Seqwater: Submission to the QCA's review of RAB based irrigation prices

February 2026

seqwater
WATER FOR LIFE

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This submission responds to the Queensland Competition Authority's (QCA) *Review of RAB-based irrigation prices 2027–29*, prepared in accordance with the QCA's Guidance Paper (Nov 2025) and the Ministerial Direction Notice (Oct 2025). It outlines Seqwater's proposed methodology for calculating prices using a Regulatory Asset Base (RAB) approach and compares a set of draft RAB-based prices with prices calculated using the existing renewals annuity.

Consistent with the scope of the review, Seqwater has focused on developing a proportionate and transparent methodology that uses existing inputs from the 2025–29 irrigation pricing review, except where the QCA has directed specific changes. Seqwater has not revisited prudency or efficiency assessments or any other established parameters from that review.

Key messages

- Seqwater has applied a targeted and proportionate approach to developing the methodology, recognising the compressed review timeframe and the relatively small scale of irrigation revenues;
- The methodology, if implemented, would replace the rolling annuity with a RAB-based building blocks framework, and maintain the current prudent and efficient pricing inputs over the price path;
- Transitional design choices—including setting the opening RAB equal to the closing annuity balance and applying a 30-year remaining life—were developed in consultation with customers to support price stability. As setting the remaining useful life of the opening RAB to 30 years will achieve similar results to a 30-year annuity term;
- Shorter-term modelling (10-year horizon) has been undertaken to understand immediate transitional issues with recommended prices (prices irrigators pay) for FY28 and FY29 with Part A, B, C and D cost targets (prices if Seqwater recovered full costs) developed; and
- Longer term modelling (30-year horizon) has been undertaken to assess intergenerational equity and price stability beyond the 2027–29 price path-term.

Stakeholder engagement

Seqwater undertook targeted engagement throughout 2025 and early 2026, including:

- Scheme level and online forums on the proposed methodology;
- Release of draft pricing materials for consultation with irrigators and the Customer Reference Group (CRG); and
- Ongoing dialogue to test transition options and explain the operation of key levers.

Customers expressed strong preferences for price stability, transparent treatment of annuity balances, and understanding cost structures. Feedback directly shaped Seqwater's proposed approach.

Seqwater's proposed approach

Seqwater proposes that, if a RAB is to be implemented, the QCA adopt:

- A scheme-level opening RAB equal to the closing annuity balance (adjusted only for metering and non-metering asset classification);
- A default 30-year remaining useful life has been applied to opening RAB assets, to likely maintain price stability, with adjustments only where an alternative life materially improves transitional price stability;
- Existing capex and opex parameters used in the 2025–29 review, consistent with the Direction Notice;

- A tax-allowance method consistent with the QCA's benchmark-entity framework, which results in a nil tax allowance over the current 30-year horizon; and
- A WACC-indexed refund of positive annuity balances over 10 years to return positive balances to individuals who likely contributed, kept outside the RAB.

Seqwater will undertake further RAB-related governance and systems work only if a RAB framework is adopted, thereby avoiding unnecessary costs for irrigators. Any issues identified as relevant under either a RAB or annuity approach will still be progressed.

1. Introduction

1.1. Purpose of the Report

This submission responds to the Queensland Competition Authority's (QCA) *Review of RAB-based irrigation prices* as outlined in the QCA's Guidance Paper[1] based upon the ministerial Direction Notice[2]. Its purpose is to explain Seqwater's proposed approach for calculating and comparing regulated irrigation pricing using the current renewals annuity method and the proposed Regulatory Asset Base (RAB) framework.

The submission provides:

- Seqwater's interpretation of the QCA's guidance and direction notice requirements;
- The alternative RAB methodology and its alignment with accepted economic regulation principles;
- Transitional design considerations to manage customer impacts;
- A summary of stakeholder engagement outcomes and how feedback has shaped the proposal; and
- Indicative price impacts for the 2027–29 period, supported by longer-term modelling to test price stability and intergenerational equity.

Seqwater has not been asked to:

- Reopen prudency or efficiency assessments and other inputs from the 2025–29 review
- Propose changes to service standards or tariff structures outside the scope of the direction notice; or
- Address broader policy issues such as long-term water security or scheme viability, which fall outside the terms of this review. However, where irrigators have raised these matters during consultation, Seqwater has reflected their feedback in this submission to ensure their views are captured.

The scope of this submission is limited to irrigation schemes and tariff groups regulated by the QCA for the price path period 1 July 2027 to 30 June 2029. While prices apply only to this period, Seqwater has undertaken longer-term modelling to inform transition design and assess price stability over a 30-year horizon.

