

Review of RAB- based irrigation prices from 1 July 2027: Seqwater

Draft report

June 2026



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Submissions

Closing date for submissions: 7 August 2026

Public involvement is an important element of our decision-making processes. Therefore, we invite submissions from interested parties. We will take account of all submissions received within the stated timeframes. Submissions, comments or inquiries regarding this paper should be directed to:

Queensland Competition Authority

GPO Box 2257, Brisbane Q 4001

Tel 07 3222 0555

www.qca.org.au/submissions

Confidentiality

In the interests of transparency, and to promote informed consultation, we intend to make all submissions publicly available. However, if a person making a submission believes that information in it is confidential, they should claim confidentiality over the relevant information (and state the basis for that claim). We will assess confidentiality claims in accordance with the Queensland Competition Authority Act 1997. Among other things, we will assess if disclosure of the relevant information is likely to damage a person's commercial activities, and we will consider the public interest.

Claims for confidentiality should be clearly noted on the front page of a submission, and relevant sections of the submission marked as confidential. The submission should also be provided in both redacted and unredacted versions. In the redacted version, all information claimed as confidential should be removed or hidden. In the unredacted version, all information should be exposed and visible. These measures will make it easier for us to make the remainder of the document publicly available. A confidentiality claim template is available at **www.qca.org.au/submission-policy**.

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Public access to submissions

Subject to any confidentiality constraints, submissions will be available for public inspection at our Brisbane office or on our website at **www.qca.org.au**. If you experience any difficulty gaining access to documents, please contact us on **07 3222 0555**.

Executive summary

We were directed to assess irrigation prices for 2027–28 and 2028–29 using a regulatory asset base (RAB) approach, as an interim step ahead of the next full price review. This review will inform the government’s decision on prices that will apply from 1 July 2027.

This review compares two approaches to recovering renewals expenditure:

- the renewals annuity approach, which is currently used
- the regulatory asset base (RAB) approach, under which renewals expenditure is generally recovered from when incurred, with operating expenditure (opex) recovered in the year it is incurred and capital expenditure (capex) added to the RAB and recovered over time.

Stakeholder feedback highlighted a range of views, particularly on price stability and long-term outcomes under a RAB approach. This feedback has informed both our assessment and the design of transition arrangements.

RAB-based prices are lower in the short-term but increase in later years

RAB-based prices are generally lower over the next two years, primarily because costs start to be recovered from when expenditure is expected to occur. However, prices under the RAB approach are expected to increase in later years as capex is added to the RAB and recovered over time. By contrast, annuity-based prices are higher in the near term, reflecting the upfront recovery of forecast renewals expenditure, but are expected to increase more gradually over time.

Our draft recommended prices under the annuity and RAB approaches for each tariff group are set out in Appendix D and Appendix E, respectively.

Our modelling indicates that long-term prices are broadly aligned but outcomes vary across tariff groups. While most tariff groups are within 5% of annuity-based prices over the longer term (up to 30 years), a material number fall outside this range. For these groups, RAB-based prices may be higher or lower than under the annuity approach, reflecting scheme-specific factors rather than a uniform impact.

These results should be interpreted with caution. They depend on forecasts that may not materialise, and they do not account for potential behavioural changes.

Overall, the differences between the approaches primarily reflect the timing of cost recovery, rather than differences in the underlying renewals expenditure to be recovered.

The RAB approach strengthens the link between costs and prices

The RAB approach aligns prices more closely with actual efficient expenditure, strengthening incentives for cost control and investment delivery. By linking revenue to delivered works, it improves risk allocation – placing financing and delivery risk with the business, while reducing customers’ exposure to forecast risk.

The annuity approach may spread costs more evenly across customer cohorts, particularly where long-term forecasts are stable. In contrast, the RAB approach aligns cost recovery with the timing and service life of assets, which supports intergenerational equity but potentially results in more variable prices when expenditure is lumpy.

Neither approach has a clear advantage in long-term price stability. Annuity-based prices are more affected by changes in long-term renewals forecasts, while RAB-based prices are more impacted by large or lumpy projects.

The approaches also differ in transparency. The annuity approach provides visibility of planned expenditure and forward price paths, while the RAB approach offers a clearer audit trail by linking delivered works, the asset base and future revenue.

Seqwater's transition settings limit short-term price impacts

We have adopted a pragmatic approach to implementing the RAB framework for this interim review, reflecting data limitations and the constrained timeframe.

We have accepted Seqwater's proposed categorisation of all renewals expenditure as capex, noting that it has applied a consistent approach to capitalisation with that used in our previous bulk water price reviews. We have also adopted its asset life assumptions, noting that these will require further development if a RAB approach is implemented at the next full price review. Consistent with Seqwater's proposal, we have set the initial RAB at 1 July 2027 using closing annuity balances at 30 June 2027.

Using these inputs, we have assessed the impact of transitioning to a RAB approach on cost-reflective fixed price targets, noting that volumetric price targets remain unchanged.

To moderate price impacts at the point of transition, we have accepted Seqwater's proposed depreciation periods for initial RABs for schemes with negative annuity balances. This limits the differences between RAB-based and annuity-based fixed price targets in 2027-28 and helps reduce divergence in subsequent periods.

Seqwater's proposal reflects customer feedback

Overall, Seqwater's engagement approach was reasonable in terms of structure and scope. Seqwater used established engagement channels, provided information to customers, identified relevant customer concerns, and demonstrated how these concerns informed its proposed transition approach.

Seqwater's engagement provides some assurance that its proposal reflects customer priorities, particularly in response to feedback on price stability and avoiding material price increases.

Next steps

We will hold stakeholder workshops on the draft report in July 2026. Further information is available on our website.

Submissions are invited by 7 August 2026. We will consider all submissions received by the due date in preparing our final report, which is due to the government by 30 September 2026.

1 Overview

We have been directed to investigate and report on appropriate prices for the irrigation services provided by Sunwater and Seqwater (the businesses), derived using the regulatory asset base (RAB) approach. The review is being conducted under a direction notice issued by the Minister for Finance, Trade, Employment and Training under section 10(g) of the *Queensland Competition Authority Act 1997* (the QCA Act).¹

1.1 Background

We recently completed a review of the businesses' irrigation pricing practices and recommended irrigation prices to apply for the 4-year period from 1 July 2025 to 30 June 2029 (the 2025 review).² Consistent with previous reviews, our recommended prices reflected the application of the annuity approach to determine an allowance for renewals expenditure.

Following consideration of our recommendations, the Queensland Government decided to set prices for a 2-year period from 1 July 2025 to 30 June 2027 based on our recommendations, but with a 15% discount for eligible customers.³ Prices were set for a shorter period to allow time for this review to be undertaken and for advice to be provided to the government on appropriate prices under a RAB approach. The advice will inform the government's decision on prices that will apply from 1 July 2027.⁴

1.2 What we have been directed to do

In accordance with the direction, we are required to:

- assess the relative merits of the RAB and annuity approaches to developing irrigation prices
- recommend irrigation prices for 2027–28 and 2028–29 using both the RAB and annuity approaches
- report on the results of a comparison between recommended RAB-based and annuity-based prices, as well as between the corresponding price targets, for 2027–28 and 2028–29.⁵

The prices in this review are to be based on allowable costs that are consistent with our positions from the 2025 review, except for changes necessary to move from an annuity approach to a RAB approach.⁶

1.3 Our approach

Given that a comprehensive review of irrigation prices was recently completed, this interim review focuses on the practical considerations associated with transitioning from the existing renewals annuity approach to a RAB approach, including the treatment of renewals expenditure and related implementation and transition matters.

¹ The direction is available on our [website](#).

² Information about that review is available on our [website](#).

³ Queensland Government, *Gazette*, vol. 399, no. 33, 13 June 2025, pp 266–270.

⁴ Queensland Government, *Seqwater and Sunwater irrigation pricing*, Business Queensland website, accessed 17 April 2026.

⁵ Direction, para. C(1.1)(c).

⁶ See direction, section 1, definitions of 'RAB-based Prices', 'Annuity-based Prices' and 'Price Target'.

1.4 Consultation process and timetable

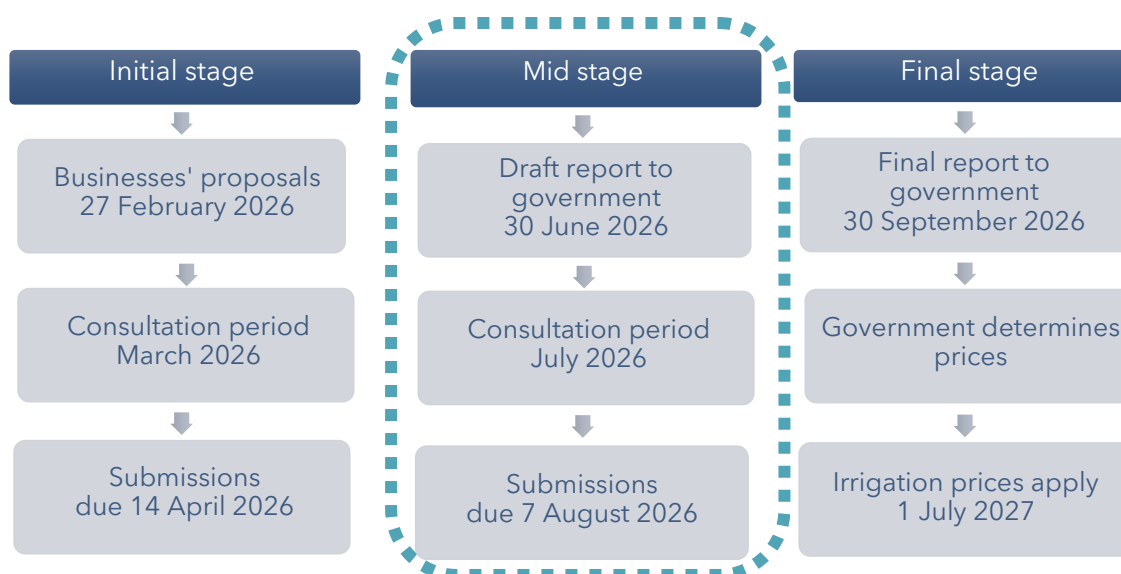
Our consultation process formally began when the businesses submitted their pricing proposals at the end of February 2026.

We held stakeholder workshops in March 2026, with the purpose to understand the issues of importance to stakeholders and to provide information to facilitate submissions.

Initial submissions were invited by 14 April 2026. We have carefully considered all submissions received by the due date in preparing this draft report.

Details of the initial round of workshops we conducted and a list of the submissions we received are in Appendix A.

Figure 1: Review timeframe



Consultation on the draft report will begin with workshops in July 2026. Information about the workshops is available on our website. As with our initial round of workshops, we will not document workshop discussions as formal submissions, but we will publish a summary of the issues raised and expect the discussions will inform our ongoing assessment and final recommendations.

After the workshops, stakeholders are invited to provide written submissions on our draft report by **7 August 2026**.

To stay informed about our review, stakeholders can regularly visit our website or [subscribe](#) to receive email updates. Further information can be requested by using the [contact form](#) on our website or call us on 07 3222 0555.

2 Relative merits of the approaches

This chapter explains how each approach recovers renewals costs and assesses their relative strengths and weaknesses, drawing on stakeholder feedback.

2.1 How each approach recovers renewals costs

The renewals annuity and RAB approaches recover the cost of refurbishing and replacing irrigation assets over time. However, they differ in:

- when costs are recovered
- how much they rely on long-term renewals forecasts.

In broad terms:

- the renewals annuity approach smooths the recovery of forecast renewal costs over time
- the RAB approach aligns cost recovery more closely with the timing of actual works delivered.

2.1.1 Key features of each approach

Renewals annuity approach

How the approach works

Under the renewals annuity approach used in Queensland irrigation pricing, forecast renewals expenditure is recovered through a smoothed annual allowance calculated over a long term (30-year) planning period.

Forecast renewals expenditure includes costs associated with asset refurbishment and replacement, and major periodic maintenance. Smoothing the recovery of these costs over time is intended to limit significant fluctuations in prices associated with lumpy expenditure.

In previous price reviews, a rolling annuity approach has been used. This means that the annuity is recalculated in each year of the price path period to reflect:

- the opening annuity balance for that year
- forecasts of renewals expenditure over the next 30 years.

The allowed rate of return is reflected in the annuity calculation, including in the financing cost or benefit associated with negative or positive opening annuity balances.

The allowance applied in each year is the first-year annuity from that year's calculation.

How updated information is reflected

The annuity approach relies on long-term renewals expenditure being reasonably stable and predictable so that it can be forecast with a reasonable degree of accuracy.

In practice, actual prudent and efficient expenditure may differ from forecasts, and longer-term forecasts may change. When this occurs:

- differences between forecast and actual prudent and efficient expenditure are incorporated into the opening annuity balance for the first year of the next price review
- updates to longer-term forecasts are reflected in the recalculated annuity allowance.

As a result, adjustments to reflect updated information are generally incorporated at the next price review, and their impact is spread over the 30-year planning period, rather than being reflected immediately in price targets.

Regulatory asset base (RAB) approach

How the approach works

Under a RAB approach, renewals expenditure is recovered differently based on whether it is categorised as capital expenditure (capex) or operating expenditure (opex).

Capex, such as expenditure on asset refurbishment or asset replacement, is:

- funded by the business when required
- added to the RAB when it is expected to be incurred, subject to assessment of prudence and efficiency
- recovered over time through:
 - a return on capital, calculated by applying the allowed rate of return to the RAB
 - a return of capital, through depreciation over the useful life of the asset.

Opex, such as routine or minor periodic maintenance expenditure, is expensed and recovered in the year it is incurred.

How updated information is reflected

The RAB approach relies less on long-term renewals forecasts than the annuity approach, because only costs expected to occur over the price path period are reflected in price targets for that period.

In practice, actual prudent and efficient expenditure may differ from forecasts. When this occurs:

- the RAB is updated at the next price review to reflect actual prudent and efficient capex
- adjustments are made for previous over- or under-recovery of capital-related allowance.

As a result, adjustments to reflect updated information are generally dealt with more directly at the next price review, rather than being smoothed over the 30-year planning period.

2.1.2 Rate of return

The rate of return is a key input to the calculation of price targets under both the RAB and renewals annuity approaches. The rate of return generally applied is the weighted average cost of capital (WACC). Under a renewals annuity approach, the WACC is used to calculate the annual annuity allowance and is also applied each year to the annuity balance. Under a RAB approach, it is used to determine the return on the RAB included in price targets.

