

Queensland Competition Authority
 GPO Box 2257
 Brisbane QLD 4001

Dear Dr Roberts

Gladstone Area Water Board bulk water price monitoring investigation for 2026-30: Water security assets

1. Callide Power Management Pty Ltd (**CPM**) appreciates the Queensland Competition Authority's (**QCA**) analysis in the '*Gladstone Area Water Board price monitoring 2026-30: Water security assets*' December 2025 Draft Report (updated February 2026 with less redactions) (**Draft Report**) concerning the pricing of water security assets for the 2026–30 monitoring period for the Gladstone Area Water Board (**GAWB**).

2. CPM welcomes the opportunity to provide this submission on the Draft Report.

1. Overview of CPM and the implications for CPM of the Draft Report

3. CPM is the Manager of the Callide Power Project Joint Venture (Callide C), owned in equal shares by IG Power (Callide) Ltd and Callide Energy Pty Ltd. CPM acts as agent for and on behalf of the station owners.

4. Callide C is an 840 MW black coal-fired power station facility located in Biloela, Queensland. Commissioned in 2001, with a technical life extending to 2051, the station forms part of the core generation backbone supporting industrial, commercial and residential electricity demand in both the region and Queensland more broadly. The facility constitutes significant regional infrastructure whose continued operation materially supports local economic activity and the stability and adequacy of electrical supply across the State.

5. CPM has an annual water reservation of 12,600 ML per annum under its current contract with GAWB and draws raw water from Awoonga Dam (that is then transported via a pipeline operated by Sunwater to Callide Dam). CPM has no requirements for treated water from GAWB.

6. It is notable that the connection to the Fitzroy to Gladstone Pipeline (**FGP**), the principal subject of the Draft Report, is downstream from the Callide C off take point and therefore, there is no direct benefit to Callide C of the FGP.

7. [Redacted]

[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
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8. [Redacted]

[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]

9. [Redacted]

10. [Redacted]

11. [Redacted]

12. [Redacted]

13. [Redacted]

14. [Redacted]

2. Executive Summary

15. The Draft Report sets out the QCA’s preliminary view based on its findings (as contained in the Draft Report) that an appropriate price for GAWB’s water security assets in 2026-27 is \$1,384.29/ML [Redacted]

16. For the reasons set out below, in reaching this preliminary view, the QCA has:

- (a) Failed to properly take into account the mandatory considerations set out in section 26(1) of the *Queensland Competition Authority Act 1997 (QCA Act)*;
- (b) Failed to properly consider relevant pricing principles in undertaking its price monitoring investigation;
- (c) Failed to properly engage with stakeholders and the concerns raised by them on the implications of the FGP on GAWB’s operation including, in particular, the impact on bulk water prices for GAWB’s customers; and
- (d) Failed to provide for a further round of procedural fairness to address the significant outstanding information that is still to be provided by GAWB, and to take into account any resulting submissions on the Draft Report made by stakeholders following the provision of that outstanding information.

17. In light of the matters outlined in this submission, CPM urges the QCA to carefully consider these concerns to ensure that it has properly discharged its obligations as a regulator undertaking a price monitoring investigation following direction under section 24 of the QCA Act.
18. Once these concerns are addressed, the QCA's Final Report should, in our view, significantly reduce the price for GAWB's water security assets in 2026-27.

