

An aerial photograph of a large blue lake. In the foreground, a peninsula features a building with a blue roof, a parking lot, and a small structure with a blue canopy. The background shows distant hills under a clear sky.

2020 PRICE

Monitoring Investigation

Response to the QCA Draft Report

Part B: Accumulated Under-recovery

March 2020



**Gladstone Area
Water Board**

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1. Introduction

The Gladstone Area Water Board (GAWB) welcomes the opportunity provided by the Queensland Competition Authority (QCA) to comment on both parts of its Draft Report including Part A which covers GAWB's proposed prices for the next five-year regulatory period (1 July 2020 to 30 June 2025) and Part B which covers the accumulated revenue under-recovery.

This response focuses on the QCA's draft response to the matters addressed in Part B of GAWB's regulatory submission which relates to the recovery of the accumulated revenue under-recovery.

A summary of GAWB's responses to the QCA's findings is provided below to provide stakeholders with a concise summary of our positions. A more detailed discussion of our positions is set out in sections 2 to 5 (inclusive).

Table 1.1 sets out the icons used in Table 1.2. Table 1.2 sets out a summary of GAWB's responses and where applicable a reference to the section in this response where the matter is discussed.

Table 1.1: Explanation of Icons






Icon	Draft Report
	GAWB accepts the QCA's finding and it will be used to develop prices for the regulatory period. Alternatively, this matter will be used to inform future engagement and/or activities.
	New information or an alternative approach has been put forward for the QCA to consider.
	GAWB does not support the QCA's finding and further information has been provided to support GAWB's position.

Table 1.2: Response to QCA Draft Findings – Part B

Finding	Draft Report		GAWB Response
B3.1	The QCA finds it appropriate for GAWB to align its regulatory and price smoothing periods at five years to prevent the further accumulation of GAWB's under-recovered revenue.	✓	GAWB accepts the QCA's finding.
B3.2	The QCA finds GAWB's proposal to further capitalise the accumulated under-recovery to 30 June 2022 is not appropriate. Rather, GAWB's accumulated under-recovery balance should be capped at \$124.7 million (the balance as at 1 July 2020).	?	While GAWB does not support the QCA's finding as the application of the WACC is required to compensate GAWB for the opportunity costs associated with not recovering the accumulated under-recovery in 2020-21 and 2021-22, GAWB is willing to support the QCA's conclusion – capping the accumulated under-recovery at the 1 July 2020 balance. Refer to section 2.2.
B4.3	The QCA finds it appropriate for existing customers to repay the under-recovery not associated with the Awoonga Dam augmentation, while it is appropriate for both existing and future customers to repay the under-recovery associated with the Awoonga Dam augmentation.	✓ ✓	GAWB accepts the QCA's finding that it is appropriate for existing customers to repay the under-recovery not associated with the Awoonga Dam augmentation. GAWB accepts the QCA's finding that both existing and future customers should repay the under-recovery associated with the Awoonga Dam augmentation.
B4.4	The QCA finds GAWB's proposal to recoup its under-recovery from existing users through separate annuities partially appropriate, specifically it is: <ul style="list-style-type: none"> • appropriate for GAWB to recoup the under-recovery <i>not</i> associated with the Awoonga Dam augmentation via an annuity; • not appropriate for GAWB to implement the annuity approach in its current form, as several customers may face a price shock. 	✓ ?	GAWB accepts the QCA's finding. GAWB accepts the QCA's proposal to implement the annuity approach. See section 4 on the proposed default arrangements.

