The CCRG-PSWG supports digital investment where there is a clear connection between the investment and improved customer or business outcomes. However, expenditure on technology should not be regarded as successful simply because a new system has been

implemented. Investment in technology should always be performance assessed against its contribution to the security, efficiency, reliability and affordability of UU's core services.

Digital investment in asset management

Better integration of asset, operational and financial information should allow UU to better understand asset condition and performance, prioritise expenditure and identify opportunities to safely defer investment.

This has considerable potential value for customers.

However, some benefits may take years to emerge. Expected benefits and savings should therefore be identified at the outset and subsequently measured.

Digital investment in Business and customer systems

We also see potential benefits from consolidating and better connecting business systems, including improved analytics, reduced duplication and better decision-making.

Similarly, investment in customer and billing systems could improve billing accuracy, communication, complaint handling and the speed with which customer enquiries are resolved.

These are tangible outcomes customers should be able to see.

We recognise the governance and independent assurance UU has established around major digital investment. Nevertheless, major digital programs inherently carry delivery, cost and schedule risks.

For customers, the success of this investment should ultimately be judged by measurable outcomes such as:

- lower operating costs and improved productivity;
- better asset investment decisions;
- improved customer service; and
- demonstrable benefits relative to the cost of the investment.

Operating expenditure, efficiency and productivity

The CCRG-PSWG received briefings on UU's operating expenditure, proposed step changes, zero-based budgeting and efficiency program.

We see merit in the discipline of zero-based budgeting. Rather than simply rolling historical expenditure forward, it provides an opportunity to challenge whether existing expenditure remains necessary and whether activities can be delivered differently or more efficiently.

Where additional operating expenditure is proposed, customers should be able to understand what has changed, why the additional expenditure is necessary and what outcome they receive from it.

As noted earlier, however, we did not have sufficient time to examine OPEX as deeply as we would have liked. We therefore stop short of offering a broader judgement on the efficiency of the overall OPEX proposal.

Efficiency and productivity

Efficiency becomes particularly important given the scale of the investment challenge.

Customers should not simply absorb every increase in labour, materials, technology, compliance and construction costs. There must be a corresponding effort to improve productivity and find better ways of delivering services.

We have been briefed on efficiencies achieved to date and UU's future program of savings. Based on the information presented to us, we gained confidence that not only do UU have a history of success in delivering efficiencies, but they also have an effective process to pursue savings and the support of the senior management to deliver those savings.

We encourage UU to report transparently on the efficiencies it commits to and those actually achieved. Customers should be able to distinguish genuine, enduring productivity improvements from expenditure that has simply been deferred.

Indicative Prices

As stated, time constraints meant the CCRG-PSWG was not able to consider the indicative prices for FY28–FY30 at length. We do recognise, based on the information presented to us, that prices will need to increase in the forthcoming years. At the most basic level, UU is facing increases in CPI, wages, products and other input costs. These are routine cost pressures faced by businesses and ultimately need to be accommodated through prices, efficiencies or other measures.

The CCRG-PSWG welcomes the QCA's price monitoring role in examining these costs and challenges and considering both a fair rate of return for UU and fair prices for its customers. While the price monitoring period covers only the three years to FY2030, we encourage the QCA to consider the longer-term implications for customers and the broader community.

In particular, constraining UU's revenue to enable lower prices in the short term does not remove the underlying cost pressures facing the business. Population growth, increasing housing density, asset renewal and environmental compliance requirements will continue irrespective of the price path adopted. The CCRG-PSWG is concerned that if necessary expenditure is deferred to constrain prices in the short term, this may result in steeper price increases beyond 2030 and potentially affect future service levels.

As part of its assessment, we encourage the QCA to consider the extent to which UU has had time to test customers' capacity to pay and tolerance for bill increases, and how customers value the trade-offs between affordability, service levels, resilience and environmental outcomes.

The CCRG-PSWG also notes that price increases will affect customers differently. Increases in the price of essential services such as water and wastewater can be particularly significant for low-income households, which spend a greater proportion of their income on non-discretionary expenditure. Like other utility businesses, UU has a long-standing vulnerable customer program that provides support to customers experiencing difficulty in paying their water and wastewater bills. The CCRG-PSWG will continue to develop its understanding of this program and the customers it supports.

The CCRG-PSWG also sees merit in considering the role of metering, increasingly personalised consumption information and customer tools in helping customers manage their bills. Better information about usage, leaks and seasonal consumption patterns can support affordability by giving customers greater control, particularly where price increases are unavoidable.

What does this mean for customers?

Ultimately, customers do not experience a capital program or an operating expenditure forecast.

They experience their bill, the reliability and quality of their water supply, the safe removal of sewage, the responsiveness of their utility and whether they believe they receive reasonable value for the money they pay.

Conveying price increase estimates to customers

During the remaining QCA price monitoring process, there will be commentary on average customer bill impacts. We note a key inconsistency in the consumption assumptions used to present those impacts: UU uses 150 kL per annum, the QCA has used 200 kL to facilitate comparison with the Bureau of Meteorology's National Performance Report, and Unitywater uses a different assumption again.