3. QCA's regulatory obligations

19. The QCA has been directed under section 24 of the QCA Act to conduct a price monitoring investigation relating to the monopoly business activities of the GAWB.
20. The price monitoring investigation is for the period 1 July 2026 to 30 June 2030.
21. In conducting a price monitoring investigation the QCA must have regard to:
 - (a) The matters set out in section 26 of the QCA Act;
 - (b) The referral notice issued by the Minister (the **Notice**); and
 - (c) The QCA's statement of regulatory pricing principles for the water sector.
22. In addition to the above, section 26(3) of the QCA Act authorises the QCA to have regard to other matters that the QCA may consider relevant in conducting an investigation as section 26(3) does not limit the matters that can be considered.
23. While the matters set out in paragraph 21 above may give rise to competing considerations that must be balanced by the QCA, it is clear that the statutory framework contains mandatory considerations that the QCA is to have regard to when reporting to the Minister in accordance with the Notice (i.e. the QCA "must" have regard to certain considerations).
24. In addition to the above, as the QCA is exercising its powers and required to deliver a report to the Minister in accordance with the Notice, the QCA must have regard to its administrative law obligations and, in particular, its obligations to ensure that:
 - (a) The mandatory considerations are taken into account when exercising the powers conferred on the QCA when reporting to the Minister in response to the Notice;
 - (b) The submissions made by stakeholders in relation to the Notice and the Draft Report are appropriately considered in the Final Report; and
 - (c) Natural justice, and in particular procedural fairness, is observed such that those entities that are affected by the draft report have a proper opportunity to provide submissions on the matters the subject of the final report delivered to the Minister under the QCA Act.

4. Relevant Mandatory Considerations

25. The Draft Report, under the heading "Consideration of section 26 matters" contains the following:

We are required to consider the matters in section 26 of the QCA Act in conducting our review. The list of matters is extensive, diverse and potentially conflicting – for example the need for efficient resource allocation, the effect of inflation, demand management consideration, the protection of consumers from abuses of monopoly power, and social welfare and equity considerations."

26. It is acknowledged that the QCA has given cursory consideration to the matters in section 26 of the QCA Act in the table set out in Appendix D of the Draft Report. However, given the considerable price rise contemplated by the Draft Report, this cursory consideration is not sufficient.

4.1 Section 26 considerations

27. The QCA must have regard to the matters set out in section 26(1) of the QCA Act when conducting a price monitoring investigation.
28. In the Draft Report the QCA articulates that, “*we explain how we have had regard to each of the section 26 matters in Appendix D*”.
29. At a high level, it is not sufficient for the QCA to merely provide a summary of the considerations in an Appendix and not demonstrate how, as it is required to under the Act, it has had regard to each of these factors and how they have been weighed in arriving at the preliminary view of the costs of the water security assets as set out in the Draft Report.
30. Based on the current terms of the Draft Report and Appendix D, it appears that the QCA have given only cursory consideration to these matters and has failed to engage in the statutory balancing exercise that is required of it.
31. As such, we respectfully request that the QCA reconsider their approach in the Final Report so as to demonstrate that it has appropriately engaged with its statutory obligations provided for in section 26 of the QCA Act.
32. We do not for the purposes of this submission seek to address each of the matters set out in section 26(1) that the QCA ought to have properly engaged with, but rather highlight those subsections of the provision where we consider that the QCA’s consideration is insufficient or inappropriate, particularly in light of the:
- (a) Magnitude of the price increase on GAWB’s customers and the broader economic and public implications of such a price increase;
 - (b) Weakened demand for hydrogen; and
 - (c) Allocation of risk between GAWB and current users.

4.2 Section 26(1)(b) – the need to promote competition

33. With respect to its consideration of the mandatory factor in section 26(1)(b), Appendix D of the Draft Report states:

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 consider appropriate prices based on cost allowances reflecting the tax obligations and return on equity of a benchmark efficient firm (Chapter 5).

34. Whilst these considerations are appropriate, it is arguable that the consideration of the “need to promote competition” is not limited to consideration of the consistency with the competitive neutrality principles. There is, for example, no consideration on the downstream competition impacts of the changes to the proposed price for GAWB’s water security assets.

35. In particular, as noted in paragraph 11 to 14 above, CPM considers that the magnitude of the price increase will translate to an increase in operational costs of [REDACTED] and the impact this could have on the operations of IG Power (Callide) Ltd and Callide Energy Pty Ltd and the impact that could in turn have on their ability to compete in the wholesale electricity market and long term viability of Callide C.
36. Consideration ought to be given to the downstream competition impacts of the changes and adequately reflected in QCA's Final Report.

4.3 Section 26(1)(c) – the protection of consumers from abuses of monopoly power

37. The QCA set out its consideration of the mandatory requirement contained in section 26(1)(c) in Appendix D as follows:

Our appropriate prices we develop provide transparency and accountability through our ongoing price monitoring activities.

