Annexure 12

Urban Utilities' response to QCA / QCA consultants' Part 1 recommendations

Part 2 Submission — Price Monitoring Review 2026

August 2026

This Annexure is a key component, and forms part of, the overall Urban Utilities' Part 2 Submission to the Queensland Competition Authority's (QCA) price monitoring investigation for the period 1 July 2026 to 30 June 2030. The Urban Utilities' Part 2 Submission should be read as a whole and, because of the interrelated nature of the subject matter, no part should be read in isolation or taken out of context.

The Executive Narrative provides a summary of the entire Urban Utilities' Part 2 Submission, and this Annexure should be read in conjunction with that narrative.

Amongst other items, the Executive Narrative outlines how this technical Annexure, along with the other Annexures provided with the Part 2 Submission, specifically addresses different elements of the Part 2 Stated Matters of the QCA investigation covering the period FY28–30 (1 July 2027 to 30 June 2030).

Urban Utilities’ response to QCA / QCA consultants’ Part 1 recommendations

The Queensland Competition Authority (QCA) and its consultants raised a range of observations and recommendations in their Part 1 Interim review of our submission. This annexure sets out how each of those matters has been addressed in our Part 2 Submission.

The table below lists each observation and recommendation, the reference to the QCA Interim report in which it was raised, and where in our Part 2 submission the matter is addressed. The observations and recommendations are reproduced as they appear in the QCA Interim report.

Table 1 *Urban Utilities' response to QCA / QCA consultants' Part 1 observations and recommendations*

No.	Observation / recommendation	Reference (QCA consultants' interim report)	Where it is addressed in our submission
1	"To strengthen evidentiary support and regulatory transparency, UU could consider demonstrating an enterprise-wide continuous improvement and efficiency approach, including how improvement outcomes are aggregated across programs and delivery models, including NG4D, and how those outcomes inform reporting and investment decision-making."	Table 5, p24 – System maturity and continuous improvement (Recommendations)	Annexure 11 – Benchmarking and efficiency
2	"A consistent approach to baseline setting and aggregation of improvement outcomes across programs."	Table 5, p24 – System maturity and continuous improvement (Observation)	Annexure 11 – Benchmarking and efficiency
3	"A clear link between improvement activities and measurable efficiency outcomes at a portfolio level."	Table 5, p24 – System maturity and continuous improvement (Observation)	Annexure 5 – Infrastructure capital expenditure, Section 5.7
4	"Further consideration in Phase 2 may include how continuous improvement activities translate into measurable efficiency and productivity outcomes across the broader program."	Table 8, p36 – Governance: System maturity and continuous improvement (Recommendations)	Annexure 5 – Infrastructure capital expenditure, Section 5.7.3.1
5	"Material reviewed provides limited visibility of how monitoring is applied at a program or portfolio level in practice."	Table 5, p25 – Monitoring and reporting on progress (Observation)	Annexure 5 – Infrastructure capital expenditure, Section 5.7
6	"Limited demonstration of how monitoring outcomes inform intervention, reprioritisation or resequencing decisions, or how insights are translated into forward investment planning and funding decisions."	Table 5, p25 – Monitoring and reporting on progress (Observation)	Annexure 5 – Infrastructure capital expenditure, Sections 5.7.3 and 5.7.4; Executive Narrative, Section 6.1
7	"How monitoring informs prioritisation, sequencing and funding decisions, and how monitoring and reporting are integrated across delivery partners under NG4D."	Table 5, p25 – Monitoring and reporting on progress (Recommendation)	Annexure 5 – Infrastructure capital expenditure, Sections 4.5.1, 5.7.3.2 and 5.7.4
8	"Further evidence of how decision-making and challenge processes operate in practice across a sample of projects and programs."	Table 5, p26 – Decision-making systems and integration (Recommendation)	Annexure 5 – Infrastructure capital expenditure

