GAWB PRICE MONITORING 2025-30

Queensland Competition Authority

Queensland Competition Authority

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Submissions due COB 31st July 2024
(extended to 16 Aug 24)

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Introduction

I have been contacted by many constituents in the Gladstone region who are growing increasingly concerned about the price they are being charged for water. Whilst the water charges to the residents in the Gladstone Region are decided by Gladstone Regional Council (GRC) this is greatly affected by the cost charged to GRC by Gladstone Area Water Board (GAWB).

Therefore, I am writing this submission to ask two questions on behalf of my constituents, specifically relating to the new Fitzroy to Gladstone Pipeline (FGP):

1. Will the cost of the Fitzroy to Gladstone Pipeline (FGP) be passed on to residents and local industry in full?

2. The FGP project was implemented to mitigate the risk to water security having Awoonga Dam as its only available source of water to deliver to customers. Will the new Hydrogen project in Gladstone take us back to square one?

Will the cost of the Fitzroy to Gladstone Pipeline (FGP) be passed on to residents and local industry in full?

Gladstone residents are already paying increased costs for water with significant rises since 2020 due to Covid screening and related costs. (Figure 1)

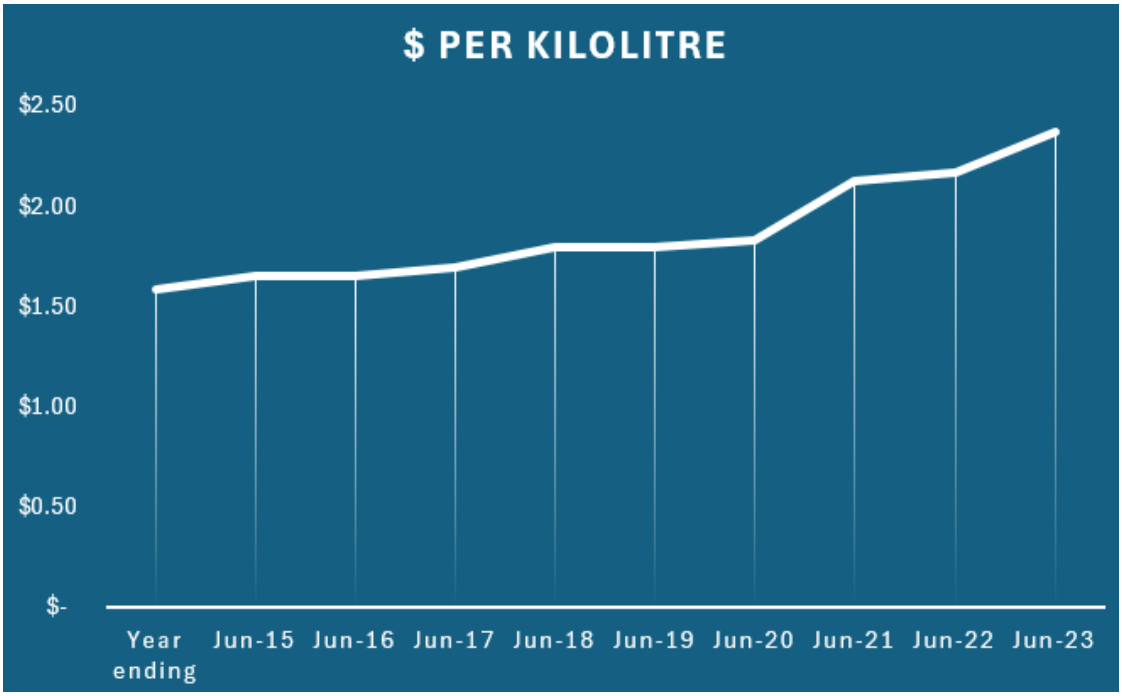

Figure 1 – Price of Water $ per Kilolitre charged to Gladstone residents over the last 10 years (Source – GRC water rates)

As stated in the referral notice to the Queensland Competition Authority from the Hon. Cameron Dick MP, Minister for Trade and Investment;

"The referral issued on 14 December 2023 is amended and restated so that the provisions of the referral are as set out in the amending referral notice, to exclude the investigation of the allowable costs associated with the Fitzroy to Gladstone Pipeline (FGP) from the current price monitoring investigation."

