

RAB-based irrigation prices 2027-29: final report

Lower Lockyer Valley 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 lower in the next two years, as costs are recovered later.
- RAB-based prices are expected to increase more in later years.
- Annuity-based prices are higher upfront but are expected to increase more steadily.
- Differences reflect when costs are recovered, given the same underlying costs.
- Price targets and prices are unchanged from our draft report.

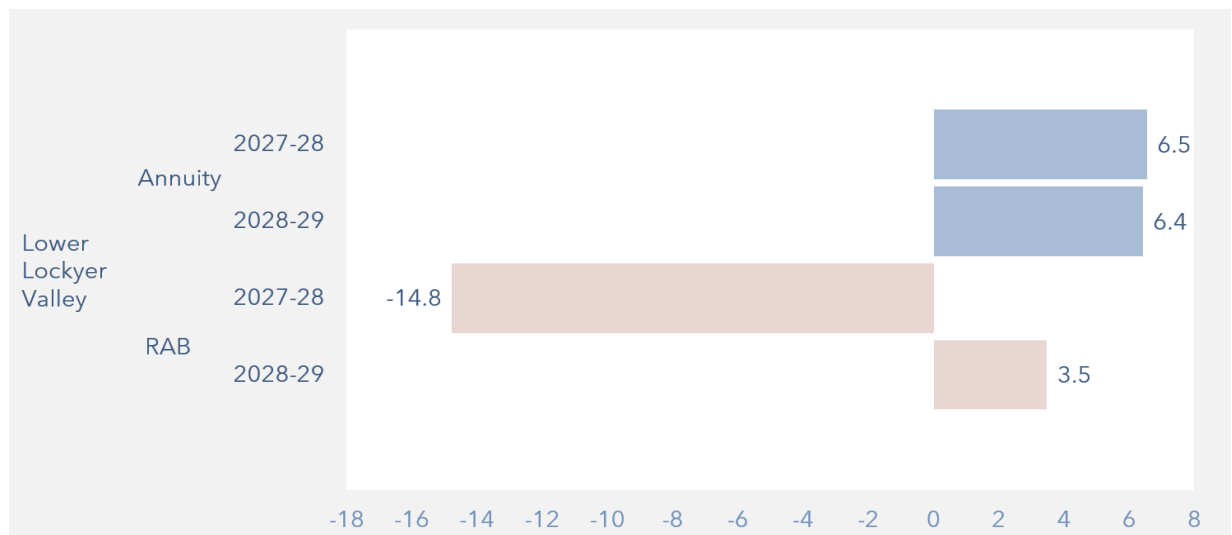
Table 1: Price targets and recommended prices, by tariff group (\$/ML, nominal)

Tariff group	Component	Annuity approach		RAB approach	
		2027-28	2028-29	2027-28	2028-29
Lower Lockyer Valley	Price targets				
	Part A	91.59	94.21	59.49	61.20
	Part B	52.29	53.79	52.29	53.79
	Recommended prices (transitional)				
	Part A	75.91	80.93	59.49	61.20
	Part B	30.69	31.57	33.45	37.26

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

Over the next two years, prices change by around 6% to 7% per year under the annuity approach and range from a decrease of 15% in the first year to an increase of 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 Lower Lockyer Valley 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.

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 for Lower Lockyer Valley WSS at 1 July 2027 to zero, as both non-metering and metering components are forecast to have a positive annuity balance at 30 June 2027.

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.

Given that the tariff group in this scheme remains well below the price target, we have proposed returning the positive annuity balance through a reduction in allowable costs, consistent with Seqwater's approach. We also consider Seqwater's proposed 10-year return period to be reasonable, as it results in an annual reduction at the end of this period that avoids potential impacts on the scheme's future transition to the underlying price target.

RAB-based fixed price targets are lower 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
Lower Lockyer Valley	Fixed price target – annuity	91.59	94.21	187.46
	Fixed price target – RAB	59.49	61.20	209.15
	Difference (%)	(35.0)	(35.0)	11.6

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

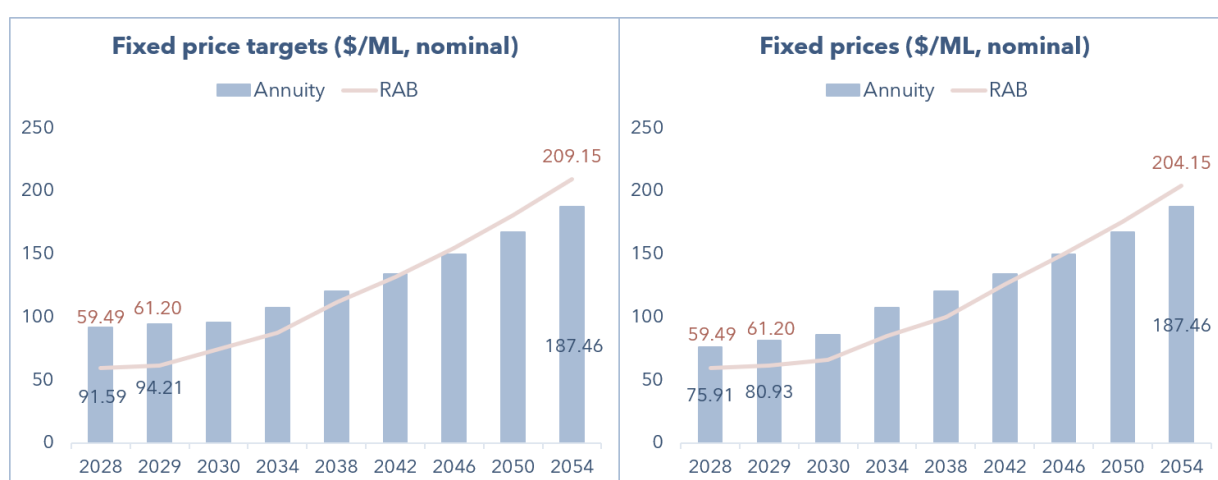
Longer-term price implications

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 increase more than annuity-based prices, reflecting the later cost recovery. 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 – Lower Lockyer Valley (\$/ML)



By 2053-54, the closing annuity balance is forecast to be a surplus of \$0.1 million while the closing RAB balance is forecast to be \$11.0 million.

RAB roll-forward for Lower Lockyer Valley 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: Lower Lockyer Valley WSS, RAB roll-forward, non-metering and metering (\$'000, nominal)

	2027-28	2028-29
Opening balance	—	85.5
Renewals capex	85.7	247.3
Inflation adjustment	1.2	6.0
Depreciation	(1.4)	(7.2)
Closing balance	85.5	331.5

Note: Numbers may not add due to rounding.

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.