

RAB-based irrigation prices 2027-29: draft report

Bowen Broken Rivers water supply scheme

July 2026

What this review is about

We were directed to investigate and report on irrigation prices for 2027-28 and 2028-29 under the regulatory asset base approach.¹ This review is an interim step before the next full price review.

Our draft report compares two approaches to recovering renewals expenditure:

- **Renewals annuity approach** – recovers renewals costs through a smoothed allowance based on forecast expenditure over the long-term
- **Regulatory asset base (RAB) approach** – generally recovers renewals costs from when they are incurred, with capital expenditure added to the RAB.

This information sheet summarises our draft findings for the Bowen Broken Rivers water supply scheme (WSS).

Our draft report, covering Sunwater's schemes, is available on our [website](#) with further detail.²

Relative merits of the approaches

Stakeholders have expressed a range of views, particularly on price stability and long-term price outcomes under a RAB approach. These views have informed our assessment of the strengths and weaknesses of each approach, as well as the design of transition arrangements.

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 linking delivered works, the asset base and future revenue.

See Chapter 2 of the draft report for our assessment of the relative merits of each approach.

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

² A separate draft report covers Seqwater's schemes.

Draft price targets and prices for 2027-28 and 2028-29

Key points

- The renewals allowance is entirely allocated to high priority customers in this scheme.
- As a result, RAB-based prices and annuity-based prices for the irrigation tariff group are identical in the next two years and in subsequent periods.

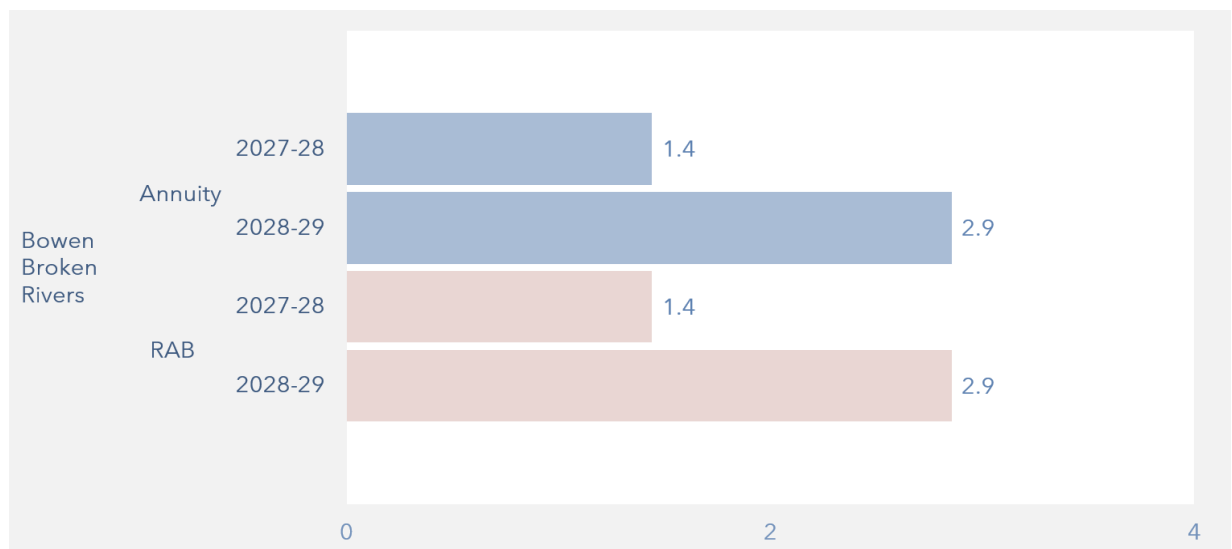
Table 1: Draft price targets and prices, by tariff group (\$/ML, nominal)

Tariff group	Component	Annuity approach		RAB approach	
		2027-28	2028-29	2027-28	2028-29
Bowen Broken Rivers	Price targets				
	Part A	10.14	10.43	10.14	10.43
	Part B	7.75	7.97	7.75	7.97
	Draft prices (transitional)				
	Part A	10.14	10.43	10.14	10.43
	Part B	7.75	7.97	7.75	7.97

Note: Price targets reflect cost-reflective prices. Draft prices are transitional and move towards these targets over time.

Prices increase by around 1% to 3% per year under both the annuity and RAB approaches over the next two years (Figure 1).

Figure 1: Annual changes in prices by tariff group, from 2027-28 to 2028-29 (% change)



Note: The figure uses the total price per megalitre of water access entitlement (WAE) for each tariff group, which is based on assumed scheme usage from the 2025 review. Individual customer impacts will depend on actual water use.

See Chapter 6 of the draft report for more information about price impacts.

Key inputs to the RAB approach

Applying a RAB approach requires:

- the appropriate categorisation of expenditure between capital expenditure (capex) and operating expenditure (opex)
- reliable data on asset lives
- an initial RAB for Bowen Broken Rivers WSS.

Expense categorisation

We have used Sunwater's proposed categorisation of renewals expenditure for this interim review, having regard to the constrained timeframe and practical limitations of undertaking a detailed project-level reassessment. If a RAB approach is adopted, a more detailed assessment of renewals classification will be required at the next full price review.

Asset lives

We have used Sunwater's proposed asset lives for forecast renewals expenditure for this interim review. These asset life assumptions should be treated as interim and will require further validation before the next full price review.

