

RAB-based irrigation prices 2027-29: final report

Logan River water supply scheme

October 2026

What this review is about

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.¹

Both the renewals annuity approach, which is currently used, and the RAB approach are designed to recover the costs of refurbishing and replacing irrigation assets over time. However, they differ in when costs are recovered and how much they rely on long-term renewals forecasts. In broad terms, the renewals annuity approach smooths the recovery of forecast renewals expenditure over a long-term planning period, while the RAB approach aligns cost recovery more closely with actual works delivered and the period over which customers benefit from renewed assets.

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

Relative merits of the approaches

The relative merits of the approaches depend on factors including the reliability of renewals forecasts, the profile of renewals expenditure over time and transition arrangements. Neither approach has a clear advantage across all dimensions we assessed.

The RAB approach is likely to provide stronger incentives for efficient investment by linking revenue more closely to delivered and efficient expenditure, so that adjustments for inefficient outcomes have a more immediate effect on revenues. It is also more likely to allocate risk efficiently where long-term renewals forecasts are materially uncertain, by placing more financing and delivery risk with Seqwater while reducing customers' exposure to forecast risk.

The annuity approach can support stable price targets where long-term renewals expenditure remains broadly stable and long-term renewals forecasts are reasonably reliable. The RAB approach is less sensitive to long-term forecast uncertainty, but price targets can be more sensitive to lumpy expenditure, particularly during the transition if the RAB is relatively low.

The annuity approach may spread costs more evenly across customer cohorts, particularly where renewals expenditure needs are broadly stable and long-term renewals forecasts are reasonably reliable. The RAB approach aligns cost recovery more closely with the period over which renewed assets provide benefits, although this alignment may be less direct during transition.

The approaches also differ in transparency. The annuity approach provides visibility of planned expenditure and expected price paths, while the RAB approach provides a clearer link between delivered works and future revenue.

Chapter 2 of the final report sets out our assessment of the relative merits of each approach.

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

² A separate final report covers Sunwater's schemes.

Price targets and recommended prices for 2027-28 and 2028-29

Key points

- RAB-based prices are higher over the next two years for the medium priority tariff group, reflecting a higher metering renewals allowance that is fully allocated to this tariff group.
- Differences reflect when costs are recovered, given the same underlying costs.
- Price targets and prices are unchanged from our draft report.

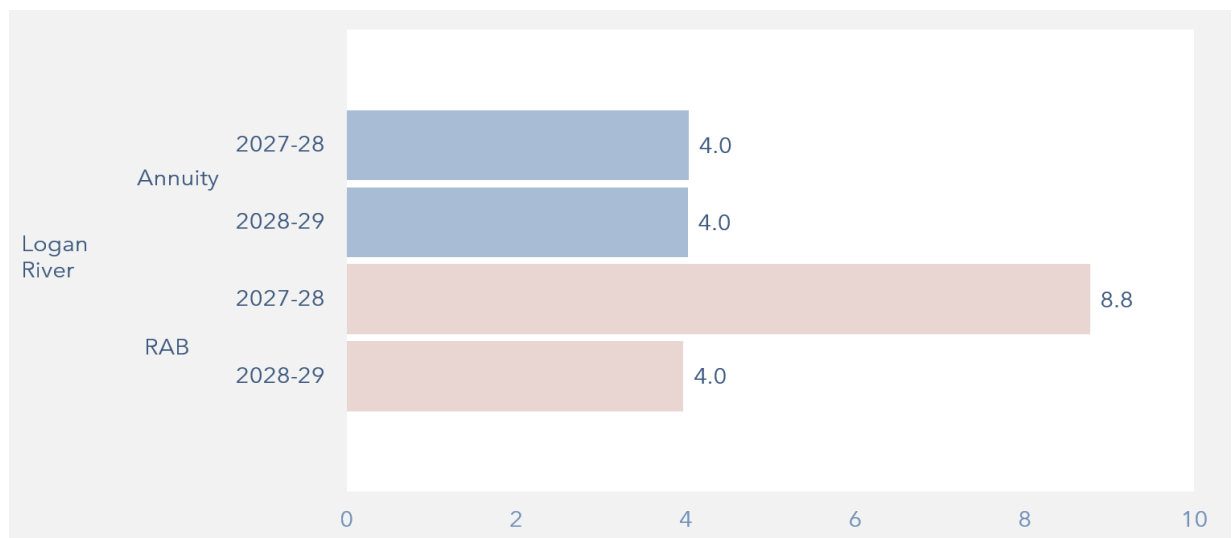
Table 1: Price targets and recommended prices, by tariff group (\$/ML, nominal)

Tariff group	Component	Annuity approach		RAB approach	
		2027-28	2028-29	2027-28	2028-29
Logan River	Price targets				
	Part A	26.06	26.81	27.53	28.32
	Part B	25.92	26.67	25.92	26.67
	Recommended prices (transitional)				
	Part A	26.06	26.81	27.53	28.32
	Part B	21.12	24.57	19.65	23.06

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

Over the next two years, prices increase by around 4% per year under the annuity approach and by around 9% in the first year and 4% in the second year under the RAB approach (Figure 1).