"This change allows additional time to assess the implications of FGP on GAWB operations, including related cost increases and the impact on bulk water prices for GAWB's customers. The pricing impacts of FGP costs can be considered with greater precision by the Queensland Competition Authority closer to the date of commissioning, which is expected by mid-2026."

Essentially with this information being withheld from the price review, it leaves us all in the dark as to what lies ahead.

Will the water allocated to the new hydrogen projects in Gladstone eventually risk water security that Fitzroy Gladstone Pipeline was implemented to negate?

I welcome the construction of the Fitzroy Gladstone Pipeline. With Awoonga Dam being the region's sole major water supply it is great to see investment in infrastructure that supports the economic engine room of Australia!

However, as outlined in Figure 2 (below), bringing hydrogen into the mix is merely robbing Peter to pay Paul as far as water security goes, and does nothing to address our water issues for current customers.

Table 2: Indicative average consumption parameters

Parameter	Phase 1 (Min | SDR | Max)	Phase 1+2 combined (Min | SDR | Max)
HLF feed rate[6] (tpd)	40 | 100 | 110	640 | 800 | 880
HPF target SDR[7] (tpd)	103	830
HPF electrolyser size – Rated (MW)	280	2100
HPF power demand – SOL (MW)	- | 210 | 290	- | 1,713 | 2,465
HPF water demand (ML/y)	600	4,800
HPF wastewater production (ML/y)	109	875
HLF power demand (MW)	- | 70 | 75	- | 560 | 600
HLF water demand (ML/y)	1,396	11,170*
HLF wastewater production (ML/y)	571	4,569*
HLF arrival pressure (barg)	17 | 28 | 33	17 | 30 | 33
HLF arrival temperature (°C)	-5 | 35-40 | 50	-5 | 35-40 | 50

**Potentially no change to Phase 1 through use of seawater exchange*

Figure 2 - Page 23, Stanwell Corporation Ltd Central Queensland Hydrogen Project Feasibility Study report, June 22

Page 6 of the GAWB Bulk Water Price Review states:
"For the first time in its history, demand for water is expected to exceed GAWB's existing annual allocation from Awoonga Dam, due to the increased level of interest from the hydrogen and renewable energy sector".

According to page 29,
"Of 30 planned projects currently identified on Trade and Investment Queensland's website, at least eight of these are actively looking to invest in Gladstone."

Despite this information, these Hydrogen projects were not only allowed to proceed, but they are also actively encouraged by State and Local Government, with additional incentives to investors also added in the recent Federal Budget.

On Page 12 it states:

"The Fitzroy Basin Water Management Protocol (June 2023) contains a process to grant GAWB up to 16,667 megalitres (ML) of high priority water per annum from the 'strategic infrastructure reserve' from the Rookwood Weir Water Supply Scheme on the Fitzroy River."

So, although the FGP has the capacity to transport 30 gigalitres per annum, there are only 16.6 GL per annum available to GAWB.

The average predicted consumption for the Gladstone Hydrogen Project from Fig 2 is almost 2 GL for Stage 1 and a whopping 16GL for Stage 2. This does not leave much additional water at all, therefore mitigating the increased water security that the FGP was installed to provide to GAWB's other customers.

In fact, Fig 3 below, clearly shows the increase in water consumption anticipated with the construction of Hydrogen facilities.

