



28 October 2019

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

Dear Prof Menezes

We welcome the opportunity provided to stakeholders to comment on our regulatory submission, relating to bulk water prices for the 1 July 2020 to 30 June 2025 period. GAWB would like to comment on the general pricing matters raised by Wiggins Island Coal Export Terminal (WICET) in its submission dated 30 September 2019.

GAWB is very much aware of the concerns some customers have with the transitional measures introduced at the 2015 price review to support the introduction of Maximum Daily Quantity (MDQ) based pricing for delivery services. In particular, the automatic ratchetting up of MDQ's. That is, as a result of a customer exceeding their reserved MDQ in a month, the highest MDQ from that month becomes the customer's reserved MDQ for future pricing periods. The views set out in WICET's submission are consistent with those raised by other customers during the current regulatory period and our customer engagement program.

As a result of the ratchetting mechanism, if a customer exceeds their MDQ reservation, future monthly amounts paid by the customer will increase over time to reflect the increased level of network capacity being reserved (i.e. their new MDQ reservation). This increase in water charges is not related to a pricing reset (i.e. the beginning of a new regulatory period or the annual indexation of water tariffs in line with the applicable measure of the Consumer Price Index (CPI)), as it is dependent on a customer's actual usage profile, which is guided by their operational processes or needs. For some customers, this impact is temporary as, subject to them being able to demonstrate the increase was a once off event or that measures have been introduced to keep consumption at a reduced MDQ level, they have been able to reset their MDQ reservation going forward.

Whilst some customers have seen an increase in their monthly charges, over the course of the current pricing period, due to the ratchetting mechanism being in place, this has not resulted in a material increase in GAWB's earnings. As demonstrated in GAWB's Regulatory Submission, actual revenue received from delivery charges did not exceed the 5% dead-band contemplated under the hybrid revenue cap arrangement. Furthermore, a customer's ability to modify their reserved MDQ during the current pricing period has meant in some instances the increase in monthly charges has been transitory.

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In response to these concerns, GAWB has reaffirmed its position that the transitional measures should not be extended. These measures, including the use of ratchetting, were only introduced to assist customers with the transition to MDQ based delivery charges (introduced on 1 July 2015). GAWB's Regulatory Submission for the 2021-25 pricing period does not include ratchetting. Delivery Access Charges will still be calculated based on the higher of reserved and actual MDQ usage, but the MDQ reservation will not be reset.

If you, or the project team, have any questions on the matters raised above 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