[1] https://www.qca.org.au/wp-content/uploads/2025/11/guidance-paper.pdf , Nov 2025
[2] https://www.qca.org.au/wp-content/uploads/2025/11/direction-notice.pdf, Oct 2025

2. Approach

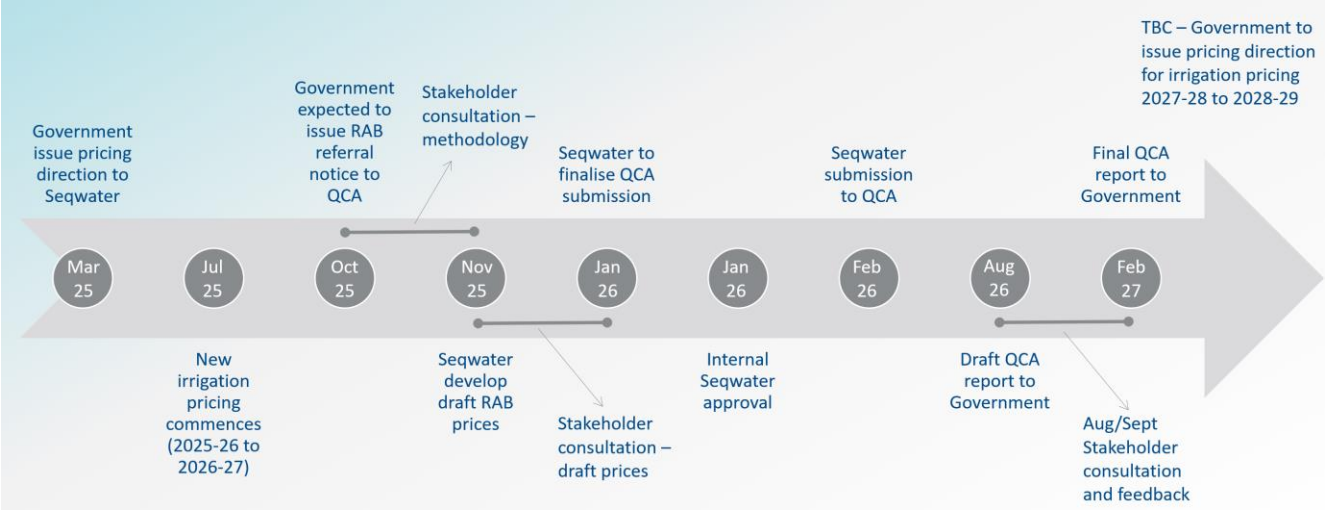
2.1. Proposed approach

Seqwater's proposed approach to developing RAB-based irrigation prices reflects the interim nature of this review and the corresponding timeframe set out in the Direction Notice. Within this timeframe, it is appropriate to focus on established inputs rather than revisiting or reconstructing historical information. Seqwater has therefore undertaken the review internally, which is a proportionate and efficient response that avoids unnecessary costs for irrigation customers.

Consistent with the QCA's Guidance Paper and the Direction Notice, Seqwater has prioritised the use of existing inputs and parameters wherever practicable, including those accepted by the QCA in the 2025–29 irrigation pricing review[3].

To minimise additional regulatory costs for irrigators, Seqwater has relied on informal pre-lodgement engagement with QCA staff. This has enabled early testing of modelling and methodological issues without the need to engage external consultants, ensuring that development of the methodology and supporting model did not impose additional customer costs. Seqwater outlined the proposed submission and consultation timeline to the QCA in September 2025 and subsequently to irrigators in October 2025, providing transparency on the process steps and milestones for this review.

Figure 1 - Seqwater's submission timeframe



2.2. Consultation to Inform the Methodology

2.2.1. Engagement Overview

Consultation with Seqwater's irrigation customers on the proposed transition to RAB-based pricing was undertaken over a four-month period, from October 2025 to January 2026. This interim review timeframe, shorter than a traditional review, was necessary to meet the submission deadline of 27 February 2026. While customers indicated that a longer consultation period would have been preferable, engagement was productive, educational, and provided Seqwater with the necessary direction to address many of the concerns raised. Seqwater is grateful to those customers who gave their time to participate in these engagements and provide feedback.

While Seqwater sought to engage with the entire customer base at all stages during the review process, time and logistical constraints meant that it was necessary to focus on established forums, communication methods and reference groups. Despite this, consultation material has been provided to all customers, including those who are only contactable via physical mail. To ensure transparency throughout this review, Seqwater maintains a dedicated consultation website, where any presentations, meeting minutes, or other supporting material is published.

Consistent with guidance provided by the QCA, Seqwater undertook a targeted, streamlined approach to engagement. Consultation on the proposed price review was broadly structured to occur in two key stages:

- Initial consultation (October 2025) – focused on education and conceptual RAB methodology, used to help focus Seqwater's review and inform the development of draft prices. Consultation was undertaken in-person for four schemes, using pre-established annual forums. Online sessions were held for two additional schemes, due to the in-person forums having already occurred in early September 2025.
- Draft pricing consultation (January 2026) – the release of draft prices and other supporting material, for consideration by customers. This was followed by a targeted briefing for CRG members and interested customers. Four schemes were provided with an online briefing. Two schemes were provided with a hybrid in-person and online briefing, at the request of those scheme CRG members.

In addition to customers, Seqwater engaged directly with the Queensland Farmers' Federation, who provided valuable insight that helped to shape this review.

