Queensland Competition Authority

Review of RAB-based irrigation prices 2027–29
Bundaberg workshop – summary of issues raised

July 2026

This note records issues identified and views expressed by stakeholders present at the QCA's workshop on the draft report for Sunwater's schemes. The QCA is yet to form any opinion on these issues and views. As appropriate, issues will be addressed in the QCA's final report.

Schemes: Bundaberg (bulk and distribution)

Date of workshop: 21 July 2026

Topic	Issues raised
Scope of the review	• A stakeholder asked whether it would be possible to apply the RAB approach only to commercial customers, while continuing to recover irrigation service costs using the annuity approach. • A stakeholder queried whether the outcome of the review would be a one-size-fits-all approach to cost recovery, given that the RAB approach may not be beneficial for all schemes. • A stakeholder asked whether the QCA would make a recommendation on the preferred approach to cost recovery. • A stakeholder queried the government's rationale for considering a transition to a RAB approach.
Asset planning and management	• Some stakeholders expressed the view that the presence of negative annuity balances may indicate inefficiencies in the management of renewals expenditure. • Some stakeholders questioned whether negative annuity balances could be written off.
Rate of return	• A stakeholder said that using the weighted average cost of capital (WACC) under the RAB approach could lead to overinvestment, given they said that Sunwater was able to borrow at the Queensland Government's cost of debt. • A stakeholder stated that Sunwater has been over-recovering costs relative to earlier definitions of lower bound costs. • A stakeholder queried whether higher financing risk under the RAB approach could increase the WACC.
Investment incentives	• Some stakeholders said that the incentive for gold plating cannot be fully eliminated under the RAB approach. • A stakeholder noted that most irrigation customers are also large electricity users and expressed concern about moving to a RAB approach given their experience with electricity pricing.

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Risk allocation	• A stakeholder stated that a poorly designed RAB framework may not allocate risk appropriately between Sunwater and customers.
Longer-term pricing outcomes and price stability	• A stakeholder asked whether the QCA considers affordability when it undertakes price reviews and stated that the long-term RAB-based and annuity-based prices in the draft report would make water unaffordable. • A stakeholder stated that there could be sudden increases in prices under the RAB approach, depending on the lumpiness of renewals expenditure.
Effective regulatory oversight	• A stakeholder expressed the view that the RAB approach would only work effectively if the QCA were subject to an ongoing standing direction to undertake regular regulatory reviews. • This stakeholder was concerned that, without effective oversight, inefficiencies could build up and subsequently be capitalised in the RAB.
Intergenerational equity	• Stakeholders expressed the view that the annuity approach better supports intergenerational equity as it provides a funding envelope that each generation contributes to and benefits from over time.
Transparency	• Some stakeholders said that the RAB approach would improve understanding of the link between revenue and costs only where there is effective engagement between Sunwater and its customers. • Some stakeholders expressed the view that appropriate engagement, supported by well-designed network service plans, could reduce the extent of long-term forecast error in the renewals program under the annuity approach. • A stakeholder suggested that the content of Sunwater's reporting to customers should be prescribed.
Expenditure classification	• A stakeholder queried whether the QCA would review the businesses' approach to classifying expenditure between operating expenditure (opex) and capital expenditure (capex) under the RAB approach.
Managing transitional impacts	• A stakeholder stated that applying tailored depreciation periods to limit price divergence from annuity-based prices is no better than retaining the annuity approach. • A stakeholder indicated that any short-term savings under the RAB approach may be invested immediately in on-farm capital expenditure rather than retained, leaving customers with insufficient funds when prices rise in future years.
Impact on community service obligation (CSO)	• A stakeholder queried whether moving to a RAB approach would reduce the size of the government's CSO payment.