No.	Observation / recommendation	Reference (QCA consultants’ interim report)	Where it is addressed in our submission
9	“The extent to which trade-offs between cost, risk and service outcomes are demonstrated within investment decisions.”	Table 5, p26 – Decision-making systems and integration (Recommendation)	Annexure 5 – Infrastructure capital expenditure
10	“Examples of how governance processes influence investment outcomes, including scope refinement, optimisation or non-progression of projects.”		Annexure 5 – Infrastructure capital expenditure
11	“The application of decision-making processes consistently across a wider portfolio of investments.”	Table 5, p26 – Decision-making systems and integration (Observation)	Annexure 5 – Infrastructure capital expenditure, Section 4.5
13	“Demonstrated delivery outcomes (e.g. cost control, efficiency improvements).” “How lessons learned from delivery are systematically incorporated into future planning and decision-making.”		Annexure 5 – Infrastructure capital expenditure, Sections 5.7.5 and 4.7.1
14	“Examples demonstrating outcomes of governance challenge processes (e.g. scope refinement, cost optimisation).”	Table 8, p38 – Governance: Decision-making systems and integration (Observation)	Annexure 5 – Infrastructure capital expenditure, Section 4.7.3
15	“Direct linkage between stakeholder input and specific investment or prioritisation decisions.”	Table 5, p25 – Stakeholder consultation and accountability (Observation)	Annexure 5 – Infrastructure capital expenditure, Section 4.6
16	“How competing stakeholder preferences are assessed and balanced within decision-making processes.”		Annexure 5 – Infrastructure capital expenditure, Sections 4.4 and 3.9; Annexure 6 – Digital and information investment, Section 4.6
17	“Examples of how stakeholder inputs have informed specific investment or prioritisation decisions.”	Table 8, p37 – Governance: Stakeholder consultation and accountability (Observation)	Annexure 5 – Infrastructure capital expenditure, Sections 4.4
18	“How trade-offs between competing stakeholder outcomes are considered within governance processes.”		Annexure 5 – Infrastructure capital expenditure, Section 4.4 and 4.5

No.	Observation / recommendation	Reference (QCA consultants' interim report)	Where it is addressed in our submission
19	"Phase 2 will consider evidence of prioritisation decisions and trade-offs across a broader sample of programs, how affordability and delivery constraints influence prioritisation outcomes, and linkages between prioritisation outputs and capital program sequencing and funding decisions."	Table 5, p27 – Application of decision-making framework and prioritisation (Recommendation)	Annexure 5 – Infrastructure capital expenditure, Sections 5.5 and 5.6
20	"Phase 2 may consider how prioritisation decisions are influenced by affordability, risk and delivery constraints, and how these are reflected in investment sequencing and expenditure outcomes."	Table 8, p38 – Governance: Application of decision-making framework and prioritisation (Recommendation)	Annexure 5 – Infrastructure capital expenditure, Sections 4.5, 4.6
21	"Standardised approaches to baseline validation across investment proposals."	Table 5, p28 – Criteria for investment decision-making (Observation)	Annexure 5 – Infrastructure capital expenditure, Sections 4.7.2 and 5.7.4
22	"Consistent application of benefit quantification methodologies."		Annexure 5 – Infrastructure capital expenditure, Sections 4.7.1, 4.7.2 and 4.7.4; Annexure 6 – Digital and information investment, Sections 4.3–4.6
23	"How efficiency considerations are reflected in forward expenditure forecasts."		Annexure 4 – Operating expenditure
24	"The framework described does not raise material concerns in relation to processes or procedures. We note that UU is currently in the process of updating its risk management procedure. As part of the update, UU should ensure there is a consistent application of the procedure across all documentation."	Section 2.5.3, p29 – Risk management findings	Annexure 5 – Infrastructure capital expenditure, Section 4.5
25	"As part of the update to the risk management framework, ensure there is a consistent application of the risk management procedure across all documentation."	Table 6, p30 – Risk management: Decision-making systems and integration (Recommendation)	Annexure 5 – Infrastructure capital expenditure, Section 4.5
26	"UU should consider providing evidentiary documentation that demonstrates how risk is considered in capital prioritisation decisions, particularly where there are multiple projects with similar risk ratings competing for funding within a limited	Table 6, p31 – Risk management: Application of decision-making framework and	Annexure 5 – Infrastructure capital expenditure, Sections 4.5.1, 4.5.2, 4.5.4 and 4.5.5