During the initial stages of consultation, customers expressed some concern regarding both the process and the proposed change in methodology. This was to be expected, as customers had not expressed a desire to move towards a RAB-based approach, after it was raised with them following a recommendation by the QCA in the 2020-24 irrigation price review[3]. To better understand customer concerns, Seqwater committed to undertaking additional investigation and analysis, beyond the immediate scope of this review. This additional analysis would then be reported back to customers, to better inform their understanding of RAB and allow for a more informed decision. The following section outlines the customer concerns that were relevant to this review, and the additional work undertaken by Seqwater to address these.

For those concerns raised by customers that were outside of the scope of this review, Seqwater has noted these for consideration in Section 4.5 of this report.

2.2.2. Customer Insights and Methodological Implications

Key insights from customers, directly related to the scope of the review, included:

- a strong preference for price stability;
- interest in understanding longer-term price trajectories;
- concerns regarding regulatory costs, indirect costs and the need for sufficient new capex; and
- questions about the long-term implications of adopting a RAB approach.

2.2.3. Managing transitional impacts

[3] Seqwater: Submission to the QCA's 2025-29 Irrigation Price Investigation

During our engagement with customers, Seqwater presented two "levers" available for them that would influence a RAB:

- The opening RAB (valuation of existing assets)
- The depreciation profile applied to the opening RAB

These levers were elements where the referral permitted Seqwater and customers to propose options, noting that all other inputs (opex, capex forecasts, demand, WACC, cost escalators) are fixed through the 2025–29 review. The two above "levers" would help manage short to medium term transition volatility for a RAB and help to meet the explicit needs of our customers.

2.2.3.1. Setting the opening RAB

Consistent with the QCA's guidance, Seqwater applies a rolling annuity mechanism to recover capital costs for irrigation assets. Seqwater engaged with customers on several approaches for transitioning annuity capital components:

- Setting the opening balance at $0
- Setting the opening RAB at the closing annuity balance
- Applying Depreciated Replacement Cost (DRC)

Feedback Seqwater received was to maintain price stability and for prices not to meaningfully increase. Based on our customers feedback and the underlying economics, Seqwater decided to set the opening RAB at the closing annuity balance of the previous financial year.

2.2.3.2. Depreciation of the opening RAB

Depreciation determines how quickly the opening RAB is returned to Seqwater and therefore directly influences the shape of prices over time. Seqwater explained to irrigators that a longer depreciation is likely to decrease prices initially and a shorter depreciation is likely to raise prices initially which can be used to manage transitional volatility. Irrigators principally supported using this lever.

Setting the remaining useful life of the opening RAB to 30 years will achieve similar results to a 30-year annuity term which was is the default position for schemes before levers were applied.

2.2.3.3. Theoretical basis for levers

If the opening RAB is equal to the closing annuity balance, long term economic outcomes are identical (NPV neutral) which can be demonstrated. Additionally, by changing the depreciation schedule, the total economic payments (once factoring in the time value of money) will remain the same and keep NPV neutrality.

Assuming no inflation, new capex or timing differences.

$$Annuity\ balance_t = (1 + WACC) Annuity\ balance_{t-1} - capital\ charge$$

$$RAB_t = (1 + WACC) RAB_{t-1} - capital\ charge$$

An annuity balance and RAB valuation change over time using:

$$Annuity\ balance_t = Annuity\ balance_{t-1} \times (1 + WACC) - rolling\ annuity\ payment$$

$$RAB_t = RAB_{t-1} \times (1 + WACC) - depreciation - RAB_{t-1} \times WACC$$

$$= RAB_{t-1} \times (1 + WACC) - (RAB_{t-1} \times WACC + depreciation)$$

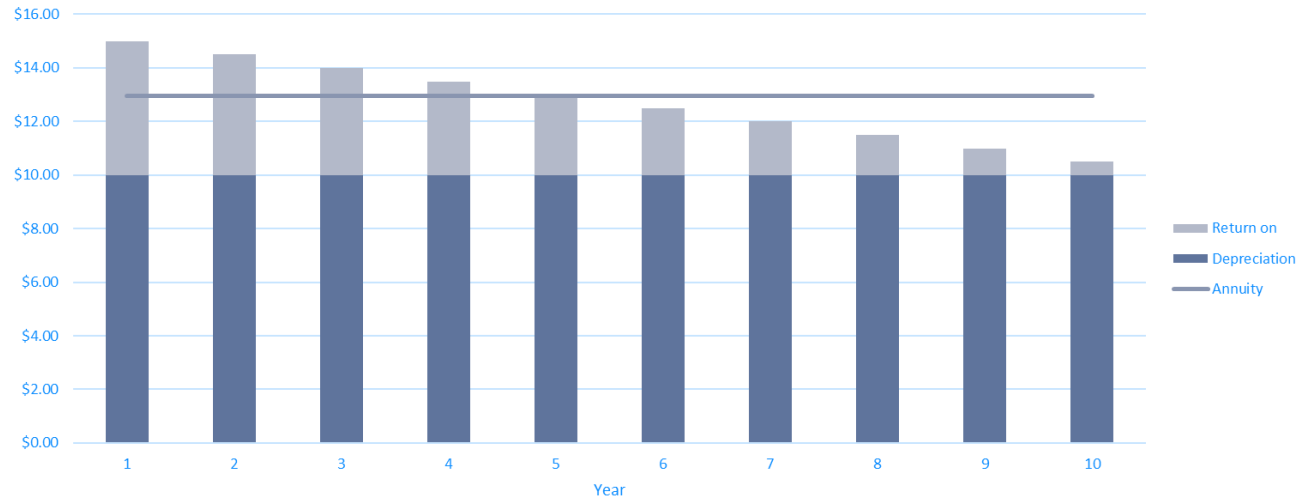
It is clear from the equations that a RAB and an annuity balance share the same structural equation and that if $Annuity\ balance_{t-1} = RAB_{t-1}$ then $Annuity\ balance_t$ remains unchanged. What does change between the equations is how the capital charge is applied.