Some stakeholders raised concerns that including a return on capital under a RAB approach would be inconsistent with lower bound pricing principles. They said that the definition of lower bound pricing in Queensland has evolved over time, stating that the definition we used in the 2020 review differed from previous definitions as it excluded only a return on pre-2000 assets and therefore allowed a return on post-2000 capex, including renewals. These stakeholders argued that the renewals annuity approach more closely aligns with lower bound pricing under the National Water Initiative.⁷

⁷ Avocados Australia, sub 3, pp 1, 3; Brooklet Farms, sub 4, p 2; Bundaberg Fruit and Vegetable Growers (BFVG), sub 5, p 3; Bundaberg Regional Irrigators Group (BRIG), sub 6, pp 2, 4; BRIA Irrigators, sub 7, pp 1-2; Canegrowers, sub 8, pp 1-2; Central Downs Irrigators, sub 10, p 1; Cotton Australia, sub 12, pp 3-4, 6; Lockyer Water Users Forum, sub 16, p 1;

We do not agree that our 2020 review report changed the definition of lower bound pricing. In that report, we referred to lower bound prices ‘as previously defined by the government’, stating that these recover the prudent and efficient costs of operating, maintaining, administering and renewing each scheme, while excluding certain costs, such as a return on and of existing assets (as at 1 July 2000). This reflected the treatment of the initial asset base in the referral notice for that review.

Some stakeholders also raised concerns about the level of the rate of return, noting that the WACC or benchmark cost of debt may exceed the water business’s actual borrowing costs. They argued that this could result in irrigators paying more than the business’s financing costs.⁸

Our approach to setting the rate of return in our previous irrigation price reviews is consistent with our approach in other reviews. While the water businesses do not operate in a competitive market, we assess the rate of return by reference to the efficient cost of financing a benchmark business facing similar risks. This reflects the need for water businesses to maintain ongoing access to capital and recognises that the cost of capital reflects the opportunity cost of funds, irrespective of public ownership.

We do not consider it appropriate to set the rate of return too low, as this would risk failing to recover the efficient costs of providing services over time, including maintaining and renewing assets. Where revenues are insufficient to recover these efficient costs, the resulting shortfall is borne by the owner. Decisions about whether certain services should be subsidised, and how any funding shortfall should be addressed, are matters for the government.

2.2 Consideration of stakeholder modelling in our assessment

In assessing the relative merits of the renewals annuity and RAB approaches, we considered modelling by irrigation stakeholders, including modelling undertaken by Highlander Consulting (submitted with the Queensland Farmers’ Federation (QFF) submission).

The Highlander Consulting model compares long-term price outcomes under both approaches using a broadly common set of inputs and assumptions. This provides a stylised comparison of how the approaches recover costs over time. On this basis, the results show that annuity-based prices remain relatively stable over time, while RAB-based prices start lower but increase over time and exceed annuity-based prices in later years. Overall, the present value of costs is broadly similar under both approaches.

We consider this modelling useful for illustrating key conceptual differences between the approaches and for understanding stakeholder perspectives.

However, as explained in Appendix B, the model has several limitations, including that it:

- assumes historical renewals were known in advance and therefore does not capture forecast risk or the adjustments that occur in practice
- uses alternative calculation methodologies for the annuity and RAB approaches, which affect the timing of cost recovery compared with our adopted approaches.

These limitations can materially affect the level and variability of prices over time. The model also extends over a very long period, which can amplify the effect of underlying assumptions.

Queensland Cane Agriculture and Renewables (QCAR), sub 18, p 4; QFF, sub 19, pp 2-6; QFF, sub 19, attachment (Highlander Consulting report), pp 6-15, 55-57.

⁸ Avocados Australia, sub 3, p 1; Brooklet Farms, sub 4, p 2; BRIG, sub 6, p 2; Canegrowers, sub 8, p 2; Eton Irrigation Cooperative Ltd (EICL), sub 13, pp 3, 8; Pioneer Valley Water Co-operative Limited, sub 17, p 1.

We have therefore used the Highlander modelling to inform our understanding of stakeholder views and to illustrate how the annuity and RAB approaches differ in principle, but we have not relied on it to draw firm conclusions about the relative merits of the approaches. Our assessment is based on the broader regulatory framework and the evidence set out in this report, with the modelling providing supporting context only.

2.3 Relative strengths and weaknesses of the approaches

The choice between using the annuity approach or the RAB approach to recover renewals expenditure has implications for:

- investment incentives faced by the business
- the allocation of risk between the business and customers
- longer-term pricing outcomes and the stability of price targets over time
- the profile of cost recovery across customer cohorts (intergenerational equity)
- transparency, accountability and simplicity.

Overall, we consider the RAB approach strengthens incentives for cost control and investment delivery and improves risk allocation – placing financing and delivery risk with the business, while reducing customers' exposure to forecast risk. The annuity approach may smooth costs across customer cohorts and approximate intergenerational equity where renewals needs are broadly stable and long-term forecasts are reliable. However, the RAB approach more directly aligns cost recovery with the timing and service life of renewed assets, although this alignment may be less direct during transition.

There is no clear advantage in overall price stability over the long term; both approaches can experience price movements when forecasts or major projects change. They also provide different forms of transparency – the annuity approach provides visibility of planned expenditure and forward price paths, while the RAB approach offers a clearer audit trail between delivered works, the asset base and future revenue.

Our assessment is summarised in Box 1.

Box 1: Summary of relative merits

Incentives for efficient investment are likely to be stronger under the RAB approach. The RAB approach ties revenue more closely to delivered expenditure.

Risks are allocated more efficiently under the RAB approach. The RAB approach allocates more financing and delivery risk to the business (where it can be better managed) and less forecast risk to customers.

Neither approach is clearly better in terms of longer-term pricing outcomes and price target stability. The annuity approach can have significant price target movements where forecast renewals change materially between price reviews or large projects enter the rolling annuity forecast. The RAB approach can also have price target movements when large projects are forecast to be incurred within a price path period.

The approaches have different implications for intergenerational equity. The annuity approach can spread costs more evenly across different customer cohorts, particularly when long-term forecasts are reliable and stable. The RAB approach aligns costs more closely with the timing and service life of renewals expenditure.

The approaches provide different forms of transparency and accountability. The annuity approach can provide visibility of planned expenditure and expected price target paths. The RAB approach can provide a clearer audit trail between delivered works, the asset base and future revenue.

2.3.1 Incentives for efficient investment

A RAB approach is likely to provide stronger incentives for efficient investment. This is because it creates a closer link between delivered expenditure and revenue, while an annuity links revenue to the broader renewals program. However, the effectiveness of the RAB approach depends on the presence of clear capitalisation rules, robust prudence and efficiency assessments, and ongoing scrutiny to constrain capital-bias risks.

Box 2 explains the linkage between project delivery and revenue under each approach.

Box 2: Link between delivered projects and revenue

Under the **annuity approach**, the business's revenue is based on a smoothed annual allowance across the forecast renewals program. This means that:

- forecast renewals are reflected in price targets before they are delivered, including those forecast later in the 30-year planning period
- if projects are delayed, rescoped, not delivered, or assessed as not prudent and efficient, adjustments are made at the next price review
- adjustments are reflected through the annuity balance, with the impact on annuity revenue smoothed over the planning period.

Under the **RAB approach**, cost recovery is more directly linked to when expenditure is incurred and whether it is assessed as prudent and efficient. This means that:

- forecast renewals capex is reflected in price targets from the year it is expected to be incurred, while renewals opex is reflected in full in the year it is incurred
- if projects are delayed, rescoped, not delivered, or assessed as not prudent and efficient, adjustments are made at the next price review
- adjustments are reflected through updates to the RAB and true-up adjustments for previous over- or under-recovery of capital-related allowances, with any true-up reflected in full in the next price path period.

Several stakeholders expressed concern that a RAB approach may encourage a preference for capital solutions over operating solutions, or lead to over-investment, because the business earns a return on capital.⁹ While this incentive can arise in theory, its strength in practice depends on regulatory design. Clear capitalisation rules, prudence and efficiency reviews, and the risk of disallowance can materially constrain the scope for inefficient capitalisation or investment.

Stakeholders also emphasised that investment efficiency depends on effective governance and scrutiny. They highlighted the importance of customer engagement, transparency and forward visibility of long-term forecasts, and the effective scrutiny of proposed expenditure.¹⁰ These safeguards are important under both approaches but are particularly relevant under a RAB approach given the explicit return on capital and the need to distinguish capex from opex.

On balance, a RAB approach is likely to provide stronger incentives for efficient investment, because it more closely links revenue to delivered expenditure. This is subject to robust safeguards to avoid capital bias and ensure only prudent and efficient expenditure is recovered.

⁹ Avocados Australia, sub 3, p 2; Brooklet Farms, sub 4, p 2; BFVG, sub 5, p 3; BRIA Irrigators, sub 7, p 5; Canegrowers Burdekin, sub 9, p 1; Fairbairn Irrigation Network, sub 14, pp 1–2; Geddes, C, sub 15, p 4; Lockyer Water Users Forum, sub 16, p 2; Pioneer Valley Water Co-operative sub 17, p 1; QCAR, sub 18, p 4; QFF, sub 19, p 5.

¹⁰ BFVG, sub 5, pp 2, 4; Canegrowers Burdekin, sub 9, p 1; Central Highlands Cotton Growers and Irrigators Association (CHCGIA), sub 11, pp 1–2; EICL, sub 13, pp 10–11; Fairbairn Irrigation Network, sub 14, pp 1–2, 5; Geddes, C, sub 15, p 5; QFF, sub 19, pp 4–7; QFF, sub 19 attachment (Highlander Consulting report), pp 53–54; Tinaroo Water Committee, sub 20, p 1.

2.3.2 Efficient allocation of risk

A RAB approach is more likely to allocate risk efficiently where there is material uncertainty in renewals expenditure, as it places more delivery and financing risk on the business. By contrast, an annuity approach places greater reliance on long-term forecasts and therefore exposes customers to the risk that those forecasts change over time, including where forecast renewals change materially in timing, scope or cost, or are no longer required.

Box 3 defines the key types of risk considered in this section.

Box 3: Forecast, delivery and financing risk

Forecast risk is the risk that renewals forecasts used to set allowances later differ from actual or updated renewals requirements. This can occur where forecast renewals change materially in timing, scope or cost, or are no longer required.

Delivery risk is the risk associated with planning and delivering projects efficiently. This includes managing project timing, scope, cost control and whether expenditure is approved for recovery.

Financing risk is the risk associated with funding expenditure before it is recovered through price targets, including cash flow and balance sheet impacts.

In general, risk should be borne by the party best placed to manage it. For renewals expenditure, the business is better placed than customers to manage the timing, scope and cost of individual projects. Customers are not well placed to manage inefficient project delivery and should not bear costs that are not prudent and efficient.

Under the annuity approach, revenue is based on forecasts of long-term renewals expenditure. This means customers contribute to renewals expenditure before projects are delivered.

Where projects change materially in timing, scope or cost, or are no longer required, customers may remain exposed to these forecasts until they are updated at a future price review. Even then, adjustments are made by updating the annuity balance and are therefore smoothed over the 30-year planning period, rather than recovered from, or returned to, customers as a discrete adjustment in the next price path period.

Some stakeholders said they understood and were willing to bear this risk on the basis that contributing to a renewals sinking fund allows each generation of customers to pay its share of asset renewal costs.¹¹ Further, stakeholders considered that appropriate governance arrangements and regulatory scrutiny could mitigate this risk.¹² However, long-term forecasting is inherently uncertain, particularly for projects beyond the price path period for which asset condition, demand and requirements are less well defined.

¹¹ Canegrowers, sub 8, p 2; QCA, [Review of RAB-based irrigation prices 2027-29, Ayr workshop – summary of issues raised](#), n.d.; QCA, [Review of RAB-based irrigation prices 2027-29, Mackay workshop – summary of issues raised](#), n.d.; QCA, [Review of RAB-based irrigation prices 2027-29, Online workshop – summary of issues raised](#), n.d.

¹² EICL, sub 13, pp 10-11; QFF, sub 19, p 4; QFF, sub 19, attachment (Highlander Consulting report), p 56.

Under a RAB approach, forecast renewals capex is reflected in price targets from the year it is forecast to be added to the RAB. Actual renewals capex is then assessed at the next review before being rolled into the RAB on an ongoing basis.

Some stakeholders argued that the RAB approach would eliminate financial risk for the business and guarantee recovery of actual capex by the business.¹³ In practice, differences between forecast and actual expenditure are generally addressed at the next price review through the RAB roll-forward and true-up adjustments to capital-related allowances. This places more delivery and financing risk on the business, as future cost recovery depends on expenditure being assessed as prudent and efficient and included in the RAB. Where project delays, rescoping or inefficient expenditure affect the timing or amount approved for recovery, the business is more exposed to delayed, reduced or disallowed cost recovery.

On balance, where long-term renewals forecasts are materially uncertain, a RAB approach is likely to allocate risk more efficiently, provided there is effective regulatory oversight of capex and capitalisation decisions.

2.3.3 Longer-term pricing outcomes and price target stability

Neither approach is clearly better in terms of longer-term pricing outcomes and price target stability. An annuity approach can support stable price targets by spreading forecast renewals costs over a long period, while a RAB approach reduces reliance on long-term renewals forecasts. However, both approaches can result in price target movements.

Changes in price targets will depend on the share of scheme revenues attributable to the renewals allowance. Box 4 explains the key drivers of the renewals allowance and its changes under each approach.

¹³ Geddes, C, sub 15, p 2; Pioneer Valley Water, sub 17, p 1.

Box 4: Key drivers of changes in renewals allowance

Annuity approach	RAB approach
What determines the size of the renewals allowance?	
- Long-term renewals forecast - Opening annuity balance - Replacement periods - Return on capital (WACC)	- Forecast renewals capex - Opening RAB - Depreciation period (asset lives) - Return on capital (WACC)
What causes the renewals allowance to change at a price review?	
- Actual renewals expenditure differs significantly from forecast - Revisions are made to forward renewals forecasts - New forecast years are added as the planning period rolls forward - The WACC is updated	- Actual renewals capex differs significantly from forecast - Forecast renewals capex is added to the RAB and is material relative to the RAB, particularly during transition - The WACC is updated

Several stakeholders expressed a preference for the annuity approach based on price target stability.¹⁴ Where renewals expenditure can be forecast with reasonable accuracy and the forecast profile remains relatively stable over time, an annuity approach can deliver stable and predictable price targets by spreading lumpy costs over a long period. This is illustrated in the modelling analysis undertaken for the QFF, which shows generally stable annuity revenues under the assumption of perfect foresight.¹⁵ Our long-term modelling of price targets from 2027–28 to 2056–57 shows similar outcomes, with annuity-based price target paths remaining relatively smooth where forecast assumptions are stable (see Chapter 6 and the scheme information sheets).

