

Gladstone Area Water Board price monitoring 2026–30: water security assets

Final report

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Executive summary

In May 2025, we published our final report on GAWB's indicative prices for bulk water for the 2025-30 price monitoring period, in accordance with a referral notice issued by the Queensland Government in May 2024. That referral notice excluded the consideration of costs associated with GAWB's water security assets, primarily the Fitzroy to Gladstone Pipeline (FGP).¹

On 16 June 2025, the Queensland Government issued a further referral notice (referral), which directed us to carry out a price monitoring investigation into GAWB's water security assets, including the FGP, for the period 1 July 2026 to 30 June 2030 (the price monitoring period). This investigation builds on, and complements, our May 2025 findings for the 2025-30 period.

This report sets out our findings on GAWB's proposed prices for its water security assets and explains how we reached them. We do not set or approve GAWB's costs, revenues or prices, and our findings are not binding on GAWB. Instead, our role is to provide information to stakeholders, offering transparency and helping to hold GAWB accountable for its commercial practices and pricing decisions.

Our review has been conducted in accordance with the terms of the referral. This includes deriving indicative water security prices that reflect the costs of supply for each megalitre of reserved demand. The referral asked that we accept the estimated capital costs of the FGP of \$983 million, less the capital grant provided by the Queensland Government, as well as the contracted costs for operating and maintaining the water security assets. We were asked to assess the prudence and efficiency of certain operating, administration and connection costs as well as forecast capital expenditure. These items represent a relatively small proportion of total costs. We have also been asked to develop an indicative price to monitor against GAWB's actual prices.

While our price monitoring task provides information to assist the commercial negotiation process, it does not replace it. Stakeholder submissions have identified instances where engagement with customers prior to GAWB's pricing submission was insufficient to ensure that issues of cost recovery and pricing impacts are both well-understood and able to be considered during the commercial negotiation process.² Failure to communicate cost recovery and pricing impacts to customers before committing to the FGP represents a legitimate fundamental concern from a customer's perspective. Issues around customer affordability need to be considered within the context of commercial negotiation with GAWB and the context of policy for any further government assistance. We note the Queensland Government has already provided substantial financial assistance towards water security in the region.

At our mid-term review in 2028, we will compare GAWB's actual prices with our findings in this report.

Our findings

Overall, we consider that the revenue that GAWB could be expected to recover through indicative prices for water security assets during 2026-30 is \$359.47 million. This is only \$7.84 million less than proposed by GAWB in its March 2026 submission. This difference is largely driven by our findings

¹ The referral noted that pricing impacts of costs associated with the Fitzroy to Gladstone Pipeline would be considered in a subsequent investigation closer to the time of commissioning the pipeline.

² GRC, sub 2, pp 7, 10; CS Energy, sub 4, pp 1-2; CPM, sub 5, p 9; WICET, sub 7, pp 2-3; QRC, sub 8, p 3.

on the rate of return (the lower market risk premium component), as we applied the rate of return methodology used in our 2025 final report,³ and our updated forecast for inflation (section 2.3).

In summary, we found that GAWB's proposed indicative price is broadly consistent with the terms of the referral. Our key findings include:

- GAWB's forecast operating expenditure of \$115.67 million is appropriate for our price monitoring exercise and reflects that GAWB is not recovering operating expenditure incurred prior to the price monitoring period (that is, incurred during 2025-26).
- GAWB's forecast capital expenditure allowance is a reasonable estimate of prudent and efficient costs, given the information available. We consider that the allowance should be subject to a true-up mechanism, with prudence and efficiency assessed on an ex post basis.
- In establishing the opening regulated asset base for 2026-30, we have verified that GAWB has appropriately included its water security assets at their prescribed value and has made appropriate deductions for Queensland Government capital grants, as specified in the referral.
- GAWB's forecast for reserved demand is based on the best available information on contracted volumes over the 2026-30 period and is appropriate for our price monitoring task.

Since we published our draft report, GAWB has submitted additional information that includes:

- details of commission dates and updates to GAWB's operations and maintenance contract (O&M contract) that change the parameters of the forecast service fee (section 2.1.1)
- updating its electricity forecasts where new information is available (section 2.2.1)
- advising that its insurance cost review has not been completed and proposed an interim estimate to cover its new water security assets (section 2.2.2)
- updated sludge removal costs to reflect the outcome of the tender procurement process and correcting a forecasting error as the sludge will be a wet, not dry, product (section 2.2.4)
- advised that the expected commissioning dates for the water treatment plant upgrades required to integrate the FGP with the existing network will be a year later (section 3.3).

We have departed from GAWB's proposed approach to reflect the terms of the referral, by:

- adopting a market risk premium of 6.40%, compared to GAWB's proposed 6.60%, which is based on the methodology used in our 2025 final report.⁴ This produces a revised weighted average cost of capital (WACC) of 7.23%, compared with GAWB's proposed value of 7.29% (Chapter 5)
- updating the values of interest during construction and working capital associated with water security assets to reflect our revised WACC (Chapters 3 and 5)
- adopting a longer asset life that better reflects the expected life of the water security assets (Chapter 4), for calculating depreciation on forecast maintenance, renewals and replacement capital expenditure.

Based on our findings, an indicative price for GAWB's water security assets in 2026-27 is \$1,354.51 per reserved megalitre (ML). In the absence of the Queensland Government grant, we estimate the water security charge in 2026-27 would be 22% higher at \$1,657.75 (Chapter 6).

We understand several hydrogen-related network augmentation projects foreshadowed during the 2025-30 price monitoring investigation are now unlikely to proceed during the price monitoring

³ Referral dated 16 June 2025 (Appendix A).

⁴ OCA, [Gladstone Area Water Board price monitoring investigation 2025-30](#), final report, April 2025.

period. We would expect any associated cost reductions – both in capital and operating costs – to be reflected in GAWB’s negotiated charges. We will observe the outcomes in our mid-term review.

Way forward

In 2028, we will begin our mid-term reporting. This process will compare the indicative prices and revenues estimated in this investigation with GAWB’s actual prices and revenues. We will also highlight any differences and explain the reasons for them. The mid-term report must be provided to the Queensland Government by 31 October 2028.

1 Overview

We have been directed by the Queensland Government to undertake a price monitoring investigation relating to Gladstone Area Water Board's (GAWB) water security assets for the period 1 July 2026 to 30 June 2030 (the price monitoring period). The referral notice (referral) for the review was issued by the Queensland Government on 16 June 2025.⁵

Importantly, this investigation is limited to considering only the costs and revenues associated with GAWB's water security assets.⁶ These costs were excluded from the scope of our 2025-30 price monitoring investigation at the direction of the Queensland Government.

Our current investigation does not represent a reopening of the findings we have already made regarding the 2025-30 price monitoring period, which are outlined in our 2025 final report. Rather, it builds on those findings by including indicative prices for water security assets.

1.1 GAWB's bulk water supply activities

GAWB provides bulk raw and potable water to industries located in the Gladstone region and to the Gladstone Regional Council. The prices that GAWB charges for providing bulk water services are determined through commercial negotiation with customers.

GAWB owns and operates the following assets to service its bulk water customers:

- Awoonga Dam and associated infrastructure
- 229 km of water pipelines comprising 95 km of raw water pipelines and 134 km of potable water pipelines
- 10 pump stations
- 16 water reservoirs comprising 11 treated water reservoirs and 5 raw water reservoirs
- 2 water treatment plants
- recreational facilities located around Lake Awoonga
- hatchery facility
- FGP and associated infrastructure [REDACTED].

1.2 GAWB's water security assets

The referral defines GAWB's water security assets as the FGP and water allocations purchased for the purpose of transporting via the FGP.⁷

Once completed, the FGP will be a 117-kilometre raw water pipeline connecting the Lower Fitzroy River, upstream of Rockhampton, to the northern end of GAWB's raw water network at Yarwun, just north of Gladstone. The pipeline will be capable of transferring 30,000 ML of water each year from the Fitzroy River into GAWB's existing water infrastructure.

⁵ Referral dated 16 June 2025 (Appendix A).

⁶ Defined in the referral as the Fitzroy to Gladstone Pipeline (FGP) and water allocations purchased for the purpose of transporting via the FGP.

⁷ The referral also asks us to consider GAWB's connecting infrastructure and other capex associated with the water security assets when determining the RAB and revenues; however, these assets are not captured in the definition of water security assets.

The project comprises design and construction of several components including a water intake, a new water treatment plant, reservoirs and connecting infrastructure required to integrate the FGP into the existing GAWB raw water network.

Other costs relevant to GAWB water security assets are:

- Fitzroy River water allocations that will be transported via the FGP
- the operation and maintenance of the pipeline, which has been contracted to a third-party provider.

For nearly two decades, GAWB has advocated for diversification of its single source supply risk from Awoonga Dam, and in early 2023 it received approval from the Queensland Government to undertake the FGP project.

Prior to the FGP, GAWB relied entirely on Awoonga Dam, located on the Boyne River, as its sole source of water supply. Historical drought events have highlighted the vulnerability associated with dependence on a single water source and the increasing risk to regional water security. The FGP was initiated to mitigate this risk by diversifying GAWB's water supply portfolio.⁸

The concept for the FGP was first proposed in 2007 as a potential solution to strengthen long-term water security for the Gladstone region. Significant inflows into the Boyne catchment in subsequent years saw the project deprioritised, until further assessment processes resumed between 2017 and 2021.⁹ The Queensland Government ultimately approved the construction of the FGP in early 2023, with GAWB being responsible for the construction, ownership and operation of the pipeline.

The Queensland Government's intention is for the FGP to enhance long-term water security for the central Queensland region and support sustained economic development by reducing the impact of localised drought conditions.¹⁰

1.3 Intent of price monitoring

GAWB's prices are determined through commercial negotiation between GAWB and its customers.¹¹ Price monitoring allows GAWB to operate on a commercial basis without intrusive regulatory intervention. It should provide incentives for GAWB to invest and spend efficiently, while maintaining service quality and reliability. Price monitoring primarily achieves this by providing transparency around GAWB's proposed expenditures and actual prices.

Transparency assists GAWB's customers, the community and government to better understand GAWB's operating environment and cost drivers and how those factors influence pricing outcomes. In turn, this ensures GAWB remains accountable for its investment and expenditure decisions, as well as pricing outcomes.

Our investigation is informative rather than determinative. The indicative prices we estimate are not binding. GAWB and its customers may negotiate different prices, subject to their commercial arrangements and changing market circumstances. Effective commercial negotiation between GAWB and its customers is the foundation of the light-handed price monitoring approach.

We would expect GAWB and its customers to depart from our price monitoring findings and set different prices, subject to their commercial arrangements and changing market circumstances. Any

⁸ GAWB, sub 1, pp 9-11, sub 6, pp 6-11.

⁹ Department of Regional Development, Manufacturing and Water, *Fitzroy to Gladstone pipeline - Detailed Assessment (DA)*, Queensland Government, 2021, chapter 1, pp 6-7.

¹⁰ Department of Regional Development, Manufacturing and Water, *Fitzroy to Gladstone pipeline - Detailed Assessment (DA)*, Queensland Government, 2021, chapter 1, pp 9-10.

¹¹ GAWB has bulk water supply agreements or commercial arrangements with its customers.

commercial negotiation should not be based on a 'take it or leave it' approach from GAWB because this would be inconsistent with the primacy of commercial negotiations undertaken in good faith.

1.4 Our approach to the investigation

We conducted our investigation in accordance with the terms of the referral and having regard to each of the matters we are required to consider in section 26 of the QCA Act.

Terms of the referral

The key parameters in the referral are:

- allowable costs – the costs associated with the water security assets, which include:
 - GAWB's prudent and efficient operating, administration and connection costs
 - GAWB's contracted costs for operating and maintaining the water security assets (O&M contract costs)
 - prudent and efficient forecast capital expenditure associated with the connection, integration, renewal and replacement of the water security assets
 - allowances for return on capital, depreciation, tax and working capital
- opening regulated asset base (RAB) for 1 July 2026 – to be established by:
 - accepting the \$983 million forecast capital cost of the FGP
 - applying specific deductions to capital costs to recognise the value of the Queensland Government's capital grant funding (and interest earned)
 - including other capital expenditure associated with GAWB's water security assets
- reserved demand – to be determined based on the total quantity of water reserved by GAWB's customers (under contracts or water supply proposals), including conditional contracts
- approach to estimating certain cost components – we should adopt the findings from our previous price monitoring investigation¹² to determine forecast inflation, depreciation charges and the rate of return (subject to updating the cost of debt)
- indicative prices¹³ – allowable costs are to be allocated to all customers based on reserved demand, and prices are to be smoothed over the price monitoring period.

Consideration of section 26 matters

In conducting our investigation, we had regard to each of the matters we are required to consider in section 26 of the QCA Act. These matters are extensive, diverse and potentially conflicting¹⁴ – for example, the need for efficient resource allocation, the effect of inflation, demand management considerations, the protection of consumers from abuses of monopoly power, and social welfare and equity considerations.

We explain how we have had regard to each of the section 26 matters in Appendix D and throughout this report.

¹² The referral uses the term 'previous price monitoring investigation' to denote our [2025-30 price monitoring investigation final report](#).

¹³ Referred to as 'appropriate prices' in the referral.