A RAB applies an explicit R_{on} payment equal to the same appreciation which is calculated on the appreciating RAB balance, and depreciation, which returns the asset's value over time. Because the RAB starts at its full undepreciated value, the R_{on} component is higher in the early years and gradually declines as the asset depreciates. The depreciation profile is typically aligned with the accounting asset lives recognised for the asset class.

A rolling annuity payment also includes R_{on} and R_{of} but does so through a single payment. This constant payment is calibrated so that the opening annuity balance amortises to zero over the specified period. As a result, the capital recovery profile differs from the RAB method, even though the total NPV-discounted recovery is the same when both methods use the same WACC.

To illustrate this, assuming $100 capex with a 10-year annuity term, no inflation and 5% WACC, it can be seen that over the life of the payment period, the total NPV payment is the same.

Figure 2 - RAB and annuity payment profile



This graph is provided for illustrative purposes to demonstrate the principle of NPV neutrality. Seqwater applies a 30-year rolling annuity, with the annuity term reset each year and incorporating forward-looking capex over the 30-year horizon, consistent with the approach accepted by the QCA in previous reviews which would likely result in higher initial annuity payments.

2.2.3.4. Modelling period

On advice from our customers, a long-term comparison of prices was preferred, and Seqwater has updated the existing annuity model to be able to provide, indicative 30-year prices out to FY57.

3. RAB methodology

3.1. Establishing the initial regulatory asset base

3.1.1. Scheme level initial RAB construction

All schemes closing annuity balances were used to set their opening RAB balance with the following adjustments:

- The opening RAB was formed into two capex components – metering and non-metering assets (due to how Seqwater previously submitted capex categories)
- A default remaining useful life was set at 30 years for both asset classes to align annuity and RAB payback periods to reduce price volatility.

Non-metering assets

- This category includes all irrigation assets (excluding meters) installed after 1 July 2000.
- In Seqwater's previous RFI007 submission to the QCA, a 2% annual depreciation rate was applied to irrigation assets, equivalent to a 50-year useful life.
- For renewals commissioned from FY28 onwards, Seqwater proposes to adopt a 50-year useful life for non-metering irrigation assets.

Metering assets

- The Irrigation Meter Selection Memo (submitted through the RFI process) identifies a 30-year useful life for new meters.
- For renewals commissioned from FY28 onwards, Seqwater proposes to retain a 30-year useful life for metering assets.

To respond to irrigator feedback on maintaining price stability during the transition, Seqwater assessed a range of alternative remaining useful life assumptions for the opening RAB — from a one-year remaining life through to the full assumed useful life — to understand the sensitivity of transitional price impacts. The only alternative remaining useful life that made a meaningful impact on price stability was Central Lockyer with a 20-year useful life for meters, which was applied. Both the standard and alternative useful life assumptions were presented to Central Lockyer customers, who raised no concerns with either approach and focused primarily on longer-term pricing implications. All other schemes opening RABs useful lives were set at 30-years.

3.1.2. Positive annuity balances

Some schemes – Cedar Pocket, Morton Vale and Lower Lockyer have positive annuity balances (the balance is payable to irrigators) from historical non-metering capex. 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[4].

The question then arises as to how to return a positive balance to irrigators. Seqwater has applied the RAB building blocks definition from the QCA "*the RAB building blocks approach, which derives an allowed annual return*

[4] https://www.qca.org.au/wp-content/uploads/2019/05/8790_X-QCA-Paper-IssuesInTheApplicationofAnnuities-0214-1.pdf, pg. 23

on capital and an annual return of capital separately in accordance with the regulated asset base (RAB) of a business. Together, these components constitute the annual capital revenue requirement for price setting purposes[5]". Seqwater interprets this definition that a RAB must be:

- A capital stock
- that is progressively consumed or depreciated
- and earns a regulated return over time

Seqwater interprets the definition not to be a:

- financing balance
- customer credit
- loan account

This can be simply demonstrated:

$$Revenue_{capital} = R^{on} + R^{of}$$

$$\text{If } RAB < 0$$

$$R^{on} = WACC \times RAB;\ \ if\ R^{on} < 0$$

Which implies:

- The allowed "return" is negative;
- The business is paying off the "interest" of the loan; and
- This would constitute a reverse financing charge.

