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13 October 2009

Mr John Hall
Chief Executive
QLD Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Dear Mr Hall

Gladstone Area Water Board (GAWB): 5 Yearly Investigation of Pricing Practices

QAL appreciates the opportunity to review GAWB's Commercial Framework and Pricing Principles for the 2010 Price Review submission to the Qld Competition Authority (QCA) and make the following comments:

Revenue Cap

- QAL prefers a price cap to a revenue cap, as per the existing system.
 - QAL does not support price increases where demand decreases. This removes incentives for users to develop and implement water conserving innovations.
 - A move to a revenue cap will effectively remove GAWB's exposure to quantity risk.
 - The incentive for productivity and efficiency savings that are available under the price cap are not present under the proposed revenue cap model.

Drought Management

- QAL would like to see encouragement for users to explore, invest in and implement strategies to reduce water consumption. Under the existing and proposed practices demand reduction is met with penalties in the form of price increases. Water conservation and recycling should be encouraged and rewarded.

Augmentation of Water Storage

- QAL believe that existing users should not pay increased charges as water is sourced from an additional source (Fitzroy River) and that only those users whose new/increased demand requires the augmentation should be charged accordingly.
- The Qld Government promotes Gladstone as an industrial hub and as such the Qld Government should provide support and contribute to development costs where augmentation becomes necessary.

QAL looks forward to ongoing participation in the consultation process.

Sincerely,

Peter Mouna
Principal Buyer Raw Materials and Energy