

16 August 2024

Professor Flavio Menezes
Chair
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Dear Professor Menezes

GLADSTONE AREA WATER BOARD PRICE MONITORING INVESTIGATION

1. Background

We refer to the price monitoring investigation being undertaken by the Queensland Competition Authority (QCA) into the submission by Gladstone Area Water Board (GAWB) in relation to the bulk water price review for the period 1 July 2025 to 30 June 2030. We wish to thank you for the opportunity to make a submission in relation to the investigation.

ConocoPhillips Australia Operations Pty Ltd is the Downstream Operator of the Australia Pacific LNG facility on Curtis Island, Queensland. In 2011, Australia Pacific LNG (Shared Facilities) Pty Limited (APLNG) entered into a Common Use Infrastructure Agreement with GAWB and Gladstone Regional Council (GRC) (CUIA) which set out the way in which GAWB and GRC would construct and manage water and wastewater infrastructure for the LNG projects being constructed on Curtis Island. Under the CUIA, GAWB financed the capital costs of the water infrastructure and APLNG agreed to repay GAWB over a 25 year term. In 2011, the proponents of the two other LNG projects on Curtis Island acceded to the CUIA and became liable for a share of GAWB's infrastructure charges based on their respective water reservations. Following the accessions, APLNG's proportion of GAWB's infrastructure charges reduced to [REDACTED] %.

In 2013, when GAWB completed the infrastructure, GAWB and APLNG entered into a water supply agreement. At the regulatory price reset on 1 July 2015, the annual opening value of the infrastructure constructed under the CUIA was added to GAWB's Regulated Asset Base and the 'Curtis Island Delivery Zone' was created. APLNG was required at that time to enter into an amended water supply agreement under which GAWB charges both infrastructure charges and volumetric usage charges set by reference to its 'Curtis Island Regulated Asset Base'.

2. Submission by GAWB to QCA

We have reviewed GAWB's submission and comment as follows:

(i) **Capex**

GAWB's price monitoring submission consolidates all capex and capitalized expenditure for the overall network with no explanation in how it will be back allocated to each price zone (asset). Without such an explanation, it is not possible for us to assess the impact of this capex to the price payable by APLNG.

For example, section 8.3 of the GAWB submission report indicates that majority of the \$ capex will be for "network augmentation to provide for new customer demand..." Figure 8.2 then identifies that this network augmentation accounts for approximately 50% of total capex for the next 5 years. It would not therefore seem appropriate to include that component as part of the cost increase for existing customers.

(ii) **Regulated Asset Base**

GAWB's submission does not break down the RAB according to assets or pricing zones, and so it is not possible to ascertain the reasonableness of the proposed price increases. Further, the values in tables 6.1 and 6.3 expressly exclude the Curtis Island pricing zone, without explanation as to why. We submit that further information should be requested from GAWB on the valuation of assets within each pricing zone, including the Curtis Island pricing zone.

If you have any queries in relation to this submission, please contact Natalie Bower on + [REDACTED] or [REDACTED].

Yours sincerely

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Nage Moummar
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ABU Supply Chain Manager