Initial RAB

Consistent with Sunwater's proposed approach, we have set the initial RAB at 1 July 2027 based on the closing annuity balances at 30 June 2027. For Bowen Broken Rivers WSS, this balance is forecast to be a deficit of \$4.9 million.

This negative annuity balance reflects the extent to which renewals expenditure has been under-recovered under the annuity approach since 1 July 2000. This negative balance has been mainly driven by actual expenditure significantly exceeding forecasts over the 2012-20 and 2020-25 price path periods.

See Chapter 4 of the draft report for more information about key inputs to the RAB approach.

Managing the transition

Using these inputs, we have assessed how the transition from the annuity approach to the RAB approach affects the cost-reflective fixed price targets for this scheme, noting that volumetric price targets will be unchanged.

For Bowen Broken Rivers WSS, we have applied a 25-year depreciation period to the initial RAB, reflecting the shorter of the depreciation periods proposed by Sunwater. As the renewals allowance in this scheme is entirely allocated to high priority customers, the choice of depreciation period has no impact on price targets or prices.

RAB-based fixed price targets are the same as annuity-based price targets in both the first two years of transition and the longer term (Table 2).

Table 2: Fixed price target impacts under the proposed transition setting (\$/ML)

Tariff group	Metric	2027-28	2028-29	2053-54
Bowen Broken Rivers	Fixed price target – annuity	10.14	10.43	18.10
	Fixed price target – RAB	10.14	10.43	18.10
	Difference (%)	–	–	–

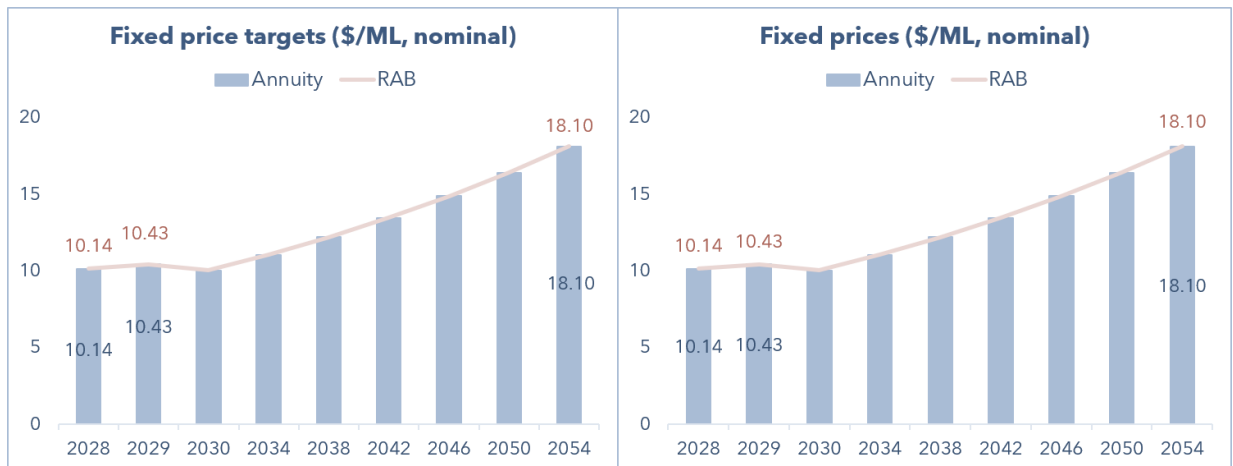
See Chapter 4 of the draft report for our approach to managing transitional impacts.

Longer-term price implications

We have assessed how price targets and prices change over the longer term under the RAB approach compared with the annuity approach. These forecasts should be interpreted with caution, given the significant uncertainty associated with projections this far into the future.

For the annuity approach, this modelling assumes a rolling renewals annuity, with forecast renewals beyond Sunwater’s planning period based on average historical levels.

Over the long-term, RAB-based prices are fully aligned with annuity prices. Figure 2 compares annuity-based and RAB-based price targets and prices over the next two years, and in the first year of each subsequent price path period to 2053-54.

Figure 2: Fixed price targets and prices – Bowen Broken Rivers (\$/ML)

By 2053-54, the closing annuity balance is forecast to be a deficit of \$5.6 million while the closing RAB balance is forecast to be \$10.8 million. The following section outlines how the RAB rolls forward over the price path period.

RAB roll-forward for Bowen Broken Rivers WSS

The RAB is used to calculate the renewals allowance included in price targets under the RAB approach. It increases when renewals capex is added and decreases as assets are depreciated. The return on capital and depreciation are recovered through fixed price targets (Table 3).

Table 3: Bowen Broken Rivers WSS, RAB roll-forward (\$'000, nominal)

	2027-28	2028-29
Opening balance	4,928.0	5,054.6
Renewals capex	191.7	188.5
Inflation adjustment	144.2	147.8
Depreciation	(209.3)	(231.5)
Closing balance	5,054.6	5,159.4

More information about costs is provided in Chapter 5 of the draft report.

Next steps

Our draft recommendations are indicative and will be subject to further consideration before we provide our final report.

We will hold workshops on our draft report in July 2026. Information about the workshops is available on our website.

We appreciate the valuable contribution that stakeholders have made to our review so far. We welcome further feedback and comments on our draft report, which will assist us with the finalisation of our recommendations to the government.

Stakeholders are invited to provide written submissions on our draft report 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.