



The Hon. Cameron Dick MP
Deputy Premier
Treasurer
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Our Ref: 01883-2024

Professor Flavio Menezes
Chair
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Email: flavio.menezes@qca.org.au

Dear Professor Menezes

Flavio,

Please find enclosed an amending referral notice issued under section 23A(6) of the *Queensland Competition Authority Act 1997* (the Act), amending the referral issued under section 23A of the Act to the Authority on 14 December 2023, referring the Monopoly Business Activities of the Gladstone Area Water Board (GAWB) for a price monitoring investigation.

The referral issued on 14 December 2023 is amended and restated so that the provisions of the referral are as set out in the amending referral notice, to exclude the investigation of the allowable costs associated with the Fitzroy to Gladstone Pipeline (FGP) from the current price monitoring investigation.

This change allows additional time to assess the implications of FGP on GAWB operations, including related cost increases and the impact on bulk water prices for GAWB's customers. The pricing impacts of FGP costs can be considered with greater precision by the Queensland Competition Authority closer to the date of commissioning, which is expected by mid-2026.

Officers from Queensland Treasury and the Department of Regional Development, Manufacturing and Water (DRDMW) have consulted with staff from the Authority in the preparation of this amending referral notice and will continue to work with the Authority to finalise an approach for a subsequent FGP pricing investigation in due course. DRDMW has advised GAWB about the government's decision to exclude the FGP from the current price monitoring investigation.

In the interests of ensuring adequate stakeholder consultation, and in keeping with the time frames that have been established for the current investigation, I suggest the notice given and published by the Authority on receipt of this amending referral notice seeks that GAWB provide its submission by no later than 31 May 2024, and that stakeholders provide submissions by no later than 31 July 2024.

I look forward to receiving the Authority's findings on the matters outlined in the enclosed amending referral notice and appreciate the ongoing and effective regulatory oversight role provided by the Authority with respect to GAWB's monopoly business activities.

Should you have any queries regarding this matter, please contact Mr Ben Boardman, Director, Strategic Coordination and Economics, Department of Regional Development, Manufacturing and Water, on (07) 3516 0467 or email ben.boardman@rdmw.gld.gov.au.

Yours sincerely



CAMERON DICK MP
Deputy Premier
Treasurer
Minister for Trade and Investment

23 / 05 / 2024

Encl. (1)

Cc: The Honourable Glenn Butcher MP, Minister for Regional Development and Manufacturing and Minister for Water

QUEENSLAND COMPETITION AUTHORITY ACT 1997

Section 23A(6)

AMENDING REFERRAL

A. Section 23A(6) – Amendment to Referral to the Authority to undertake a Price Monitoring Investigation in relation to GAWB

- (1.1) Under section 23A(6) of the Act, I amend the referral given to the Authority on 14 December 2023, referring the Monopoly Business Activities of GAWB for a price monitoring investigation.
- (1.2) The referral is amended and restated so that the provisions of the referral are as set out in Schedule 1 to this Amending Referral.

B. Section 23A(7) – Reasons

- (1.3) The referral is being amended to exclude consideration of the costs associated with the Fitzroy to Gladstone Pipeline from the price monitoring investigation. The pricing impacts of costs associated with the Fitzroy to Gladstone Pipeline can be considered with greater precision in a subsequent investigation undertaken by the Authority closer to the commissioning of the Fitzroy to Gladstone Pipeline, which is expected in early 2026.
- (1.4) The extended timeframe will also allow for greater certainty of future demand.

QUEENSLAND COMPETITION AUTHORITY ACT 1997

Section 23A and Section 24

REFERRAL

A. Section 23A – Referral to the Authority to undertake a Price Monitoring Investigation in relation to GAWB

- (1.1) Under section 23A of the Act, I refer the Monopoly Business Activities to the Authority for a price monitoring investigation (referred to as the Investigation).
- (1.2) The period for the Investigation is the Price Monitoring Period.

B. Section 24 – Directions

- (1.1) Under section 24 of the Act, I direct the Authority to consider the Stated Matters in conducting the Investigation, to the extent relevant, noting that the Stated Matter in Section C(1.2) will only be able to be considered and reported on by the Authority after 30 June 2028.

C. The Stated Matters

- (1.1) The Appropriate Prices for the Price Monitoring Period, excluding Water Security Assets.
- (1.2) How the Appropriate Prices compare to actual prices charged by GAWB over the period 1 July 2025 to 30 June 2028.
- (1.3) The Queensland Government's Renewable Energy Targets as detailed in the [Queensland Energy and Jobs Plan](#).
- (1.4) The Queensland Government's [Common User Infrastructure Assessment Principles](#).

D. Consultation

- (1.1) Under section 12(3), I direct the Authority to undertake an open consultation process with all relevant parties.

E. Timing

- (1.1) I direct the Authority under section 24(1) to report the results of the Investigation in accordance with the following timetable:
 - (a) A Draft Report with respect to the Authority's Investigation by no later than 29 November 2024;
 - (b) A Final Report with respect to the Authority's Investigation by no later than 30 April 2025;
- (1.2) I require the Authority under section 23A(3)(b) to report the results of its

Investigation in a Mid-Term Report by no later than 31 October 2028.