Seqwater's modelling assumes the opening RAB is set to zero and the positive annuity balance is quarantined outside the RAB as a pricing adjustment, not an asset. Two conceptual options were assessed:

1. Capital contribution approach – using balances to permanently reduce future capex entering the RAB or future capex MAR components.
2. Reducing allowable costs – treating the balance as a transparent, WACC-indexed refund over a fixed term.

Seqwater's preferred approach is to return a positive annuity balance by reducing allowable costs through a transparent, WACC-indexed refund applied over a fixed 10-year period. This approach:

- maintains structural integrity of the RAB;
- provides transparency to customers;
- smooths prices; and
- avoids distorting future investment incentives.

Seqwater has applied WACC indexation rather than CPI when returning positive annuity balances because irrigators cannot productively reinvest the over-recovered funds while they are held by Seqwater, and therefore face the same opportunity cost of capital as the business. Indexing the refund at WACC ensures irrigators are

[5] https://www.qca.org.au/wp-content/uploads/2019/05/8790_X-QCA-Paper-IssuesInTheApplicationofAnnuities-0214-1.pdf, 2014

made financially whole by compensating them for the foregone return they would otherwise have earned, consistent with maintaining economic neutrality and preserving the integrity of the RAB framework.

Some irrigators commented that positive annuity balances should be returned over a shorter period than the proposed 10-year horizon, noting that some customers may exit a scheme before the full amount is returned. For modelling purposes only, Seqwater has treated the return of these balances as a reduction to allowable MAR. This approach preserves the regulatory structure and maintains transparency within the building-blocks model, while allowing flexibility for the eventual repayment mechanism. The mechanism could take the form of:

- a cash refund;
- a credit adjustment to accounts; or
- a reduction in water prices through a reduction to MAR.

Seqwater proposed to customers that the positive balances in Cedar Pocket and Lower Lockyer be returned through a reduction in water prices, as the impact is less than 5 per cent and this approach minimises administration costs. For Morton Vale, where the balance is large relative to scheme revenue, Seqwater proposed a direct refund to avoid creating material price reductions that could distort long-term price signals. Seqwater does not expect this one-off exception for Morton Vale to create any regulatory, administrative or customer impacts as the majority of the over-recovery was through government CSO payments.

Seqwater welcomes irrigators' feedback on both the timeframe and preferred mechanism for returning these balances.

3.2. Categorisation of expenditure and capex assumptions

Seqwater applies consistent and transparent treatment across renewal activities by adhering to strict direct attribution principles. In terms of the Framework, AASB 116 and AASB 138, assets are recognised when

- it is probable the future economic benefits will eventuate; and
- the asset possesses a cost or other value that can be measured reliably.

Seqwater's application of these recognition criteria remains aligned with QCA regulatory requirements and is consistent with established accounting policy.

Consistent with the QCA Guidance Paper, capital expenditure is incorporated into the Regulatory Asset Base (RAB) on an as-commissioned basis. To streamline the modelling process and avoid unnecessary complexity, Seqwater has assumed that all previously submitted annual capex is commissioned in the year of expenditure. In addition, Seqwater has updated cash flows to reflect mid-year values, ensuring alignment with regulatory expectations and maintaining internal consistency within the RAB framework.

3.3. Tax allowance methodology

In the previous review, the QCA considered that a zero tax allowance was appropriate due to accumulating negative annuity balances (and therefore tax losses.) Seqwater, following the QCA's general approach, applies taxation outcomes for the irrigation business on a consolidated basis, consistent with the tax liabilities of a benchmark efficient firm operating in the private sector. If there exists a tax allowance, following the QCA's general approach, Seqwater would then allocate the resulting tax allowance to individual schemes using an appropriate allocator.

For this review, RAB-based prices must be derived on a basis consistent with the annuity methodology applied in the 2025 review, except where the QCA's guidance requires specific departures—most notably, replacing the previous annuity-based tax allowance with an allowance calculated under the RAB framework.

Given the QCA's Guidance Paper sets FY21-FY27 as the period from which accumulated tax losses are to be taken into account. Seqwater has assumed the accumulated losses at the start of FY21 is $0. All annuity renewals were immediately tax depreciated, and interest is treated as a fully deductible tax expense. This produces accumulated tax losses of $2,847,000 by the end of FY27.

Current ATO rules allow irrigation water providers to fully deduct all capital expenditure in the year it is incurred[6], which materially influences the tax allowance calculation. In applying the QCA's method, Seqwater assessed the tax allowance for each scheme and then roll these into a whole-of-business allowance using the formula:

$$Tax\ allowance = post\ tax\ MAR - opex - revenue\ \&\ cost\ offsets - tax\ depreciation - interest\ shield - accumulated\ tax\ losses$$

Under this approach, our modelled accumulated tax losses in FY2057 is $3,612,616 resulting in no tax allowance under a RAB framework.