38. Whilst the QCA provides transparency and accountability through its ongoing price monitoring activities, given the magnitude of the price increase that is being imposed, it is inferred, given it is not articulated in Appendix D, that the primary mechanism by which consumers are to be protected from the exercise of monopoly power by GAWB is through commercial negotiation. This is consistent with matters articulated throughout the Draft Report and in response to stakeholders' submissions. For example, the QCA has recognised that *“commercial negotiations are the mechanism by which GAWB sets prices with its customers. As such, these are commercial matters for GAWB and its customers to resolve through commercial negotiations.”* Given the monopoly position that GAWB holds, and the significant price increase that the QCA is proposing in the Draft Report, the QCA has failed to grapple with whether this commercial negotiation will address the concerns of customers regarding the [REDACTED] price increase and the allocation of risk between GAWB and its customers. That failure is not only a gap in reasoning, but it is an omission which goes to the heart of the mandatory statutory requirement to protect consumers from abuses of monopoly power.
39. Of particular note, the QCA was provided with submissions from GAWB during the prior price monitoring investigation in response to its draft report dated February 2025. In its submissions GAWB was explicit about its approach to setting prices and the pricing principles it adopts with customers:

As noted above, GAWB's current contractual framework has been established and negotiated within the context of this prices oversight regime. The pricing arrangements applied in GAWB's contracts are based on the Pricing Principles (contained in a schedule to the contract), which prescribes a pricing approach. Importantly, these Pricing Principles are founded on the QCA's water pricing principles and the recommendations and findings it has made in its investigations of GAWB since 2000. The terms of the contract currently provide for a five-yearly price reset that is aligned with the frequency of the QCA's price investigations. They require GAWB to have regard to the outcomes of the QCA's investigation that have been endorsed by the relevant Minister and also legally oblige GAWB to 'act reasonably' in any deviation from these.

While this significantly limits flexibility in terms of setting prices under GAWB's contracts, it also provides customers with certainty. This also recognises the value in a periodic and independent review of GAWB's forecasts and proposed bulk water prices by the QCA.

In setting its final prices following the release of the QCA's Final Report, GAWB must be able to clearly and robustly substantiate any deviations from the QCA's findings as it is required to undergo a mid-term review. This is a new obligation, introduced in the Referral Notice issued by the Minister for the current FY2021-25 regulatory period, which is to also apply in the FY2026-30 regulatory period. As part of the mid-term review, the QCA is to also provide a Mid-Term Report comparing the QCA's findings against GAWB's actual prices charged for the first three years of the relevant regulatory period. To inform that review, GAWB lodges a submission to the QCA explaining all deviations between the QCA's findings and the approaches and inputs used by GAWB to set its final prices.

Additionally, in dealing with its customers, including negotiating long-term contracts with new customers, it is evident to GAWB that many rely on the QCA's analysis of efficient pricing conducted under its pricing investigations and have an expectation that GAWB will largely align with this.

*In conclusion, **while the QCA's price monitoring investigations do not compel GAWB to set prices consistent with its findings, GAWB's current contractual framework heavily refers to those findings and practically limits the ability to deviate from them.***

(emphasis added)

40. What is clear from the above is that GAWB **will**, in any negotiations with its customers, seek to align with and practically **will not** deviate from the findings of the QCA.
41. Given the magnitude of the price increase that is proposed, and that GAWB has indicated that they practically will not deviate from the pricing set as part of QCA's price monitoring investigation, this brings into question the QCA's assessment of the ability of consumers to negotiate an outcome that seeks to reduce the impact on them of the proposed significant price increase.
42. The QCA's only substantive engagement with this issue is as follows:

We would expect this negotiation would 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.
43. However, in light of the previous submissions made to the QCA about how GAWB practically adheres to the pricing provided by the QCA, and the concerns raised with the QCA on the magnitude of the price increase being imposed (by both CPM and other stakeholders in submissions to the QCA), we consider that the QCA's cursory consideration of the effectiveness of commercial negotiations with a monopoly provider is **not sufficient**. It certainly does not properly engage with the mandatory consideration of the "protection of consumers from abuses of monopoly power".
44. Further, a commercial negotiation conducted in good faith by both parties cannot produce a meaningfully different outcome when one party's pricing position is fixed by reference to the very findings being examined.
45. In its current state, the QCA's cursory treatment of this issue falls well short of what the obligation in s26(1)(c) demands. We consider that the Final Report must demonstrate the QCA's proper consideration of the effectiveness of commercial negotiations to address the impacts of the proposed price increases on bulk water users, particularly in light of GAWB's publicly stated

position on implementing and not deviating from the pricing set by the QCA when it is exercising monopoly power in those negotiations.

4.4 Section 26(1)(m) – economic and regional development issues, including employment and investment growth

46. The QCA set out its consideration of the mandatory requirement contained in section 26(1)(m) at Appendix D as follows:

Appropriate prices enable GAWB to recover its prudent and efficient costs over time, while providing it with sufficient revenue to invest efficiently, which benefits businesses and households using the service. We note that water security mitigates the extreme costs of drought and water restrictions.

47. We are concerned that this consideration by the QCA is too narrowly focused and appears to ignore the concerns raised by stakeholders (including in this submission) regarding the impact that the proposed pricing in the Draft Report will have on stakeholders' businesses, the broader economy and the region.
48. It is acknowledged by the QCA in its "Statement of regulatory pricing principles for the water sector – April 2021" (the **Statement**) that this mandatory consideration is a "social equity factor".
49. This acknowledgment alone indicates that broader consideration than what is presently articulated in Appendix D (which appears to focus predominantly on the impact on GAWB) is needed.
50. In the Statement, the QCA also acknowledges that these social equity factors are "*best addressed through government policy because elected representatives are best placed to make decisions involving broader social policy and to resolve trade-offs between conflicting public interest matters*". Here however, the deferral of consideration of this social equity factor is not appropriate given the nature of this particular price monitoring investigation.
51. As the QCA is aware, the FGP was expressly excluded from the previous price monitoring investigation, including related cost increases and the **impact on bulk water prices for GAWB's customers** (see page 5 of GAWB's submission to the QCA).
52. In light of the above, this price monitoring investigation must do precisely this. It must engage with the impact of bulk water prices on GAWB's customers and has failed to do so.
53. Thus, the mandatory factor in section 26(1)(m), in the context of this price monitoring investigation, should require explicit consideration of the effect on regional industrial competitiveness, implications for dispatchable generation and energy market participation and the potential effect on employment and investment decisions in the region. It must also consider the impacts of the increased power generation costs for CPM (and CS Energy for that matter) and its ability to compete in the wholesale electricity market. The Draft Report fails to do so.
54. In light of these submissions made by CPM, this needs to be corrected in the Final Report.
55. To the extent that the QCA does not have all the relevant information from stakeholders as part of the consultation process or does not have access to sufficient information, the QCA must seek any additional necessary information to ensure that it has complied with its mandatory obligation under section 26(1)(m) of the QCA Act.

5. Pricing Principles

56. As detailed above, the QCA has published the Statement which details the principles which underlie the QCA's approach to the investigation of pricing practices in the water sector.
57. We note that no express consideration has been given in the Draft Report to these pricing principles.
58. Consistent with the submissions made above in respect of the QCA's failure to properly address certain mandatory considerations in section 26(1), we are concerned that the QCA has not engaged with the following key pricing principles:
- (a) Principle 4 – Prices should reflect the appropriate sharing of risk between businesses and their customers; and
 - (b) Principle 6 – Prices should reflect the broader public interest.
59. We discuss these principles in detail below.

5.1 Principle 4 – Prices should reflect the appropriate sharing of risk between businesses and their customers

60. As provided for in the Statement, *“the level and structure of prices should enable regulated businesses to recover their prudent and efficient costs (including an appropriate return on and of capital), subject to appropriate risk sharing between regulated businesses and their customers”*.
61. Despite the issues of risk sharing and allocation of costs being raised by Stakeholders, the QCA does not seek to engage with appropriate risk sharing in reaching its preliminary view on appropriate price for GAWB's water security practices. This is notwithstanding Principle 4 requiring the QCA to do so.
62. Appendix C to the Draft Report contains the QCA's response to these issues, as follows:

We note that all customers benefit from water security and that the level of benefit is a matter of commercial negotiation between GAWB and its customers.

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 increase water supply and supplement the single source water supply risk from Awoonga Dam. The FGP was developed to address long term water security.

Forecast demand for the price monitoring period does not include any new hydrogen and/or renewable energy sector demand (section 6.3).

We note that GAWB is not proposing to recover all costs associated with its water security assets.

63. While commercial negotiation is referred to in Appendix C, for the reasons outlined in section 4.3 above, commercial negotiation is not sufficient to ensure that benefit and risk are appropriately balanced in the pricing of water security assets.
64. Stakeholders and CPM are of the view, which is in line with the pricing principles, that the QCA must give consideration to whether GAWB should bear some utilisation risk where benefits

extend beyond current users, to ensure efficient and equitable cost allocation. This is currently not addressed directly in the Draft Report.

65. Whilst it is acknowledged that the forecast demand does not include hydrogen and/or renewable energy sector demand, the QCA's consideration in the Draft Report does not appear to grapple with:
- (a) the fact that large GAWB bulk water users are not dependent on the FGP (nor, in the case of CPM, does the FGP provide any direct benefit to it); or
 - (b) whether, given the FGP's construction and operation, it is appropriate for the current users to bear all the risk associated with demand that has not, as yet, materialised. This is particularly important given, in our view, the main driver and rationale for the construction of the FGP being long term water security.
66. If the QCA considers that such matters ought not be considered, that should be made clear in the Final Report and establish how that position aligns with Principle 4.

5.2 Principle 6 - Prices should reflect the broader public interest

67. In line with our submissions regarding the economic and regional development issues, including employment and investment growth as set out in section 4.4 above, we are concerned that the QCA has not given broader consideration to the public interest in the Draft Report.
68. As set out in section 1 above, CPM has projected the impact of the proposed pricing set out in the Draft Report on its operating costs and the flow on effect that will have on its sustainability, its ability to compete in the wholesale electricity market and its long term viability. CPM has also projected the implications of an early closure of Callide C. In addition, in CS Energy's submission to the QCA on the Draft Report, CS Energy summarised the impacts on it as follows:

Callide Power Station plays a vital role in the Gladstone area. Callide Power Station is already facing significant cost pressures which threaten its competitiveness. It is estimated that GAWB's price increase will contribute up

69. Nowhere in the Draft Report, including in Appendix C which seeks to address stakeholder submissions, have these issues been engaged with.
70. In light of Principle 6, this oversight of the need for prices to reflect the broader public interest by the QCA must be addressed in the Final Report.

6. Submissions of stakeholders

71. The Draft Report under heading "1.4 Stakeholder Submissions" acknowledges that the QCA provided the opportunity for stakeholders to comment on GAWB's proposal and received three responses.
72. In this regard, we note that CPM did not put in an initial submission to the QCA, however, given the commonality with CS Energy, CPM supports that submissions made to the QCA by CS Energy in this price monitoring investigation.
73. In this regard, the QCA acknowledged that stakeholders "*raised concerns regarding the magnitude of GAWB's proposed water security charge and its impacts on businesses, the impact*

on competitiveness of local industries the way in which the costs of the FCP should be shared across regarding the decision to proceed with building the FGP”.

74. The QCA’s response to these submissions is provided in Appendix C to the Draft Report.
75. In response to the critical issue of the magnitude of the price increases the QCA’s response is as follows:

Our price monitoring task does not prescribe the prices that GAWB must charge. Commercial negotiation is the mechanism by which GAWB sets prices with its customers. As such, these are commercial matters for GAWB and its customers to resolve through commercial negotiation. We note that the Queensland Government has contributed grant funding towards the project, without which water security prices would be 22 per cent higher.

76. In response to the other critical issue for stakeholders on the allocation of costs associated with the FGP and its disproportionate impact on current users, the QCA’s response is as follows:

We note that all customers benefit from water security and that the level of benefit is a matter of commercial negotiation between GAWB and its customers. ...

77. We have already addressed the adequacy of the QCA’s consideration of these submissions in section 4.3 above, particularly on the issue of the appropriate reliance on commercial negotiation as the mechanism by which GAWB sets prices with its customers.
78. However, the above, and the approach set out in Appendix C raises procedural fairness (natural justice concerns) regarding the process that the QCA has adopted in the Draft Report.
79. What is apparent from the approach adopted by the QCA is there is little, if any, direct engagement with the issues raised by stakeholders to date. And that the QCA appears to be only assessing the submissions and information from GAWB without proper regard for the matters raised by stakeholders.
80. This is starkly demonstrated in the QCA’s own articulation of “1.5 Our price monitoring approach” where the QCA states:

*The indicative appropriate prices presented in this report are based on **our assessment of GAWB’s submission**, supporting documents and modelling. When necessary, we have sought additional information **from GAWB** through a request for information (RFI) process.*

(emphasis added).

81. The Final Report must appropriately engage with the submissions made by CPM and the other stakeholders, and not simply point to commercial negotiations or be based on the QCA’s assessment of GAWB’s submissions and information provided by GAWB alone.
82. In order to comply with its statutory obligations, and in particular the broader considerations set out in sections 3 and 4 above, the QCA must properly consider and engage with the matters raised by stakeholders and where further information is required, initiate RFI processes, not just with GAWB but with other stakeholders. To do otherwise, would not only leave the Final Report non-compliant with QCA’s obligations to have regard to mandatory considerations but also to fall foul of requirements of procedural fairness.

7. Natural justice considerations

83. Under the heading “Our preliminary views” the QCA acknowledge the following:

Before we release our final report, we require additional information from GAWB, which it is expected to provide no later than the due date for submissions. This includes:

- *Details of updates made by GAWB’s operating and maintenance contract (O&M contract) that change the parameters of the forecast service fee (section 2.1.1)*
- *Updating its electricity forecasts where better information is available (section 2.2.1)*
- *Validation of insurance cost increases required to cover the new water security assets (section 2.2.2)*
- *Updated sludge removal costs that reflect the outcome of the tender procurement process (section 2.2.4)*
- *Updated capital cost estimates and business cases to support GAWB’s proposed water treatment plant upgrades required to integrate the FGP with the existing network (section 3.3)*

84. Notwithstanding the significant level of information which remains outstanding from GAWB, based on the QCA’s position on the “Way forward” set out in the Draft Report, it does not appear to be proposed that there be another round of draft reporting prior to the provision of the final report to the Minister.

85. Nor does it appear to be proposed that there be another round of submissions to enable stakeholders (and presumably also GAWB) to consider the QCA’s assessment of the outstanding information referred to in paragraph 83 (once provided) prior to the delivery of the final report to the Minister in accordance with the Notice.

86. Whilst it is recognised that it is ordinary for a regulator to receive updated information following the production of a draft report to better inform the regulator of matters which are to be addressed in a final report, procedural fairness has to be afforded to those relevant stakeholders to the extent that that additional material is relevant to the pricing outcome set out in the final report.

87. In such circumstances where it is considered likely that the new material is likely to effect or is capable of materially affecting price outcomes, procedural fairness principles require affected parties to be afforded the opportunity to comment prior to the finalisation.

88. This is particularly important in circumstances where the proposed price increase is so material and where GAWB have, as outlined above, indicated that GAWB practically will not deviate from the prices set out in the Final Report during commercial negotiations.

89. We therefore welcome the QCA’s proposals with how it intends to ensure procedural fairness is afforded to stakeholders in this price monitoring investigation.

8. Next Steps

90. In light of the matters set out above, we would welcome engagement with the QCA as to how the matters discussed above will be incorporated into its price monitoring investigation and its procedure before publication of the report to the Minister in accordance with the Notice.
91. If you would like to discuss this submission or require additional information by way of a request for information in light of the matters set out above, please contact Judy Steyn at [REDACTED] or [REDACTED]

Yours sincerely

[REDACTED]

Justin Flood

Manager's Representative