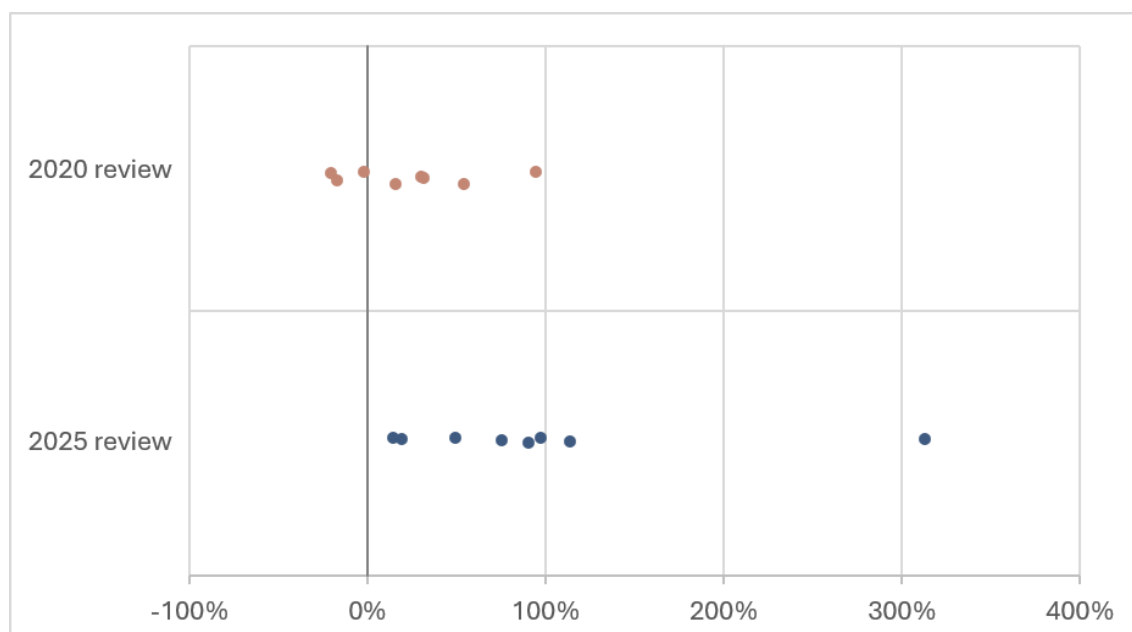
In practice, annuity-based price targets can change materially between price path periods when the annuity is recalculated at a price review. Although the annuity continues to spread costs over the long-term planning period, price targets may still shift at these review points. These changes generally arise from incorporating differences between forecast and actual renewals expenditure into the annuity balance, as well as updates to forward renewals forecasts. Together, these adjustments can result in step changes in price targets.

This effect can be illustrated by examining recent price reviews. Figure 2 shows the scheme-level spread of first-year step changes in the annuity allowance for metering renewals that is due to differences between forecast and actual renewals expenditure and updates to forward forecasts at each price review.

¹⁴ Brooklet Farms, sub 4, p 2; BRIG, sub 6, p 4; BRIA Irrigators, sub 7, p 6; Canegrowers, sub 8, p 2; Canegrowers Burdekin, sub 9, p 1; Central Downs Irrigators, sub 10; Cotton Australia, sub 12, p 1; EICL, sub 13, p 3; Lockyer Water Users Forum, sub 16, p 2; QCAR, sub 18, p 3; QFF, sub 19, p 5.

¹⁵ QFF, sub 19, attachment (Highlander Consulting report).

Figure 2: Step change in metering renewals allowance due to changes in forecasts (%)



Notes: 1. Each dot represents a Seqwater scheme. 2. The spread of dots shows how much annuity allowances for metering renewals changed across schemes due to changes in forecasts at each review. 3. Values above zero indicate increases, while values below zero indicate decreases. 4. These changes exclude the effects of changes in WACC, inflation and the term of the planning period.

Source: QCA analysis.

A RAB approach is less affected by long-term forecast uncertainty because renewals expenditure is generally reflected in price targets when it is expected to be incurred and then reassessed at the next review. However, stakeholders raised concerns that RAB-based price targets may be lower in early years and higher in later years, making prices less affordable for future customers.¹⁶ This reflects that the RAB approach recovers capitalised renewals from when expenditure is forecast to be incurred and added to the RAB, rather than forward-funding forecast renewals through current price targets.

Highlander's modelling appears to demonstrate this concern by identifying a crossover point at which RAB-based prices exceed annuity-based prices and remain higher thereafter.¹⁷ However, this result should be interpreted with caution (as discussed in Appendix B). The modelling relies on simplifying assumptions, including perfect foresight, and does not reflect behavioural or regulatory responses. The timing and magnitude of any crossover are also highly sensitive to key assumptions and may shift, be delayed, or not arise at all under different inputs.

More fundamentally, the result reflects differences in the timing of cost recovery rather than total costs, as both approaches are intended to be broadly equivalent in present value terms. Our long-term modelling indicates broad long-term alignment between the RAB-based and annuity-based price targets over a 30-year period, with outcomes varying across tariff groups reflecting differences in starting positions at transition and future renewals profiles (see section 6.3).

Stakeholders also expressed concern that the RAB approach could lead to price target instability where large or lumpy renewals projects are forecast to enter the RAB during a price path period.¹⁸

¹⁶ Brooklet Farms, sub 4, p 1; BFVG, sub 5, p 3; Canegrowers, sub 8, p 2; Cotton Australia, sub 12, p 3; EICL, sub 13, pp 6-8; Fairbairn Irrigation Network, sub 14, p 1; Lockyer Water Users Forum, sub 16, p 2; QCAR, sub 18, p 3; QFF, sub 19, pp 3-6; QFF, sub 19, attachment (Highlander Consulting report), pp 8-9, 46, 53; Tinaroo Water Committee, sub 20, p 1.

¹⁷ QFF, sub 19, attachment (Highlander Consulting report), p 46.

¹⁸ Avocados Australia, sub 3, p 2; BRIG, sub 6, p 2; Canegrowers Burdekin, sub 9, p 2; Central Downs Irrigators, sub 10, p 1; Cotton Australia, sub 12, pp 3-4; EICL, sub 13, pp 8-9; Fairbairn Irrigation Network, sub 14, pp 4-5; QFF, sub 19, p 5.

This impact can be most pronounced during transition to a RAB, especially for schemes with low RAB values. In these cases, new renewals capex can represent a large proportion of the RAB and place upward pressure on capital-related revenues and price targets.

The scale and persistence of this effect can depend on scheme characteristics, such as the lumpiness of forecast renewals expenditure, and implementation choices, such as the depreciation period applied to the initial RAB. For larger schemes, or as the RAB matures, new renewals capex is more likely to represent a relatively small proportion of the RAB, which may moderate the impact of individual projects on price targets.

The available evidence from Victoria suggests that rural businesses that have transitioned to the RAB approach have experienced relatively stable revenues in the last 20 years.¹⁹ This reflects the fact that opex constitutes a large share of revenues and has remained relatively stable over this period.

More generally, while the RAB approach can result in price target instability, there are tools available for generating smoother price target profiles, such as adjusting depreciation profiles. In addition, businesses operating under a RAB approach would maintain at least a 10-year capex forecast and actively manage the timing and delivery of capex with regard to price target impacts.

On balance, neither approach clearly dominates in terms of longer-term pricing outcomes and price target stability. The relative merits depend on scheme characteristics, including forecast uncertainty, expenditure lumpiness and scale, and how any transition is implemented.

2.3.4 Intergenerational equity

The relative merits of the annuity and RAB approaches for intergenerational equity depend largely on the reliability of forecast renewals expenditure and the way transition to a RAB is implemented. A renewals annuity may better smooth costs across customer cohorts where forecasts are reliable and expenditure needs are broadly stable. A RAB approach may better align cost recovery with the timing and useful life of renewed assets, although this alignment may be less direct during transition and can be affected by the timing of renewals capex.

Box 5 explains the implications for intergenerational equity under the two approaches.

¹⁹ These businesses include Goulburn Murray Water, Lower Murray Water (rural) and Southern Rural Water.

Box 5: Implications for intergenerational equity

Intergenerational equity is concerned with how costs are allocated between current and future customer cohorts, having regard to when services are provided and assets are used.

Under the **annuity approach** – forecast renewals costs are smoothed over a long-term planning period. Where long-term forecasts are reliable and stable, this can support relatively more even contributions across customer cohorts.

Under a **RAB approach** – renewals capex is recovered over the life of the renewed asset or component. This means the contributions of different customer cohorts more closely reflect the timing and service life of renewals expenditure.

Under an annuity approach, costs are recovered based on long-term forecasts and smoothed over an extended planning period. This means current customers contribute to longer-term forecast renewals, while future customers also contribute to maintaining the system. Where forecasts are accurate and stable, this can result in relatively even contributions across customer cohorts.

Several stakeholders expressed a preference for the annuity approach on the basis that it better supports intergenerational equity by spreading costs more evenly across customer cohorts.²⁰

However, while the annuity approach can smooth renewals cost recovery over time, this may not necessarily result in intergenerational equity if cost recovery is not aligned with the timing and useful life of renewed assets. The outcome also depends on the reliability of long-term renewals forecasts. If expenditure that current customers have contributed to is later delayed, reduced or removed from the forecast, those customers may contribute more than required and future customers less. Conversely, if long-term forecasts understate future renewals needs, earlier customers may have paid lower prices than would otherwise have been required, resulting in higher future allowances when the annuity is recalculated.

Under a RAB approach, capital costs are recovered over the useful life of the renewed asset, while operating costs are recovered when they arise. This provides a closer alignment between the timing of service provision and cost recovery. It can also reduce the risk that current customers contribute to forecast renewals expenditure that is later delayed, reduced or removed. In this respect, the RAB approach can better reflect the principle that customers pay for the services they receive. However, during transition, this alignment may be less direct because the RAB may include pre-transition annuity balances, with recovery depending on the depreciation period applied rather than the remaining life of specific renewed assets.

Overall, while the annuity approach can smooth the recovery of renewals expenditure across customer cohorts, this may not necessarily result in intergenerational equity if cost recovery does not align with the timing and useful life of renewed assets. By contrast, where renewals expenditure is not predictable or stable, the RAB approach may improve intergenerational equity outcomes by better aligning cost recovery with service use.

²⁰ Avocados Australia, sub 3, p 3; Brooklet Farms, sub 4, p 1; BFVG, sub 5, p 2; BRIG, sub 6, p 4; BRIA Irrigators, sub 7, p 6; Canegrowers, sub 8, p 1; CHCGIA, sub 11, p 2; QCAR, sub 18, p 1; QFF, sub 19, p 5.

2.3.5 Transparency, accountability and simplicity

The annuity and RAB approaches provide different forms of transparency and accountability. A renewals annuity is generally more familiar and may be easier for irrigation customers to engage with, as it provides a forward-looking view of planned expenditure and expected price target paths. A RAB approach can provide a clearer link between delivered works, the asset base and future cost recovery, but is more technical and less familiar to irrigation customers. Both approaches require clear reporting and effective engagement to support transparency and accountability (Box 6).

Box 6: Information needed to support transparency and accountability

Transparency means stakeholders can understand what expenditure is proposed or incurred, why it is needed and how it affects price targets.

Accountability means expenditure can be traced through the pricing framework, including how it is assessed, classified, approved and reflected in cost recovery.

Under the annuity approach, this requires clear information about the long-term renewals forecast, the annuity balance, forecast changes and how these factors affect price targets.

Under a RAB approach, this requires clear information about forecast and actual capex, RAB roll-forwards, asset lives, capitalisation decisions and how these factors affect price targets.

Transparency and accountability are critical to effective irrigation pricing. Stakeholders viewed clarity and simplicity as central to trust, meaningful engagement and long-term business planning.²¹

Under a renewals annuity, transparency is largely forward-looking. Price targets are set using long-term forecasts of renewals expenditure, supported by asset management plans identifying the major works expected to be required over the planning period. Many stakeholders viewed this long-term visibility as a key strength, as it allows irrigators to see what major works are planned, when they are expected to occur and how prices are likely to change over time.²² EICL also noted that unplanned or abnormal expenditure may be easier to identify, as it can stand out against an established long-term forecast.²³

Forward planning under an annuity can support earlier engagement on proposed costs, even where forecasts are uncertain. Where forecasts and assumptions are clearly explained, customers can better understand long-term investment needs and engage before costs are incurred.

However, transparency under an annuity is not automatic. Recalculated allowances at each price review reflect the opening annuity balance, the updated 30-year renewals forecast and modelling

²¹ BFVG, sub 5, pp 2-3; Canegrowers, sub 8, p 3; Canegrowers Burdekin, sub 9, pp 1-2; EICL, sub 13, pp 2, 11-12; Fairbairn Irrigation Network, sub 14, p 2, QFF, sub 19, p 4.

²² Brooklet Farms, sub 4, pp 1-3; BFVG, sub 5, p 2; BRIG, sub 6, p 4; BRIA Irrigators, sub 7, p 4; Canegrowers Burdekin, sub 9, pp 1-2; Central Downs Irrigators, sub 10, p 1; CHCGIA, sub 11, p 2; Lockyer Water Users Forum, sub 16, p 2; QFF, sub 19, p 5; QCAR, sub 18, p 5.

²³ EICL, sub 13, pp 9-11.

assumptions. This may reduce transparency about which of these factors is driving changes in allowances and price targets between price path periods.

Under a RAB approach, transparency is more directly tied to delivered outcomes. Forecast capex is included in price targets in the price path period it is forecast to be incurred, with actual expenditure then assessed at the next review before being rolled into the RAB. Asset roll-forward statements can provide a clear and auditable link between delivered works, changes in the asset base and future price targets. This can strengthen accountability by allowing expenditure to be traced through to regulatory decisions and cost recovery.

However, many stakeholders expressed concern that RAB frameworks are less familiar and more complex for irrigation customers.²⁴ Several submissions stressed the need for clear, accessible explanations of the RAB approach, noting that its technical complexity and lack of familiarity can make it difficult for customers to understand and engage with.²⁵ Without tailored explanation and disclosure, a RAB may reduce transparency from the customer perspective by shifting focus from long-term planning to technical regulatory concepts, such as asset values and depreciation. Stakeholders also noted that large or unplanned capital works could affect price targets through changes to the asset base unless supported by strong disclosure, clear capitalisation rules and effective engagement.²⁶

In applying either approach, the key issue is whether customers receive information that allows them to understand proposed expenditure, test the basis for price target changes and engage before material costs are incurred or recovered.