Finding	Draft Report		GAWB Response
B4.5	<p>The QCA finds it appropriate for GAWB to recoup the under-recovery directly associated with the Awoonga Dam augmentation:</p> <ul style="list-style-type: none"> from existing and future users; by capitalising this portion of the under-recovery. 	✓	GAWB supports the QCA's finding that both existing and future customers should repay the under-recovery associated with the Awoonga Dam augmentation.
B5.6	<p>The QCA finds it appropriate that, in the first instance, GAWB provides each customer with a choice of repayment method for the component of the under-recovery balance <i>not</i> associated with the Awoonga Dam augmentation.</p>	✓	GAWB sees this approach as a potential alternative to the default arrangements outlined in the regulatory submission.
B5.7	<p>The QCA finds that GAWB's proposed default annuity repayment length of 20 years for industrial customers is not appropriate, while the proposed length of 100 years for the council is appropriate. The QCA finds the appropriate default annuity repayment lengths are:</p> <ul style="list-style-type: none"> 30 years for industrial customers; 100 years for the council. 	<p>?</p> <p>✓</p>	<p>The approach suggested by the QCA of 30 years for industrial customers could be a reasonable alternative.</p> <p>GAWB accepts the QCA's finding of 100 years for the council as it reflects the approach adopted in the regulatory submission.</p>
B5.8	<p>The QCA finds GAWB's proposal to set annuities based on the prevailing WACC is not appropriate. Rather, the QCA finds that annuities based on the cost of debt as advised by QTC would be appropriate from 1 July 2020.</p>	✗	<p>GAWB has concerns with the application of the cost of debt (as advised by QTC) over the prevailing WACC.</p> <p>Refer to section 4.3.</p>
B6.9	<p>The QCA considers it is appropriate that any decision in relation to GAWB not recovering certain past under-recoveries be left to GAWB's Board and shareholding Minister. If it is decided not to recover certain past under-recoveries, the QCA finds it would not adversely affect GAWB's financial health.</p>	?	<p>As noted by the QCA, whilst these other possible measures could result in the reduction of the balance of accumulated revenue under-recovery '<i>they are not options we would advise</i>'.¹ GAWB shares this sentiment.</p>

¹ QCA. 2020. *Gladstone Area Water Board Price Monitoring 2020-25 Part A: Overview – Draft Report*. February. p vi.

Finding	Draft Report		GAWB Response
B6.10	If it is decided that GAWB should not recover certain past under-recoveries, GAWB's direct domestic customers' under-recovery should first be considered.		GAWB will have regard to the matters raised by the QCA on this finding.
B6.11	The QCA finds GAWB absorbing the utilisation risk in relation to the Awoonga Dam augmentation is not appropriate, because there is no reliable cost estimate to establish a clear threshold. However, the QCA considers that there may be a case for GAWB to propose an optimisation of its asset base.		As noted by the QCA, whilst these other possible measures could result in the reduction of the balance of accumulated revenue under-recovery ' <i>they are not options we would advise</i> '. ² GAWB shares this sentiment.

² QCA. 2020. *Gladstone Area Water Board Price Monitoring 2020-25 Part A: Overview – Draft Report*. February. p vi.

Finding	Draft Report	GAWB Response
B7.12	<p>The QCA finds it appropriate that the pricing principles in the user contracts be amended in the following ways:</p> <ul style="list-style-type: none"> • that the amount required to recover the present smoothing effects from the previous review period (the Price Smoothing Carry-over) be removed from the calculation of the aggregate revenue requirement, save in relation to the under-recovery associated with the Awoonga Dam augmentation; • that the under-recovery associated with the Awoonga Dam augmentation be capitalised in 2020-21, to be recovered through customer prices over the remaining asset life of the Awoonga Dam; and • that the amount required to recover the present smoothing effects from the previous review period (the Price Smoothing Carry-over), less the amount included in the aggregate revenue requirement for the Awoonga Dam augmentation, be recoverable from each current user (in the appropriate amount) through an annuity, or a lump-sum payment, as agreed between GAWB and the applicable customer. Failing such agreement, the amount should be repaid by that customer through an annuity over a term of 30 years (for industrial customers) and 100 years (for the council), with the annuity repayments reflecting the cost of debt. 	<p>?</p> <p>The approach suggested by the QCA could be a reasonable approach, but this is subject to GAWB's position on the use of the QTC cost of debt, compared to WACC, to calculate the annuity payments.</p>

2. Preventing Further Accumulation

The QCA made the following key findings on the prevention of the further accumulation of under-recovered revenues:³

- the accumulation of under-recovered revenue was caused by a misalignment between the regulatory period and the price smoothing period;
- it is appropriate for the price smoothing period to be aligned with the regulatory period (five years), starting 1 July 2020;
- we do not find it appropriate to further capitalise the under-recovery amount beyond 30 June 2020; rather, the under-recovery should be capped at \$124.7 million.

Each of these findings is discussed in detail below.

