Queensland Competition Authority

Review of RAB-based irrigation prices 2027–29
Clare 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 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: Burdekin-Haughton (bulk and distribution)

Date of workshop: 14 July 2026

Topic	Issues raised
Scope of the review	• A stakeholder said the QCA's draft report appears to favour the RAB approach over the annuity approach.
Asset planning and management	• A stakeholder expressed the view that shortcomings in governance and asset planning should be addressed before changes to the expenditure recovery framework are considered. • A stakeholder questioned why some Sunwater schemes had negative annuity balances and suggested that differences in the management of annuity balances may explain why some schemes have performed better under the annuity approach than others.
Rate of return	• A stakeholder considered it inappropriate to apply the weighted average cost of capital (WACC) as the interest rate for negative annuity balances, as the WACC is above the financing cost of Sunwater. • A stakeholder expressed the view that the return on capital under the RAB approach is an additional cost block that does not apply under the annuity approach. • A stakeholder expressed the view that financing costs have different implications for schemes with positive annuity balances than for schemes with negative annuity balances. • A stakeholder was concerned that policy changes may have led to higher bound pricing outcomes over time. This stakeholder questioned the point of including a rate of return in water prices while government subsidies remain in place.
Tax allowance	• A stakeholder expressed the view that a tax allowance is an additional cost block under the RAB approach that does not apply under the annuity approach.
Investment incentives	• Some stakeholders were concerned that the RAB approach may not encourage efficient investment in practice, citing

Topic	Issues raised
	evidence of gold plating in other sectors that operate under a RAB-type framework. • A stakeholder asked about the role of prudency and efficiency reviews in limiting inefficient expenditure under a RAB approach.
Longer-term pricing outcomes and price stability	• Some stakeholders expressed confidence in the Highlander Consulting modelling and considered that it demonstrated materially higher long-term cost recovery under the RAB approach than under the annuity approach. • A stakeholder indicated that differences between the Highlander modelling and the QCA modelling are confusing for industry. • Some stakeholders considered that the annuity approach provides price stability that provides greater price certainty when dealing with financial intermediaries.
Intergenerational equity	• Some stakeholders expressed the view that the annuity approach better supports intergenerational equity. They considered that a RAB approach would shift a greater share of the cost of asset renewals to future customers.
Expenditure classification	• A stakeholder stated that Sunwater's capitalisation policy appears overly biased towards capital expenditure and should align more closely with Australian Taxation Office definitions.
Managing transitional impacts	• A stakeholder asked how positive annuity balances would be treated under a transition to the RAB approach.
Rising groundwater	• A stakeholder asked how costs associated with rising groundwater levels would be recovered under each cost recovery approach.