²⁴ BFVG, sub 5, pp 2-3; Canegrowers, sub 8, p 3; EICL, sub 13, p 12; Fairbairn Irrigation Network, sub 14, p 2.

²⁵ BFVG, sub 5, pp 2-3; BRIG, sub 6, p 3; Canegrowers, sub 8, p 3; EICL, sub 13, p 12; Fairbairn Irrigation Network, sub 14, p 2.

²⁶ BRIA Irrigators, sub 7, p 5; Canegrowers, sub 8, p 3; Central Downs Irrigators, sub 10, p 1; EICL, sub 13, pp 9-11; Fairbairn Irrigation Network, sub 14, pp 4-5; QCAR, sub 18, pp 3-4.

3 Customer engagement

In this chapter, we assess Seqwater's engagement against the expectations set out in the guidance paper. Those expectations relate to the structure and scope of customer engagement, and its role in informing the development of Seqwater's proposal.

3.1 Assessment of Seqwater's engagement

3.1.1 Structure engagement to promote an understanding of customer needs

Seqwater adopted a targeted engagement approach using established forums, communication methods and reference groups. Seqwater said it sought to engage with its entire customer base, provided consultation material to all customers, and maintained a dedicated consultation website containing presentations, meeting minutes and supporting material.²⁷

Seqwater conducted a two-stage engagement process. The first stage focused on education and the conceptual RAB methodology and was used to inform the development of draft prices. This included in-person consultation for 4 schemes through pre-established annual forums and online sessions for two additional schemes. The second stage involved the release of draft pricing material, followed by targeted briefings for customer reference group members and interested customers, including online and hybrid briefings. Seqwater also engaged directly with QFF.²⁸

Seqwater's engagement appears to have been structured to identify customer concerns and use those concerns to inform its proposed methodology. Seqwater said that customers raised concerns about the review process and the proposed change in pricing methodology and that it undertook additional analysis to respond to those concerns and support more informed customer feedback. Seqwater identified key customer insights including a strong preference for price stability, an interest in understanding longer-term price trajectories, concerns about regulatory costs and indirect costs, and questions about the long-term implications of adopting a RAB approach.²⁹

However, the engagement was still constrained by the interim review timeframe. Seqwater acknowledged that customers considered a longer consultation period would have been preferable. The engagement was also necessarily targeted, relying on established forums and reference groups rather than conducting a broader, more detailed process.

3.1.2 Target engagement on matters that customers value and can influence

Seqwater said it engaged customers and their representatives on the key features and relative merits of the annuity and RAB approaches, as well as the pricing implications of transitioning to a RAB approach. Engagement covered alternative opening RAB positions, depreciation profiles for

²⁷ Seqwater, sub 1, pp 8-9. All supporting material was available on a project-specific page on Seqwater's website ([RAB Irrigation Prices Review 2027-29](#), 2026, accessed 12 May 2026).

²⁸ Seqwater, sub 1, p 9.

²⁹ Seqwater, sub 1, p 9.

the opening RAB, and the resulting effects on price targets and prices over both the current price path period and the longer term.³⁰

We consider that the scope of engagement was broadly consistent with our guidance, particularly in its focus on explaining the proposed transition to a RAB approach and presenting short- and longer-term pricing impacts. The matters presented to customers were also relevant to issues customers could influence, including the timeframe for recovering or returning annuity balances and the management of transitional price impacts.

Seqwater's proposal demonstrates a link between customer feedback and the transition options presented for consultation. Seqwater said customer feedback supported maintaining price stability and avoiding meaningful price increases, which informed its proposal to set the opening RAB at the closing annuity balance. Seqwater also said customers supported using the depreciation profile as a mechanism to manage transition volatility.

Seqwater also appears to have targeted engagement on outcomes customers value, particularly price stability, transparency regarding longer-term price paths, and the avoidance of material price shocks. Seqwater said that in response to customer feedback, it extended its modelling to provide indicative 30-year prices to assist customers to understand the longer-term implications of the proposed transition approach.

3.1.3 Ensure engagement informs planning and decision-making

Seqwater said that customer feedback covered a range of issues, including concerns about the proposed change in pricing methodology, interest in longer-term price trajectories, preferences for price stability, questions about regulatory and indirect costs, and concerns about the timeframe for the review. Seqwater acknowledged that customers considered a longer consultation period would have been preferable.³¹

Seqwater's response to this feedback provides evidence that stakeholder input informed the development of its proposal. For example, Seqwater:

- undertook additional analysis to respond to customer concerns about the proposed transition to a RAB approach
- presented transition levers, including the opening RAB and depreciation profile, as mechanisms to manage transition volatility
- linked its proposed approach to customer feedback on price stability and avoiding meaningful price increases.³²

Seqwater's proposal demonstrates how customer feedback informed key elements of its proposed transition methodology. In particular, Seqwater said customer feedback on price stability informed its proposal, including using the depreciation profile as a mechanism to manage transition volatility.

³⁰ Seqwater, sub 1, p 10.

³¹ Seqwater, sub 1, pp 8-9.

³² Seqwater, sub 1, pp 9-10.

3.2 Implications for our broader assessment

Overall, Seqwater's engagement approach was reasonable in terms of structure and scope. It used established engagement channels, provided information to customers, identified relevant customer concerns and linked those concerns to the transition settings proposed.

Seqwater's engagement provides some assurance that its proposal was informed by customer outcomes, particularly the strong preference for price stability.

In our broader assessment, we have therefore had regard to Seqwater's engagement and the customer feedback it received, particularly the strong preference for price stability.

4 Practical considerations

In this chapter, we consider the practical implications of transitioning to a RAB approach for Seqwater. We assess the appropriateness of Seqwater's expenditure categorisation for this interim review, the reliability of data used to determine asset lives, the approach to establishing the initial RAB, and the management of transitional impacts in a way that balances the interests of Seqwater and its customers.

4.1 Appropriate categorisation of expenditure

Seqwater said it applies a consistent and transparent treatment to categorising renewals activities, based on established asset recognition principles. Under this framework, assets are recognised when:

- it is probable future economic benefits will eventuate
- the cost or value of the asset can be measured reliably.³³

Seqwater said its recognition criteria is aligned with our regulatory requirements and consistent with established accounting policy.³⁴

Lockyer Water Users Forum said that they disagreed with Seqwater's definitions of capital and operating expenditure, stating that these should align with accounting standards and tax requirements.³⁵

Seqwater has confirmed that its classification of all forecast renewals as capital expenditure is consistent with its capitalisation policy and complies with relevant accounting standards. It said its framework addresses the key matters needed to distinguish capital expenditure from operating expenditure, including asset recognition criteria, the treatment of significant components of complex assets, and the treatment of expenditure incurred after an asset has first been recognised (e.g. replacements).³⁶

We consider that Seqwater's capitalisation approach appropriately addresses the key matters needed to distinguish between capital and operating expenditure in the following areas:

- **Asset recognition criteria** – it applies standard asset recognition criteria, including whether future economic benefits are expected to flow and whether costs can be measured reliably.
- **Significant asset components** – it recognises that complex assets may comprise significant components that should be separately identified where this is necessary to support appropriate recognition, depreciation and replacement treatment.
- **Treatment of subsequent expenditure** – it distinguishes between subsequent expenditure that should be capitalised (e.g. expenditure that creates, replaces or improves an asset or significant component) and expenditure that should be expensed as repairs and maintenance.
- **Major inspections** – it allows major inspection costs to be capitalised where they satisfy asset recognition criteria and are part of the asset lifecycle, with costs depreciated over the period to the next inspection.

³³ Seqwater, sub 1, p 14.

³⁴ Seqwater, sub 1, p 14.

³⁵ Lockyer Water Users Forum, sub 16, p 1.

³⁶ Seqwater, response to RFI 1 (30 March 2026).

We also note that Seqwater has applied a consistent approach to capitalisation as it has used in our previous reviews of its bulk water business. Under this approach, all renewals expenditure currently incorporated in Seqwater's renewals annuity is categorised as capex.

Seqwater's capitalisation approach is broadly consistent with Sunwater's revised capitalisation procedure and with the practices of other regulated rural water businesses.

4.2 Reliable data on asset lives

Under the renewals annuity approach, asset lives influence price targets indirectly through their effect on the timing of forecast replacement and refurbishment expenditure over the planning period. Under a RAB approach, asset lives have a direct and more ongoing impact on price targets by determining the period over which renewals capex is recovered through depreciation. The RAB approach therefore requires reliable and robust data on the useful life of the assets, or asset components, to set appropriate depreciation allowances.

For this interim review, Seqwater has proposed the following asset life assumptions for forecast renewals expenditure from 2027–28 onwards:

- non-metering renewals – a useful life of 50 years, consistent with the 2% annual renewal rate for irrigation assets assumed in the 2025 review for forecast renewals from 2033–34 onwards
- metering renewals – a useful life of 30 years, consistent with the useful life of the meter type that Seqwater proposed in the 2025 review.³⁷

Seqwater said that should the RAB approach be adopted, it would investigate a number of areas to ensure governance and systems are fit for purpose. As part of this work, Seqwater would confirm that specific asset lives are appropriate – particularly for meters, where Seqwater has observed higher failure rates.³⁸

For this interim review, we have used Seqwater's proposed asset lives in developing draft RAB-based price targets, having regard to the targeted nature of the review and the insufficient time available to undertake a detailed assessment of asset life assumptions. However, these asset life assumptions should be treated as interim, particularly those used in modelling price targets beyond the price path period.

Before the next full price review, Seqwater should take steps to develop reliable asset life information that can be used for regulatory purposes.

4.3 Approach to setting the initial RAB

In principle, the value of Seqwater's RAB at any point in time should reflect the efficient cost of past investment net of depreciation and disposals. However, allowable costs in this review are required to be consistent with our positions from the 2025 review, including that the value of the asset base for existing rural irrigation assets (as at 1 July 2000) should not be considered when determining allowable costs.

Seqwater proposed that the opening RAB for each scheme as at 1 July 2027 be split into metering and non-metering components. Each component's initial RAB would be based on its respective closing renewals annuity balance at 30 June 2027, such that:

³⁷ Seqwater, sub 1, p 12.

³⁸ Seqwater, sub 1, p 16.

- where a component (metering or non-metering) has a negative annuity balance, its initial RAB would be set equal to that balance
- where a component has a positive annuity balance, its initial RAB would be set to zero, with the positive balance quarantined outside the RAB as a pricing adjustment.³⁹

The exceptions to this approach were Cedar Pocket and Morton Vale Pipeline schemes, which had positive annuity balances for non-metering renewals and negative balances for metering renewals. As all customers in these schemes are medium priority, Seqwater proposed using the positive non-metering balance to fully offset the smaller negative metering balance, resulting in a zero initial RAB for both components.

Under this approach, Cedar Pocket, Lower Lockyer Valley and Morton Vale Pipeline schemes are forecast to have positive annuity balances for non-metering renewals at 1 July 2027 and would therefore have an initial RAB of zero. The proposed initial RABs for non-metering and metering renewals are shown in Tables 1 and 2.

Table 1: Initial RAB for non-metering renewals, 1 July 2027 (\$ million, nominal)

Scheme	Service	Annuity balance 30 June 2027	Initial RAB 1 July 2027
Cedar Pocket	Bulk	0.1	–
Central Lockyer Valley	Bulk	(2.5)	2.5
Logan River	Bulk	(3.0)	3.0
Lower Lockyer Valley	Bulk	0.4	–
Mary Valley	Bulk	(1.0)	1.0
Morton Vale Pipeline	Distribution	0.7	–
Pie Creek	Distribution	(0.6)	0.6
Warrill Valley	Bulk	(0.1)	0.1

Note: The annuity balances relate to non-metering renewals recoverable from irrigation and non-irrigation customers. Source: Seqwater irrigation RAB pricing model (27 February 2026); QCA analysis.

Table 2: Initial RAB for metering renewals, 1 July 2027 (\$ million, nominal)

Scheme	Service	Annuity balance 30 June 2027	Initial RAB 1 July 2027
Cedar Pocket	Bulk	–	–
Central Lockyer Valley	Bulk	(1.3)	1.3
Logan River	Bulk	(1.8)	1.8
Lower Lockyer Valley	Bulk	–	–
Mary Valley	Bulk	(1.0)	1.0
Morton Vale Pipeline	Distribution	(0.3)	–
Pie Creek	Distribution	(0.2)	0.2
Warrill Valley	Bulk	(2.6)	2.6

Note: The annuity balances relate to renewals recoverable from medium priority (including irrigation) customers. Source: Seqwater irrigation RAB pricing model (27 February 2026); QCA analysis.

In the 2025 review, we considered it reasonable to set the initial RAB with reference to closing annuity balances. These balances reflect whether, since 1 July 2000, renewals revenue recovered

³⁹ Seqwater, sub 1, pp 12-13.

through the annuity (including an allowance for financing costs) has been less than renewals expenditure incurred (a negative balance), or greater than renewals expenditure incurred (a positive balance).

On this basis, we have accepted Seqwater's proposed approach to setting initial RABs. We assess the appropriate period for returning positive annuity balances to customers in section 4.4.

4.4 Managing transitional impacts

The transition to a RAB approach is expected to place downward pressure on price targets and Seqwater's short-term cash flows in the initial years, reflecting differences in the timing of cost recovery between the RAB and renewals annuity approaches. Under the renewals annuity approach, cost recovery is based on forecasts of future renewals expenditure, whereas under a RAB approach, renewals expenditure is generally recovered from when it is incurred.

In managing transitional impacts, we have sought to balance Seqwater's legitimate commercial interests, including the maintenance of short-term cash flows, with customer outcomes, particularly price stability. We have adopted a targeted approach, focusing on the settings that most directly influence price paths during the transition, namely the timeframes for the recovery of negative annuity balances and the return of positive annuity balances.

4.4.1 Commercial considerations

Commercial considerations relate to Seqwater's ability to manage the transition to a RAB approach while maintaining financial sustainability over time, including the timing of cash flows and the recovery of efficient costs.

Seqwater has not provided analysis of the impact of alternative transition settings on key financial metrics. However, Seqwater noted the relatively small scale of irrigation revenues.⁴⁰ In addition, Seqwater's proposed approach is intended to manage transition impacts by applying depreciation periods to the initial RAB that support price stability, which will have the effect of moderating changes in price targets and cash flows at the point of transition.

4.4.2 Customer outcomes

Managing transitional impacts requires an understanding of customer outcomes, particularly in balancing trade-offs between short- and longer-term price outcomes.