There may be legitimate reasons for these differences. However, materially different consumption assumptions make straightforward understanding of price changes difficult for customers and the media.

Greater consistency would improve transparency and understanding for customers.

Affordability impacts should also be considered beyond the average owner-occupier household. Renters, customers in higher-density housing, small businesses, community organisations and customers with limited ability to reduce consumption may experience bill impacts differently. We encourage the QCA and UU to consider these distributional impacts and the support available where customers have limited capacity to respond.

Accountability – closing the loop

One of the strongest themes emerging from our work is the importance of closing the loop with customers.

UU publishes substantial information through its Annual Report, Annual Performance Report and other communications. However, it can be difficult for an ordinary customer to translate that information into a clear understanding of how well their utility is performing for the money they pay.

We would welcome a simple annual customer performance scorecard covering outcomes such as affordability, reliability, responsiveness, safety, sustainability and efficiency. That scorecard could also surface the range of services provided by UU (water and wastewater pipework, water testing, emergency response, customer service etc) and how their bill contributes to funding each of these services.

More fundamentally, major expenditure programs should increasingly allow customers to see what was promised and spent as well as what was delivered and the benefits of that expenditure.

This is particularly important for major capital and digital programs and for efficiency commitments.

Continuing customer scrutiny

The lodging of this submission should not mark the end of customer scrutiny.

Indeed, the monitoring period provides an opportunity to move from examining what UU proposes to do to examining what it actually delivers.

There are also questions raised during our engagement that remain appropriate for further examination. UU is documenting the questions raised through the process and has indicated an intention to continue engagement to close out outstanding matters and demonstrate how customer feedback has been reflected in subsequent decisions.

We welcome that approach.

Future customer engagement should consider, amongst other things:

- actual versus forecast expenditure;
- delivery of efficiency commitments;
- outcomes from major digital investments;
- material changes to the capital program;
- actual customer bill impacts; and
- whether the customer outcomes used to justify expenditure have been realised.

The knowledge developed by CCRG members through this process should not be lost. Continuing engagement provides an opportunity to build on that knowledge rather than beginning again at each future review.

Overall assessment

The Australian water sector is entering a period of substantial investment. Population growth, ageing assets, environmental obligations, resilience and changing customer expectations are creating significant pressures simultaneously.

Our engagement has given us a much deeper appreciation of these pressures, and the choices involved in responding to them.

We have also seen a genuine willingness from UU's leadership and staff to explain those choices, respond to challenge and provide additional information.

Based on the information presented to us, we gained some confidence from the discipline being applied to expenditure planning, the focus on efficiency, the risk-based approach to asset investment and the governance surrounding major digital programs.

However, our review also identified areas of concern and matters that deserve further scrutiny.

Most importantly, the scale of growth-related investment raises fundamental questions about who should pay. The CCRG-PSWG believe existing customers should not automatically become the residual source of funding whenever the cost of infrastructure required to enable growth is not recovered elsewhere.

Similarly, major digital investments need to produce measurable benefits; efficiency expectations need to be sufficiently ambitious to counter growing expenditure pressures; and affordability needs to be considered across different customer circumstances rather than solely through an average bill.

Matters we encourage the QCA to consider

Based on our work, we encourage the QCA to give particular consideration to:

1. **Growth and cost allocation** – whether costs are being equitably allocated between existing customers, future customers, developers and other beneficiaries.
2. **Infrastructure charges** – the extent to which developer contributions reflect the efficient cost of providing growth-related infrastructure and the consequences of any shortfall for existing customers.
3. **Brisbane 2032** – whether costs specifically associated with accelerating infrastructure for the Games should be borne entirely by water and wastewater customers.
4. **Large new loads** – whether infrastructure required for major new commercial customers is appropriately attributed to those creating the demand.
5. **Capital investment** – whether the proposed program appropriately balances growth, renewal, resilience, risk and affordability.

6. **Digital investment** – whether expected productivity and customer benefits are clearly defined, measurable and subsequently delivered.
7. **Operating expenditure** – noting the limitations of our own review, whether proposed step changes are justified and the existing cost base has been sufficiently challenged.
8. **Efficiency and productivity** – whether future targets are sufficiently ambitious given the expenditure pressures facing customers.
9. **Affordability** – whether impacts across different customer groups, particularly those experiencing financial difficulty, are adequately understood.
10. **Accountability** – whether customers can readily see the relationship between expenditure promised, expenditure incurred and outcomes delivered.

Final observation

The CCRG-PSWG does not expect prices to remain unchanged. Nor do we believe the lowest possible price necessarily represents the best outcome for customers.

Customers have an interest in reliable services, safe drinking water, effective sewage treatment, resilient infrastructure and a financially sustainable utility.

But equally, every dollar ultimately comes from customers.

Where significant additional expenditure is proposed, customers should be able to understand:

- Why is it necessary?
- Why now?
- What alternatives were considered?
- Who benefits?
- Who should fairly pay?
- And what will customers receive in return?

Those are the questions we have sought to bring to our engagement with UU. They are also the questions we encourage the QCA to keep at the centre of its consideration of the FY28–FY30 proposal.