2.1 Alignment of Regulatory and Price Smoothing Periods

GAWB supports the QCA's finding that the accumulation of under-recovered revenue was caused by a misalignment between the regulatory and price smoothing periods. By aligning these periods and ensuring GAWB is allowed to fully recover its approved Annual Revenue Requirement (ARR) for each year of the regulatory period, the requirement to adjust prices at the start of each regulatory period to take account of any accumulated revenue (as a result of the abovementioned misalignment) will no longer exist.⁴

GAWB notes the QCA's comment that while 'not explicitly stated we understand the Directions were intended to require us to consider continuing the 20-year price smoothing approach (section 1.1(d) of the Referral and Directions Notice).⁵ Irrespective of whether there was a direct or implied requirement that the QCA consider such an approach, as correctly noted by the QCA, this approach:

'would [have] lead to the further rapid accumulation of under-recovered revenue, which would have been an increasingly difficult problem to resolve'.⁶

Furthermore, the resultant prices would have continued to result in a misalignment of the economic cost of the services provided and the price actually paid by users; an outcome that is inconsistent with the QCA's Statement of Pricing Principles.⁷

³ QCA. 2020. *Gladstone Area Water Board Price Monitoring 2020-25 Part B: Accumulated Under-Recovery*. February. p 7.

⁴ This view is also due to the current value of the accumulated revenue under-recovery (\$124 million) being excluded at the outset, from the calculation of bulk water prices for the 2021-25 pricing period.

⁵ QCA. 2020. *Gladstone Area Water Board Price Monitoring 2020-25 Part B: Accumulated Under-Recovery*. February. p 4.

⁶ QCA. 2020. *Gladstone Area Water Board Price Monitoring 2020-25 Part B: Accumulated Under-Recovery*. February. p 4.

⁷ QCA. 2000. *Statement of Water Pricing Principles*. December.

2.2 Further Capitalisation of Accumulated Under-recovery

GAWB does not agree with the QCA's conclusion that the application of the prevailing weighted average cost of capital (WACC) to the accumulation of under-recovered revenue, to determine the under-recovery balance as at 1 July 2022, represents "continued growth" of the accumulated under-recovery.

This approach was applied by GAWB to ensure the value as at 1 July 2022 appropriately took into account the associated opportunity costs of maintaining the outstanding under-recovery amount and to preserve the accepted principle of revenue neutrality. By failing to maintain the time value of money, the real value of the accumulated under-recovery is being eroded over time.

However, given GAWB is mindful of the objective to manage the potential financial impact on customers, GAWB is willing to support the QCA's conclusion. That is, to not apply the prevailing WACC to the accumulated revenue under-recovery to determine the nominal value of the under-recovery as at 1 July 2022, when repayment of the under-recovery amount will commence.

3. Reducing Current Balance

The QCA makes the following key findings to reduce the current balance of the accumulated under-recovery:⁸

- *the portion of the under-recovery associated with the Awoonga Dam augmentation:*
 - *should be paid back by both future and existing customers;*
 - *should be capitalised and charged through water prices over the remaining life of the dam.*
- *the portion of the under-recovery not associated with the Awoonga Dam augmentation:*
 - *should be paid by only existing customers;*
 - *should be paid under payment terms to be negotiated between GAWB and customers, with the default terms to be an annuity, but not exactly as proposed by GAWB.*

Each of these findings is discussed in detail below.

3.1 Under-recovery associated with the Awoonga Dam augmentation

Irrespective of whether the under-recovery relates to the Awoonga Dam augmentation or the rest of the delivery network, this value relates to services and/or indirect benefits (such as delayed water restrictions) that have accrued to prior users based on their consumption profile over time. The proposal to capitalise the under-recovery in the regulated asset base (RAB) places a disproportionate onus on existing and future customers. As recovery will be based on current and future levels of consumption as opposed to the costs incurred which are the result of historic consumption patterns. As highlighted by Synergies' analysis (see Attachment A), these indirect benefits have been substantial both in terms of the additional time provided before restrictions would have been introduced and the economic impact on the Gladstone economy.

GAWB acknowledges that by recovering the accumulated under-recovery associated with the Awoonga Dam augmentation via prices, in the form of the return on and of the under-recovery as a result of the asset being included in the RAB, the financial impact on certain customers is materially diminished.

However, given GAWB is mindful of the objective to manage the potential financial impact on customers, GAWB supports the QCA's finding that it is appropriate for both existing and future customers to repay the under-recovery associated with the Awoonga Dam augmentation.