As discussed in chapter 2, Seqwater's engagement demonstrated that customer feedback supported maintaining price stability and avoiding meaningful price increases during the transition to a RAB approach. Seqwater also said customers supported using the depreciation profile as a mechanism to manage transition volatility. In addition, Seqwater said some customers said that positive annuity balances should be returned over a shorter period as some customers may exit a scheme before the full amount is returned.⁴¹

We consider this provides a reasonable basis for placing weight on price stability in assessing Seqwater's proposed transition settings. In particular, customer feedback supports an approach that

⁴⁰ Seqwater, sub 1, p 5.

⁴¹ Seqwater, sub 1, p 14.

moderates changes in price targets at the point of transition. We have also had regard to the equity consideration of returning positive balances to customers who contributed to them.

4.4.3 Transition timeframes

Transition timeframes determine how cost recovery is distributed over time and, therefore, the profile of price targets over the transition period. In particular, the depreciation period applied to the initial RAB, and the timeframe for returning positive annuity balances, influence the extent to which price target impacts are concentrated in the initial years or deferred to later periods.

In determining appropriate transition timeframes, we have sought to balance commercial and customer considerations, with a focus on how different settings affect price paths over time.

Recovery of negative annuity balances

Negative annuity balances are incorporated into the initial RAB and recovered through price targets over a defined period. The length of the depreciation period applied to the initial RAB determines how quickly this amount is recovered, affecting both short-term price target changes and the profile of price targets in later periods, including the size of adjustments when the depreciation period for the initial RAB ends.

Seqwater said that, in response to customer feedback supporting price stability during the transition, it assessed a range of alternative remaining useful life assumptions for the opening RAB, from a one-year remaining life through to a depreciation period of 30 years (consistent with the length of the planning period), to understand the sensitivity of transitional price impacts. Seqwater said that only one alternative materially affected price stability – Central Lockyer, where a 20-year useful life for meters was applied to metering renewals. For all other schemes, the depreciation period of the opening RAB was set at 30 years.⁴²

Table 3 presents the percentage difference between RAB-based and annuity-based fixed price targets and prices in 2027–28 for bulk water supply schemes and distribution systems, based on depreciation periods of 20, 30 and 40 years. A 30-year depreciation period reflects a reasonable reference point, as it reflects the current smoothing period for the opening balance under an annuity approach and also the weighted average life of the metering renewals underlying the opening balance.

⁴² Seqwater, sub 1, p 12.

Table 3: Change in fixed price targets and prices under a RAB approach (relative to annuity), non-metering and metering renewals, 2027-28 (%)

Tariff group	Service	Fixed price target difference (%)			Fixed price difference (%)		
		Depreciation periods (years)					
		20	30	40	20	30	40
Central Lockyer Valley	Bulk	(4.2)	(8.2)	(10.3)	–	–	–
Logan River	Bulk	14.1	5.6	1.4	10.6	5.6	1.4
Mary Valley	Bulk	3.4	(1.8)	(4.5)	3.4	(1.8)	(4.5)
Pie Creek	Distribution	0.5	(2.5)	(3.9)	–	–	–
Warrill Valley – medium priority	Bulk	12.5	3.0	(1.7)	12.4	3.0	(1.7)
Warrill Valley – high priority	Bulk	(22.0)	(22.2)	(22.3)	(22.0)	(22.2)	(22.3)

Notes: 1. 20-year, 30-year and 40-year refer to depreciation periods for the initial RAB. 2. Tariff groups in this table exclude bulk schemes and distribution systems with closing positive annuity balances.

Source: Seqwater irrigation RAB pricing model (27 February 2026); QCA analysis.

For those schemes with significantly lower fixed price targets under the RAB approach, the only scheme with materially improved short-term price stability is Central Lockyer Valley, which is the scheme where Seqwater has proposed a shorter depreciation period for metering renewals. Given that Seqwater's approach produces reasonable price target outcomes and is supported by customers, we have accepted Seqwater proposed transitional arrangements for this review (Table 4).

Table 4: Selected depreciation periods and resulting change in fixed price target and prices under a RAB approach (relative to annuity), 2027-28 (%)

Tariff group	Selected depreciation period (years)		Fixed price target difference (%)	Fixed price difference (%)
	Non-metering	Metering		
Central Lockyer Valley	30	20	(6.8)	–
Logan River	30	30	5.6	5.6
Mary Valley	30	30	(1.8)	(1.8)
Pie Creek	30	30	(2.5)	–
Warrill Valley – medium	30	30	3.0	3.0
Warrill Valley – high priority	30	30	(22.2)	(22.2)

Source: Seqwater irrigation RAB pricing model (27 February 2026); QCA analysis.

Return of positive annuity balances

Positive annuity balances reflect past over-recovery and are returned to customers over time. These balances could be returned through rebates or reductions in allowable costs.

Seqwater said that for schemes with positive annuity balances for non-metering renewals (Cedar Pocket, Morton Vale and Lower Lockyer), that the positive balances were not to pay off forecast capital expenditure but as a limitation with the current annuities model where interest (WACC) capitalisation outpaces scheduled repayments

Seqwater has proposed to return positive annuity balances through a reduction in allowable costs over a 10-year period. Seqwater said this approach maintains the structural integrity of the RAB, provides transparency to customers, smooths prices and avoids distorting future investment incentives.⁴³ Seqwater also noted that some customers considered the repayment period should be shorter than 10-years, as some customers may exit the scheme before the full amount is returned. Seqwater has applied weighted average cost of capital (WACC) adjustments to compensate for the time value of money over the return period.

Seqwater modelled the return of the positive annuity balances as reduction to allowable costs but noted that the actual payment mechanism could be a cash refund, credit adjustment to accounts or a reduction in water prices through a reduction to allowable costs.⁴⁴

We consider the proposal to return positive annuity balances through a reduction in allowable costs to be reasonable, as a rebate mechanism would deliver different bill outcomes for the Seqwater schemes with positive annuity balances at 30 June 2027. As prices in all tariff groups in these schemes remain below the price target, applying a rebate to prices would provide a larger reduction in bills than an offset applied to the price target.

The size of the positive annuity balance relative to scheme allowable costs is a key factor in determining appropriate timeframes. Table 5 shows the total allowable costs offset, which reflects the positive annuity balance as at 30 June 2027, and annualised offset amounts as a percentage of scheme-level total allowable costs over 5- and 10-year return periods.

Table 5: Allowable cost offset as a percentage of pre-transition total allowable costs, 2026-27 (%)

Scheme	2026-27 allowable costs (\$'000)	Allowable costs offset (\$'000)			Offset/costs (%)		
		Total ^a	Return period (years)		Total	Return period (years)	
			5	10		5	10
Cedar Pocket	324.2	90.3	20.8	11.4	27.8	6.4	3.5
Lower Lockyer Valley	1,055.0	488.9	112.5	61.8	46.3	10.7	5.9
Morton Vale Pipeline	90.7	389.9	89.7	49.3	429.8	98.9	54.3

^a The total allowable costs offset amount is equal to the positive annuity balances as at 30 June 2027.

Source: QCA, [Rural irrigation price review 2025-29: Seqwater](#), final report, January 2025, pp 77-80; Seqwater irrigation RAB pricing model (27 February 2026); QCA analysis.

We consider Seqwater's proposed 10-year return period to be reasonable. Given that prices in these schemes remain below the price target, the allowable cost offset reduces the size of the revenue shortfall rather than directly affecting customer prices. At the end of the proposed 10-year return period, the annual offset is relatively small compared to total allowable costs, avoiding potential impacts on the scheme's future transition path to the underlying price target.

⁴³ Seqwater, sub 1, p 13.

⁴⁴ Seqwater, sub 1, p 14.

5 Total allowable costs

In this chapter, we set out our position on total allowable costs for regulated schemes. For this review, allowable costs are consistent with our position in the 2025 review, except for changes required to transition from an annuity approach to a RAB approach.

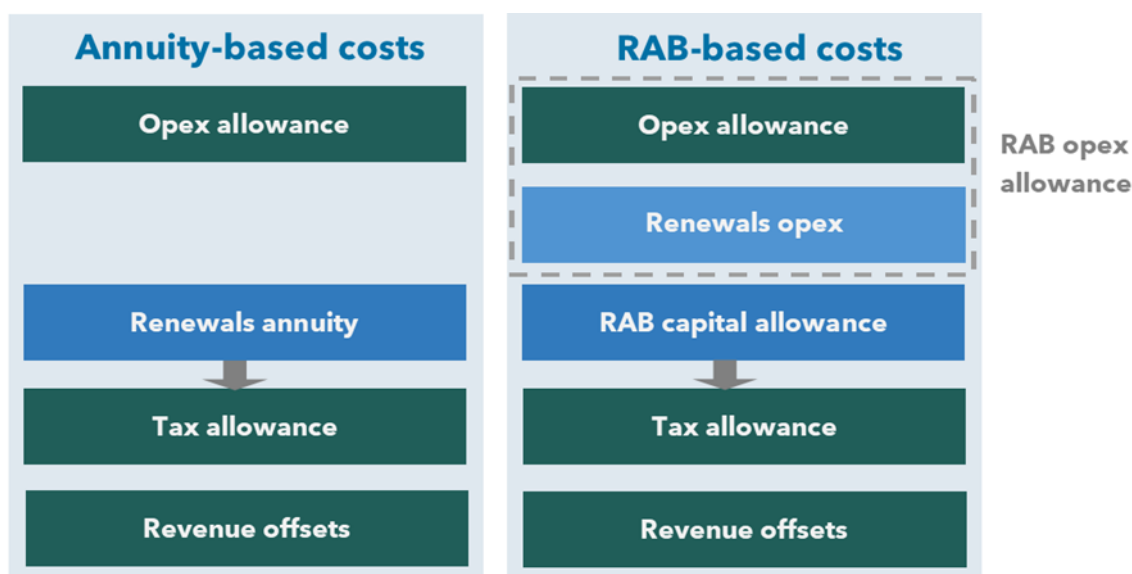
5.1 Adjustments to 2025 review allowable costs

As required by the direction, allowable costs reflect our position in the final report of the 2025 review for annuity-based costs, with the following adjustments required for RAB-based costs:

- adjust the opex allowance (section 5.2) to include renewals of an operating nature
- replace the renewals allowance with an appropriate RAB-based capital allowance (section 5.3)
- include a smoothing adjustment to account for differences between unit costs and smoothed price targets for 2025–26 and 2026–27 (section 5.4)
- replace the tax allowance with an appropriate RAB-based tax allowance (section 5.5).

Under the RAB approach, renewals are reflected in both operating and capital components of allowable costs. Under both approaches, renewals also feed into the calculation of the tax allowance. Figure 3 shows the different treatment of renewals under each approach.

Figure 3 Calculating annuity-based and RAB-based allowable costs



Reflecting our position on each of these adjustments, Table 6 compares our draft allowable costs under the annuity and RAB approaches. This comparison highlights how the transition from an annuity to a RAB framework affects total allowable costs. Scheme-level information on allowable costs is provided in Appendix C.

Table 6: QCA draft position – total allowable costs (\$ million, nominal)

Cost	Annuity		RAB		Difference	
	2027-28	2028-29	2027-28	2028-29	2027-28	2028-29
Opex allowance (2025 review)	7.9	8.2	7.9	8.2	–	–
Renewals opex	–	–	–	–	–	–
Revised opex allowance	7.9	8.2	7.9	8.2	–	–
Renewals annuity	1.9	1.9	–	–	(1.9)	(1.9)
Return of positive annuity	–	–	(0.1)	(0.1)	(0.1)	(0.1)
RAB-based capital allowance	–	–	1.1	1.2	1.1	1.2
Smoothing adjustment	–	–	–	–	–	–
Tax allowance	–	–	–	–	–	–
Revenue offsets	(0.1)	(0.1)	(0.1)	(0.1)	–	–
Total allowable costs	9.6	10.0	8.7	9.1	(1.0)	(0.9)

Notes: 1. Figures include costs allocated to irrigation and non-irrigation customers in regulated schemes. 2. Totals may not add due to rounding.

Source: Seqwater irrigation RAB pricing model (27 February 2026); QCA analysis.

The following sections set out our assessment of each component of allowable costs in detail, including comparisons between Seqwater’s proposal and our draft position.

5.2 Operating expenditure allowance

Under the annuity approach, the opex allowance remains unchanged from our position in the 2025 review. Under a RAB approach, the opex allowance is adjusted to include renewals of an operating nature. However, we have accepted Seqwater’s proposal that all expenditure in its forward renewals program is capex (see section 4.1).

5.3 Renewals allowance

Under the annuity approach, the renewals allowance remains unchanged from our position in the 2025 review. Under a RAB approach, the renewals allowance is replaced with a RAB-based capital allowance derived from incorporating renewals capex into the RAB, while renewals of an operating nature are included in the opex allowance (see section 5.2).

We use a nominal modelling framework to derive the RAB-based capital allowance. Under this framework, inflation is incorporated in calculating both the return on capital (using the nominal WACC) and the return of capital (by annually indexing the RAB for inflation).

The RAB-based capital allowance is comprised of the following components:

- **return on capital** – calculated by applying the nominal WACC of 6.67% to the opening RAB in each year of the price path period, with an additional part-year return for capex
- **inflation adjustment** – the RAB is indexed annually using forecast inflation of 2.87%. As inflation is already reflected in the nominal WACC applied to calculate the return on capital, the allowance is reduced by the inflationary gain in the RAB to avoid double counting
- **return of capital (depreciation)** – depreciation is deducted from the RAB each year using a straight-line method over remaining asset lives. This allows recovery of prudent and efficient capex over those lives.

We have accepted Seqwater’s proposed RAB roll-forward and RAB-based capital allowance (Tables 7 and 8).

Table 7: QCA draft position – RAB roll-forward (\$ million, nominal)

Cost	Seqwater proposal		QCA draft		Difference	
	2027-28	2028-29	2027-28	2028-29	2027-28	2028-29
Opening balance	14.0	15.7	14.0	15.7	–	–
plus renewals capex	1.7	1.9	1.7	1.9	–	–
plus inflation	0.4	0.5	0.4	0.5	–	–
less depreciation	0.5	0.6	0.5	0.6	–	–
Closing balance	15.7	17.4	15.7	17.4	–	–

Notes: 1. Figures include costs allocated to irrigation and non-irrigation customers in regulated schemes. 2. Totals may not add due to rounding.

Source: Seqwater irrigation RAB pricing model (27 February 2026); QCA analysis.

Table 8: QCA draft position – RAB-based capital allowance (\$ million, nominal)

Cost	Seqwater proposal		QCA draft		Difference	
	2027-28	2028-29	2027-28	2028-29	2027-28	2028-29
Return on capital	1.0	1.1	1.0	1.1	–	–
Inflation adjustment	(0.4)	(0.5)	(0.4)	(0.5)	–	–
Depreciation	0.5	0.6	0.5	0.6	–	–
Total	1.1	1.2	1.1	1.2	–	–

Notes: 1. Figures include costs allocated to irrigation and non-irrigation customers in regulated schemes. 2. Each cost component in this table has been converted from an end-of-year value to a mid-year value by discounting by the WACC for six months. 3. Totals may not add due to rounding.

