



NRG Gladstone Operating Services Pty Ltd
(Operator for the Gladstone Power Station Joint Venture)
A.C.N. 061 519 275

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Ref: 100211DS

12 February 2010

Mr John Hall
Chief Executive
Queensland Competition Authority
GPO Box 2257
Brisbane Qld 4001

Attention: Mr Matthew Rintoul

Dear Mr Hall

SUBMISSION - EXPENDITURE PROPOSALS FOR 2010 PRICE REVIEW

NRG Gladstone Operating Service appreciates the opportunity to comment on GAWB's expenditure proposal for the 2010 price review.

Capital Infrastructure

Reliability and certainty of water supply is essential for the operation of electricity generating assets. Independent reports commissioned by GAWB have identified infrastructure deficiencies with the potential to prevent GAWB providing a secure and reliable bulk water supply.

NRG supports the capital expenditure program in so far as the projects undertaken mitigate risk preventing the delivery of a reliable water supply.

Water Price Impact of Capital Expenditure

The water price impact of capital expenditure should only be born by those who receive a material benefit from that expenditure.

Cost Pass Through

NRG does not support costs associated with the Employment Office to be treated separately to staffing costs. Planning and preparation of annual and 5 year financial plans should be detailed and sufficiently understood to capture staffing requirements.

The Gladstone Power Station Joint Venture is comprised of the following companies which are liable severally in the following proportions:

GPS Energy Pty Ltd ACN 063 207 456 (22.125%)	GPS Power Pty Ltd ACN 009 103 422 (20.000%)	Sunshine State Power B.V. ARBN 062 295 425 (20.000%)	Sunshine State Power (No.2) B.V. ARBN 063 382 829 (17.500%)	SLMA GPS Pty Ltd ACN 063 779 028 (8.500%)	Ryowa II GPS Pty Ltd ACN 063 780 058 (7.125%)	YKK GPS (Queensland) Pty Ltd ACN 062 905 275 (4.750%)
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Deployment of the Employment Office creates the opportunity for the inefficient use of labour.

Where additional labour is required, it should be funded from within each annual staffing cost budget.

Impact of Increasing Capital Expenditure on Demand

GAWB is a single source water provider with no natural competitors. Advances in thermal and membrane desalination plant technology, in recent years, has seen a convergence in the cost of water from traditional sources and water produced by desalination.

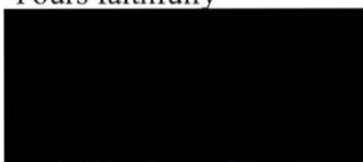
With the cost of water provided by the GAWB trending upwards with the acquisition of additional assets and the necessary upgrading of existing assets, the breakeven cost of water where industry is able to manufacture water from brackish, effluent or sea water, using a range of desalination technologies, to meet specific plant requirements, is fast approaching and in some cases already here.

Gladstone Power Station sources potable water from the Gladstone Regional Council (GRC) to produce high quality water for boiler filling and maintaining water levels during boiler plant operation. A portion of the potable water is used for fire fighting services, cleaning and health and hygiene requirements. Desalination technology exists to produce, a range of water products.

A consideration when determining whether to refurbish GPS aging water processing assets is to continue to take potable water supplied to the GRC from GAWB's Water Treatment Plant or replace our assets with a desalination plant that can produce a range of water products that directly suit plant requirements.

It is from this quarter where GAWB faces price competition and has the ability to reduce demand, delay trigger points and result in large amounts of spare capacity immediately following augmentation of least cost supply developments.

Yours faithfully



Joel Otley
MANAGER PRODUCTION

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