⁸ QCA. 2020. *Gladstone Area Water Board Price Monitoring 2020-25 Part B: Accumulated Under-Recovery*. February. p 9.

3.2 Under-recovery not associated with the Awoonga Dam augmentation

GAWB supports the QCA's finding that the under-recovery not associated with the Awoonga Dam augmentation be recovered via an annuity.

Refer to section 4 regarding the QCA's proposed adjustments to the default annuity arrangements.

4. Managing Customer Impact

The QCA makes the following key findings on how to manage the impact on customers of the measure to address the under-recovery not associated with the Awoonga Dam augmentation:⁹

- GAWB is to provide customers with a choice of repayment methods and to negotiate with customers to determine the optimal repayment length;
- if negotiations fail, the default repayment method should be an annuity with:
 - a term of at least 30 years for industrial customers;
 - a term of 100 years for the council; and
 - an interest rate set at the appropriate cost of debt.

Each of these findings is discussed in detail below.

4.1 Choice of repayment method

GAWB supports the QCA's finding that customers should be provided with a choice of repayment methods.

This approach is consistent with GAWB's intention set out in its regulatory submission. Namely, GAWB's willingness to negotiate repayment arrangements with each customer in good faith and in a manner that is fair to all customers and (to the extent appropriate) consistent with the *default repayment schedule*. Basically, the *default repayment schedule* as noted in GAWB's regulatory submission is:

- to calculate the annual annuity payment that would extinguish the outstanding balance over the remaining term, having regard to the maximum repayment term. The initial annual annuity payments will be based on the WACC or equivalent value used to set prices commencing 1 July 2020;¹⁰
- the timing for the annual payment will be set in consultation with the customer e.g. whether it is a monthly or annual payment;
- for that 5 year regulatory period, the customer's repayment schedule will comprise:
 - the five annual annuity payments (except for the 2021-25 pricing period where only 3 years will be included);
 - a balloon payment (i.e. the amount outstanding at the end of the 5 year period (30 June)). The balloon payment represents the present value (at 30 June) of the remaining accumulated revenue under-recovery attributable to their supply point/s (and aggregated for the customer); and the balloon payment becomes payable by 30 June in the last year of the regulatory period if the customer does not confirm its reservation for the next regulatory period. The customer must confirm its reservation

⁹ QCA. 2020. *Gladstone Area Water Board Price Monitoring 2020-25 Part B: Accumulated Under-Recovery*. February. p 16.

¹⁰ Gladstone Area Water Board. 2019. *Bulk Water Price Review – GAWB Submission Part B*. September. pp 14-15.

at least three months before the commencement of the next regulatory period and may only adjust its reservation to the extent permitted under its contract;

- all remaining payments due in the 5 year regulatory period, including the balloon payment, become due and payable if the customer terminates their supply arrangements prior to the end of the regulatory period;
- if supply is to occur in the next regulatory period, the balloon payment identified in year 5 of the repayment schedule will be used to set prices (i.e. the annuity payments) for the next regulatory period; and
- based on this amount, an updated repayment schedule will be determined for the next regulatory period. That is, the annual annuity payment that would be required to extinguish the outstanding balance over the remaining term, along with a new balloon payment (being the present value (at 30 June of year 5) of the remaining payments beyond that regulatory period) will be calculated. This calculation will have regard to the maximum repayment term and the WACC for the applicable pricing period.

4.2 Default annuity repayment length

GAWB supports the principle that it should negotiate with customers to determine the optimal repayment length and that in the event negotiation fails, a default repayment term needs to be in place.

Whilst the approach set out in GAWB's regulatory submission provided for a shorter term for repayments to apply to:

- customers with a water supply contract with an expiry date earlier than the default repayment term i.e. prior to 2042; or
- customers whose plant has an expected economic life shorter than the default repayment term,

this approach did not preclude the customer from extending the term of their existing contract. Furthermore, as noted above, GAWB is willing to negotiate repayment arrangements with each customer in good faith and in a manner that is fair to all customers and (to the extent appropriate) consistent with the *repayment schedule*. In light of this, GAWB does not believe the QCA's conclusion, that this approach is overly onerous on some customers, to be a fair representation.

GAWB acknowledges that by increasing the proposed default annuity repayment term for industrial customers from 20 to 30 years it will reduce the financial impact on customers. This approach may be a potential alternative to the default repayment term of 20 years outlined in the regulatory submission. However, GAWB does not support any arrangement where it would be required to collect annuities from some customers after their supply contract ends or plant shuts down.