¹⁴ Productivity Commission, [Australia's Urban Water Sector](#), inquiry report no 55, vol 1, August 2011, pp 267-270.

1.5 How we derived indicative prices

Our first step to deriving indicative prices is to review GAWB's proposed capital expenditure, operating expenditure and the reasonableness of its demand forecasts. We then estimate capital charges associated with GAWB's RAB, including an appropriate rate of return and allowances for depreciation, tax and working capital. Using these inputs, we produce an estimate of allowable costs, which we use to derive indicative prices based on forecast demand.

The indicative prices in this report are based on our assessment of GAWB's submission, supporting documents and modelling. We also carefully considered stakeholder submissions.

1.6 Consideration of stakeholder submissions

We provided stakeholders with an opportunity to comment on GAWB's proposal and received 3 submissions. We also received 4 submissions in response to our draft report. While we provided an additional opportunity for stakeholders to participate in our review following the publication of submissions in response to our draft report, we did not receive any.¹⁵

Table 1 provides our consideration of the issues raised in the submissions. We have had regard to these submissions throughout our review, even though our report may not refer directly to every issue raised.

Stakeholders raised concerns regarding the magnitude of GAWB's proposed water security charge and the impact of this charge on households, businesses and the competitiveness of local industries; the way in which the costs of the FGP should be shared across customers; and broader concerns regarding the decision to proceed with building the FGP.

Table 1: Response to stakeholder comments

Issue	Stakeholder comments	QCA response
Price increases	<p>Stakeholders raised concerns about significant price increases, particularly when water prices were already considered high. Stakeholders said we must consider the impact on affordability, the economic viability of businesses and their ability to compete, and regional development.¹⁶</p> <p>GRC stated that no consideration was given to affordability for households and businesses or their willingness to pay for the water security assets.¹⁷</p> <p>GAWB acknowledged affordability concerns but said that any departure from cost-reflective prices was a matter for government policy.¹⁸</p>	<p>We do not have any scope to directly address the matters raised by stakeholders, because indicative prices are derived in accordance with the terms of the referral, and actual prices are determined through commercial negotiation between GAWB and its customers.</p> <p>We have provided confidential advice to the Queensland Government on the impacts of the indicative prices on each of GAWB's customers (Appendix E). The referral has not asked us to undertake an affordability or willingness to pay study – GAWB is best placed to undertake such activities as the asset owner and</p>

¹⁵ The consultation opportunity was provided following a request for guidance on how to comment on information to be provided by GAWB. See CPM, sub 5.

¹⁶ GRC, sub 2, pp 7-8; Rio Tinto, sub 3, p 3; CS Energy, sub 4, p 2; CPM, sub 5, pp 2-9; WICET, sub 7, pp 1, 3.

¹⁷ GRC, sub 2, p 7.

¹⁸ GAWB, sub 6, pp 13-15.

Issue	Stakeholder comments	QCA response
		<p>operator with direct commercial relationships with customers.</p> <p>The Queensland Government has already contributed grant funding towards the project, without which indicative prices would be 22% higher (section 6.6).</p> <p>It is a matter for governments to decide whether to provide subsidies or other support to address affordability concerns, or to meet other policy objectives.¹⁹</p>
<p>Allocation of costs</p>	<p>Stakeholders considered it unfair for existing customers to fully fund the water security assets, stating that the costs should be allocated according to the benefits received.²⁰</p> <p>GRC said it was unfair to expect the council and rate payers to contribute to the costs of GAWB's water security assets where reported benefits focused on securing water sources for industrial activity and development, including hydrogen proponents under development.²¹ It stated that benefits for the GRC's water users were relatively minor, particularly given the high reliability of Awoonga Dam.²²</p> <p>CS Energy and CPM were of the view that the water security assets were intended for the hydrogen and renewable energy sector. They noted that the FGP was downstream of the Awoonga Dam, where they draw raw water from.²³</p> <p>CS Energy and CPM believed that GAWB should bear some utilisation risk for capital projects where benefits extend beyond current users, to ensure efficient and equitable cost allocation.²⁴</p>	<p>We note that all customers benefit from water security.</p> <p>In deriving indicative prices, we have allocated costs in accordance with the terms of the referral.</p> <p>Proposed hydrogen and renewable energy developments were not the catalyst for the FGP. Since 2007, GAWB has undertaken a range of studies and reports evaluating solutions to mitigate the single-source water supply risk of Awoonga Dam. The FGP was developed to address long-term water security.</p> <p>We also note that forecast demand does not include any new hydrogen and/or renewable energy sector demand (section 6.3).</p> <p>The level of benefit that customers receive may be a relevant consideration in price negotiations between GAWB and its customers.</p> <p>Having applied the pricing approach in the referral the application of the QCA's water pricing principles is not applicable in this instance.</p>

¹⁹ For example, the Commonwealth and Queensland Governments \$2 billion financial support to the Boyne aluminium smelter. See T Ayres, *\$2 billion investment to secure Queensland's industrial future*, Australian Government, media release, 25 March 2026.

²⁰ GRC, sub 2, p 2; CS Energy, sub 4, p 2.

²¹ GRC, sub 2, pp 3-4.

²² GRC, sub 2, p 3.

²³ CS Energy, sub 4, p 2; CPM, sub 5, pp 1, 9

²⁴ CS Energy, sub 4, p 2. CPM, sub 5, p 9.

Issue	Stakeholder comments	QCA response
	<p>Rio Tinto said it was inappropriate to recover costs associated with the FGP from all of GAWB’s customers, when the true cost of the pipeline and its integration into GAWB’s existing network remained uncertain.²⁵</p> <p>CPM said we failed to take into account the QCA’s statement of regulatory pricing principles for the water sector.²⁶</p>	
<p>Operating costs</p>	<p>Rio Tinto said that greater transparency should be provided on the O&M selection process, as well as the resulting contract and service fee. It was of the view that the O&M contract should include efficiency incentives, and the service fee could be benchmarked to ensure it is efficient and competitive.²⁷</p> <p>GRC questioned costs associated with additional staff and professional service support. It stated that these appeared excessive and inefficient, particularly following the recent step change in GAWB’s labour costs.²⁸</p> <p>It also questioned the assumption that GAWB would need to utilise its full water allocation from Rookwood Weir (on an annual basis) if no new demand was forecast, beyond marginal growth from existing users.²⁹</p>	<p>As the O&M contract was procured concurrently with the design and construct contract, considerations of prudence and efficiency would need to assess the interactions and procurement processes, which we have not been asked to do. GAWB’s procurement process is detailed in its submission.³⁰</p> <p>Our position is that it is prudent for GAWB to resource adequately for the implementation phase; however, this would need to be assessed in future price monitoring periods.</p> <p>We note GAWB has submitted that it will not seek to recover operating expenditure incurred before 2026-27.³¹ GAWB also is not proposing to recover incremental variable operating expenditure relating to its soon-to-be-upgraded water treatment plants.³²</p> <p>Forecast water allocations are made based on the FGP maintaining water security for GAWB. Therefore, the volume of Rookwood Weir water allocations used is independent of new demand growth.</p>
<p>Capital expenditure</p>	<p>Stakeholders sought greater transparency around the submitted RAB, including in relation to:</p> <ul style="list-style-type: none"> government grants and how these had been applied³³ 	<p>Chapter 4 (Asset base) of this report clarifies the treatment of government grants and GAWB’s asset lives. As noted in Chapter 3 (Capital expenditure) pre-construction costs are included in the</p>

²⁵ Rio Tinto, sub 3, p 4.

²⁶ CPM, sub 5, pp 8-9

²⁷ Rio Tinto, sub 3, p 4.

²⁸ GRC, sub 2, p 9.

²⁹ GRC, sub 2, p 9.

³⁰ GAWB, sub 1, 16-17.

³¹ GAWB, sub 1, p 32.

³² GAWB, sub 6, p 31.

³³ GRC, sub 2, p 9; Rio Tinto, sub 3, pp 4-5.

Issue	Stakeholder comments	QCA response
	<ul style="list-style-type: none"> the weighted average asset life, including assumptions used³⁴ how \$33 million in pre-construction and ancillary activity costs were accounted for.³⁵ <p>GRC was of the view that costs to enable bidirectional use of the FGP in the future should be excluded from the RAB.³⁶ It also considered it inappropriate for GAWB to recover a return on and of capital through water charges levied on the GRC, based on the prior treatment of government funded water projects.³⁷</p>	<p>prescribed value of water security assets of \$983 million, which confirms it is the government’s intent that GAWB be allowed to include these costs for price monitoring purposes.</p> <p>GAWB has not identified nor proposed any additional capital costs to enable bidirectional capability at this stage.</p>
Rate of return	<p>Rio Tinto stated that GAWB’s WACC was substantially out of line with other regulatory decisions for water assets operated in Australia. It considered that GAWB’s return on equity should be reassessed or, alternatively, GAWB should be required to assume greater risk and strive for improved cost efficiency.³⁸</p>	<p>Our rate of return findings for GAWB are not out of line with recent regulatory decisions for water assets operated in Australia. These matters have been subject to detailed consideration in our recent 2025 investigation.</p> <p>Our rate of return is consistent with recent regulatory decisions and is commensurate with GAWB’s risk profile.</p>
Impact on existing water arrangements	<p>CS Energy sought assurance that it would not be subject to water restrictions if the water security price did proceed. It also requested confirmation as to whether there would be any changes to its agreement because of the water security asset and water security price definitions.³⁹</p>	<p>Commercial matters are subject to negotiation between GAWB and its customers.</p> <p>GAWB’s drought management plan outlines the various restriction levels based on the duration of reliable water supply availability.⁴⁰</p>

³⁴ Rio Tinto, sub 3, p 5.

³⁵ GRC, sub 2, p 9.

³⁶ GRC, sub 2, p 10.

³⁷ GRC, sub 2, p 8.

³⁸ Rio Tinto, sub 3, p 5.

³⁹ CS Energy, sub 4, p 3.

⁴⁰ GAWB, *Drought and flood management*, GAWB website, 2025.

2 Operating expenditure

GAWB's operating expenditures are the ongoing costs of providing water supply services and include costs associated with the operation and maintenance of water storage, treatment and transport, as well as the costs of water treatment chemicals and electricity.

For this investigation, our assessment of GAWB's operating expenditure has involved:

- validating the inclusion of water purchase costs and contracted costs for operating and maintaining water security assets (section 2.1)
- determining the prudence and efficiency of the costs incurred by GAWB for operating, administration and connection costs that are excluded from the above (such as electricity, incremental labour, licence fees and sludge removal) (section 2.2). These costs are referred to collectively as GAWB's owner's costs.

Following our draft report GAWB provided revised operating expenditure forecasts to account for:

- the expected commissioning date of the FGP [REDACTED],⁴¹ which increases the operations and maintenance contract (O&M contract) service fee due to the inclusion of the mobilisation fee
- reductions to variable electricity and water purchase costs associated with [REDACTED] the completion of water treatment plant upgrades [REDACTED].

Overall, since our draft report the reductions to variable costs are offset by the inclusion of the mobilisation fee within the terms of the O&M service fee that is payable upon commissioning of the FGP.⁴²

Our position is to accept GAWB's March 2026 revised operating expenditure forecast for the reasons provided in this chapter, subject to our findings on forecast escalators (section 2.3).⁴³ We consider that GAWB's revised forecast for operating expenditure reflects a reasonable overall estimate that allows GAWB to prudently and efficiently manage its water security assets. Furthermore, GAWB's proposal avoids any double counting of costs previously assessed in our 2025-30 price monitoring investigation.⁴⁴

We have confirmed that GAWB has not included any operating costs associated with water security assets for 2025-26.⁴⁵ GAWB has committed to not recovering these costs during the price monitoring period.

Accordingly, operating expenditure of \$115.67 million has been included within allowable costs (Table 2). GAWB's actual operating expenditure outcomes will be observed during our mid-term review.

⁴¹ GAWB, sub 6, pp 27-28.

⁴² GAWB, sub 6, p 32.

⁴³ A significant amount of information that has informed our assessment is commercial-in-confidence, such as third-party contracts. We have presented our findings in this context, and GAWB has claimed confidentiality where necessary.

⁴⁴ QCA, *Gladstone Area Water Board price monitoring investigation 2025-30*, final report, April 2025.

⁴⁵ GAWB's estimate of \$8.9m for 2025-26 operating expenditure has not been incorporated into water security prices during the monitoring period.

Table 2: Operating expenditure for water security assets (\$ million, nominal)

	2026-27	2027-28	2028-29	2029-30	Total
O&M contract costs	12.46	12.75	13.99	14.34	53.53
Water purchase costs	6.34	6.54	6.72	6.89	26.49
Owner's costs	7.78	8.48	9.51	9.87	35.64
Total operating costs	26.58	27.76	30.22	31.11	115.67

Note: Numbers may not add due to rounding.

Source: QCA analysis; GAWB, FGP revenue and pricing model, March 2026; GAWB, sub 6, pp 32-33.

2.1 Verification of contractual operating expenditures

Following GAWB's appointment by the Queensland Government as the delivery management proponent for the FGP, the O&M contract, and the design and construct contract were tendered as a package, allowing bidders to submit integrated proposals. We note that the procurement process was undertaken through a competitive process during 2022. We have not been directed to review the procurement process of the FGP as part of our price monitoring investigation.⁴⁶

Under the terms of the referral, for our price monitoring activities the contracted O&M costs are reflected in our forecast of operating expenditure – this is referred to as the O&M service fee. This includes any performance payments, penalties and escalation.⁴⁷

We have also verified that GAWB's forecast for water purchase costs reflects its contracted entitlements and forecast demand.

2.1.1 Operations and maintenance service fee

The O&M service fee includes the following components that are incurred by the O&M contractor in operating and maintaining the FGP in accordance with the terms of the contract:

- a mobilisation fee representing a fixed, upfront payment for start-up and transition costs
- fixed fee components for labour, vehicles, administration, sampling, indirect costs, design support and a risk allowance
- a variable fee component, which is based on actual costs incurred, influenced by water volume, quality and system operation
- a contractor's margin that is levied on the total service fee less deductions for abatement based on performance.

We accept GAWB's forecast of its O&M service fee for inclusion within its operating expenditure, subject to updated forecast escalators (Table 3). In reviewing GAWB's forecast, we have verified that the items and amounts are consistent with the O&M contract, including forecast amounts and escalation methodologies.

GAWB has submitted that it will now include the mobilisation fee given the FGP commissioning date is expected to be [REDACTED]. This is consistent with GAWB's commitment to absorb

⁴⁶ As the O&M contract was procured concurrently with the design and construct contract, considerations of prudence and efficiency would need to consider the interactions and procurement processes, which we have not been directed to do. Further details on the procurement process are outline in GAWB's submission (sub 1).

⁴⁷ GAWB has not forecast any abatement or penalty payments in its submission.

costs incurred in 2025-26.⁴⁸ We have confirmed that GAWB has not included costs expected to be incurred prior to the monitoring period.

Table 3: GAWB's contracted O&M service fee (\$ million, nominal)

O&M service fee	2026-27	2027-28	2028-29	2029-30	Total
Mobilisation fee	█	█	█	█	█
O&M fixed fee					
Labour	█	█	█	█	█
Internal labour	█	█	█	█	█
Vehicles	█	█	█	█	█
Administration	█	█	█	█	█
Sampling and analyses	█	█	█	█	█
Indirect costs	█	█	█	█	█
Design	█	█	█	█	█
Risk allowance	█	█	█	█	█
Sub-total	█	█	█	█	█
O&M variable fee	█	█	█	█	█
Margin	█	█	█	█	█
Total service fee	12.46	12.75	13.99	14.34	53.53

O&M: operations and maintenance.

Note: GAWB has used actual escalation of the O&M fee consistent with its O&M contract, based on the All Groups CPI for Australia, which we will use for our price monitoring purposes. Further details on escalation are at section 2.3.

Source: QCA analysis; GAWB, FGP revenue and pricing model, March 2026.

GAWB has foreshadowed the possibility of further updates to the O&M service fee elements before and after commissioning as the parties obtain better information on the operation of the FGP. We will monitor these differences as part of our mid-term review.

2.1.2 Water purchase costs

GAWB has river supply contracts with Sunwater for the provision of water supply and associated services. These contracts cover a total of 30.99 GL per annum of medium and high priority water allocations sourced from the Rookwood Weir.

GAWB is obligated to make annual payments to Sunwater for the supply of water and related services. These charges are subject to annual escalation in accordance with the conditions specified in the respective supply contracts.

The annual water supply charge comprises two components:

- Part A – fixed charge: applied per megalitre (ML) of water allocation
- Part B – variable charge: applied per megalitre of water actually taken.

Sunwater's rates differ between high priority and medium priority water allocations.

⁴⁸ GAWB, sub 1, p 32.

We accept GAWB’s forecast for water purchase costs for inclusion with its operating expenditure allowance subject to updated forecast escalators (Table 4). In reviewing GAWB’s forecast, we have verified:

- Sunwater’s Rockwood Weir water supply scheme charges
- GAWB’s water allocation resource operations licence entitlements (verified by obtaining the individual registration confirmation statements)
- expected ramp-up of water to be taken from Rookwood Weir during the period
- impacts of [REDACTED] the expected commissioning of water treatment plant upgrades
- application of CPI.

Table 4: Water purchase costs (\$ million, nominal)

Water purchase costs	2026-27	2027-28	2028-29	2029-30	Total
Water purchases	6.34	6.54	6.72	6.89	26.49

Source: QCA analysis; GAWB, FGP revenue and pricing model, March 2026.

We note that GAWB’s forecast does not include water purchase costs for 2025-26 or any other costs that Sunwater may be entitled to recover from GAWB (such as metering or meter testing).

2.2 Prudency and efficiency assessment of GAWB’s owner’s costs

GAWB submitted forecasts for operating expenditure that are not included in its O&M contact. These costs include:

- incremental electricity costs associated with increased pumping requirements of the FGP and decreased pumping requirements from Awoonga Dam (section 2.2.1)
- additional insurance premiums for industrial special risk cover (including terrorism) to cover the water security assets (section 2.2.2)
- funding for employees and consultants required to undertake a range of additional commercial roles and network operation and integration roles (section 2.2.3).
- other costs for land licence fees, dry sludge removal and QCA fees for price monitoring (section 2.2.4).

GAWB’s proposed owner’s costs (Table 5) have been adjusted to account for our findings on forecast escalators (section 2.3). Consistent with the referral, we have assessed the prudency and efficiency of these items.

Table 5: GAWB’s owner’s costs (\$ million, nominal)

Owner’s costs	2026-27	2027-28	2028-29	2029-30	Total
Electricity	3.66	4.34	4.96	5.17	18.14
Insurance	1.56	1.63	1.83	1.92	6.95
Employees – implementation	0.89	0.91	0.94	0.96	3.70
Consultants – implementation	0.28	0.29	0.29	0.30	1.16
Licence fees	0.15	0.16	0.16	0.17	0.64
Sludge removal	0.86	1.14	1.32	1.36	4.69
QCA fee	0.38	–	–	–	0.38
Total	7.78	8.48	9.51	9.87	35.64

Note: Numbers may not add due to rounding.

Source: QCA analysis; GAWB, FGP revenue and pricing model, March 2026.

2.2.1 Electricity

GAWB’s submission includes additional electricity costs associated with the water security assets. Electricity is the single largest cost item we are assessing for prudence and efficiency, representing over half of GAWB’s forecast owner’s costs.

Electricity costs we have assessed are associated with:

- the new Alton Downs pump station
- a reduction to the existing pumping load at Awoonga Dam, as a result of the FGP.

While the Mount Miller and Aldoga sites are expected to be connected to the electricity grid in the second quarter of 2026,⁴⁹ GAWB has not accounted for these costs, which it expects to be relatively small.

GAWB also noted that there may be changes to electricity costs associated with the existing Gladstone and Yarwun water treatment plants and offline storage facility. However, it has stated that it will bear these additional costs until the end of the current monitoring period.⁵⁰

In considering the electricity costs submitted, we have assessed GAWB’s electricity model and have confirmed that GAWB’s forecasting approach is generally consistent with the approach applied as part of the 2025-30 price monitoring investigation. GAWB has updated its electricity model where new information is available, including:⁵¹

- metering and network water usage data, reflecting actual data available
- energy cost information, reflecting the latest publicly available information from the Australian Energy Market Operator, Australian Securities Exchange and Clean Energy Regulator
- network costs, reflecting those approved by the Australian Energy Regulator in May 2025
- regulated retail electricity prices, reflecting those approved by the QCA in June 2025
- inflation forecasts, reflecting the forecasts GAWB has submitted as part of this investigation.

⁴⁹ GAWB, sub 6, p 28.

⁵⁰ GAWB, sub 6, p 31.

⁵¹ Updates occurred in GAWB’s initial submission and in response to our draft report, where new information was available.

After we released our draft report, GAWB also sought to revise its forecasting approach for certain energy inputs to reflect updated information on the wholesale electricity market outlook until 2030.⁵²

In relation to the new pump station at Alton Downs, we understand that GAWB's forecast electricity consumption is based on advice from the lead electrical engineer. We consider that this approach is reasonable, based on the information available at this time, as regard has been given to equipment characteristics such as pump capacity, maximum demand and the volume of water to be pumped.

GAWB has not undertaken a review of market contracts for the new pump station at this time, but it submitted that the Alton Downs site will commence on a regulated retail tariff. We consider that this approach is reasonable, noting the non-reversion policy in place in regional Queensland,⁵³ which would prevent GAWB from reverting to a regulated retail tariff from a market contract if this was deemed more appropriate in the future. We are of the view that GAWB should undertake a review of the appropriate tariff (market or regulated) once connection and usage characteristics become clearer, including the duration and nature of the operational transitional period for the integration of the FGP into GAWB's existing network.

In relation to Awoonga Dam, GAWB has sought to forecast how electricity costs will change with the introduction of the water security assets. We have confirmed GAWB's approach reasonably isolates costs associated with the introduction of the water security assets, and the forecast reduction in the pumping load at Awoonga Dam (and associated electricity consumption) aligns with the forecast volumes associated with the FGP.

Overall, we consider GAWB's forecast electricity costs are reasonable. While GAWB has not sought to capture all anticipated changes, we accept its position that the information available in relation to these costs at present is insufficient to provide a reasonable forecast for our price monitoring task.

2.2.2 Insurance

GAWB's forecast incremental insurance cost for its water security assets reflects the additional premium to increase its industrial special risk (ISR) cover (including terrorism) for these assets. Given the material increase in GAWB's asset base, an increase in ISR premiums has been forecast.

Insurance is the second largest cost item we are assessing for prudence and efficiency, representing over 18% of GAWB's forecast owner's costs.

GAWB submitted that it is currently undertaking a whole-of-business review of the insurance cover and will be in a position to advise the outcome of this after our final report is published.

We accept GAWB's proposed indicative allowance as an interim estimate to apply for the monitoring period. GAWB's current review of its insurance arrangements could result in material changes to its cover, and corresponding premiums, resulting in a highly uncertain forecast. The indicative insurance costs are based on premium increases, escalated using CPI plus 2%, to cover GAWB's assets for the:

- FGP based on advice from its insurance broker provided in 2023
- value of water treatment plant upgrades to be commissioned during the period.

GAWB has provided a reasonable forecast to account for the substantial increase in its asset base over the period. We accept an increase in insurance costs is necessary for GAWB to address the

⁵² While it is not clear that GAWB's revised forecasting approach produces better estimates, the impact on its forecast electricity costs is immaterial.

⁵³ Section 19C(1)(b)(ii) of the *National Energy Retail Law (Queensland)*.

significant increase to its asset base over the period, and that the completion of its insurance arrangements review will provide better information.

GAWB has stated it will be updating forecast incremental insurance costs with new estimates based on quotations received from its insurance broker as part of its 2026 annual renewal before 1 July 2026.⁵⁴ We will be monitoring the outcomes of this in our mid-term report.

2.2.3 Employee and consultant costs-implementation

GAWB has assessed the ongoing operational and commercial support required to effectively manage the O&M contractor and additional activities it will need to perform after the FGP is operational.⁵⁵

GAWB has identified four roles to support the integration and operation of the FGP within its network:⁵⁶

- asset management specialist
- drinking water quality specialist
- network operations specialist
- commercial accountant/specialist

We acknowledge that the effective management and oversight of the FGP and its O&M contract is essential for ensuring effective management of the assets and the associated risks.

GAWB has been able to demonstrate the ongoing requirement for technical specialists to support the operation of the FGP. In particular, there is a need for a drinking water quality specialist and a level of engineering operations and asset management support. GAWB has also prudently identified the need for commercial and specialist consultant costs required to manage its O&M contract.

The effective management and oversight of the integration and operation of the contractor and commercial arrangements are a priority for GAWB. These tasks are prudent and should be resourced and undertaken.

However, it is unclear whether this entire level of resourcing will be required beyond the price monitoring period. As GAWB establishes better systems and processes and obtains information relating to the operation of the FGP, there should be an expectation of opportunities for some level of integration of these roles with its business-as-usual operations.

In future monitoring periods, the prudence and efficiency of these costs will need to be considered after GAWB has a greater understanding of the operation of its new assets and experience managing its contractor and associated contract.

2.2.4 Land licence fees, dry sludge removal costs and QCA fees

Land licence fees

We have incorporated GAWB's estimate of annual land licence fees into our allowable cost forecast.

⁵⁴ GAWB, sub 6, pp 40-41.

⁵⁵ This includes key tasks and resource requirements and accounts for site-specific tasks at the Alton Downs water treatment plant (including travel between Gladstone and Rockhampton and regular site visits required to perform visual inspections of maintenance activities).

⁵⁶ GAWB, sub 1, pp 35-36.

GAWB has annual land licence fees under its Stanwell–Gladstone Infrastructure Corridor State Development Area and Gladstone State Development Area licences. While these agreements outline the various items that may be billed for, there is no information on the amounts.

Given this uncertainty, GAWB’s forecast for land licence fees is based on the amounts it currently incurs under its temporary construction area licence, which it considers is the best available proxy with which to forecast land licence fees.

We note that the forecast amounts are not material and that GAWB has made a reasonable attempt to establish a proxy for these costs.

Sludge removal – wet not dry

GAWB is finalising a competitive procurement process for the provision of sludge removal services associated with the disposal of solids from its Alton Downs water treatment plant.

GAWB’s initial submission provided estimates based on forecast volumes of dry sludge removal.⁵⁷ In response to our draft report GAWB submitted that this was an error and confirmed that the sludge to be transported will be a wet product (25% solid), rather than a dry product as forecast in its initial submission. This significantly increases the weight of sludge forecast to be removed.⁵⁸

We have reviewed GAWB’s revised forecasts to reflect the volume of wet sludge to be removed as well as the indicative transportation costs of its preferred tenderer. While the total forecasts costs are \$0.66 million higher than GAWB initially submitted, these reflect the best forecast for the monitoring period. We have reviewed the engineering report to assess the reasonableness of the wet sludge forecast and found GAWB’s forecast of wet sludge to be an appropriate estimate.

QCA fees

We have accepted GAWB’s forecast costs for our price monitoring activities for its water security assets. These costs represent cyclical activities that are not within annual business-as-usual budgets.

2.3 Escalation

To forecast operating expenditure, we have used the escalators in Table 6 and applied them to various cost categories as described in Table 7. These escalators are broadly consistent with GAWB’s proposal, and our preferred methodology⁵⁹ using the most recent available information.⁶⁰

Table 6: QCA’s findings on proposed escalators

Proposed escalator	Approach
Forecast CPI	The RBA CPI inflation forecasts for 2026–27 and 2027–28 and a linear glide path from the 2027–28 forecast to 2.5% in 2030–31
Forecast WPI	Queensland Treasury WPI forecasts for 2026–27 and 2027–28 and the 10-year historical average of the Australian Bureau of Statistics (ABS) WPI for Queensland for the remaining years

⁵⁷ GAWB, sub 1, pp 38, sub 6, pp 30–31.

⁵⁸ GAWB, sub 6, p 31.

⁵⁹ We have adopted GAWB’s proposal to escalate insurance at CPI plus 2%, which is a departure from our previous 2025 report, given the status of GAWB’s current review of insurance coverage (section 2.2.2).

⁶⁰ GAWB, sub 1, p 45.

These escalators are then applied to various GAWB cost categories over the monitoring period. Table 7 outlines the categories and how each primary escalator applies.

Table 7: Application of GAWB’s proposed escalators

Cost category	Proposed escalator
O&M service fee	Forecast CPI ^a
Insurance	Forecast CPI plus 2% ^b
Chemicals	Forecast CPI
Labour – employee expenses	Forecast WPI
Professional services (engineering)	Forecast WPI
Contract labour	Forecast WPI
Contractors (service delivery)	Forecast WPI
Other materials and services	75% forecast WPI and 25% forecast CPI
Maintenance	70% forecast WPI and 30% forecast CPI
Electricity	Forecast CPI
Operations	Forecast CPI

a GAWB has used All Groups CPI for Australia to calculate actual inflation for its O&M service fee.

b Our use of GAWB’s proposed insurance escalator has been used on the basis that GAWB is in the final process of reviewing its insurance arrangements.

Source: GAWB, sub 1, p 44; GAWB, FGP revenue and pricing model, March 2026.

2.4 QCA findings

For the purposes of our price monitoring, we have accepted GAWB’s proposed operating expenditure subject to our findings on the forecast escalators. This is a reasonable estimate given the parameters of the referral.

Table 8: Water security assets operating expenditure (\$ million, nominal)

	2026-27	2027-28	2028-29	2029-30	Total
O&M contract costs	12.46	12.75	13.99	14.34	53.53
Water purchase costs	6.34	6.54	6.72	6.89	26.49
Owner’s costs	7.78	8.48	9.51	9.87	35.64
Total operating costs	26.58	27.76	30.22	31.11	115.67

Note: Numbers may not add due to rounding.

Source: QCA analysis; GAWB, FGP revenue and pricing model, March 2026; sub 6, pp 32-33.

3 Capital expenditure

Capital expenditure (capex) includes expenditure to upgrade or replace existing assets or build new assets. For the purposes of our price monitoring framework, prudent and efficient capex may be included in GAWB's asset base. This capex then earns a return on, and return of, investment as part of the allowable revenues that we subsequently monitor prices against.

For this investigation, we have been directed to consider capex associated with GAWB's water security assets, specifically:

- the FGP (section 3.1)
- any water allocations purchased for the purpose of transporting via the FGP (section 3.2)
- prudent and efficient capital expenditure related to the connection and integration of GAWB's water security assets (section 3.3)
- forecast prudent and efficient capital expenditure associated with the renewal and replacement⁶¹ of the water security assets (section 3.4)
- an allowance for forecast interest during construction (IDC) associated with the construction of the FGP (section 3.6).⁶²

Under the terms of the referral, the opening asset base for 1 July 2026 includes the capital expenditure associated with GAWB's water security assets, less the Queensland Government's \$365 million capital grant provided to GAWB to support construction of the FGP and to make it operational. The \$365 million value comprises a \$200 million capital grant to support construction of the FGP, \$109.5 million to meet tax equivalency liabilities arising from the capital grant itself, and \$55.5 million to cover the upfront capital costs of purchasing Fitzroy River water allocations for transport via the FGP (including interest earned on the overall grant).

Overall, we found that GAWB has included an appropriate value for water security assets in the opening RAB for 1 July 2026 and has correctly deducted government grant amounts, in accordance with the referral. We have updated GAWB's IDC value to reflect our findings on the weighted average cost of capital (section 3.6).

GAWB's forecast capex associated with water security assets is a preliminary, indicative estimate. However, it represents a reasonable attempt at estimating prudent and efficient costs based on the information available at the time.

3.1 Fitzroy to Gladstone Pipeline

The primary component of GAWB's water security assets is the FGP – a 117 km pipeline between the lower Fitzroy River near Rockhampton and northern Gladstone. The FGP will be capable of transporting 30,000 ML of water per year into the GAWB delivery network. The FGP project is due to be [REDACTED] added to GAWB's RAB on 1 July 2026.

The FGP project consists of several key components:

- an intake and pumping facility on the western bank of the Fitzroy River at Laurel Bank
- a 100 ML/day water treatment plant (WTP) at Alton Downs.

⁶¹ As the water security assets are new constructions, 'renewal and replacement' is taken to predominantly comprise capitalised maintenance costs over the 2026-30 period.

⁶² Referral, section F, definitions of 'Allowable Costs' and 'RAB'.

- a 3 km pipeline linking the intake facility to the new Alton Downs WTP
- a 10 ML pretreated water storage reservoir and pump station at the Alton Downs WTP
- a 105 km pipeline from the Alton Downs pump station to reservoirs at Aldoga
- two 50 ML reservoirs at Aldoga
- an 8 km pipeline connecting the Aldoga reservoirs to the existing GAWB network via the Mt Miller pipeline.

Under the terms of the referral, we should accept the estimated capital value of the FGP of \$983 million (excluding GST),⁶³ less the \$200 million capital grant provided by the Queensland Government to support construction of the pipeline. We also include an allowance for IDC (section 3.6).

We have reviewed GAWB’s modelling and have verified that its proposed opening RAB correctly excludes the value of capital grants provided by the Queensland Government.

We have also confirmed that GAWB has excluded \$1.2 million of preconstruction FGP costs incurred between 2015–16 and 2019–20 that are already included in GAWB’s RAB as part of our 2020 price monitoring investigation. This ensures that there is no double counting of costs when determining the opening asset value of water security assets at 1 July 2026.

Accordingly, actual FGP capex of \$781.8 million (excluding IDC) will be included in the opening RAB at 1 July 2026 (Table 9).

Table 9: Capitalised value of the FGP project at 1 July 2026

	\$ million
Total prescribed cost	983.0
<i>Less capital grant</i>	(200.0)
<i>Less previously capitalised FGP costs</i>	(1.2)
Value added to the RAB at 1 July 2026 (excl IDC)	781.8

Source: QCA analysis; GAWB, sub 1, p 24.

GAWB noted that if the FGP commences operations later than 1 July 2026, it may update the RAB write-in date for the FGP (and IDC allowance) based on the best information available at the time.⁶⁴

3.2 Water allocation costs

Allowable costs include GAWB’s water allocation costs, less the upfront capital component met by the \$55.5 million capital grant (and interest earned on the grant) provided by the Queensland Government.

GAWB has purchased water allocation rights to draw up to 30.99 gigalitres (GL) per year from the Rookwood Weir for transport through the FGP. The cost of these allocations represents the upfront capital component of securing ongoing access to the Fitzroy River water resource.⁶⁵

⁶³ This value is comprised of \$950 million for construction of the FGP, and \$33 million in pre-construction activities.

⁶⁴ GAWB, sub. 6, p. 22.

⁶⁵ GAWB will also incur ongoing annual costs for water supply and related services under river supply contracts with Sunwater. These costs represent operating costs and are addressed in section 2.1.2.

GAWB submitted that it expects the capital cost of purchasing water allocations will be fully met by the capital grant, and interest earned on the grant. Accordingly, GAWB did not include a value for water allocation costs in its RAB.⁶⁶

3.3 Connection and integration costs

Under the terms of the referral, allowable costs include GAWB's prudent and efficient capital expenditure for connection and integration of the water security assets into GAWB's network. These costs reflect additional new infrastructure or upgrades that GAWB proposes to build to fully operate the FGP as intended. These investments are outside the scope of works covered by the \$983 million FGP project.

When the FGP is operational, the GAWB network will be supplied by a blend of water from Awoonga Dam and the Fitzroy River. Testing of Fitzroy River source water has revealed higher levels of turbidity, alkalinity and risk of algal blooms compared with Awoonga Dam water.⁶⁷ GAWB submitted that this commingling of water with different quality characteristics introduces unique processing and treatment challenges.⁶⁸

To maintain consistent water quality and compliance with Australian Drinking Water Guidelines, GAWB has determined that process upgrades are required at both the Gladstone water treatment plant (GWTP) and the Yarwun water treatment plant (YWTP). These upgrades include acid dosing, UV treatment, activated carbon dosing and solids removal and are projected to be completed by 31 December 2027 (12 months later than initially projected in GAWB's September 2025 submission).⁶⁹

At the time of our review, these projects were in relatively early development, progressing to detailed design. However, GAWB provided several independent expert reports, risk assessments and internal documents, demonstrating that water treatment process upgrades (either at Alton Downs WTP⁷⁰, or GWTP and YWTP) will be necessary to address the risk of non-compliance with Australian Drinking Water Guidelines once FGP water is introduced into the GAWB network. We consider that some level of expenditure to address this issue is prudent.

GAWB did not provide detailed cost estimates for the proposed water treatment plant (WTP) upgrades within its September 2025 submission, as detailed design and tendering had not been completed. GAWB instead proposed a provisional capital allowance of \$50 million for both upgrade projects (\$25 million per project), informed by the actual costs of recent similar upgrades at the Mt Kynoch WTP in Toowoomba. GAWB considered this a reasonable comparator to establish an 'order-of-magnitude' estimate of the capex for GAWB's upgrades, due to the similar nature of the works and the relative capacity of the plant.⁷¹

⁶⁶ GAWB, sub 1, p 24.

⁶⁷ Gladstone Area Water Board, *GAWB WTP Upgrades Overview, Gladstone and Yarwun Water Treatment Plants*, September 2025 (confidential).

⁶⁸ GAWB, *GAWB WTP Upgrades Overview, Gladstone and Yarwun Water Treatment Plants*, September 2025 (confidential).

⁶⁹ Pending completion of the upgrades, the FGP will operate at less than full capacity. That is, it will only supply raw water customers and will not deliver water into the GAWB treated water network.

⁷⁰ We understand that the treatment process and design specifications for the Alton Downs WTP appears to have been determined through the Queensland Government's detailed assessment and business case process for the FGP project. GAWB advised that fully treating all FGP water at Alton Downs was not considered a plausible or efficient option given GAWB's demand profile, which is over 80% raw water. GAWB noted further complications with full treatment at Alton Downs, including potential asset stranding of the GWTP and YWTP, reduced water security for potable water customers, and the need to fundamentally transform the existing potable network to accommodate the large volume of treated water that would be introduced from Alton Downs (GAWB, *GWTP and YWTP upgrades: Alton Downs full treatment option*, 13 March 2026, confidential).

⁷¹ GAWB, Response to RFI 02, p 2.

Following the release of our draft report, GAWB obtained a quantity surveyor’s cost estimate of \$60 million to complete the upgrades.⁷² However, GAWB said that the scope, timing and cost could materially change as it continues to evaluate options and progress the design.⁷³ GAWB proposed to retain its indicative \$50 million estimate for the purpose of setting the water security price, noting this is likely a conservative estimate.⁷⁴

We have included an amount of \$50 million (excluding IDC) in the forecast capex allowance for water treatment process upgrades, recognising that this is a notional estimate and subject to change.

GAWB proposed that the capital costs for the plant upgrades be subject to an ex post revenue true-up at the next price monitoring investigation due to cost uncertainty. We proposed this approach in the 2025–30 price monitoring investigation to address uncertainty around the timing and scope of GAWB’s network augmentation program to support the emerging hydrogen industry.

We consider a revenue true-up of these forecasts is reasonable for our price monitoring purposes. This is consistent with our proposed treatment of the broader capex allowance for the 2025–30 price monitoring period. We also consider this project is a likely candidate for an ex post review of prudence and efficiency at the next price monitoring investigation.

3.4 Forecast maintenance, renewals and replacement capex

The referral’s definition of allowable costs includes contracted costs for operating and maintaining water security assets and prudent and efficient forecast capital expenditure associated with the renewal and replacement of the water security assets.

The O&M contract service fee for the FGP includes some materials and maintenance costs that GAWB has included in the forecast capex allowance. These costs relate to estimated maintenance,⁷⁵ renewal and replacement activities for the water security assets over the 5-year contract period. The O&M contract sets out an estimate for renewals and replacement for the first year of the FGP operation. GAWB has then escalated this value to derive an indicative forecast for the remainder of the pricing period (Table 10). The total forecast for the period is \$7.8 million.

GAWB foreshadowed that the fixed and variable components of the O&M contract (including renewals and replacement estimates) will be reviewed with the contractor during the commissioning of the FGP.⁷⁶ As such, these estimates could change before GAWB sets its prices ahead of 1 July 2026.

Table 10: Proposed FGP maintenance, renewals and replacement capex, 2026–30 (\$ million)

2026-27	2027-28	2028-29	2029-30	Total 2026-27 to 2029-30
1.880	1.929	1.977	2.027	7.813

Source: GAWB, sub 1, p 24.

⁷² GAWB noted this represents a ‘Class 4’ estimate with an estimated accuracy of -20% to +30% (GAWB, sub 6, p 23).

⁷³ GAWB, sub 6, p 23.

⁷⁴ GAWB, sub 6, p 24.

⁷⁵ GAWB policy is that all maintenance costs greater than \$5,000 related to plant are capitalised.

⁷⁶ GAWB said this revision will occur closer to the commissioning date of the asset.

We have adopted GAWB's forecast as a reasonable indicative estimate of maintenance, renewals and replacement. Going forward, we acknowledge that accurately forecasting these costs will require time and operational experience with the new assets. Nonetheless, the proposed forecast is based on estimated contracted costs and is a reasonable and genuine attempt to estimate prudent and efficient costs, given the information available.

We have verified that the forecast renewal and replacement costs included in GAWB's revenue and price modelling reconcile with the values in the O&M contract, after escalation.

We consider forecast maintenance, renewals and replacement capex for water security assets should be subject to an ex post revenue true-up at the next price monitoring investigation. This is consistent with our proposed treatment of the broader forecast capex allowance for the 2025-30 monitoring period.

3.5 Capex escalation

Forecast maintenance, renewals and replacement capex is based on the O&M contract cost estimate for the first year of operation, escalated by forecast CPI inflation. This is consistent with the terms of the contract regarding annual cost escalation for the fixed component of the service fee.⁷⁷ GAWB used CPI in this case as it considered the weighted escalator was not representative of the composition and drivers of the costs of operating and maintaining the water security assets from 1 July 2026.⁷⁸ We consider that the use of CPI inflation in this instance is appropriate for our price monitoring purposes.⁷⁹

Moreover, it is our expectation that actual prudent and efficient capex will be rolled into the asset base at actual cost during subsequent price monitoring reviews. As such, it is not necessary to pursue a high degree of precision when forecasting capex escalation rates.

Forecast expenditure for the water treatment plant upgrades is a provisional estimate and has not been separately escalated in GAWB's modelling. GAWB's proposed approach is reasonable for a preliminary estimate.

3.6 Interest during construction

IDC is an allowance that recognises the opportunity cost of committing funds to projects that are yet to be commissioned and earn a return. IDC is added to the value of the relevant asset and included in the RAB once the asset is commissioned.

Fitzroy to Gladstone Pipeline

GAWB proposed an IDC allowance of \$93.16 million⁸⁰ for the FGP assets based on an S-curve approach using actual and estimated monthly expenditure.⁸¹ This varies from the simplified IDC methodology used in previous price monitoring investigations, which assumes capex is incurred

⁷⁷ GAWB, sub 1, pp 42-43.

⁷⁸ GAWB, sub 1, p 42.

⁷⁹ GAWB's approach departs from its typical capex escalation method, which uses a composite weighted escalator featuring WPI (70%) and CPI (30%).

⁸⁰ Based on GAWB's March 2026 submission modelling, which included updated actual and estimated monthly expenditures to May 2026.

⁸¹ GAWB's S-curve approach models monthly project cash flows over the duration of the construction period. The term S-curve refers to the typical pattern of expenditure during major construction projects when plotted graphically – starting relatively low, peaking around the midpoint of construction, and tapering off as the project approaches commissioning.

evenly over the construction period. GAWB said it chose the S-curve approach to provide a more detailed estimate of IDC given the significant value and construction timeline of the asset.

The S-curve approach better reflects the timing and draw-down of funds across the life cycle of the project's construction. We have reviewed GAWB's modelling and consider its proposed approach to IDC is reasonable and appropriate for our price monitoring in this instance.

We have updated the IDC calculation to reflect our findings on the WACC (Chapter 5).⁸² This results in an IDC allowance for the FGP of \$92.72 million to be added to the opening RAB.

Forecast capex

GAWB did not propose an explicit IDC allowance for forecast renewals and replacement capex delivered under the O&M contract. This is consistent with GAWB's standard practice of not applying forecast IDC to capital expenditures below \$1 million, or to projects commenced and commissioned within a 12-month period.⁸³

In response to our draft report, GAWB updated its capex forecast to include an estimate of IDC for the water treatment plant upgrades, on the basis that the project construction period is now expected to exceed 12 months. After updating the calculation for our findings on the WACC, we have estimated a forecast IDC allowance of \$3.50 million for the water treatment plant upgrades, which is added to the forecast RAB.

3.7 QCA findings

For the purposes of our price monitoring, we have taken the following approach to GAWB's water security asset capex:

- Include a net amount of \$781.79 million for the FGP project (plus \$92.72 million for IDC) into the opening RAB at 1 July 2026.
- Adopt a provisional forecast capex allowance for water security assets during 2026-30 of \$61.31 million, comprising:
 - \$50.00 million (plus \$3.50 million in forecast IDC) for FGP connection and integration costs (water treatment process upgrades), consistent with GAWB's high-level estimate
 - \$7.81 million for estimated maintenance, renewals and replacements, delivered through the FGP O&M contract.

Capitalised maintenance, renewals and replacements, and connection and integration costs remain uncertain at this stage. We propose that these costs be subject to an ex post revenue true-up, as described in our May 2025 final report. This is consistent with the proposed approach to the broader forecast capex budget for the 2025-30 pricing period.

This process would involve an ex post recalculation of actual revenues to identify any material windfall gain or loss arising from capital charges during the 2026-30 period. Any resulting revenue adjustment would be carried forward and applied to revenues and prices in the first year of the following pricing period or otherwise smoothed across that period as appropriate.

⁸² The impact of this update is limited to IDC incurred in 2025-26.

⁸³ GAWB does, however, apply IDC to projects of less than 12 months duration (if greater than \$1 million) when rolling forward actual capex.

This approach complements the existing roll-forward of the asset base, which includes a backward-looking adjustment that ensures only prudent and efficient actual outturn capex is added to the asset base.

Ultimately, it is for GAWB and its customers to determine whether a true-up approach should be incorporated into its commercial pricing framework. Should GAWB choose to adopt it, this approach would improve transparency by ensuring customers do not bear short-term costs for investments that do not proceed, while ensuring GAWB is compensated for the return on, and return of, actual prudent and efficient capex.

4 Regulated asset base

GAWB's regulated asset base (RAB) is the value of investments, including both depreciating and non-depreciating assets. It is adjusted for GAWB's capital expenditure, and asset inflation, depreciation and disposals. The term 'regulated asset base' is used in the referral. It is a regulatory construct used for the purpose of price monitoring. It is not intended to reflect the actual carrying value of GAWB's assets for accounting purposes.

Under the terms of the referral, we determine an opening asset value as of 1 July 2026 for the water security assets capital expenditure including IDC (Chapter 3). This is then rolled forward over the period to account for prudent and efficient forecast capital expenditure, inflation and depreciation. The rolled-forward asset values are used to determine GAWB's return on assets and return of assets as part of its allowable costs (Chapter 5).

4.1 Opening RAB as of 1 July 2026

The referral provides for the opening RAB as of 1 July 2026 be determined by:

- accepting the forecast \$983 million (excluding GST) FGP capital cost minus the Queensland Government's \$200 million capital grant provided to support construction
- including the capital expenditure associated with GAWB's water security assets, minus the Queensland Government's \$365 million⁸⁴ capital grant provided to GAWB to support construction of the FGP and to make it operational
- including forecast IDC where appropriate, including IDC associated with the construction of the FGP
- adjusting for depreciation and actual inflation over the period.⁸⁵

4.1.1 Capital expenditure

GAWB has included an amount of \$875 million in the opening RAB for water security assets (Table 11). We have verified that GAWB has correctly deducted government grant amounts, as outlined in the referral (Chapter 3). GAWB submitted that the upfront cost of water allocations will be fully met by the government's capital grant and interest earned on it. As such, GAWB did not include a value for water allocations in the opening RAB.

4.1.2 Interest during construction

GAWB adopted an S-curve approach to calculating IDC for the FGP project, which we consider reasonable (Chapter 3). We have updated GAWB's IDC value to reflect our findings on the appropriate weighted average cost of capital. This adjustment results in a reduction of \$0.44 million in IDC included in the opening RAB.

Our position on the opening RAB for water security assets as of 1 July 2026 is set out in Table 11.

⁸⁴ In practice, the total capital grant amount deducted is \$255.5 million (\$200m for the FGP plus \$55.5m for water allocation capital costs). The remaining \$109.5 million is additional funding to offset tax liabilities that arise from the grant itself.

⁸⁵ Referral, section F, definition of 'RAB'.

Table 11: QCA findings on opening RAB (\$ million, nominal)

	GAWB submission (March 2026)	QCA
FGP construction costs*	983.00	983.00
Capital grant offset	(200.00)	(200.00)
Already capitalised in RAB	(1.21)	(1.21)
Interest during construction	93.16	92.72
Water allocation costs	<i>Offset by capital grant</i>	<i>Offset by capital grant</i>
Opening RAB – 1 July 2026	874.95	874.50

* Includes \$33 million in pre-construction costs.
Numbers may not add due to rounding.

4.2 RAB roll-forward to 30 June 2030

Under the terms of the referral, the forecast RAB roll-forward for the price monitoring period includes an appropriate allowance for prudent and efficient capital expenditure related to the connection, integration, renewal and replacement of GAWB's water security assets.

GAWB submitted a proposed RAB roll-forward with a closing RAB as of 30 June 2030 of \$967.37 million, based on its proposed forecast capex, inflation and depreciation amounts during the monitoring period (Table 12).

Table 12: GAWB proposed forecast RAB roll-forward (\$ million, nominal)

	2026-27	2027-28	2028-29	2029-30
Opening RAB	874.95	885.92	949.64	958.93
Capital expenditure	1.88	55.46	1.98	2.03
Indexation	22.75	23.42	24.06	23.97
Depreciation	(13.65)	(15.16)	(16.74)	(17.56)
Closing RAB	885.92	949.64	958.93	967.37

Source: GAWB, *FGP revenue and pricing model*, March 2026.
Numbers may not add due to rounding.

4.2.1 Forecast capital expenditure

Consistent with previous reviews, forecast capital expenditure is added to the RAB in the year the project is commissioned. This includes an indicative allowance of \$53.5 million (including IDC) for water treatment process upgrades, and \$7.8 million in capitalised maintenance, renewals and replacement costs, as specified in the O&M contract (Chapter 3).

GAWB's forecast capex associated with water security assets is a preliminary, indicative estimate. However, it represents a reasonable attempt at estimating prudent and efficient costs based on the information available at the time.

4.2.2 Forecast indexation

The opening value of the RAB is indexed each year by the forecast consumer price index (CPI) inflation rate. Consistent with the referral, GAWB has estimated forecast CPI inflation using the same approach applied in our 2025–30 price monitoring investigation (Table 13).⁸⁶ As foreshadowed in our May 2025 final report for the 2025–30 period, GAWB updated its inflation forecasts prior to setting prices from 1 July 2025.⁸⁷

We have deducted from allowable costs an amount equivalent to the forecast inflationary gain on the RAB, as we apply a nominal rate of return on assets. This avoids the double counting of inflation that would otherwise occur from indexing the RAB by inflation and applying a nominal rate of return on assets that incorporates the inflation rate.

GAWB said it will update the CPI forecast using the most recent available information, before setting final prices for water security assets from 1 July 2026.⁸⁸

Table 13: QCA findings – forecast CPI inflation (%)

	2025-26	2026-27	2027-28	2028-29	2029-30
GAWB submission	3.10	2.60	2.57	2.53	2.50
QCA	4.20	2.90	2.60	2.57	2.53

Source: GAWB, *FGP revenue and pricing model*, March 2026.

4.2.3 Depreciation

Under the referral, allowable costs are to include depreciation charges determined consistent with our approach in the 2025–30 price monitoring investigation.

The FGP project comprises numerous discrete assets with varying useful lives. GAWB has proposed using a weighted average asset life for the FGP project, based on the estimated useful lives and asset values of its individual key asset classes within the project. Using this approach means the FGP project can be treated as a single asset within the RAB and revenue modelling.

GAWB’s proposed weighted average asset life is derived from the forecast composition of each discrete asset as a proportion of the total prescribed capital value (\$983 million). An indicative asset life is first assigned to each asset. These lives are then weighted according to the assumed value of the corresponding asset as a proportion of the total project value. The weighted lives are then summed to produce a weighted average asset life of 65.7 years, which is applied to the entire capital value of the project as a single asset line item in the RAB. GAWB noted that the actual asset breakdown and associated useful lives will not be confirmed until the project is completed and added to the RAB.⁸⁹

GAWB’s proposed weighted average asset life is a pragmatic approach in the circumstances and is appropriate for our price monitoring purposes. We have reviewed the assumed lives of the constituent assets and note they are consistent with the lives that we have previously considered reasonable for similar asset classes.

⁸⁶ Specifically, the forecast uses Reserve Bank of Australia’s (RBA) most recent CPI forecast for 2025–26 and 2026–27 and a linear glide path for the remaining years to 2.5% in 2029–30.

⁸⁷ Based on the RBA’s [Statement on Monetary Policy](#) for May 2025. The QCA’s final report referenced the RBA’s February 2025 Statement on Monetary Policy.

⁸⁸ GAWB, sub 1, p 45.

⁸⁹ GAWB, sub 1, p 55.

For forecast capex, GAWB has applied its standard approach of assigning indicative asset lives to each asset class or project. Water treatment plant upgrades are depreciated over 35 years, which we consider reasonable as it is broadly consistent with relevant comparators.⁹⁰ However, GAWB has proposed to depreciate its forecast capitalised maintenance,⁹¹ renewals and replacements over 5 years, to align cash flows with the term of the O&M contract. In our draft report, we considered this approach likely understates the useful life of the relevant assets being maintained.⁹² GAWB argued that the assets subject to maintenance and renewal are relatively minor components with very short lives, typically less than 5 years. GAWB also said that the weighted average life calculation does not feature any asset classes of such short life. GAWB maintained its position to depreciate these capital costs over 5 years.⁹³

While it may be reasonable to adopt a different asset life to depreciate capitalised renewals and maintenance, GAWB has not provided any further evidence for us to substantiate its rationale for a materially shorter life than the overall weighted average life (i.e. specific examples of asset types being maintained or renewed, and their corresponding economic lives). For the purposes of our price monitoring, we have instead applied GAWB's weighted average asset life for water security assets to calculate depreciation for contracted renewals and replacements. It remains open to GAWB to adopt an alternative asset life for depreciation purposes, which will be considered in our mid-term review.

Our position on the forecast RAB for water security assets for the 2026–27 to 2029–30 pricing period is set out in Table 14.

Table 14: QCA findings on forecast RAB roll-forward (\$ million, nominal)

	2026-27	2027-28	2028-29	2029-30
Opening RAB	874.50	888.06	952.42	962.79
Capital expenditure	1.88	55.43	1.98	2.03
Indexation	25.36	23.77	24.45	24.39
Depreciation	(13.69)	(14.84)	(16.05)	(16.49)
Closing RAB	888.06	952.42	962.79	972.72

Note: Capital expenditure includes forecast maintenance, renewals and replacement costs.

⁹⁰ For example, individual elements of GAWB's new Alton Downs WTP are assigned lives of between 25 and 50 years. Within this project, chemical dosing, clarifiers, sludge handling storage and screening facilities have an average life of 36 years. These estimated lives are comparable to those determined by the Australian Taxation Office for similar WTP components under [legislative instrument LI 2025/20](#).

⁹¹ GAWB's policy is that all maintenance costs greater than \$5,000 related to plant are capitalised to the relevant project.

⁹² GAWB's asset lives for individual components of the FGP project range from 15 to 70 years (excluding roads and earthworks).

⁹³ GAWB, sub 6, pp 24–25.

5 Return on assets, working capital and tax allowance

To determine indicative prices for water security assets for the 2026–30 period, under the terms of the referral we have been asked to determine a return on GAWB’s water security assets and associated working capital balance.⁹⁴ This is a key component of a regulated firm’s allowable costs and represents the return expected by investors to compensate for the risks of investing in the benchmark firm. Our preferred rate of return is the weighted average cost of capital (WACC), which represents the opportunity cost of a firm’s capital, separated into a cost of debt and cost of equity.

The referral directs us to use the appropriate rate of return determined in our previous investigation, except to allow for the 2026–27 cost of debt weighting to reflect the increase in the benchmark debt accounted for by the inclusion of the water security assets. In our 2025–30 final report, we established an appropriate WACC, which was predominantly based on the methodologies outlined in our rate of return review.⁹⁵

5.1 Rate of return

We consider that a WACC of 7.23% is an indicative appropriate rate of return for the 2026–30 price monitoring period (Table 15). This estimate will be updated annually during the price monitoring period to reflect changes in the trailing average cost of debt. GAWB has advised its intention to update the trailing average cost of debt using its nominated averaging period prior to the commencement of 2026–27 for pricing of the water security assets. For price monitoring purposes, we consider this an appropriate approach.

Table 15: QCA findings on GAWB’s WACC

Parameter	GAWB submission (March 2026)	QCA
Risk-free rate (%)	4.47	4.47
Capital structure (% debt)	50	50
Market risk premium (%)	6.6	6.4
Equity beta	0.66	0.66
Cost of equity (%)	8.83	8.70
Credit rating	BBB	BBB
Debt risk premium (%)	1.18	1.19
Debt issuing costs (%)	0.10	0.10
Cost of debt (%)	5.75	5.76
Gamma	0.484	0.484
Bottom-up, nominal post-tax WACC (%)	7.29	7.23

⁹⁴ Referral, 16 June 2025.

⁹⁵ QCA, [Rate of return review](#), version 4, September 2024.

GAWB proposed a market risk premium of 6.6% for the 2026–30 price monitoring period, which was informed by its consultant’s estimate using the Ibbotson method.⁹⁶ In accordance with our rate of return review, our preferred methodology for estimating the market risk premium is also the Ibbotson method. After obtaining further information from GAWB, we have identified that its estimate uses NERA’s Australian All Ordinaries Index data series. However, our approach in our 2025 final report⁹⁷ was to use the Brailsford, Handley and Maheswaran⁹⁸ (2008, 2012) approach for constructing the series of returns when estimating the historical market risk premium.

Consistent with the referral, we applied our rate of return methodology and estimated a market risk premium of 6.4%, using data through 2025, to inform our WACC estimate for price monitoring purposes.

5.1.1 Cost of debt

In our 2025–30 final report, we considered it appropriate to use a simple trailing average cost of debt, which reflects a stable debt management strategy. Owing to the significant value of the water security assets relative to GAWB’s existing debt, we have been directed to apply a proportionate weight to the 2026–27 cost of debt component of the trailing average. This will impact both the return on assets associated with the water security assets and GAWB’s existing asset base.

The WACC that is applied to determine the indicative price for water security assets will use this alternate weighting method. Due to the timing of this price monitoring investigation and the availability of data, we cannot provide a 2026–27 cost of debt estimate at this time. We consider it appropriate that the 2026–27 cost of debt be estimated using GAWB’s privately nominated averaging period and our preferred methodology.

Previously, GAWB has stated that after its commercial prices are set, they can only be adjusted for CPI inflation during the period.⁹⁹ This will likely result in an over- or under-recovery of allowable costs over the period due to annual updating of the trailing average cost of debt. Given our price monitoring activities, we note that any over- or under-recovery could be resolved through an end-of-period true-up.

5.2 Return on assets and working capital

Under the terms of the referral GAWB’s allowable costs for water security assets include an appropriate return on its RAB and its working capital balance using the appropriate rate of return.¹⁰⁰ Table 16 provides our findings on GAWB’s return on assets. The differences are attributable to our position on GAWB’s rate of return, the asset lives of renewal and replacement capital expenditure, and the forecast escalators.

⁹⁶ The market risk premium is the additional return above the risk-free rate an investor expects to receive for owning the market portfolio.

⁹⁷ QCA, *Gladstone Area Water Board price monitoring investigation 2025–30*, final report, April 2025.

⁹⁸ T Brailsford, J, Handley and K Maheswaran, 'Re-examination of the Historical Equity Risk Premium in Australia', *Accounting and Finance*, vol 48, no 1, 2008, pp 73–97; T Brailsford, J, Handley and K Maheswaran, 'The Historical Equity Risk Premium in Australia: Post-GFC and 128 Years of Data', *Accounting and Finance*, vol 52, no 1, 2012, pp 237–247.

⁹⁹ QCA, *Gladstone Area Water Board price monitoring investigation 2025–30*, final report, April 2025.

¹⁰⁰ Referral, section F, Allowable Costs, p 2.

Table 16: Return on assets (\$ million, nominal)

	2026-27	2027-28	2028-29	2029-30	Total
GAWB submission	63.77	66.47	69.21	69.89	269.33
QCA	63.19	66.06	68.83	69.57	267.65
Difference	(0.57)	(0.41)	(0.38)	(0.31)	(1.68)

Note: Numbers may not add due to rounding.

Source: GAWB, *FGP revenue and pricing model*, March 2026; QCA analysis

GAWB has submitted a working capital balance for water security assets based on associated receivables, payables and inventory. It has proposed to use one-twelfth of its forecast annual revenue from the water security price as its receivables, one-twelfth of its forecast annual operating expenditure as its payables, and no value for inventories. GAWB's proposal noted that it may update the amount for inventories as the Gladstone and Yarwun water treatment plant upgrades are progressed.¹⁰¹ Accordingly, our findings on GAWB's return on working capital allowance should be regarded as indicative and may be considered in our mid-term report.

Table 17 provides our findings on GAWB's return on working capital.

Table 17: Return on working capital (\$ million, nominal)

	2026-27	2027-28	2028-29	2029-30	Total
GAWB submission	0.37	0.38	0.39	0.40	1.55
QCA	0.36	0.37	0.38	0.38	1.48
Difference	(0.02)	(0.02)	(0.02)	(0.02)	(0.07)

Note: Numbers may not add due to rounding.

Source: GAWB. *FGP revenue and pricing model*, March 2026; QCA analysis.

5.3 Tax allowance

Under the terms of the referral GAWB's allowable costs for water security assets include a tax allowance.¹⁰² GAWB is obligated to make tax equivalent payments as a participant in the National Tax Equivalent Regime, consistent with Queensland's obligations under the 1995 Competition Principles Agreement.¹⁰³ Including an explicit tax allowance in the calculation of allowable costs is consistent with our preferred form of weighted cost of capital.¹⁰⁴

The tax allowance is calculated by applying the corporate tax rate (30%) to forecast taxable income and then subtracting the value of dividend imputation credits. The forecast taxable income is based on the appropriate prices (section 6.4), the forecast demand (section 6.3) and GAWB's tax shield. Table 18 outlines our findings on GAWB's tax allowance (smoothed).

¹⁰¹ GAWB, sub 1, p 52.

¹⁰² Referral, section F, Allowable Costs, p 2.

¹⁰³ To meet competitive neutrality principles, the regime notionally applies the tax laws to government owned businesses as though they were subject to federal income tax (see the Australian Taxation Office website and GAWB, [Annual Report 2024-25](#), p 48).

¹⁰⁴ A tax allowance may be incorporated into the weighted average cost of capital.

Table 18: Tax allowance–smoothed (\$ million, nominal)

	2026-27	2027-28	2028-29	2029-30	Total
GAWB submission	3.54	3.48	3.14	3.31	13.47
QCA	3.21	3.18	2.89	3.10	12.38
Difference	(0.33)	(0.30)	(0.25)	(0.21)	(1.09)

Note: Numbers may not add due to rounding.

Source: GAWB, sub 6, p 40; QCA analysis.

6 Allowable costs and indicative prices

Under the terms of the referral, indicative prices for water security assets should allow GAWB sufficient revenue to recover associated allowable costs.¹⁰⁵ This chapter outlines our findings on GAWB's allowable costs and indicative prices for water security assets over the 2026-30 price monitoring period. In calculating the indicative prices, we have considered the consistency of GAWB's proposed pricing method with the referral.

We have also been directed to monitor how the indicative prices compare to actual prices charged by GAWB in a mid-term review.

We have estimated the impact of the Queensland Government grant on GAWB's indicative prices and allowable revenue (section 6.6).

6.1 Allowable costs

Under the terms of the referral, GAWB's allowable costs are the following items:

- operating expenditure – including the contracted costs for operating and maintaining water security assets, the prudent and efficient operating, administration, and connection costs, and the water allocation costs (Chapter 2)
- a return on assets – an appropriate return on investments made in water security assets, including the forecast prudent and efficient capital expenditure for renewal and replacement of the water security assets (Chapter 4 and section 5.1)
- a return of assets (depreciation) – the recovery of capital investments over the useful life of the assets (section 4.2.3)
- a return on working capital – an appropriate return on GAWB's working capital balance associated with water security assets (section 5.2)
- tax – an allowance to enable GAWB to meet its tax equivalence obligations (section 5.3).

Table 19 summarises our findings on allowable costs for water security assets during the 2026-30 price monitoring period, based on our findings presented in earlier chapters.

¹⁰⁵ Referral, section F, p 2.

Table 19: QCA position on allowable costs for water security assets (\$ million, nominal)

	2026-27	2027-28	2028-29	2029-30	Total
Operating expenditure	26.58	27.76	30.22	31.11	115.67
Return on capital	63.19	66.06	68.83	69.57	267.65
Return on working capital	0.36	0.37	0.38	0.38	1.48
Return of capital (depreciation)*	(11.67)	(8.93)	(8.39)	(7.90)	(36.90)
Tax allowance (unsmoothed)	2.45	3.13	3.39	3.56	12.53
Allowable costs	80.91	88.38	94.42	96.72	360.43

* Depreciation is net of indexation.

Note: Totals may not add due to rounding.

The primary differences between our position and GAWB's submission are:

- a lower return on capital and working capital, based on our position on the appropriate rate of return
- a lower return of capital, based on our position on the asset lives for renewal and replacement capital expenditure and forecast escalators

These differences also result in a lower required working capital balance and tax allowance.

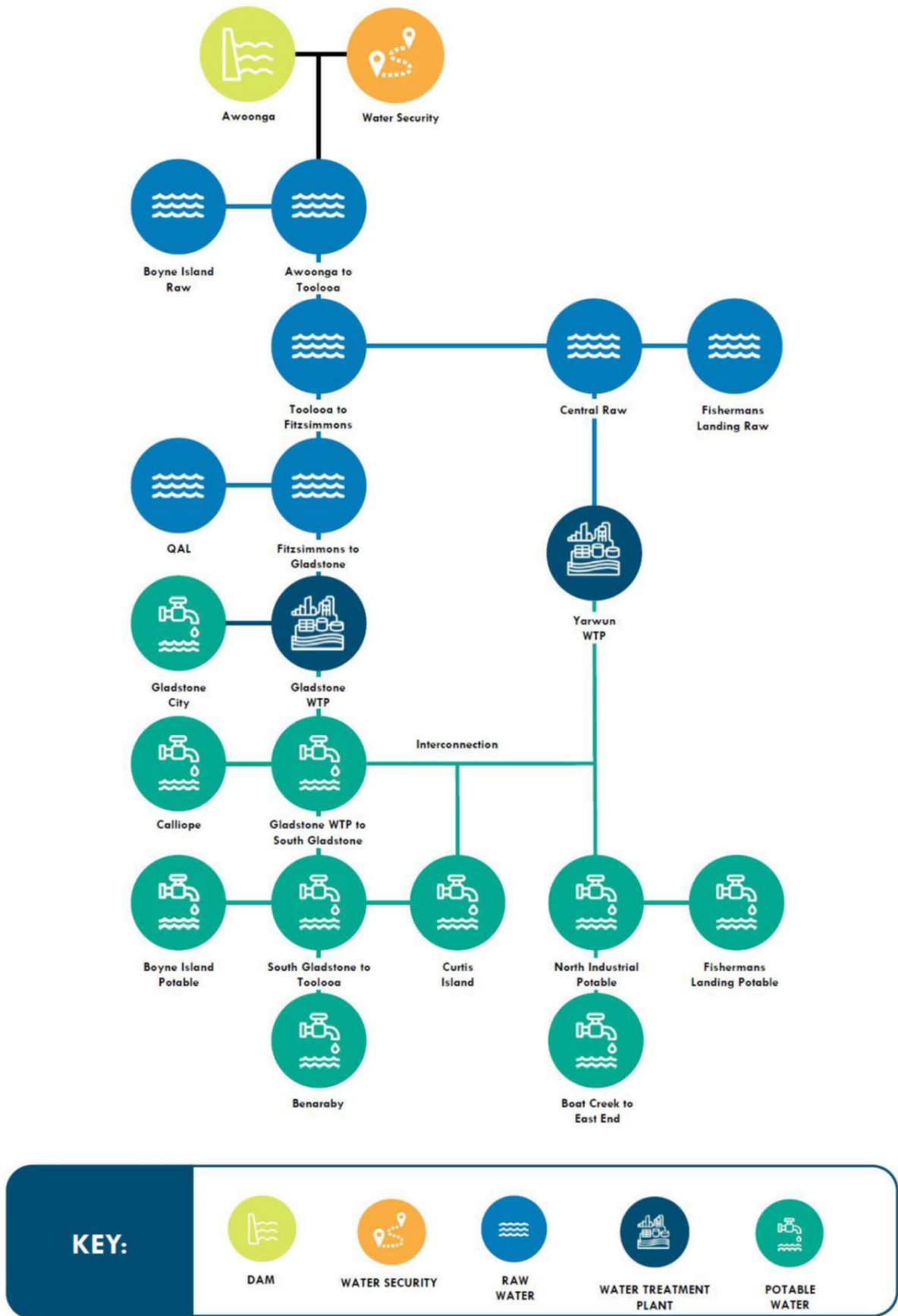
6.2 Pricing approach

Under the referral, the allowable costs for water security assets are to be allocated to all customers based on their reserved demand.¹⁰⁶ To accomplish this within the current zonal pricing framework,¹⁰⁷ GAWB has proposed to introduce a water security pricing zone to which the allowable costs for water security assets will be allocated (Figure 1). This new pricing zone will charge a single part tariff to all customers based on reserved demand to recover the allocated costs. We consider this approach to be consistent with the referral.

¹⁰⁶ Referral, Section F, p 3.

¹⁰⁷ See our 2025 final report for detail on GAWB's pricing practices, including the allocation of costs and revenues across zones.

Figure 1: GAWB's pricing zones (excluding Corporate)



6.3 Forecast demand

Under the terms of the referral, water security assets and associated allowable costs are to be allocated to all customers based on reserved demand.¹⁰⁸ Reserved demand is defined in the referral as:

The total quantity of water reserved by GAWB's customers under their contractual arrangements (including any conditional contractual arrangements) and water that is the subject of a water supply proposal provided under GAWB's Queuing Guideline (Source Capacity).¹⁰⁹

GAWB proposed to adopt the same demand forecasts as it used for setting prices for the 2025–30 price monitoring period. As foreshadowed in our May 2025 final report, GAWB updated its forecasts after the release of our final report, to reflect the most recent information and demand reservations as confirmed by its customers.

GAWB's reserved demand forecast is around 3% lower than its previous estimate used in our May 2025 final report. This largely reflects a downward revision to expected demand from the emerging hydrogen industry during the 2025–30 period. GAWB noted that it has recently issued two water supply proposals to prospective new customers. Of these, one proponent is not proposing to take water during the 2026–30 period. GAWB considers the likelihood of the second proponent's project going ahead within the 2026–30 period is also highly uncertain. As such, GAWB has excluded both of these from the reserved demand forecast.¹¹⁰ We consider this approach reasonable.

We consider GAWB's forecast of reserved demand is reasonable and is appropriate to use for our price monitoring purposes (Table 20).

Table 20: GAWB forecast reserved demand for water security assets, 2026–30

2026–27	2027–28	2028–29	2029–30
63,355	63,836	63,973	64,151

Source: GAWB, *FGP Revenue and Pricing Model*, March 2026.

We have also reviewed GAWB's forecast metered volumes, which are relevant to the forecasts of incremental electricity costs (section 2.2.1). These demand forecasts have also been updated since our draft report to reflect most recent actual usage data.¹¹¹

6.4 Indicative prices for water security assets

Under the terms of the referral, the indicative prices for the water security assets are to be:

- smoothed over the 2026–30 price monitoring period
- sufficient to recover the allowable costs.

Accordingly, we calculate indicative prices that increase according to forecast CPI growth and generate revenue that recovers allowable costs on a net present value basis. Our position on GAWB's indicative prices for the water security assets is presented in Table 21.

¹⁰⁸ Referral, section F, definition of 'Water Security Assets'.

¹⁰⁹ Referral, section F, definition of 'Reserved Demand'.

¹¹⁰ GAWB, sub 6, p 39.

¹¹¹ GAWB's metered volume forecasts are, for most customers, based on the simple average of the previous 5 years of actual usage.

Table 21: QCA findings on indicative prices for water security assets (\$/reserved ML)

	2026-27	2027-28	2028-29	2029-30
GAWB submission	1,384.76	1,420.31	1,456.29	1,492.70
QCA	1,354.51	1,389.73	1,425.40	1,461.51

Note: GAWB updates its prices each year using March data from the ABS CPI for Brisbane.

6.5 Allowable revenue

Our findings on the revenue to be recovered from indicative prices for water security assets are provided in Table 22.

Table 22: QCA findings on allowable revenue for water security assets (\$ million)

	2026-27	2027-28	2028-29	2029-30	Total
GAWB submission	87.73	90.67	93.16	95.76	367.32
QCA	85.81	88.71	91.19	93.76	359.47

Note: Totals may not add due to rounding

Based on our assessment of GAWB's proposed allowable costs and forecast reserved demand, this would provide GAWB with \$359.47 million of allowable revenue for water security assets over the 2026-30 price monitoring period. This is \$7.84 million lower than GAWB's proposed allowable revenue.

6.6 Effect of government grants

We have examined the impact of the Queensland Government grant on GAWB's indicative prices and allowable revenue over the monitoring period. To estimate outcomes in the absence of the Queensland Government grant, we assumed an increase to GAWB's RAB of [REDACTED],¹¹² comprising:

- \$200.00 million towards the FGP construction
- [REDACTED] million for water allocation acquisition costs
- [REDACTED] million for associated IDC.

The impacts on indicative prices and allowable revenue are shown in Table 23. Over the monitoring period, without the Queensland Government grant water security prices would be 22% higher, with additional allowable revenue of \$80.47 million.

Table 23: Effect of government grants on allowable revenue and indicative prices

	Without grant	With grant	Difference
2026-27 indicative price (\$/reserved ML)	1,657.75	1,354.51	(303.23)
2026-30 total allowable revenue (\$ million)	439.95	359.47	(80.47)

Source: QCA analysis.

¹¹² Applied as of 1 July 2026, with the FGP weighted asset life.

Glossary

ABS	Australian Bureau of Statistics
capex	capital expenditure
CPI	consumer price index
CPM	Callide Power Management
DRP	debt risk premium
FGP	Fitzroy to Gladstone pipeline
GAWB	Gladstone Area Water Board
GL	gigalitre
GRC	Gladstone Regional Council
GST	goods and services tax
GWTP	Gladstone water treatment plant
IDC	interest during construction
ML	megalitre
MRP	market risk premium
NPV	net present value
O&M	operations and maintenance
opex	operating expenditure
price monitoring period	the period 1 July 2026 to 30 June 2030
QCA	Queensland Competition Authority
QCA Act	<i>Queensland Competition Authority Act 1997</i>
QRC	Queensland Resources Council
RAB	regulated asset base
RBA	Reserve Bank of Australia
Referral	The referral notice and directions issued by the Minister for Finance, Trade, Employment and Training on 16 June 2025 under sections 23A and 24 of the QCA Act
reserved demand	the total quantity of water reserved by GAWB's customers under their contractual arrangements (including any conditional contractual arrangements) and water that is the subject of a water supply proposal provided under GAWB's <i>Queuing Guideline (Source Capacity)</i> , as defined in the referral
RFI	request for information
s, ss	section, subsection

WACC	weighted average cost of capital
water security assets	the FGP and all Water Allocations transported to the Network via the FGP, as defined in the referral
WICET	Wiggins Island Coal Export Terminal
WPI	wage price index
WSA	water security assets
WTP	water treatment plant
YWTP	Yarwun water treatment plant

References

Brailsford T, Handley J and Maheswaran K, 'Re-examination of the Historical Equity Risk Premium in Australia', *Accounting and Finance*, vol 48, no 1, 2008, pp 73–97.

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Productivity Commission, *Australia's Urban Water Sector*, inquiry report no 55, August 2011, pp 267–270.

Queensland Competition Authority (QCA), *Rate of return review*, version 4, September 2024.

— *Gladstone Area Water Board price monitoring investigation 2025–30*, final report, April 2025.

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Appendix A: Referral

Referral

QUEENSLAND COMPETITION AUTHORITY ACT

1997

Section 23A and Section 24

REFERRAL

A. Section 23A – Referral to the Authority to undertake a Price Monitoring Investigation in relation to GAWB

- 1.1 Under section 23A of the Act, I refer the Monopoly Business Activities to the Authority for a price monitoring investigation (referred to as the Investigation).
- 1.2 The period for the Investigation is the Price Monitoring Period.

B. Section 24 – Directions

Under section 24 of the Act, I direct the Authority to consider the Stated Matters in conducting the Investigation, to the extent relevant, noting that the Stated Matter in Section C1.2 will only be able to be considered and reported on by the Authority after 30 June 2028.

C. Stated Matters

- 1.1 The Appropriate Prices for the Price Monitoring Period, including Water Security Assets.
- 1.2 How the Appropriate Prices compare to actual prices charged by GAWB over the period 1 July 2026 to 30 June 2028.

D. Consultation

Under section 12(3), I direct the Authority to undertake an open consultation process with all relevant entities.

E. Timing

- 1.1 I direct the Authority under section 24(1) to report the results of the Investigation in accordance with the following timetable:
 - (a) A Draft Report with respect to the Authority's Investigation by no later than 19 December 2025;
 - (b) A Final Report with respect to the Authority's Investigation by no later than 24 April 2026;
- 1.2 I require the Authority under section 23A(3)(b) to report the results of its Investigation in a Mid-Term Report by no later than 31 October 2028.