Figure 3.7: GAWB's Opening RAB Value 2002-2030

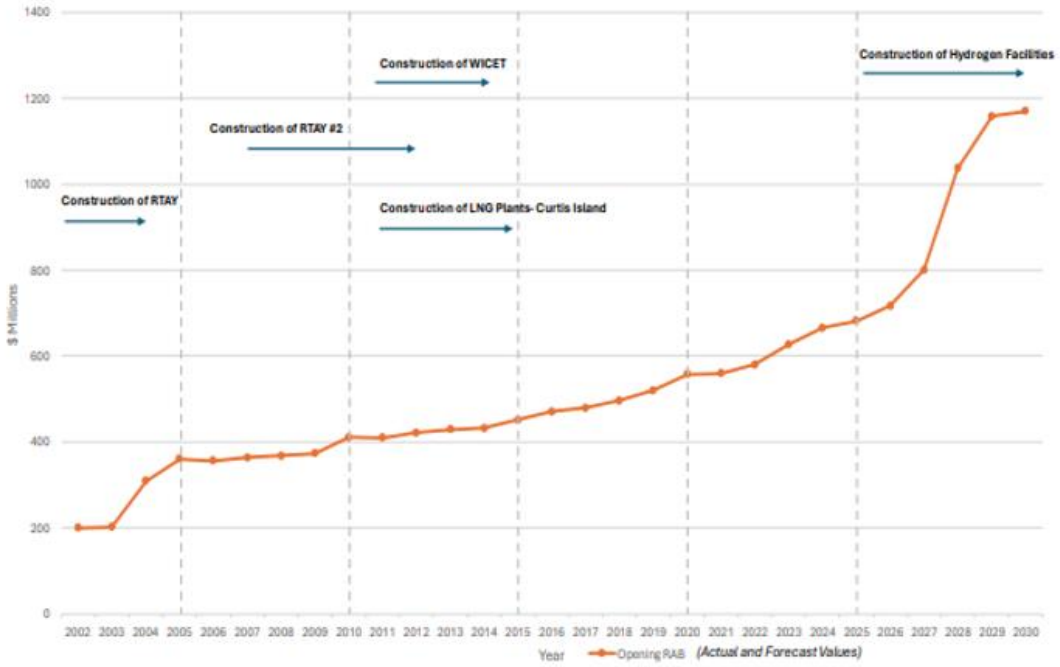

Figure 3 GAWB's Opening RAB Value 2002-2030

From the below excerpts that were taken from a report prepared by Synergies Economic Consulting, for GAWB's WACC for 2025-30 price monitoring period: we can conclude that the Weighted Average Cost of Capital (WACC) estimate developed for GAWB's 2025-30 pricing period is **deemed inappropriate for hydrogen-related investments**.

This indicates that the financial and risk management frameworks currently in place may not be suitable for addressing the risks associated with the hydrogen industry.

Page 10:

"1.2 Material changes in GAWB's circumstances in 2025-30 pricing period

The most significant change in GAWB's circumstances looking forward to the 2025-30 pricing period is the significant increase in GAWB's capital program. This includes construction of the estimated $983 million FGP plus additional expenditure on Awoonga Dam so that it meets the updated Australian National Committee on Large Dams (ANCOLD) and associated dam safety

compliance obligations. GAWB is materially increasing its financial risk given the substantial borrowings it will need to undertake to fund the FGP and ANCOLD investments.

Further, at the latter end of the 2025-30 pricing period and beyond, GAWB may also be required to make investments to accommodate expected (but highly uncertain) new water demand from the emerging hydrogen industry in the Gladstone region. This type of investment for GAWB has a very different risk profile to the FGP, ANCOLD and business-as-usual investments, which potentially creates a challenge in setting the WACC."

Page 30:

"… it appears that GAWB's investment in the FGP will enhance risk mitigation in terms of water supply to its existing customer base. In contrast, the potential need to invest in projects related to the emerging hydrogen industry are likely to materially increase its systematic risk. Indeed, our view is that the risk profile of any hydrogen investments that GAWB may make in the next decade will have a materially higher risk exposure than its business-as-usual investments. In this regard, we do not believe that the WACC estimate that we have developed for GAWB's 2025-30 pricing period would be an appropriate one for hydrogen-related investments."

Conclusion

There is an expectation that GAWB may need to make additional investments towards the end of the 2025-30 pricing period and beyond to meet the potential new water demand from the emerging hydrogen industry. However, this demand is highly uncertain, adding a layer of unpredictability to GAWB's future planning and resource allocation.

I agree that it is crucial to closely examine the cost recovery of the FGP to ensure transparency and fairness in pricing, leaving customers with clear expectations regarding their water prices. However, leaving this costing out of the price review entirely, leaves customers in the dark as far as future pricing is concerned.

Yours sincerely,

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Federal Member for Flynn
Our ref: BOYCE Submission 2024 GAWB

References:
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Central Queensland Hydrogen Project Feasibility Study Report June 2022 Feasibility-Study-Report-CQ-H2-Project-Public-Final-071222.pdf (stanwell.com)
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