GAWB supports the QCA's finding that a default repayment term of 100 years is appropriate for Gladstone Regional Council (Council) in terms of balancing the under-recovery impact on GAWB and the repayment impact on the Council.

While having regard to the default repayment term, and as previously stated, GAWB will negotiate repayment arrangements with each customer in good faith and in a manner that is fair to all customers and ensures the repayment terms are (to the extent appropriate) consistent with the *repayment schedule*.

4.3 Default Annuity Interest Rate

The QCA's finding that it is more appropriate to apply the cost of debt as advised by QTC, compared to the prevailing WACC, is not supported by GAWB. This approach fails to acknowledge:

- regulatory precedent, in that a regulated business should be entitled to receive the benchmark rate of return;
- this is also consistent with the current regulatory approach where the accumulated revenue under-recovery is rolled forward to the next regulatory period at WACC;
- the material differences between this situation and those applicable to Seqwater. In the case of Seqwater, as noted by the QCA, the requirement to use the cost of debt as advised by QTC is set out in the Referral Notice. In the absence of this explicit requirement, the benchmark rate of return would apply; and
- the accumulated revenue under-recovery does not represent a loan from GAWB to its customers, it is the delayed repayment of services already delivered to customers.

5. Options for GAWB

The QCA identified three findings on its consideration of options for GAWB to contribute to the solution of the under-recovery.¹¹

As noted by the QCA, whilst these other possible measures could result in the reduction of the balance of accumulated revenue under-recovered '*they are not options we would advise*'.¹² GAWB shares this sentiment for the reasons set out below.

Incentive Regulation

Although economic regulators are tasked with multiple objectives, the economic theory underpinning their actions is to promote economic efficiency by establishing frameworks to ensure that the price and quality of the regulated service is consistent with a competitive market benchmark. A competitive market benchmark is used because in theory it is consistent with a state of economic efficiency wherein the following dimensions of efficiency exist:

- technical efficiency: where outputs are maximised for a given set of inputs;
- allocative efficiency: where outputs are allocated to users who value them the highest; and
- dynamic efficiency: where technological efficiencies are continually shaping the input and output mix of the firm.

When these economic efficiencies are achieved, the community's economic wellbeing is at its greatest.

To achieve this outcome, economic regulators develop frameworks to achieve these efficiency outcomes.

Incentive regulation is the method through which regulators ensure regulated firms have the incentives to drive continual improvement. However, these incentives disappear if the regulator fails to honour the regulatory bargain (see below).

One of the main objectives of incentive regulation is to incentivise the firm to engage in continuous improvement thereby improving productivity over time. Regulatory frameworks incorporate incentive mechanism such as price or revenue caps to incentivise productivity improvement. The improvements set by the regulator aim to achieve productivity outcomes at or above the 'competitive market benchmark'. For example, reference to a competitive market benchmark is typically seen in the calculation of the WACC.

This is a strong incentive for the regulated business; where if it fails to achieve cost reductions consistent with the assumed 'productivity improvement', its profits will fall. Further, as it can

¹¹ QCA. 2020. *Gladstone Area Water Board Price Monitoring 2020-25 Part B: Accumulated Under-Recovery*. February. p 22.

¹² QCA. 2020. *Gladstone Area Water Board Price Monitoring 2020-25 Part A: Overview – Draft Report*. February. p vi.

keep any cost savings above those reflected in the assumed productivity improvements, it has an incentive to aim for greater cost reductions than those assumed at the time of setting prices.

It is acknowledged that under some regulatory frameworks the business may be required to return some of these gains. However, such arrangements are clearly established prior to firm decisions on investments and operating methods being made or having been developed in consultation with stakeholders. In the case of the latter, these arrangements are never applied retrospectively due to the need to preserve the regulatory bargain and procedural fairness considerations.

The Regulatory Bargain

The need for consistency in how the regulatory framework is applied and how amendments are to be made is essential for dynamic efficiency to be achieved. As noted above, incentive regulation is the method through which economic regulators ensure regulated businesses are appropriately incentivised to drive continual improvement. However, these incentives are materially eroded if regulators fail to honour the 'regulatory bargain'. That is, investments made by the regulated business and deemed to be prudent and efficient by the economic regulator should not be optimised from the RAB, except in extraordinary or explicitly defined instances. A failure to honour the regulatory bargain inevitably makes any form of future investment or business improvement riskier for the regulated business. By extension, such an outcome is not in the long term interests of consumers as businesses will be less willing to invest in assets that will or have the potential to be subject to economic regulation.