Positive annuity balances have been treated outside the RAB, and are not included in the tax-allowance calculation. These balances reflect historical over-recoveries that were already incorporated into Seqwater's taxable income in prior years, meaning the underlying amounts have already been assessed for tax. Excluding them from the tax allowance avoids double-counting and ensures the tax calculation remains consistent with both ATO requirements and the QCA's benchmark-efficient-entity framework.

For the price path period, both annuity and RAB approaches have the same tax allowance of nil.

[6] https://www.qca.org.au/wp-content/uploads/2024/07/draft-report-sunwater.pdf

4. RAB implementation and other referral matters

4.1. RAB implementation

Seqwater proposes a risk-based, proportionate and value-for-money approach to internal governance and system updates at this stage, while noting that it would undertake more extensive work where the risks, materiality or customer benefits support a higher level of investment. This approach is also appropriate given that a RAB framework may not ultimately proceed. Should the RAB approach be adopted, Seqwater expects to undertake a more detailed review during the transition period.

As part of a future, more detailed review, Seqwater would investigate a number of areas to ensure governance and systems are fit for purpose:

- Capital expenditure categorisation: whether capital expenditure can be split into additional categories, consistent with the approach used in Seqwater's Bulk Water business.
- Asset data systems: whether internal asset systems can be updated to capture asset information by scheme in a manner consistent with Bulk Water asset registers.
- Operational expenditure data: opportunities to extract opex information more efficiently from Seqwater's systems, noting the number of RFIs received during the previous irrigation pricing review.
- RAB model updates: the extent of system changes required to update the RAB model, which could range from a simple update of the model submitted previously to aligning with a more traditional model such as that applied in the Bulk Water business.
- Asset lives and accounting policies: confirming that specific asset lives—particularly for meters, where Seqwater has observed higher failure rates—are appropriate.
- Ring-fencing requirements: whether stronger ring-fencing protocols between schemes may be required to support the operation of a RAB.
- Implementation costs: assessing implementation impacts and costs, noting that irrigators have expressed concern regarding back-office costs.

If a RAB is to proceed, Seqwater proposes to work collaboratively with the QCA and irrigators during the two-year transition period to ensure governance, systems and data processes are appropriate and proportionate for an irrigation RAB framework.

4.2. Tax allowance

Seqwater's review of how a tax allowance would operate under a RAB approach has highlighted several issues that arise irrespective of whether a RAB or annuity method is applied.

Immediate tax depreciation

Irrigation water providers are currently able to fully deduct capital expenditure in the year it is incurred. This results in an initially low tax allowance, as tax credits are accumulated and offset against future taxable income. Once these credits are exhausted, a tax allowance becomes payable without those offsets. In our modelled scenario, this transition extends for more than 30 years, raising a risk that future irrigators would face a materially higher tax allowance for the same underlying asset and reducing price stability over time.

As an alternative approach, Seqwater could elect not to claim immediate tax deduction of all capital expenditure in the year it is incurred provided in the *subdivision 40-F of Income Tax Assessment Act 1997,* this would be expected to produce a more stable tax allowance over time.

Ring-fencing of the tax allowance

The tax allowance is currently calculated at a combined-schemes level. This creates a risk of cross-subsidisation, where some schemes that would otherwise incur a tax allowance are able to draw on tax credits generated by other schemes.

Difference Between Actual Tax Paid and Allowed Tax Amount

Seqwater's tax allowance is based on the benchmark efficient entity rather than Seqwater's lodged tax return. This can result in divergences. For example, Seqwater may receive a tax allowance in a year where, due to higher actual costs, the organisation lodges a nil-tax position with the ATO. Under the regulatory framework, Seqwater would still recover the allowed tax amount from irrigators.

Given that the tax allowance represents a small proportion of the MAR, and beyond the scope of the Investigation, Seqwater proposes to work with the QCA and irrigators to understand the appetite for refining the tax allowance methodology.

4.3. Diverging annuity balances

Consistent with the QCA's pricing framework, a rolling annuity and a RAB should be NPV-neutral over the long term as outlined in Section 2.2. Several schemes exhibit divergence between the projected annuity balance and the equivalent RAB outcome over the 30-year period. This primarily reflects instances where the rolling annuity payment does not fully offset the compounding return on the opening balance, or where the annuity mechanism over-recovers revenue, resulting in a persistent positive annuity balance.

For two schemes—Logan River and Warrill Valley (medium priority)—Seqwater developed an alternative annuity scenario to test the source of the divergence. In these schemes, future capex is almost entirely driven by meter replacements, and Seqwater did not include future meter capex in our recent submission. Causing annuity pricing issues as described in the QCA's *Issues in the Application of Annuities*[7].