Source: Seqwater irrigation RAB pricing model (27 February 2026); QCA analysis.

5.4 Smoothing adjustment

Under the annuity approach, no smoothing adjustment is required under the direction. Under a RAB approach, a smoothing adjustment is applied to allowable costs to account for differences between unit costs and smoothed price targets for 2025-26 and 2026-27.

This adjustment is necessary because the 2025 review set price targets to recover costs over a 4-year period (2025-26 to 2028-29), while limiting increases to inflation. In contrast, this review resets price targets for the final 2 years (2027-28 and 2028-29).

Without adjustment, this could result in an under- or over-recovery of costs across the full 4-year period, due to the mismatch between unit costs and smoothed price targets in the first 2 years.

The smoothing adjustment calculated under the RAB approach is set out in Table 9.

Table 9: QCA draft position – smoothing adjustment (\$ million, nominal)

Cost	Seqwater proposal		QCA draft		Difference	
	2027-28	2028-29	2027-28	2028-29	2027-28	2028-29
Total	–	–	–	–	–	–

Source: Seqwater irrigation RAB pricing model (27 February 2026); QCA analysis.

5.5 Tax allowance

Under the annuity approach, the tax allowance is consistent with our position in the 2025 review. Under a RAB approach, the tax allowance is recalculated using the same framework, reflecting updated cost components, including the RAB-based capital allowance.

Our general approach is to include an explicit allowance for tax that reflects the tax liabilities of a benchmark efficient firm operating in the private sector.

In the 2020 and 2025 reviews, we accepted the businesses' proposals not to include a tax allowance. We considered that a tax allowance of zero was appropriate due to accumulating negative annuity balances (and therefore tax losses) since 1 July 2020.

In this review, these accumulated tax losses from 1 July 2020 to 30 June 2027 are taken into account. The tax allowance is calculated at the level of the benchmark entity (i.e. across all regulated schemes) and then allocated to schemes using an appropriate allocator.

The tax allowance calculated under the RAB approach is set out in Table 10 below.

Table 10: QCA draft position – RAB-based tax allowance (\$ million, nominal)

Cost	Seqwater proposal		QCA draft		Difference	
	2027-28	2028-29	2027-28	2028-29	2027-28	2028-29
Total	–	–	–	–	–	–

Source: Seqwater irrigation RAB pricing model (27 February 2026); QCA analysis.

6 Price targets and prices

This chapter explains how we have calculated draft price targets and prices for each tariff group over the price path period. We also compare price targets and prices under the two approaches.

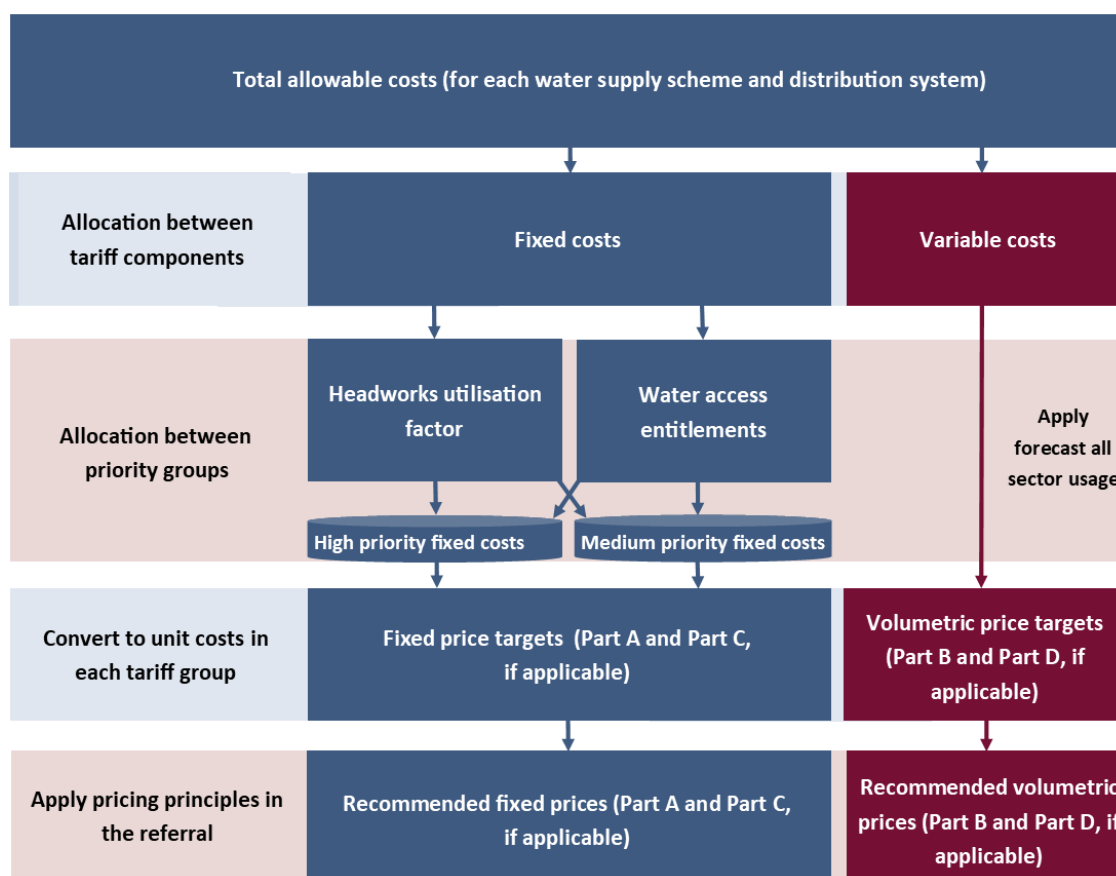
6.1 Deriving draft price targets and prices

In accordance with the 2025 review, after making some adjustments to scheme-level allowable costs to ensure that costs were allocated to the appropriate beneficiaries, we then converted allowable costs at the scheme level to a price target for each tariff group by:

1. allocating costs between the fixed and volumetric tariff components
2. allocating costs between high and medium priority groups
3. allocating costs between tariff groups (where applicable), or making other scheme-specific adjustments
4. converting allocated costs into a unit cost for each tariff component (for example, a cost per megalitre (ML) of water usage); then smoothing these unit costs over the price path period so that the price target for each tariff group increases by forecast inflation of 2.87% in 2028-29.⁴⁵

We then applied the pricing principles used in the 2025 review to establish the transitional path to the price target for each tariff group and derive annuity and RAB-based prices (Appendices D and E). Our general approach to deriving recommended prices is shown in Figure 4.

Figure 4: QCA general approach to deriving recommended irrigation prices



⁴⁵ QCA, [Rural irrigation price review 2025-29: Seqwater](#), final report, January 2025, p 48.

6.2 Draft price targets and prices

The impact of moving to a RAB approach reflects differences in the timing of recovery of renewals expenditure under each approach. In the early years of transition, the RAB approach generally places downward pressure on fixed price targets due to the removal of the forward-looking allowance for forecast renewals expenditure embedded in annuity-based prices. For tariff groups in schemes with a negative annuity balance as at 30 June 2027, this effect is partially moderated by the selected depreciation periods applied to the initial RAB (see section 4.4).

The recovery of renewals expenditure directly affects fixed price targets, while volumetric price targets are unchanged. However, volumetric prices may differ between the two approaches since actual prices reflect the transitional arrangements set out in the government's pricing principles.

Our draft recommended annuity-based and RAB-based prices for each tariff group are set out in Appendix D and Appendix E, respectively. These appendices also contain the associated draft annuity-based and RAB-based price targets.

6.2.1 Comparison of price targets

Fixed price target levels and differences, and the corresponding differences in total price targets, are presented for bulk schemes in Table 11 and distribution systems in Table 12. Comparisons are shown for 2027-28 only, as percentage differences remain unchanged in 2028-29 because price targets are escalated by the same inflation factor under both approaches.

Table 11: Change in price targets under a RAB approach (relative to annuity), bulk schemes, 2027-28

Tariff group	2027-28 fixed price target (\$/ML)		Fixed target difference (\$/ML)	Fixed target difference (%)	Total price target difference (%)
	Annuity	RAB			
Cedar Pocket	639.76	626.11	(13.65)	(2.1)	(2.0)
Central Lockyer Valley	82.71	77.07	(5.64)	(6.8)	(6.4)
Logan River	26.06	27.53	1.47	5.6	5.0
Lower Lockyer Valley	91.59	59.49	(32.10)	(35.0)	(32.5)
Mary Valley	15.54	15.25	(0.29)	(1.9)	(1.6)
Warrill Valley (medium priority)	22.35	23.03	0.68	3.0	2.6
Warrill Valley (high priority)	145.26	113.06	(32.20)	(22.2)	(21.6)

Notes: 1. Fixed price targets reflect the fixed (Part A) component of the price target. 2. Total price targets reflect the fixed price target plus the volumetric (Part B) price target multiplied by the assumed scheme usage percentage of water access entitlement (WAE). 3. For tariff groups in schemes with positive annuity balances (i.e. Cedar Pocket and Lower Lockyer Valley), the price targets and differences reflect the impact of the return of positive annuity balances via offsets to allowable costs.

Source: Seqwater irrigation RAB pricing model (27 February 2026); QCA analysis.

Table 12: Change in price targets under a RAB approach (relative to annuity), distribution systems, 2027-28

Tariff group	2027-28 fixed price target (\$/ML)		Fixed target difference (\$/ML)	Fixed target difference (%)	Total price target difference (%)
	Annuity	RAB			
Morton Vale Pipeline	102.43	82.67	(19.76)	(19.3)	(18.6)
Pie Creek	548.42	534.97	(13.45)	(2.5)	(2.1)

Notes: 1. Fixed price targets reflect the fixed (Part A and Part C) components of the price target. 2. Total price targets reflect the fixed price target plus the volumetric (Part B and Part D) price target multiplied by the assumed scheme usage percentage of WAE. 3. For the tariff group in the distribution system with a positive annuity balance (i.e. Morton Vale Pipeline), the price targets and differences reflect the impact of the return of the positive annuity balance via an offset to allowable costs.

Source: Seqwater irrigation RAB pricing model (27 February 2026); QCA analysis.

Across the bulk schemes and distribution systems, draft RAB-based fixed price targets are lower than, or equal to, the corresponding annuity-based fixed price targets. The percentage impact on total price targets is smaller than the impact on fixed price targets because volumetric price targets are unchanged.

For total price targets, the impact ranges from a 32.5% decrease to a 5% increase, with a median reduction of 2.1%. Overall, 4 of the 9 tariff groups have differences of less than 5%

6.2.2 Comparison of prices

Total price levels and differences are presented in Table 13 for bulk schemes and Table 14 for distribution systems. Price comparisons are shown for both 2027-28 and 2028-29, as prices reflect the application of the pricing principles and associated transitional pricing arrangements and therefore may not move by the same percentage under the two approaches.

Our analysis is based on the total price per megalitre of water access entitlement (WAE) for each tariff group. This is derived as the total fixed price plus the total volumetric price multiplied by the assumed scheme usage percentage of WAE from the 2025 review. As a result, the price increases for individual customers will vary if their water usage differs from the assumed scheme usage.

Table 13: Change in prices under a RAB approach (relative to annuity), bulk schemes, 2027-28

Tariff group	2027-28 total price (\$/ML)		2027-28 total price difference (\$/ML)	2027-28 total price difference (%)	2028-29 total price difference (%)
	Annuity	RAB			
Cedar Pocket	76.23	76.23	–	–	–
Central Lockyer Valley	65.73	65.73	–	–	–
Logan River	28.51	29.80	1.29	4.5	4.5
Lower Lockyer Valley	80.15	64.12	(16.03)	(20.0)	(22.2)
Mary Valley	18.31	18.02	(0.29)	(1.6)	(1.6)
Warrill Valley (medium)	25.90	26.57	0.67	2.6	2.6
Warrill Valley (high priority)	148.81	116.60	(32.21)	(21.6)	(21.6)

Note: For tariff groups in schemes with positive annuity balances (i.e. Cedar Pocket and Lower Lockyer Valley), the price targets and differences reflect the impact of the return of positive annuity balances via offsets to allowable costs.

Source: Seqwater irrigation RAB pricing model (27 February 2026); QCA analysis.

Table 14: Change in prices under a RAB approach (relative to annuity), distribution systems, 2027-28

Tariff group	2027-28 total price (\$/ML)		2027-28 total price difference (\$/ML)	2027-28 total price difference (%)	2028-29 total price difference (%)
	Annuity	RAB			
Morton Vale Pipeline	76.10	76.10	–	–	–
Pie Creek	110.95	110.95	–	–	–

Note: For the tariff group in the distribution system with a positive annuity balance (i.e. Morton Vale Pipeline), the prices and differences reflect the impact of the return of the positive annuity balance via an offset to allowable costs. Source: Seqwater irrigation RAB pricing model (27 February 2026); QCA analysis.

Across the bulk schemes and distribution systems, draft RAB-based prices are equal to, the corresponding annuity-based prices for four of the nine tariff groups. For the remaining 5 tariff groups, the pricing difference ranges from a 4.5% increase to a 21.6% decrease.

6.2.3 Comparison of annual price increases

Our draft price changes vary over the price path period for each tariff group and between tariff groups (Tables 15 and 16). Our analysis is based on the total price per megalitre (ML) of WAE for each tariff group. This is derived as the total fixed price plus the total volumetric price multiplied by the assumed scheme usage percentage of WAE. As a result, the price increases for individual customers will vary if their water usage differs from the assumed scheme usage.

In 2027-28, a key driver of the difference in price changes between tariff groups is whether the fixed and volumetric components of the 2026-27 price are above or below the corresponding tariff components of the 2027-28 price target. Any components that are above will immediately reduce to the price target and any components that are below will increase by no more than inflation plus \$2.77/ML (2027-28 dollars) towards the price target.

Table 15: Changes in irrigation prices, bulk schemes (nominal, % change)

Tariff group	Annuity approach		RAB approach	
	2027-28	2028-29	2027-28	2028-29
Cedar Pocket	6.7	6.6	6.7	6.6
Central Lockyer Valley	7.4	7.2	7.4	7.2
Logan River	4.0	4.0	8.8	4.0
Lower Lockyer Valley	6.5	6.4	(14.8)	3.5
Mary Valley	2.9	2.9	1.3	2.9
Warrill Valley (medium priority)	2.9	2.9	5.5	2.9
Warrill Valley (high priority)	2.9	2.9	(19.4)	2.9

Source: QCA analysis.