Demand

At the time it was completed, the augmentation of the dam wall (i.e. raising it from 30 to 40 m) created a level of excess supply in the order of 35% to 40% in the initial years. At the time of the investment it was assumed the excess capacity would be largely absorbed by new customers or increased levels of consumption by existing customers. Whilst there has been some take up of this additional capacity, it has not been to the levels originally assumed.

Notwithstanding the above, it should be acknowledged that some form of augmentation was required by the early to mid-2000s. If the dam had not been augmented, restrictions would have had to have been imposed, as noted by the QCA in 2010.¹³ This would have been a highly undesirable outcome for GAWB's customers, the Gladstone community and the broader Queensland economy.

The view of some stakeholders has been that the funding burden of the augmentation (to achieve 40 m) should fall with GAWB. Justification for this position is that the augmentation was designed to meet future demand that never materialised, and the additional capacity should be paid for by new customers, when and if they arrive. These views suggest the associated costs and demand risks should be borne by GAWB. However, there are sound economic efficiency arguments for recovery to occur from GAWB's existing customers.

¹³ QCA. 2010. *Gladstone Area Water Board: Investigation of Pricing Principles – Final Report*. June. p 75.

Prices play an important role in efficient market outcomes

Prices perform several important functions and when prices are set at a suboptimal level, some of these important functions are diminished.

Prices signal the scarcity of a resource to the market. In the case of the Awoonga Dam raising, the service that was being augmented was the security of water supply. This may seem counterintuitive, as a dam upgrade increases storage capacity which makes water less scarce, but the service supplied to existing users was water security. The capital required for the dam raising was to provide water security. If prices to existing users do not reflect the cost of providing a greater level of water security, then the allocative efficiency role of prices and the efficiency objectives of a regulator are not achieved. Within existing users, prices must include these costs to ensure water security services of the dam raising are allocated among users who value them most.

Prices allow firms to confidently make efficient investments in capital and to recover those investments. The process of 'getting prices right' incentivises future upgrades to the asset base. This relates to dynamic efficiency. As noted above, in the absence of a fair return on investment - a signal necessary to support future capital upgrades - the regulated business is disincentivised to make these necessary future investments.

Effective pricing structures allow for the costs of capacity to be spread over more users. This is a reasonable outcome when considering both fairness and efficiency (i.e. existing users should pay the long run marginal cost (LRMC) at the quantity reserved). Furthermore, the way prices are set means that users pay only the capital cost for a year at a time, not for the full cost of the investment. As such, if the demand profile changes over time, the cost of the investment may be distributed over more users.

All users (not just new users) receive significant benefits from the augmentation

The view by some stakeholders that only new users should face the cost of the augmentation fails to acknowledge the following:

- all users impose capacity demands and the order in which they arrive is irrelevant. If users were facing LRMC pricing, the dam wall augmentation would be spread across all users (as part of the LRMC calculation); and
- all users benefit from the investment through increased levels of water security.

Insurance Against Restrictions

As demonstrated by Synergies Economic Consulting's analysis (Attachment A), existing customers have benefited materially from the dam wall. For example, the dam wall at 40 m has delayed the imposition of level 2 water restrictions and reduced the period of time spent at level 1 restrictions by 10 months, when compared to the performance of a smaller augmentation i.e. 35 m.

If restrictions are introduced, customers could either:

- reduce production;
- import water from other sources; and/or

- improve the technical efficiency of their production processes with respect to water.

All of these options would incur some additional costs (or foregone revenue). As such, the reduced frequency of applying water restrictions has provided all customers with what amounts to an insurance policy against low rainfall and low water supply.

The value of this insurance policy will vary for each customer. However, based on Synergies' analysis, the economic benefit of this insurance policy when compared to a smaller dam augmentation (i.e. 35 m) is in the order of \$400 million. This value is materially larger than the total cost of the dam wall augmentation that was completed in 2002.

Considering the above matters, GAWB shares the QCA's sentiment that they are not advisable options.