To isolate this effect, Seqwater applied historical meter expenditure from FY19 to FY28 as a repeating 30-year cycle. Under this adjustment, the annuity and RAB outcomes become NPV-neutral within approximately 1–2 per cent, with the remaining difference attributable to minor structural differences between the annuity and RAB models. The outcomes are shown in Section 7.If a RAB is not adopted, Seqwater proposes to engage with irrigators and the QCA on potential adjustments to future price paths to ensure the annuity balance returns to zero within the 30-year annuity term, consistent with the requirements of the annuity framework.

4.4. QCA pre-lodgement support

Seqwater values the QCA's pre-lodgement support process, which enables early, informal engagement on key regulatory matters. This early dialogue assists in ensuring alignment with the QCA's expectations and allows potential issues to be identified and addressed ahead of lodgement, thereby reducing duplicated effort and supporting an efficient review process.

Comparable economic regulators, such as New Zealand's Commerce Commission and, in Australia, the Australian Energy Regulator, routinely adopt similar collaborative approaches characterised by proactive engagement and

[7] https://www.qca.org.au/project/research/issues-in-the-application-of-annuities/, 2014

informal guidance. These models demonstrate how early interaction can support clearer regulatory understanding and more streamlined submissions.

Seqwater considers that continuing this approach is ultimately in customers' interests, as it facilitates a more efficient review process and supports well-evidenced, transparent decision-making.

4.5. Customer feedback beyond the scope of the Investigation

Beyond the scope of this review, Seqwater customers have raised concerns that included rising costs, market competitiveness, and the long-term viability of their schemes. While customers have been gracious in accepting that these specific concerns may not be addressed in this review, they continued to be raised during the various engagements. It is therefore worth noting these concerns, for possible inclusion in the scope of a future price review.

5. Summary of prices and price impacts

5.1. Summary of scheme-level recommended prices

Table 1 below shows the current recommended annuity prices and recommended RAB prices, over the two-year price path period for the bulk schemes.

Table 1 - Recommended prices bulk schemes ($/ML, nominal)

	Prevailing		Price targets			Recommended prices			
	2025	2026	2027	2028	2029	2026	2027	2028	2029
Cedar Pocket									
Part A ($/ML) annuity	34.61	604.56	621.91	639.76	658.12	38.22	42.00	**45.97**	**50.14**
Part B ($/ML) annuity	46.81	89.44	92.00	94.64	97.36	48.15	49.54	**50.96**	**52.42**
Part A ($/ML) RAB				626.18	644.15			**45.97**	**50.14**
Part B ($/ML) RAB				94.64	97.36			**50.96**	**52.42**
Central Lockyer									
Part A ($/ML) annuity	48.88	78.16	80.40	82.71	85.08	52.90	57.10	**61.51**	**66.12**
Part B ($/ML) annuity	11.77	17.16	17.65	18.16	18.68	12.11	12.46	**12.81**	**13.18**
Part A ($/ML) RAB				77.07	79.28			**61.51**	**66.12**
Part B ($/ML) RAB				18.16	18.68			**12.81**	**13.18**
Logan River									

	Prevailing		Price targets			Recommended prices			
	2025	2026	2027	2028	2029	2026	2027	2028	2029
Part A ($/ML) annuity	20.53	24.63	25.34	26.06	26.81	23.73	25.34	**26.06**	**26.81**
Part B ($/ML) annuity	15.19	24.50	25.20	25.92	26.67	15.63	17.84	**21.12**	**24.57**
Part A ($/ML) RAB				27.53	28.32			**27.53**	**28.32**
Part B ($/ML) RAB				25.92	26.67			**19.65**	**23.06**
Lower Lockyer									
Part A ($/ML) annuity	62.11	86.55	89.03	91.59	94.21	66.51	71.10	**75.91**	**80.93**
Part B ($/ML) annuity	28.19	49.41	50.83	52.29	53.79	29.00	29.83	**30.69**	**31.57**
Part A ($/ML) RAB				59.51	61.21			**59.51**	**61.21**
Part B ($/ML) RAB				52.29	53.79			**33.45**	**37.26**
Mary Valley									
Part A ($/ML) annuity	15.51	14.68	15.10	15.54	15.98	14.68	15.10	**15.54**	**15.98**
Part B ($/ML) annuity	8.72	6.32	6.50	6.68	6.87	6.32	6.50	**6.68**	**6.87**
Part A ($/ML) RAB				15.25	15.69			**15.25**	**15.69**

	Prevailing	Price targets				Recommended prices			
	2025	2026	2027	2028	2029	2026	2027	2028	2029
Part B ($/ML) RAB				6.68	6.87			**6.68**	**6.87**
Warrill Valley (Medium)									
Part A ($/ML) annuity	20.56	21.12	21.73	22.35	23.00	21.12	21.73	**22.35**	**23.00**
Part B ($/ML) annuity	11.81	12.52	12.88	13.25	13.63	12.52	12.88	**13.25**	**13.63**
Part A ($/ML) RAB				23.03	23.69			**23.03**	**23.69**
Part B ($/ML) RAB				13.25	13.63			**13.25**	**13.63**
Warrill Valley (High)									
Part A ($/ML) annuity	n.a.	137.27	141.21	145.26	149.43	137.27	141.21	**145.26**	**149.43**
Part B ($/ML) annuity	n.a.	12.52	12.88	13.25	13.63	12.52	12.88	**13.25**	**13.63**
Part A ($/ML) RAB				112.48	115.71			**112.48**	**115.71**
Part B ($/ML) RAB				13.25	13.63			**13.25**	**13.63**

Table 2 below shoes the current recommended annuity prices and recommended RAB prices, over the two-year price path period for the distribution schemes.