F. Definitions and Interpretations

In this Referral these terms have the following meanings:

Term	Meaning
Allowable Costs	<ul style="list-style-type: none"> (a) Prudent and efficient operational, maintenance and administrative costs, including allowances for working capital and tax, where applicable. (b) Forecast expenditure for prudent and efficient operational, maintenance and administrative costs, assessed using a base-step-trend approach, focusing on necessary step changes of expenditure expected to occur during the period. Base-year operating expenditures are to be escalated using Forecast Inflation. Calculated considering issues of materiality between forecast operating and maintenance expenditure in aggregate. (c) Prudent and efficient capital expenditure (d) Prudent and efficient costs associated with catchment management. (e) Prudent and efficient recreational facilities costs. (f) An Appropriate Rate of Return on the RAB. (g) An appropriate allowance for the depreciation of the RAB assets determined consistent with the Authority's previous approach in the Authority's Gladstone Area Water Board price monitoring 2020-2025 Final Report. (h) An allowance for tax, where applicable. (i) Costs required to meet regulatory obligations and deliver agreed service levels taking into consideration the strategic and operational plans approved by the responsible Minister under the Water Act and the Water Supply Act.
Allowable Revenue	Revenue received from providing Monopoly Business Activities.
Appropriate Prices	<p>Prices that are consistent with the following:</p> <ul style="list-style-type: none"> (a) Allowable Costs; (b) Reserved Demand. <p>Prices that are:</p> <ul style="list-style-type: none"> (a) smoothed over the Price Monitoring Period; and (b) allow GAWB sufficient Allowable Revenue to recover the Allowable Costs of providing the Monopoly Business Activities. <p>Appropriate Prices should include any proposed Network augmentation or expansion capital expenditure forecast to occur during the Price Monitoring Period, where that Network</p>

Term	Meaning
	<p>augmentation or expansion is sized, configured, priced, and timed to:</p> <p>(a) Service 2030 forecast Reserved Demand and any reasonably expected future demand that would make use of the Network; and</p> <p>(b) Not be inconsistent with the Queensland Government's Common User Infrastructure Assessment Principles.</p>
Appropriate Rate of Return	<p>A Weighted Average Cost of Capital based on the methodologies outlined in the Authority's Rate of Return Review Final Report 2023.</p> <p>For estimating the cost of debt, a 10-year transition from the 'on-the-day' approach to the 'trailing average' approach (consistent with the Australian Energy Regulator's transition arrangements) applies.</p>
Authority	Queensland Competition Authority
Forecast Inflation	Inflation based on the methodology outlined in the QCA's Inflation Forecasting Position Paper .
GAWB	Gladstone Area Water Board
Monopoly Business Activities	<ul style="list-style-type: none"> • Bulk water storage, including water storage for another person. • Bulk water delivery services. • Bulk water treatment services. • Supplying bulk water to another person, other than supplying bottled or containerised water.
Network	GAWB's bulk water delivery infrastructure network in the Gladstone region which includes Awoonga Dam and more than 200 kilometres of bulk water pipelines, treatment plants, quality testing facilities, raw and potable water pumping stations, raw and potable water reservoirs, and offline water storage facilities.
Price Monitoring Period	1 July 2025 to 30 June 2030.

Term	Meaning
RAB	<p>Regulated Asset Base</p> <p>(a) The opening RAB as at 1 July 2020* is not to be optimised and have the remaining lives as used by the Authority in the Authority's Gladstone Area Water Board price monitoring 2020-2025 Final Report.</p> <p>(b) The opening RAB as of 1 July 2025 determined by:</p> <ul style="list-style-type: none"> i. Assessing the prudence and efficiency of capital expenditure from 1 July 2020 to 30 June 2025, based on an appropriate sample of capital projects. ii. Rolling forward the RAB from 1 July 2020 to 30 June 2025, in accordance with the methodology previously applied by the Authority in the Authority's Gladstone Area Water Board price monitoring 2020-2025 Final Report, adjusted for any findings in (i) above. iii. Adjusted for depreciation and actual inflation over the period. <p>(c) The RAB for the period 1 July 2025 to 30 June 2030 forecast:</p> <ul style="list-style-type: none"> i. Including an appropriate allowance for prudent and efficient capital expenditure, based on an appropriate sample of capital projects, focusing on the projects with a material impact on the RAB in aggregate. <p>*Noting that for the 2019-20 year the capital expenditure used to determine the RAB will be adjusted to take into account GAWB's actual capital expenditure.</p>
Referral	<p>This referral notice issued by the Treasurer to the Authority, under Section 23A and Section 24 of the QCA Act, for the Authority to conduct a price monitoring investigation relating to the Monopoly Business Activities.</p>
Reserved Demand	<p>The total quantity of water reserved by GAWB's customers under their contractual arrangements (including any conditional contractual arrangements) and water that is the subject of a water supply proposal provided under GAWB's <i>Queuing Guideline (Source Capacity)</i>.</p>
Stated Matters	<p>Those matters listed in Section D</p>
Treasurer	<p>Treasurer of Queensland</p>
Water Act	<p><i>Water Act 2000</i></p>
Water Allocation	<p>An authority granted under section 146 or section 147 of the Water Act to take water from an available water resource, managed under a Resource Operations Licence in an approved water plan area (in accordance with Chapter 2, Part 2, Division 3 of the Water Act).</p>
Water Security Assets	<p>The Fitzroy to Gladstone Pipeline (including related Water Allocations) and all associated costs of operating and</p>

Term	Meaning
	maintaining the Water Security Assets.
Water Supply Act	<i>Water Supply (Safety and Reliability Act) 2008</i>