Table 16: Changes in irrigation prices, distribution systems (nominal, % change)

Tariff group	Annuity approach		RAB approach	
	2027-28	2028-29	2027-28	2028-29
Morton Vale Pipeline	6.7	6.6	6.7	6.6
Pie Creek	5.5	5.4	5.5	5.4

Source: QCA analysis.

In 2027-28, the draft price change under an annuity approach ranges from a 2.9% increase to a 7.4% increase, with a median increase of 5.5%. Under a RAB approach, the 2027-28 price change ranges from a 19.4% decrease to an 8.8% increase, with a median increase of 5.5%.

6.3 Long-term price targets and prices

This section compares draft RAB-based and annuity-based price targets and prices in the long term, using 2056-57 as a representative year when transitional effects have largely unwound.

In its engagement with customers and in its proposal to us, Seqwater presented a comparison of indicative price targets under RAB and annuity approaches from 2027-28 to 2036-37. It also presented forecasts of the difference between allowable costs between the approaches over the next 30 years.⁴⁶ Given that we have accepted Seqwater's inputs and modelling approach, our modelling is broadly consistent with Seqwater's outputs.

Over the long term, both approaches are designed to recover the same underlying costs, and differences primarily reflect the timing of that recovery. Tables 17 and 18 present percentage differences in fixed and total price targets, and corresponding prices, across bulk schemes and distribution systems.

Table 17: Change in price targets and prices under a RAB approach (relative to annuity), bulk schemes, 2056-57

Tariff group	Total fixed price target difference (%)	Total price target difference (%)	Total fixed price difference (%)	Total price difference (%)
Cedar Pocket	1.3	1.2	—	—
Central Lockyer Valley	0.9	0.8	0.9	0.8
Logan River	(0.1)	(0.1)	(0.1)	(0.1)
Lower Lockyer Valley	11.6	10.8	11.6	10.8
Mary Valley	2.3	2.0	2.3	2.0
Warrill Valley (medium priority)	1.5	1.3	1.5	1.3
Warrill Valley (high priority)	8.2	8.1	8.2	8.1

Source: QCA analysis.

⁴⁶ Seqwater, sub 1, pp 34-42.

Table 18: Change in price targets and prices under a RAB approach (relative to annuity), distribution systems, 2056-57

Tariff group	Fixed price target difference (%)	Total price target difference (%)	Fixed price difference (%)	Total price difference (%)
Morton Vale Pipeline	6.7	6.5	6.7	6.5
Pie Creek	0.9	0.8	–	–

Source: QCA analysis.

Overall, across the 9 tariff groups in 2056-57, the median difference in total price targets is 1.3% higher under the RAB approach. The distribution of differences is as follows:

- 6 tariff groups have RAB-based total price targets within 5% of annuity-based total price targets
- 3 tariff groups have RAB-based total price targets of more than 5% higher than annuity-based total price targets

These results suggest that long-term total price targets are broadly aligned at the median but vary across tariff groups. While most tariff groups are within 5% of the annuity-based price target, some are outside this range, with RAB-based price targets higher for most tariff groups. This indicates that the long-term impact of the RAB approach depends on scheme- and tariff group-specific factors and will not be uniform across all tariff groups.

Appendix A: Stakeholder consultation

This appendix lists the submissions we received during our review (section A.1) and provides details of the two rounds of workshops we conducted (section A.2).

A.1 List of submissions

The submission we received are listed below. They are numbered for reference purposes only – the numbers are used in the footnotes in the report. The submissions are available on our website.

Table 19: List of submissions received from stakeholders

Stakeholder	Submission number	Type of submission	Date
Seqwater	1	Seqwater proposal	February 2026
Sunwater	2	Sunwater proposal	February 2026
Avocados Australia	3	Submission on Sunwater's proposal	April 2026
Brooklet Farms	4	Submission on Sunwater's proposal	April 2026
Bundaberg Fruit and Vegetable Growers (BFGV)	5	Submission on Sunwater's proposal	April 2026
Bundaberg Regional Irrigators Group (BRIG)	6	Submission on Sunwater's proposal	April 2026
Burdekin River Irrigation Area (BRIA) Irrigators Limited	7	Submission on Sunwater's proposal	April 2026
Canegrowers	8	Submission on Sunwater's proposal	April 2026
Canegrowers Burdekin	9	Submission on Sunwater's proposal	April 2026
Central Downs Irrigators	10	Submission on Sunwater's proposal	April 2026
Central Highlands Cotton Growers and Irrigators Association (CHCGIA)	11	Submission on Sunwater's proposal	April 2026
Cotton Australia	12	Submission on Sunwater's proposal	April 2026
Eton Irrigation Cooperative Ltd (EICL)	13	Submission on Sunwater's proposal	April 2026
Fairbairn Irrigation Network	14	Submission on Sunwater's proposal	March 2026
Geddes, C	15	Submission on Sunwater's proposal	April 2026
Lockyer Water Users Forum	16	Submission on Seqwater's proposal	April 2026
Pioneer Valley Water Co-operative Limited	17	Submission on Sunwater's proposal	April 2026

Stakeholder	Submission number	Type of submission	Date
Queensland Cane Agriculture and Renewables (QCAR)	18	Submission on Sunwater's proposal	April 2026
Queensland Farmers' Federation (QFF)	19	Submission on Sunwater's and Seqwater's proposal	April 2026
Tinaroo Water Committee	20	Submission on Sunwater's proposal	January 2026

A.2 Stakeholder workshops

We held 6 stakeholder workshops in March 2026. A summary of the issues raised at each workshop is available on our website.

Table 20: List of stakeholder workshops held in March 2026

Date	Location	Schemes covered	Number of attendees
10 March	Gatton	Central Lockyer Valley, Lower Lockyer Valley, Logan River (Seqwater)	8
12 March	Ayr	Burdekin-Haughton (Sunwater)	15
13 March	Mackay	Eton, Pioneer River (Sunwater)	14
16 March	Bundaberg	Bundaberg (Sunwater)	6
17 March	Emerald	Nogoa-Mackenzie (Sunwater)	6
26 March	Online	All schemes	18
Total			67

Note: The number of attendees excludes QCA staff.

Appendix B: Review of stakeholder modelling

B.1 Introduction and purpose

The Queensland Farmers' Federation (QFF) submission included modelling by Highlander Consulting (Highlander) that compares the renewals annuity and regulatory asset base (RAB) approaches.

We present this appendix for irrigation customers to provide context for the Highlander modelling, recognising that it has informed stakeholder views. In particular, it sets out how we have interpreted the modelling, noting that it was designed as a structural comparison of the approaches rather than a direct projection of pricing outcomes.

We do not replicate or critique the modelling in detail. Instead, we:

- explain the key differences between modelling approaches
- outline why those differences matter
- explain how they affect interpretation of results.

We use the Highlander model to inform our assessment of relative merits in Chapter 2, having regard to its purpose and limitations.

B.2 Overview of stakeholder modelling

The Highlander model compares long-term price outcomes under the renewals annuity and RAB approaches using a broadly consistent set of inputs and assumptions. It applies both approaches from the same starting point over a 50-year period (2012–13 to 2061–62) and presents side-by-side comparisons for each scheme. This supports a stylised comparison, so differences in results mainly reflect the annuity and RAB approaches rather than other factors.

For each scheme, the model reports annual allowable costs under both frameworks, along with the associated annuity and RAB balances and fixed and volumetric price targets. The analysis covers 4 bulk water supply schemes and 2 distribution systems:

- Bundaberg distribution system
- Burdekin-Haughton distribution system
- Eton water supply scheme
- Upper Condamine water supply scheme
- Central Lockyer water supply scheme
- Lower Lockyer water supply scheme.

The results show a consistent pattern. Annuity-based price targets are lower and smoother over the long term, while RAB-based price targets start lower but increase over time and exceed annuity-based price targets. Despite these different price paths, the present value of costs is broadly similar.

While the model broadly reflects key elements of our methodologies, there are differences in implementation.

B.3 How the Highlander model compares with our modelling

The models differ in several areas. We focus on the differences that have the greatest impact on results, in particular:

- historical treatment and transition to the RAB framework
- calculation methods (annuity and RAB)
- asset life assumptions.

These differences are not exhaustive. Other variations in inputs and implementation, including scheme-specific factors, also exist but are not examined in detail in this appendix.

Given the nature of its modelling, Highlander also uses simplifying assumptions in converting allowable costs to price targets. For example, our approach to the allocation of costs between tariff components takes into account the underlying fixed and variable nature of each cost type, while Highlander applies a scheme specific single fixed/variable split across total costs. Highlander also assigns all costs to medium priority users, even in bulk schemes where this is not appropriate, which can lead to misallocated costs and distorted price targets.

Historical treatment and transition to the RAB framework

The models differ in how they treat historical outcomes, including forecast risk, and when they transition to the RAB framework.

The Highlander model uses actual renewals costs up to 2024-25, which means it assumes perfect foresight for renewals from 2012-13 to 2024-25. It treats historical outcomes as if they were known in advance and, as a result, removes forecast error from both the annuity and RAB calculations.

Our modelling reflects how the annuity works in practice. At each previous review, we have calculated the annuity using forecasts of future renewals with this amount then recovered through price targets over the price path period. When actual renewals expenditure differs from forecasts, we carry any under- or over-recovery forward in the opening annuity balance for the price path period. This means our modelling captures the cumulative effects of forecast error over the historical period and only assumes perfect foresight from 2027-28 onwards.

This difference matters because, under an annuity approach, forecast errors build up over time and are reflected in updates to the annuity balance at the start of each price path period. These adjustments affect price targets and contribute to the variability customers experience between price path periods. Our modelling captures this process and reflects how forecast risk is allocated in practice. By contrast, the Highlander model removes forecast error and the need for these adjustments, which can make annuity-based price targets appear smoother and more predictable than they would be in practice.

The models also differ in when they transition to the RAB framework. The Highlander model applies the RAB approach from 2012-13, while our modelling transitions from 2027-28 based on current annuity balances. This affects how each model reflects conditions at the point of transition and contributes to differences in results.

Calculation methodologies – annuity and RAB

Both models use a rolling annuity framework. Each year, they recalculate the annuity using a 30-year forecast of renewals but apply only the first-year result from that calculation before repeating the process in the following year.

The key difference is how each model profiles annual contributions within each 30-year annuity calculation. The Highlander model derives a constant nominal annuity, meaning that the annual contribution is assumed to remain constant in nominal terms over the 30-year period. By contrast, our model calculates an indexed annuity, meaning the annual contribution is assumed to increase over time with inflation.

This assumption affects the level of the first-year contribution. Because a constant nominal profile does not allow contributions to increase over time, it requires a higher first-year contribution to recover the same costs in present value terms. Under an indexed annuity, the first-year contribution is lower because contributions increase with inflation over time.

As a result, the approaches distribute cost recovery differently in real (inflation-adjusted) terms. The Highlander approach has a higher first-year allowance and brings forward cost recovery within each 30-year calculation, with contributions declining over time in real terms. In a rolling annuity model, this higher first-year contribution can also affect future annuity balances. For example, for the Central Lockyer water supply scheme, Highlander's annuity contribution is \$0.4 million in 2027-28 and is \$0.5 million in 2057-58 in nominal terms, equivalent to \$0.2 million in 2027-28 dollars. The lower future allowance reflects not only the forward renewals forecast at that time, but also the effect of higher earlier contributions on the annuity balance.

The RAB treatment also differs. The Highlander model does not index the RAB for inflation and applies a nominal WACC directly to this unindexed asset base. Our standard approach indexes the RAB for inflation and then applies a nominal WACC, with an explicit adjustment to ensure inflation is only counted once in the total revenue requirement.

While the Highlander approach avoids double counting by not indexing the RAB, it does not explicitly reflect inflation in the asset base. This affects the timing and profile of cost recovery and may influence long-run revenue outcomes.

Asset life assumptions

The Highlander model applies a uniform 50-year asset life to both the initial RAB (as at 1 July 2012) and all subsequent capex.

By contrast, our modelling reflects Seqwater's approach and uses differentiated asset lives. We apply:

- 30 years to the initial RAB (as at 1 July 2027)
- 20 years to the initial RAB for the Central Lockyer water supply scheme (as at 1 July 2027)
- 50 years for non-metering capex over 2027-28 to 2056-57
- 30 years for metering capex over 2027-28 to 2056-57

These assumptions vary by asset type and scheme and are generally shorter than Highlander's uniform 50-year life for much of the asset base.

Asset lives determine depreciation profiles and the timing of cost recovery under a RAB. Longer asset lives reduce capital costs in the short term but increase them over the long term. In contrast, shorter asset lives have the opposite effect – they increase capital costs in the short term and reduce them over the long term, which narrows the difference between annuity and RAB cost profiles. This relationship is illustrated in Table 15 of the Highlander report.⁴⁷

Highlander's use of longer asset lives assumptions shifts cost recovery to later periods relative to our modelling.

⁴⁷ QFF, sub 19, attachment (Highlander Consulting report), pp 51-52.

Limitations of the Highlander modelling

The Highlander model has several important limitations, including that it:

- assumes perfect foresight for historical outcomes, excluding associated forecast risk
- applies alternative annuity and RAB calculations that differs from those used by us.

These limitations indicate that it should be interpreted as a conceptual illustration rather than a predictor of pricing outcomes.

B.4 Implications for relative merits assessment

We use the Highlander modelling to understand stakeholder arguments about price stability, intergenerational equity and price outcomes.

Under the model's assumptions, the results show that:⁴⁸

- annuity-based price targets are lower over the long term across all schemes
- RAB-based price targets are lower in the short to medium term but exceed annuity-based prices in later years across all schemes
- by 2061–62, RAB-based price targets are around 13–40% higher than annuity-based price targets and annual capital costs under a RAB are around 2 to 6 times higher than renewals
- annuity-based price targets follow a smoother path over time, while RAB-based price targets vary more and include step changes
- despite the differences in profiles outlined above the present value comparisons of the two approaches appear similar.

However, the relevance of these results to the relative merits assessment is limited by the model's simplifying assumptions. In particular:

- removing forecast risk is likely to make annuity-based price paths appear smoother and more predictable than in practice
- the use of an alternative annuity calculation methodology, which brings annuity contributions forward as compared to the existing indexed annuity approach.

The modelling identifies a crossover point where RAB-based price targets exceed annuity-based price targets and remain higher thereafter. While this result is produced by the model, it should be interpreted with caution. The modelling relies on simplifying assumptions, including perfect foresight, and does not reflect behavioural or regulatory responses. For example, it does not reflect changes in expenditure planning or delivery in response to different incentives, future review outcomes, or how decisions may change as circumstances evolve.

The timing and size of any crossover point are also sensitive to key assumptions, including the capex profile, WACC, asset lives, inflation treatment and starting conditions. Small changes in these inputs, or in the timing of investment, could materially shift, delay, or even remove the crossover. This means the crossover may not occur in practice or may not persist if conditions change over time.

More fundamentally, the crossover reflects differences in the timing of cost recovery rather than differences in the underlying expenditure to be recovered, as both approaches are designed to be broadly equivalent in present value terms under consistent assumptions.

⁴⁸ QFF, *Review of RAB-based irrigation prices 2027–29*, referring to Highlander Consulting, *Independent Review of Rural Water Pricing Frameworks*, pp 10–11, 43–47.

Overall, the model provides directional insights rather than robust quantitative evidence. It illustrates conceptual differences between the annuity and RAB approaches but does not reflect how prices are set in practice. In particular, it does not capture several factors central to our assessment, including the accumulation of forecast errors over time, the management of transition arrangements, and the role of regulatory processes and incentives.

In addition, our approach to managing transitional impacts seeks to reduce short-term price differences between the annuity and RAB approaches. This affects the timing and significance of any modelled crossover point and how these longer-term comparisons should be interpreted.

Taken together, the modelling does not demonstrate that one approach is clearly better than the other on price stability, intergenerational equity, or price outcomes. We have therefore used the Highlander modelling to:

- inform our understanding of stakeholder views in these key areas
- illustrate key conceptual differences between the annuity and RAB approaches.

However, we have not relied on the modelling to draw firm conclusions about relative merits.

B.5 Overall assessment

The Highlander model provides a stylised comparison of the annuity and RAB approaches. It can assist in showing how each approach recovers costs over time, including how differences in the timing of cost recovery can affect price paths and long-term contribution profiles.

However, given the model's limitations – especially its assumption of perfect foresight and differences from the annuity and RAB calculations used in our modelling – we place limited weight on its quantitative results.

We have therefore used the modelling to contextualise stakeholder views and illustrate key conceptual differences but have relied on the broader regulatory framework and evidence in forming our conclusions.

Appendix C: Draft costs by scheme

C.1 Bulk water supply schemes

Cedar Pocket WSS

Table 21: Total allowable costs, Cedar Pocket WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027-28	2028-29	2027-28	2028-29
Opex allowance (2025 review)	337.4	349.6	337.4	349.6
Revenue offsets	(1.5)	(1.5)	(1.5)	(1.5)
Total costs before renewals and tax	335.9	348.1	335.9	348.1
Renewals annuity	(4.7)	(4.7)	–	–
RAB-based capital allowance	–	–	–	–
Renewals opex	–	–	–	–
Return of positive annuity	–	–	(11.4)	(11.7)
Smoothing adjustment	–	–	12.0	12.4
Tax allowance	–	–	–	–
Total allowable costs	331.2	343.3	336.5	348.7

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Central Lockyer Valley WSS

Table 22: Total allowable costs, Central Lockyer Valley WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027-28	2028-29	2027-28	2028-29
Opex allowance (2025 review)	1,247.1	1,273.3	1,247.1	1,273.3
Revenue offsets	(0.6)	(0.6)	(0.6)	(0.6)
Total costs before renewals and tax	1,246.5	1,272.7	1,246.5	1,272.7
Renewals annuity	414.0	421.0	–	–
RAB-based capital allowance	–	–	297.1	327.8
Renewals opex	–	–	–	–
Return of positive annuity	–	–	–	–
Smoothing adjustment	–	–	(23.4)	(24.1)
Tax allowance	–	–	–	–
Total allowable costs	1,660.5	1,693.6	1,520.2	1,576.3

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Logan River WSS

Table 23: Total allowable costs, Logan River WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027-28	2028-29	2027-28	2028-29
Opex allowance (2025 review)	3,022.6	3,177.5	3,022.6	3,177.5
Revenue offsets	(43.8)	(45.0)	(43.8)	(45.0)
Total costs before renewals and tax	2,978.8	3,132.5	2,978.8	3,132.5
Renewals annuity	354.1	357.2	–	–
RAB-based capital allowance	–	–	338.2	355.5
Renewals opex	–	–	–	–
Return of positive annuity	–	–	–	–
Smoothing adjustment	–	–	(2.9)	(2.9)
Tax allowance	–	–	–	–
Total allowable costs	3,332.8	3,489.7	3,314.1	3,485.1

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025-26 and 2026-27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Lower Lockyer Valley WSS

Table 24: Total allowable costs, Lower Lockyer Valley WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027-28	2028-29	2027-28	2028-29
Opex allowance (2025 review)	800.0	866.6	800.0	866.6
Revenue offsets	(12.4)	(12.7)	(12.4)	(12.7)
Total costs before renewals and tax	787.6	853.9	787.6	853.9
Renewals annuity	303.8	311.9	–	–
RAB-based capital allowance	–	–	2.9	14.5
Renewals opex	–	–	–	–
Return of positive annuity	–	–	(61.8)	(63.6)
Smoothing adjustment	–	–	(13.2)	(13.6)
Tax allowance	–	–	–	–
Total allowable costs	1,091.4	1,165.8	715.5	791.2

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025-26 and 2026-27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Mary Valley WSS

Table 25: Total allowable costs, Mary Valley WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027-28	2028-29	2027-28	2028-29
Opex allowance (2025 review)	960.4	935.6	960.4	935.6
Revenue offsets	(15.8)	(16.2)	(15.8)	(16.2)
Total costs before renewals and tax	944.6	919.4	944.6	919.4
Renewals annuity	291.7	298.2	–	–
RAB-based capital allowance	–	–	142.5	150.7
Renewals opex	–	–	–	–
Return of positive annuity	–	–	–	–
Smoothing adjustment	–	–	(14.0)	(14.4)
Tax allowance	–	–	–	–
Total allowable costs	1,236.3	1,217.6	1,073.0	1,055.7

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025-26 and 2026-27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Warrill Valley WSS

Table 26: Total allowable costs, Warrill Valley WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027-28	2028-29	2027-28	2028-29
Opex allowance (2025 review)	1,054.2	1,089.4	1,054.2	1,089.4
Revenue offsets	(44.1)	(45.3)	(44.1)	(45.3)
Total costs before renewals and tax	1,010.1	1,044.1	1,010.1	1,044.1
Renewals annuity	379.3	387.2	–	–
RAB-based capital allowance	–	–	194.6	211.1
Renewals opex	–	–	–	–
Return of positive annuity	–	–	–	–
Smoothing adjustment	–	–	13.7	14.1
Tax allowance	–	–	–	–
Total allowable costs	1,389.5	1,431.3	1,218.4	1,269.3

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025-26 and 2026-27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Morton Vale Pipeline

Table 27: Total allowable costs, Morton Vale Pipeline (\$'000, nominal)

Cost	Annuity		RAB	
	2027-28	2028-29	2027-28	2028-29
Opex allowance (2025 review)	74.0	76.4	74.0	76.4
Revenue offsets	(0.3)	(0.3)	(0.3)	(0.3)
Total costs before renewals and tax	73.8	76.1	73.8	76.1
Renewals annuity	20.7	22.0	–	–
RAB-based capital allowance	–	–	–	–
Renewals opex	–	–	–	–
Return of positive annuity	–	–	(49.3)	(50.7)
Smoothing adjustment	–	–	(1.1)	(1.2)
Tax allowance	–	–	–	–
Total allowable costs	94.4	98.1	23.4	24.3

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025-26 and 2026-27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Pie Creek distribution system

Table 28: Total allowable costs, Pie Creek distribution system (\$'000, nominal)

Cost	Annuity		RAB	
	2027-28	2028-29	2027-28	2028-29
Opex allowance (2025 review)	398.4	409.0	398.4	409.0
Revenue offsets	(1.0)	(1.0)	(1.0)	(1.0)
Total costs before renewals and tax	397.4	408.0	397.4	408.0
Renewals annuity	102.3	103.1	–	–
RAB-based capital allowance	–	–	77.4	108.4
Renewals opex	–	–	–	–
Return of positive annuity	–	–	–	–
Smoothing adjustment	–	–	1.9	2.0
Tax allowance	–	–	–	–
Total allowable costs	499.6	511.1	476.7	518.3

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025-26 and 2026-27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Appendix D: Draft annuity-based price targets and prices

D.1 Bulk water supply schemes

Table 29 shows the 2026–27 prices and draft price targets and prices over the price path period.

Table 29: Draft price targets and prices – bulk schemes (\$/ML, nominal)

Tariff group	Price	Draft price targets		2026–27 prices	Draft prices	
		2027–28	2028–29		2027–28	2028–29
Cedar Pocket	Part A	639.76	658.12	42.00	45.97	50.14
	Part B	94.64	97.36	49.54	50.96	52.42
Central Lockyer Valley	Part A	82.71	85.08	57.10	61.51	66.12
	Part B	18.16	18.68	12.46	12.81	13.18
Logan River	Part A	26.06	26.81	25.34	26.06	26.81
	Part B	25.92	26.67	17.84	21.12	24.57
Lower Lockyer Valley	Part A	91.59	94.21	71.10	75.91	80.93
	Part B	52.29	53.79	29.83	30.69	31.57
Mary Valley	Part A	15.54	15.98	15.10	15.54	15.98
	Part B	6.68	6.87	6.50	6.68	6.87
Warrill Valley (medium priority)	Part A	22.35	23.00	21.73	22.35	23.00
	Part B	13.25	13.63	12.88	13.25	13.63
Warrill Valley (high priority)	Part A	145.26	149.43	141.21	145.26	149.43
	Part B	13.25	13.63	12.88	13.25	13.63

Source: QCA analysis.

D.2 Distribution systems

Table 30 shows the 2026-27 prices and draft price targets and prices over the price path period.

Table 30: Recommended prices – distribution systems (\$/ML, nominal)

Tariff group	Price	Draft price targets		2026-27 prices	Draft prices	
		2027-28	2028-29		2027-28	2028-29
Morton Vale Pipeline	Part A	82.71	85.08	57.10	61.51	66.12
	Part B	18.16	18.68	9.07	9.33	9.60
	Part C	19.72	20.29	11.95	12.29	12.64
	Part D	12.20	12.55	8.50	8.74	8.99
	Fixed	102.43	105.37	69.05	73.80	78.76
	Volumetric	30.36	31.23	17.57	18.07	18.59
Pie Creek	Part A	15.54	15.98	15.10	15.54	15.98
	Part B	6.68	6.87	6.50	6.68	6.87
	Part C	532.88	548.18	63.83	68.42	73.24
	Part D	323.41	332.69	99.40	102.26	105.19
	Fixed	548.42	564.16	78.93	83.96	89.22
	Volumetric	330.09	339.56	105.90	108.94	112.06

Source: QCA analysis.

Appendix E: Draft RAB-based price targets and prices

E.1 Bulk water supply schemes

The 2026–27 price and draft price targets and prices over the price path period are shown in Table 31.

Table 31: Draft price targets and prices – bulk schemes (\$/ML, nominal)

Tariff group	Price	Draft price targets		2026-27 prices	Draft prices	
		2027-28	2028-29		2027-28	2028-29
Cedar Pocket	Part A	626.11	644.08	42.00	45.97	50.14
	Part B	94.64	97.36	49.54	50.96	52.42
Central Lockyer Valley	Part A	77.07	79.28	57.10	61.51	66.12
	Part B	18.16	18.68	12.46	12.81	13.18
Logan River	Part A	27.53	28.32	25.34	27.53	28.32
	Part B	25.92	26.67	17.84	19.65	23.06
Lower Lockyer Valley	Part A	59.49	61.20	71.10	59.49	61.20
	Part B	52.29	53.79	29.83	33.45	37.26
Mary Valley	Part A	15.25	15.69	15.10	15.25	15.69
	Part B	6.68	6.87	6.50	6.68	6.87
Warrill Valley (medium priority)	Part A	23.03	23.69	21.73	23.03	23.69
	Part B	13.25	13.63	12.88	13.25	13.63
Warrill Valley (high priority)	Part A	113.06	116.30	141.21	113.06	116.30
	Part B	13.25	13.63	12.88	13.25	13.63

Source: QCA analysis.

E.2 Distribution systems

The 2026–27 prices and draft price targets and prices over the price path period are shown in Table 32.

Table 32: Recommended prices – distribution systems (\$/ML, nominal)

Tariff group	Price	Draft price targets		2026–27 prices	Draft prices	
		2027–28	2028–29		2027–28	2028–29
Morton Vale Pipeline	Part A	77.07	79.28	57.10	61.51	66.12
	Part B	18.16	18.68	9.07	9.33	9.60
	Part C	5.60	5.76	11.95	12.29	12.64
	Part D	12.20	12.55	8.50	8.74	8.99
	Fixed	82.67	85.04	69.05	73.80	78.76
	Volumetric	30.36	31.23	17.57	18.07	18.59
Pie Creek	Part A	15.25	15.69	15.10	15.25	15.69
	Part B	6.68	6.87	6.50	6.68	6.87
	Part C	519.71	534.63	63.83	68.71	73.53
	Part D	323.41	332.69	99.40	102.26	105.19
	Fixed	534.97	550.32	78.93	83.96	89.22
	Volumetric	330.09	339.56	105.90	108.94	112.06

Source: QCA analysis.

Glossary

2020 review	the QCA's review of irrigation prices charged by Seqwater and Sunwater for the period 1 July 2020 to 30 June 2024, which was completed in January 2020
2025 review	the QCA's review of irrigation prices charged by Seqwater and Sunwater for the period 1 July 2025 to 30 June 2029, which was completed in January 2025
BFVG	Bundaberg Fruit and Vegetable Growers
BRIA Irrigators	Burdekin River Irrigation Area Irrigators Limited
BRIG	Bundaberg Regional Irrigators Group
capex	capital expenditure
CHCGIA	Central Highlands Cotton Growers and Irrigators Association
direction	the direction notice for the QCA to conduct this review, which was issued by the Minister for Finance in October 2025 under section 10(g) of the QCA Act
EICL	Eton Irrigation Cooperative Ltd
ML	megalitre
opex	operating expenditure
price path period	the period 1 July 2027 to 30 June 2029
QCA	Queensland Competition Authority
QCA Act	<i>Queensland Competition Authority Act 1997</i>
QCAR	Queensland Cane Agriculture and Renewables
QFF	Queensland Farmers' Federation
RAB	regulatory asset base
RFI	request for information
WACC	weighted average cost of capital
WAE	water access entitlement
WSS	water supply scheme

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