Figure 1: Annual price changes by tariff group in 2027-28 and 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.

Chapter 6 of the final report provides more information about price impacts.

Key inputs to the RAB approach

Applying a RAB approach to Logan River WSS requires:

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

Expense categorisation

We have used Seqwater'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 Seqwater'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 Seqwater's proposed approach, we have set the initial RAB at 1 July 2027 based on the closing annuity balances at 30 June 2027 for the non-metering and metering annuity accounts. For Logan River WSS, the non-metering annuity balance is forecast to be a deficit of \$3.0 million and the metering annuity balance is forecast to be a deficit of \$1.8 million.

The negative annuity balances reflect the extent to which renewals expenditure has been under-recovered under the annuity approach since 1 July 2000. These negative balances have been mainly driven by actual expenditure significantly exceeding forecasts over the 2013–20 and 2020–25 price path periods.

Chapter 4 of the final report provides 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 Logan River WSS, we have applied a 30-year depreciation period to the initial RAB for both non-metering and metering components, consistent with Seqwater's approach. This timeframe produces reasonable price target outcomes and was developed in consultation with customers.

RAB-based fixed price targets are higher than annuity-based price targets in the first two years of transition (Table 2).

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

Tariff group	Metric	2027-28	2028-29	2053-54
Logan River	Fixed price target – annuity	26.06	26.81	43.21
	Fixed price target – RAB	27.53	28.32	43.17
	Difference (%)	5.6	5.6	(0.1)

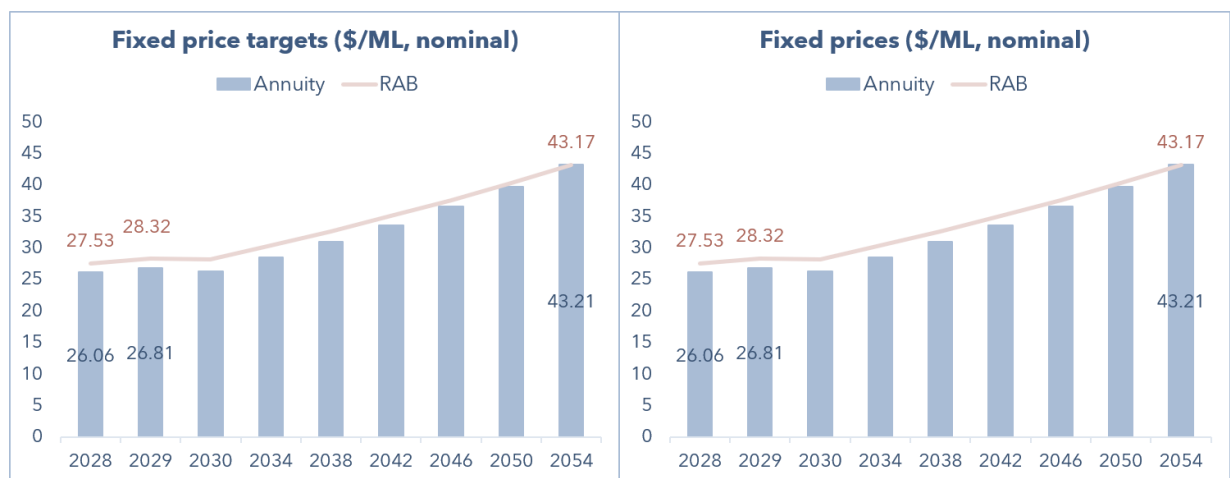
Chapter 4 of the final report describes our approach to managing transitional impacts.

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. This modelling assumes both approaches recover the same underlying costs, allowing a consistent comparison of longer-term price outcomes. These outcomes should be interpreted with caution, as they depend on long-term forecasts that will change over time and do not account for potential behavioural changes under each approach.

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

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

Figure 2: Fixed price targets and prices – Logan River (\$/ML)

By 2053-54, the closing annuity balance is forecast to be a deficit of \$7.0 million while the closing RAB balance is forecast to be \$2.7 million.

RAB roll-forward for Logan River 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: Logan River WSS, RAB roll-forward (\$'000, nominal)

	2027-28	2028-29
Opening balance	4,788.3	4,873.8
Renewals capex	111.8	377.7
Inflation adjustment	139.0	145.3
Depreciation	(165.3)	(175.1)
Closing balance	4,873.8	5,221.7

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

Next step

We provided our final reports to the government on 30 September 2026. This review will inform the government’s decision on irrigation prices that will apply from 1 July 2027.