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5 August 2009

Mr E J Hall  
Chief Executive  
Queensland Competition Authority  
PO Box 2257  
BRISBANE QLD 4001

Dear Mr Hall

RE: Gladstone Area Water Board: 2009 Investigation of Pricing Practices –  
Contingent Supply Strategy

Rio Tinto Alcan welcomes the opportunity to review GAWB's Part (c) submission.  
Our specific comments are detailed in the attached document.

We look forward to further participation in the review process.

Yours faithfully



Paul Arnold  
General Manager - Energy

## Rio Tinto Alcan (RTA) Submission to the Queensland Competition Authority

### GAWB Part (c) Submission

The sequencing of the following comments is aligned with the Summary of Proposals (pp. 41 - 42) from the GAWB submission.

1. With regard to the proposal to retain zonal pricing for potable water, RTA is not able to comment on the suitability of implementing a single pricing zone as economic modelling information has not been made available. RTA is concerned to understand the effect of a single pricing zone on customers and whether this will be equitable compared to zonal pricing.
2. RTA supports the proposal to retain zonal pricing for raw water spurs.
3. RTA supports the proposal for all customers to pay the same water and storage price to the extent the proposal relates to supply source differentials. This should not preclude pricing differentiation based on customer specific circumstances (e.g. higher customer demand should entail a lower price).
4. RTA supports the proposal to recover the economic cost of the connection between the new source and existing delivery systems through the Water Reservation and Storage Price.
5. With regard to the proposal to retain zonal pricing for trunk water delivery system, RTA is not able to comment on the suitability of implementing a single pricing zone as economic modelling information has not been made available. RTA is concerned to understand the effect of a single pricing zone on customers and whether this will be equitable compared to zonal pricing.
6. RTA supports the proposal to include an unders-and-overs account for source related expenses to the extent they relate to source selection differentials only.
7. RTA supports the proposal to recover efficient costs of demand management to defer or supplant augmentation from customers as if they were augmentation costs.
8. RTA supports the proposal to include preparatory expenditure in the asset base and depreciate over its economic life.
9. RTA supports the proposal to limit the scope of a price review triggered by augmentation to the price impact of new assets.
10. RTA supports the proposal to use a price transition arrangement to implement significant price movements arising from connection of a second source.
11. RTA supports the price transitioning principles with the exception of, effectively, a five year ceiling on recovery. RTA suggests consideration of an appropriate period depending on the extent of the price adjustment. For example, a large adjustment may require a recovery period greater than five years 5 years to smooth the impact on customers.