Table 2 - Recommended prices distribution systems ($/ML, nominal)

	Prevailing		Price targets			Recommended prices			
	2025	2026	2027	2028	2029	2026	2027	2028	2029
Morton Vale Pipeline									
Part A ($/ML) annuity	48.88	78.16	80.40	82.71	85.08	52.90	57.10	61.51	66.12
Part B ($/ML) annuity	8.57	17.16	17.65	18.16	18.68	8.82	9.07	9.33	9.60
Part C($/ML) annuity	11.29	18.63	19.17	19.72	20.29	11.61	11.95	12.29	12.64
Part D($/ML) annuity	8.03	11.53	11.86	12.20	12.55	8.26	8.50	8.74	8.99
Bundled Fixed ($/ML) annuity	60.17	96.79	99.57	102.43	105.37	64.51	69.05	**73.80**	**78.76**
Bundled Volumetric ($/ML) annuity	16.60	28.69	29.51	30.36	31.23	17.08	17.57	**18.07**	**18.59**
Part A ($/ML) RAB				77.07	79.28			**61.51**	**66.12**
Part B ($/ML) RAB				18.16	18.68			**9.33**	**9.60**
Part C($/ML) RAB				5.58	5.74			**12.29**	**12.64**
Part D($/ML) RAB				12.20	12.55			**8.74**	**8.99**
Bundled Fixed ($/ML) RAB				82.65	85.02			**73.80**	**78.76**

	Prevailing	Price targets				Recommended prices			
	2025	2026	2027	2028	2029	2026	2027	2028	2029
Bundled Volumetric ($/ML) RAB				30.36	31.23			**18.07**	**18.59**
Pie Creek									
Part A ($/ML) annuity	15.17	14.68	15.10	15.54	15.98	14.68	15.10	15.54	15.98
Part B ($/ML) annuity	8.53	6.32	6.50	6.68	6.87	6.32	6.50	6.68	6.87
Part C($/ML) annuity	54.34	503.57	518.02	532.88	548.18	59.44	63.83	68.42	73.24
Part D($/ML) annuity	91.54	305.61	314.38	323.41	332.69	96.62	99.40	102.26	105.19
Bundled Fixed ($/ML) annuity	69.51	518.25	533.12	548.42	564.16	74.12	78.93	**83.96**	**89.22**
Bundled Volumetric ($/ML) annuity	100.07	311.93	320.88	330.09	339.56	102.94	105.90	**108.94**	**112.06**
Part A ($/ML) RAB				15.25	15.69			**15.25**	**15.69**
Part B ($/ML) RAB				6.68	6.87			**6.68**	**6.87**
Part C($/ML) RAB				519.61	534.52			**68.71**	**73.53**
Part D($/ML) RAB				323.41	332.69			**102.26**	**105.19**

	Prevailing		Price targets			Recommended prices			
	2025	2026	2027	2028	2029	2026	2027	2028	2029
Bundled Fixed ($/ML) RAB				534.86	550.21			**83.96**	**89.22**
Bundled Volumetric ($/ML) RAB				330.09	339.56			**108.94**	**112.06**

6. RAB total allowable costs – whole scheme

6.1. Cedar Pocket

Table 3 - Total allowable costs over the price path period

	FY28	FY29
Opex	$337,116	$349,303
Return on Assets (excl. Working Capital)	$0	$0
Depreciation (excl. Inflation/Indexation)	$0	$0
Inflation Adjustment	$0	$0
Working Capital Allowance	$0	$0
Revenue & Cost Offsets	-$1,486	-$1,526
Mid-year Cash Flow Adjustment	$0	$0
Disposals	$0	$0
Tax Allowance	$0	$0
RAB MAR - Post Tax	**$335,630**	**$347,777**
Positive Annuity Adjustment	-$11,379	-$11,706
Opening RAB	$0	$0
Closing RAB	$0	$0

6.2. Central Lockyer

Table 4 - Total allowable costs over the price path period

	FY28	FY29
Opex	$1,236,829	$1,262,727
Return on Assets (excl. Working Capital)	$265,164	$295,124
Depreciation (excl. Inflation/Indexation)	$155,898	$170,477
Inflation Adjustment	-$114,176	-$127,086
Working Capital Allowance	$0	$0
Revenue & Cost Offsets	-$621	-$637
Mid-year Cash Flow Adjustment	-$9,748	-$10,752
Disposals	$0	$0
Tax Allowance	$0	$0
RAB MAR - