

Queensland Competition Authority Act 1997
Sections 23 and 24

REFERRAL NOTICE

The Gladstone Area Water Board's (GAWB) strategic water plan includes GAWB's contingent supply strategy. GAWB has selected a supply of water from the Fitzroy River as its preferred contingent supply. GAWB proposes to undertake preparatory expenditure to provide reasonable certainty that water can be sourced from the Fitzroy River within 24 months of agreed events (either drought or demand-led) that might trigger an augmentation.

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 of the GAWB to the Queensland Competition Authority (the Authority) for investigations regarding the appropriateness of the following pricing practices:

- (a) GAWB's recovery of proposed preparatory expenditure from existing and future customers, specifically having regard to:
 - (i) the prudence of GAWB's contingent source strategy, including selection of a supply from the Fitzroy River as the appropriate contingent source;
 - (ii) the level of efficient costs associated with the development of GAWB's contingent supply strategy that should be included in prices;
 - (iii) the timing of expenditures which are related to the implementation of the contingent supply strategy;
 - (iv) the means by which efficient costs of the contingent supply strategy should be included in prices for subsequent years;
- (b) GAWB's proposed criteria for triggering construction of the appropriate augmentation in the event of drought or unexpected additional demand; and
- (c) GAWB's proposed changes to pricing practices related to declared activities required to enable GAWB to recover its efficient costs of the system as appropriately augmented.

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

- consult with GAWB, GAWB's customers and other relevant stakeholders;
- with respect to matter (a) in the above referral, provide a Draft Report on the investigation within 120 days of receipt of this notice, with the Final Report to be provided within 60 days of the Draft Report;
- with respect to matter (b) in the above referral, provide a Draft Report on the investigation within 120 days of receiving notification of GAWB's proposed criteria for triggering implementation, with the Final Report to be provided within 60 days of the Draft Report;

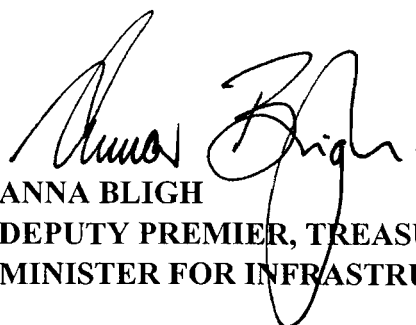
- with respect to matter (c) in the above referral, provide a Draft Report on the investigation within 120 days of receiving notification of GAWB's proposed pricing practices, with the Final Report to be provided within 60 days of the Draft Report; and
- consult with the Queensland Water Commission in regard to any implications the findings of its investigations may have for pricing practices in South East Queensland.

The above timelines are subject to the receipt of information acceptable to the Authority and its consultants, any subsequent changes agreed to between the Authority and GAWB, and exclude nominated consultation periods. Ministers are to be advised of any individual delay, other than a nominated consultation period, which extends the timeframe by more than 14 days and the cause of that delay.

The Authority may exercise all the powers under Part 3 and Part 6 of the *Queensland Competition Authority Act 1997*, consult with all parties considered relevant to the investigations and issue public notices of its investigations.



PETER BEATTIE
PREMIER AND MINISTER FOR TRADE



ANNA BLIGH
DEPUTY PREMIER, TREASURER AND
MINISTER FOR INFRASTRUCTURE