No.	Observation / recommendation	Reference (QCA consultants' interim report)	Where it is addressed in our submission
	budget. We would expect this to be evidenced in the Phase 2 submission review."	prioritisation (Recommendation)	
27	"It is recommended that UU formalise its multi-year BST forecasting method, including clear treatment of how the annual pass-through mechanism will operate within a multi-year forecast framework."	Section 3.6.1, p49 – Expenditure forecasting findings	Annexure 4 – Operating expenditure; Annexure 9 – Regulatory settings and revenue requirements
28	"Where UU identifies clear inefficiencies in the base year, there is a sound basis for excluding those costs from the efficient baseline. However, were ZBB to inflate the base year this would potentially lead directly to price increases."	Section 3.6.1, p49 – Expenditure forecasting findings (ZBB and revealed cost)	Annexure 4 – Operating expenditure
29	"Eligibility criteria and materiality thresholds for step changes – The current approach does not include eligibility criteria for step changes. Criteria define when a cost change qualifies as a step, how materiality thresholds apply, and how steps interact with baseline escalators."	Section 3.6.1, p50 – Expenditure forecasting findings	Annexure 4 – Operating expenditure
30	"This documentation does not include functioning versions of its BST and pass through models. Accordingly, URA has not been able to verify the application of the method descriptions provided by UU. We would anticipate that any assessment of prudency and efficiency undertaken in Phase 2 of the Price Monitoring Review will need to have access to these models."	Table 10, p51 – Method and structure (Recommendation)	Annexure 4 – Operating expenditure; Annexure 9 – Regulatory settings and revenue requirements
31	"We note that UU has not provided a functioning version of the underlying BST model and URA has not been able to verify UU's linking of costs to service drivers with a functioning model. We anticipate that this analytical task will be undertaken in the PM26 Phase 2 assessment of prudency and efficiency."	Table 10, p51 – Link to cost and service drivers (Recommendation)	Annexure 4 – Operating expenditure
32	"A pass-through mechanism designed for year-on-year management of expenditure variances may prove difficult to sustain within a forward-looking multi-year forecast. Multi-year forecasts assume UU achieves its forecast operating expenditure outcomes. The inclusion of a pass-through mechanism will weaken expenditure discipline and reduce forecast certainty. While UU can maintain its pass-through mechanism as part of its annual	Section 3.6.1, p50 – Expenditure forecasting findings	Annexure 9 – Regulatory settings and revenue requirements

No.	Observation / recommendation	Reference (QCA consultants' interim report)	Where it is addressed in our submission
	process it is not necessary for its Phase 2 multi-year forecasts."		
33	"No material gaps have been identified at this stage. However, we note that there are opportunities for improvement associated with documented contingency methods and escalation thresholds, and demonstrations of scenario modelling for material risks."	Table 10, p52 – Risk and uncertainty management (Recommendation)	Annexure 5 – Infrastructure capital expenditure, Sections 4.5.1, 4.5.2 (Table 4), 4.7.5, 5.7.4 and 5.7.6 (Table 7);
35	"Where productivity initiatives do not clearly reduce costs, regulators generally expect to see a demonstrable link to customer outcomes, service objectives, resilience, environmental performance, or safety improvements. Clear articulation of these outcome linkages will assist in demonstrating the customer value of productivity initiatives that do not directly reduce expenditure."	Section 4.5.1, p60 – Productivity improvement and efficiency measures findings	Executive Narrative, Section 11.3; Annexure 2 – Service standards and customer, Section 3
36	"Documentation provided does not include a single, consolidated view of how efficiency initiatives, targets and outcomes are coordinated and tracked at an enterprise level."	Table 12, p61 – Strategic intent (Observation)	Annexure 11 – Benchmarking and efficiency
37	"Phase 2 may consider how governance frameworks support verification of efficiency outcomes and accountability for delivery across programs and functions."	Table 12, p61 – Governance and accountability (Recommendation)	Annexure 11 – Benchmarking and efficiency, Section 3
38	"Quantified efficiency gains and supporting evidence." "Attribution of outcomes to specific initiatives." "Sustainability of efficiency improvements over time."	Table 12, p63 – Demonstrated outcomes (Recommendation)	Annexure 11 – Benchmarking and efficiency, Sections 2, 2.3, 3.1.3 and 3.1.6; Annexure 4 – Operating expenditure; Annexure 5 – Infrastructure capital expenditure, Section 5.7.1
39	"We note that the iterative BST approach UU has adopted to identify the size of its efficiency program potentially distorts the level of efficiency achievable by UU as it is driven by an external benchmarked efficiency target. We recommend that UU consider amending its approach such that the efficiencies identified in the bottom-up efficiency forecasts are used to inform its BST efficiency factor rather than the other way around."	Table 12, p62 – Integration with expenditure planning (Recommendation)	Annexure 4 – Operating expenditure; Annexure 11 – Benchmarking and efficiency

No.	Observation / recommendation	Reference (QCA consultants' interim report)	Where it is addressed in our submission
40	"We are conscious that other water utilities may engage in benchmarking efficiency factors to inform their aspirational efficiency targets. This is distinctly different from setting the BST efficiency factor based on benchmarking. We are also conscious that UU is currently developing its multi-year BST approach and that the Phase 2 proposals may provide more information on the basis for its BST efficiency factor."	Table 12, p62 – Integration with expenditure planning (Observation)	Annexure 4 – Operating expenditure; Annexure 11 – Benchmarking and efficiency