

Newsletter to Barossa Infrastructure Ltd Customers

19 September 2022

Additional Water

Customers seeking [additional temporary water](#) for use before 30 September 2022 should submit the linked form or contact Neville who will be able to assist.

30th September – End of BIL Water Year

BIL's water year ends on 30th September. In early October customers will receive an invoice for used and unused water.

Board Update

BIL's Board met on 13th September.

Additional water to the Barossa was discussed at length, including Barossa New Water and BIL's own initiatives. In the past month, members of the Board and management have met with Minister Scriven, Damien Walker (CEO of Department of Premier and Cabinet), David Ryan (CEO of SA Water), Mehdi Doroudi (CEO of PIRSA), local member Ashton Hurn, and Josh Vines (water advisor to the Deputy Premier and Water Minister, Susan Close). Further meetings with Ministers are planned to ensure the region has the best chance of identifying and securing support for viable water projects. Robust debate occurred in relation to the customer water price for Water Year 2022/23. Refer to the separate section below.

BIL's audited accounts were presented, the Annual Report signed off, the notice of AGM approved and the revised budget agreed. The employment practices section of the company's Risk Action Plan was reviewed.

Customer Water Price, Water Year 2022/23

BIL's Premium water price for Water Year 2022/23 will be \$1,020/ML, a \$200/ML increase. The other categories of BIL water will also increase.

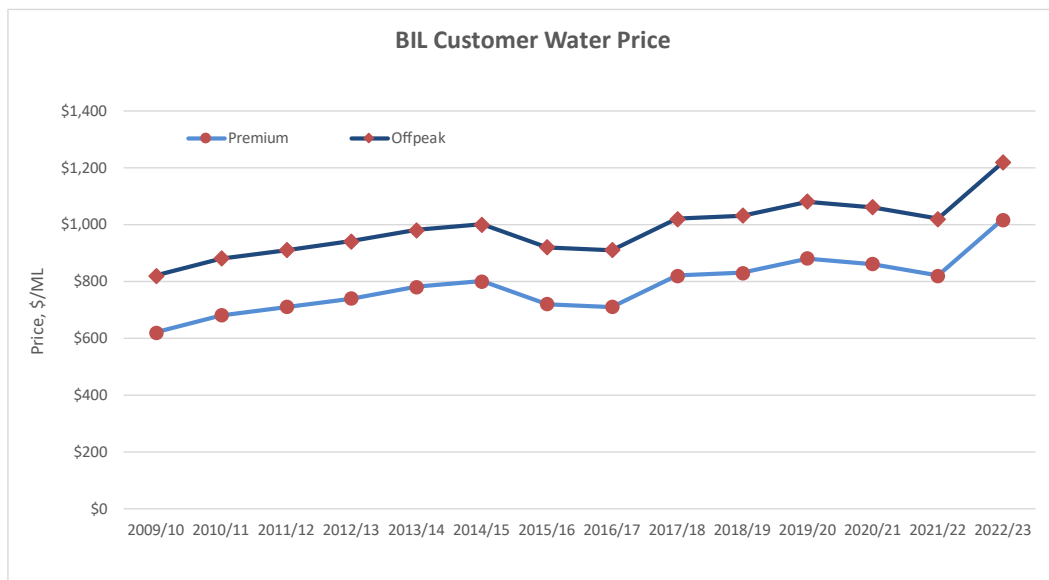
BIL's costs from SA Water for the 2023 Water Year under the Water Transport Agreement are increasing by 24%. The bulk of this increase is SA Water's increased electricity costs over the last year (+51.8%), attributed by SA Water to the increased cost of electricity on the wholesale market. The other component is an increase to an Australian Bureau of Statistics construction index that forms part of the cost calculation (+8.8%).

BIL has and continues to seek information from SA Water to satisfy ourselves that the increase is appropriate.

At BIL's September Board meeting, consideration was given to a smaller price increase. After robust discussion considering both BIL's and the industry's financial position and outlook, the Board resolved to pass on the full increase. This decision was not taken lightly.

The decision does, however, align with BIL shareholder’s endorsement of a Board proposal to progressively claw back the shortfall in annual direct cash operating costs and administration overheads at 85% consumption of contracted volumes. Pleasingly, no further increase on this aspect is required this year.

I note that BIL and BIL’s customers have benefited over the last few years from the same provision that has caused the current increase. I also note that this would be of little consolation right now. The following chart shows BIL’s Premium and Off Peak water price since 2009/10. In general, as the SA Water variable charge increases, so too does BIL’s price to customers. Likewise, as SA Water’s variable charge decreases, so too does BIL’s price to customers. Variations outside of this trend are approved by a vote of shareholders at the AGM.



My final observation, again possibly of little consolation right now, is that BIL’s customer water price in WY 2021/22 was the same as the price in WY2017/18 despite a drought and skyrocketing River Murray water prices in between, and only \$20/ML more than seven years earlier in WY 2014/15. If customer would like a deeper understanding of how the Water Transport Agreement’s pricing mechanism works, and how it impacts BIL’s customer water price, feel free to call me.

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