F. Definitions and Interpretations

In this Referral these terms have the following meanings:

Term	Meaning
Allowable Costs	<ol style="list-style-type: none"> 1. GAWB's costs associated with Water Security Assets for the following: <ol style="list-style-type: none"> i. contracted costs for operating and maintaining Water Security Assets. ii. Prudent and efficient operating, administration and connection costs. iii. Water Allocation costs, excluding the upfront capital component met by the \$55.5 million capital grant (and associated interest earnings) provided by the Queensland Government (e.g. Rookwood Weir Water Allocation purchase costs). iv. Forecast prudent and efficient capital expenditure associated with the renewal and replacement of the Water Security Assets. v. A return on capital on the RAB using an Appropriate Rate of Return. vi. Depreciation charges for the RAB assets determined consistent with the Authority's previous approach in GAWB's Previous Price Monitoring Investigation. vii. Allowances for tax and working capital, where appropriate.
Allowable Revenue	Revenue received from providing Monopoly Business Activities.
Appropriate Prices	<p>Prices for the Water Security Assets that are consistent with the following:</p> <ol style="list-style-type: none"> (a) Allowable Costs; (b) Reserved Demand; and <p>Prices that are:</p> <ol style="list-style-type: none"> (a) smoothed over the Price Monitoring Period; and (b) allow GAWB sufficient Allowable Revenue to recover the Allowable Costs of providing the Monopoly Business Activities.
Appropriate Rate of Return	<p>The appropriate rate of return determined in GAWB's Previous Price Monitoring Investigation.</p> <p><u>Return on Equity</u></p> <p>The return on equity determined in GAWB's Previous Price Monitoring Investigation.</p> <p><u>Return on Debt</u></p> <p>In updating the trailing average return on debt for the 2026-27 year, the Authority is to allow the weighting applied to the prevailing market cost of debt in that year to fully reflect the increase in GAWB's benchmark debt accounted for by the inclusion of the Water Security Assets, along with the update that is applied for the refinancing of existing benchmark debt in that year.</p>
Authority	Queensland Competition Authority
Forecast Inflation	Forecast inflation determined consistent with the Authority's previous approach in GAWB's Previous Price Monitoring Investigation.
GAWB	Gladstone Area Water Board
Investigation	The investigation required under this Referral.
Monopoly Business Activities	Bulk water storage, bulk water delivery, bulk water treatment and bulk water supply by GAWB.

Previous Price Monitoring Investigation	The Authority's GAWB price monitoring 2025-30 Final Report, released 14 May 2025 under the amending referral issued on 23 May 2024.
Price Monitoring Period	1 July 2026 to 30 June 2030.
RAB	<p>Regulated Asset Base</p> <p>(a) The opening RAB as of 1 July 2026 determined by:</p> <ol style="list-style-type: none"> i. Accepting the forecast \$983 million (excluding GST) Fitzroy to Gladstone Pipeline (FGP) capital cost minus the Queensland Government's \$200 million capital grant provided to support construction. ii. Inclusion of the capital expenditure associated with GAWB's Water Security Assets, minus the Queensland Government's \$365 million capital grant provided to GAWB to support construction of the Fitzroy to Gladstone Pipeline and to make it operational. iii. Inclusion of forecast Interest During Construction (IDC), where appropriate, including IDC associated with the construction of the FGP. iv. Adjusted for depreciation and actual inflation over the period. <p>(b) The forecast RAB for the period 1 July 2026 to 30 June 2030:</p> <ol style="list-style-type: none"> i. Including an appropriate allowance for prudent and efficient capital expenditure related to the connection, integration, renewal and replacement of GAWB's Water Security Assets.
Referral	This referral notice issued by the Finance Minister to the Authority, under Section 23A and Section 24 of the QCA Act, for the Authority to conduct a price monitoring investigation relating to the Monopoly Business Activities.
Reserved Demand	The total quantity of water reserved by GAWB's customers under their contractual arrangements (including any conditional contractual arrangements) and water that is the subject of a water supply proposal provided under GAWB's Queuing Guideline (Source Capacity).
Stated Matters	Those matters listed in Section C.
Finance Minister	Minister for Finance, Trade, Employment and Training
Water Act	<i>Water Act 2000</i>
Water Allocation	An authority granted under section 146 or section 147 of the Water Act to take water from an available water resource, managed under a Resource Operations Licence in an approved water plan area (in accordance with Chapter 2, Part 2, Division 3 of the Water Act).
Water Security Assets	<p>The Fitzroy to Gladstone Pipeline (FGP), and Water Allocations purchased for the purpose of transporting via the FGP.</p> <p>Water Security Assets and associated Allowable Costs are to be allocated to all customers based on Reserved Demand.</p>
Water Supply Act	<i>Water Supply (Safety and Reliability Act) 2008</i>



HON. ROS BATES MP

Minister for Finance, Trade, Employment and Training

Appendix B: Declaration

QUEENSLAND COMPETITION AUTHORITY ACT 1997
SECTIONS 19, 23 and 24
MINISTERS' DECLARATION AND REFERRAL NOTICE

As the Premier and the Treasurer of Queensland, we hereby declare under Section 19 of the *Queensland Competition Authority Act 1997* that the following government business activities undertaken by the Gladstone Area Water Board be declared to be government monopoly business activities:

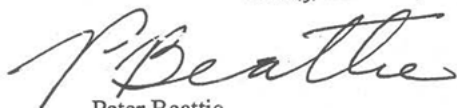
- (i) bulk water storage, including water storage for another person;
- (ii) bulk water delivery services;
- (iii) bulk water treatment services;
- (iv) supplying bulk water to another person, other than supplying bottled or containerised water.


As the Premier and the Treasurer of Queensland, we hereby refer under section 23 of the *Queensland Competition Authority Act 1997* the declared government monopoly business activities to the Queensland Competition Authority for the following investigations:

- (a) an initial investigation about the pricing practices relating to the declared activities; and
- (b) investigations for monitoring the pricing practices relating to the declared activities.

Under Section 24 of the *Queensland Competition Authority Act 1997* we direct the QCA in relation to this referral to:

- (a) report the results of the initial investigation to Ministers within three months of this notice; and
- (b) monitor prices included in contractual arrangements entered into during, and after, the period of the QCA initial investigation.


Peter Beattie
Premier


David Hamill
Treasurer

Date Signed: 13.9.00

Date Signed: 27/8/00

Appendix C: Stakeholder submissions

The submissions we received are listed below (Table 24). They are numbered for reference purposes only – the numbers are used in the footnotes of the report. Table 25 sets out our responses to key issues raised in submissions. The submissions are available on our website.

Table 24: Submissions received in response to GAWB’s pricing submission

Stakeholder	Submission number	Date
CS Energy	4	27 October 2025
GAWB	1	5 September 2025
Gladstone Regional Council	2	17 October 2025
Rio Tinto	3	27 October 2025

Table 25: Submissions received in response to QCA draft report

Stakeholder	Submission number	Date
CPM	5	2 March 2026
GAWB	6	2 March 2026
WICET	7	27 February 2026
QRC (late submission)	8	30 March 2026

Appendix D: Consideration of section 26 matters

In this appendix, we explain how we have had regard to each of the matters in section 26 of the QCA Act.

In using our judgement to weigh up and take the various matters into account, we generally place greater weight on economic efficiency, because promoting efficient outcomes is consistent with the overall public interest and maximising benefits to society. Prices that reflect prudent and efficient costs signal the efficient cost of providing water services to customers, promote efficient consumption and investment decisions, and protect consumers from the use of monopoly power.

Having conducted our investigation in accordance with the terms of the referral, it is important to note that placing greater weight on economic efficiency or any of the other matters in section 26 is constrained by adopting the terms of the referral.

Matters	QCA consideration
(1)(a) The need for efficient resource allocation	<p>Prices that reflect prudent and efficient costs are consistent with promoting efficient investment by GAWB and efficient consumption and investment decisions by customers.</p> <p>However, our assessment of the overall prudence and efficiency of costs is limited, because the referral asks that we accept certain parameters such as the forecast \$983 million capital cost, less the \$200 million Queensland Government grant (Chapter 4), and the contracted O&M costs (Chapter 3).</p>
(1)(b) The need to promote competition	<p>Consistent with competitive neutrality principles, GAWB should not have a competitive advantage over private sector firms due to government ownership. In accordance with these principles, we derive indicative prices based on cost allowances reflecting the tax obligations and return on equity of a benchmark efficient firm (Chapter 5).</p> <p>We acknowledge the concerns of some stakeholders that large price increases could affect the financial viability and competitiveness of their businesses. We do not have any scope to directly address these matters because indicative prices are derived in accordance with the terms in the referral and actual prices are determined through commercial negotiation between GAWB and its customers.</p> <p>It is a matter for governments to decide whether to provide additional subsidies or other support to</p>

Matters		QCA consideration
		address concerns about financial viability or to meet other policy objectives.
(1)(c)	The protection of consumers from abuses of monopoly power	<p>The intent of transparent price monitoring processes, combined with the underlying threat of direct price setting regulations by government, provides incentives that constrain monopoly activity exercising its market power.</p> <p>Our price monitoring investigation provides information to assist the commercial negotiation process. It does not replace it.</p> <p>Under the terms of the referral, our role provides transparency and accountability surrounding GAWB's pricing practices. GAWB is responsible for setting its actual prices within a commercial negotiation setting. We have not been directed to set GAWB's actual prices.</p> <p>If GAWB's prices recover no more than prudent and efficient costs over time, it will not earn excessive profits due to its monopoly position.</p> <p>Our assessment of indicative prices provides a transparent benchmark that GAWB's prices can be assessed against. However, indicative prices reflect a limited assessment of the prudence and efficiency of costs, in accordance with the terms in the referral (see above).</p>
(1)(d)(i)	The cost of providing the services in an efficient way, having regard to relevant interstate and international benchmarks	We have regard to benchmarking, where we consider this to be appropriate, including considering benchmark analysis relating to our rate of return approach.
(1)(d)(ii)	The actual cost of providing the services	Our assessment of the prudence and efficiency of costs was informed by information provided by GAWB about its actual and forecast costs (Chapters 2 and 3).
(1)(d)(iii)	The standard of the services, including quality, reliability and safety	When assessing GAWB's forecast costs, we considered GAWB's operating environment and its regulatory obligations. Our assessment considered whether GAWB could meet the required standards of quality, reliability and safety when delivering bulk water services. Cost reductions are not efficient if they are achieved at the expense of service quality.
(1)(e)	The appropriate rate of return on assets	Our assessment of indicative prices reflects a rate of return on assets that is calculated in accordance with the terms of the referral (Chapter 4).

Matters		QCA consideration
(1)(f)	The effect of inflation	Inflation is relevant to several aspects of our assessment of indicative prices, including the rate of return, indexation of the regulatory asset base and cost escalation (Chapters 2, 4 and 5). We determined the forecast rate of inflation using our published methodology, in accordance with the terms of the referral. We established the opening value for the RAB using the actual rate of inflation (Chapter 4).
(1)(g)	The impact on the environment of prices charged by GAWB	Environmental impacts are generally managed through non-price means. Indicative prices would enable GAWB to recover the costs of meeting its environmental obligations, including to comply with legislation, regulations and water security planning requirements.
(1)(k)	Legislation and government policies relating to ecologically sustainable development	
(1)(h)	Considerations of demand management	We have not identified any concerns with demand management during our investigation.
(1)(i)	Social welfare and equity considerations including community service obligations, the availability of services to consumers and the social impact of pricing practices	We acknowledge concerns raised by stakeholders that significant price increases would have an adverse impact on affordability, business viability and regional development. We do not have any scope to directly address these matters, because indicative prices are derived in accordance with the terms of the referral and actual prices are determined through commercial negotiation between GAWB and its customers.
(1)(m)	Economic and regional development issues, including employment and investment growth	It is a matter for governments to decide whether to provide subsidies or other support to address affordability concerns or to meet other policy objectives.
(1)(j)	The need for pricing practices not to discourage socially desirable investment or innovation	Efficient investment is promoted when prices reflect prudent and efficient costs. However, the indicative prices we derived are based on a limited assessment of the prudence and efficiency of costs, in accordance with the terms of the referral (see above).
(1)(l)	Legislation and government policies relating to occupational health and safety and industrial relations	Indicative prices would provide GAWB with sufficient revenue to satisfy occupational health and safety and industrial relations obligations.
(1)(n)	Any directions given by the government to GAWB	We take the directions provided to GAWB into account where they are relevant to our assessment.

Matters		QCA consideration
(2)	Any water pricing determinations	Not applicable, as there are no water pricing determinations in effect. ¹¹³

¹¹³ Water pricing determinations apply to private sector water supply activities that are declared under Part 5A of the QCA Act. There are currently no declared water supply activities under Part 5A.

Appendix E: Customer impacts

As part of our investigation, we have calculated the impact of the indicative water security prices on GAWB's individual customers. These amounts are separate and additional to GAWB's current bulk water charges (storage, delivery, and administration) that apply to obtain bulk water from its network. This information is provided in the following table to assist government understand the potential impacts of the indicative prices for GAWB's water security assets.

This information is presented consistent with the referral, such that the allowable costs associated with the water security assets are to be recovered through the single price based on reserved demand. We have also provided an estimate of the impact of government grants already provided towards the project (section 6.6).

