



**Gladstone Area
Water Board**

30 September 2019

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

Dear Prof Menezes

Please find enclosed Gladstone Area Water Board's (GAWB) regulatory submission for the pricing period 1 July 2020 to 30 June 2025. The regulatory submission has been prepared in accordance with the Referral Notice issued by the Queensland Treasurer on 28 June 2019 and consists of two parts. Part A sets out:

- the pricing framework for the current pricing period
- past performance
- forecast operating and capital expenditure
- the proposed revenue requirement
- proposals for the regulatory framework into the future.

Part B sets out GAWB's response to the requirement to reduce the existing balance of accumulated revenue under-recoveries (Part B, clause 1.3(b) of the Referral Notice).

In developing the regulatory submission, GAWB has engaged proactively with both customers and the community via a detailed consultation program. As a result of our community engagement activities, the Lake Awoonga Recreational Strategy has been developed. Over \$7.2 million is proposed to be invested this pricing period to improve recreational facilities and related services. These investments will positively contribute to both the livability and economic prosperity of the Gladstone community and adjoining regions.

Over the current pricing period (1 July 2015 to 30 June 2020), GAWB's capital program has ensured the continued delivery of the highly reliable 24/7 continuous flow and service demanded by our customers. As a result, both operational and compliance risks have reduced which is vital to support the sustainability of Gladstone's export-oriented industry. GAWB's pricing proposal also supports:

- The current level of regional employment within Industry;
- Approximately 74% (\$31M) of FY19 expenditure was spent locally supporting our community. This proposal anticipates that the dollar value of local spend will increase over the 2021-25 period, supporting the local community and businesses;

- Efficiency measures (1% reduction in controllable expenditure) and a proposed increased spend with local contractors (e.g. increased maintenance); and
- A continued commitment to securing a high reliability second source of water supply for the Gladstone region, in accordance with GAWB's the Contingent Supply Strategy.

The pricing proposal also supports GAWB's ability to undertake complex, time critical inspections of essential infrastructure. GAWB has also completed a wide range of operational improvements. Based on the activities undertaken and insights gathered over the current period, we are confident the forecast future investments, as proposed in this submission, are appropriate and will deliver further operational and financial benefits for our customers.

Our forecast capital expenditure for the 2021-25 pricing period is approximately \$179 million. This is higher than the capital forecast for the current period and is attributable to the need to replace ageing assets and address regulatory or compliance obligations. Over the 2021-25 pricing period approximately \$60.7 million will be spent on dam safety upgrades. These investment activities are necessary to achieve compliance under the ANCOLD guidelines and ensure GAWB can continue to provide the secure and reliable services expected by our customers, now and into the future.

Prices for the 2021-25 pricing period have been calculated based on a 5 year planning and price smoothing period. This approach is different to the one used to develop prices for the current pricing period (i.e. 2016-20). This change is required to meet the requirements of Part B, clause 1.3 (a) of the Referral Notice issued by the Queensland Treasurer on 28 June 2019.

The net result of all forecast activities is a 9% increase in real prices on an average network wide \$/ML basis (although the price impact for individual customers varies depending upon their network location and the assets used to service their needs). The average price change set out above is exclusive of the accumulated revenue under-recovery.

Part B of the Regulatory Submission sets out GAWB's proposed approach to meet the requirements of Part B, clause 1.3 (b) and (c) of the Referral and Direction Notice (Referral Notice) (i.e. to reduce the accumulated revenue under-recovery).

Our regulatory submission contains confidential information which GAWB believes should not be publicly disclosed. This information relates to Curtis Island and the accumulated revenue under-recovery. For administrative ease, we have attached a public and confidential version of our regulatory submission. GAWB's application for confidentiality is also attached.

If you, or the project team, have any questions on the attached documentation please do not hesitate to contact Darren Barlow, Chief Executive Officer (07 4976 3019) or Angela Moody, Regulation and Planning Manager (07 3020 8014).

Yours sincerely



Maxine Brushe
Chair

