

Submission on the QCA's draft report
Theodore Water
13 September 2024

RE: Rural Irrigation Price Review 2025-2029

Following from our recent meeting with QCA over concerns raised in our original submission, Theodore Water provides further comments below.

While the Rural Irrigation Price Review and resultant pricing is a small cost to Theodore Water, the impact to our shareholders is significant and could have flow on effects to our business.

Our original submission raised a concern with the proposed capital expenditure on a billing program which is excessive at best. This example raises concerns over Sunwater's capitalisation priorities and costings moving forward and the upward pressure this could place on pricing using the RAB method. We also note that Theodore Water maintains the same pricing that was implemented in 2018, and in some years has provided rebates to customers due to our prudent approach to capitalisation and spending.

Several scenarios for the RAB method were presented, of which returning the Annuity positive balance over 4 years was the most palatable. However, there is still a lack of information comparing the current Annuity based approach with the RAB in the extended modelling into future price path periods. Furthermore, in the current and volatile political landscape the risk of significant price increases through the RAB approach are inherently higher.

Given these points, Theodore Water does not support the implementation of the RAB method for the 2024-2029 Price Path.

Over the next price period, Theodore Water would like to see a more detailed and independent analysis of the Annuity versus RAB approach showing pricing, benefits and risks. Also, protections against the removal of the Lower Bound pricing policy would need to be included. Unless there are clear benefits to Sunwater Customers, there is no reason to change, and Theodore Water will not support a RAB method for determining pricing.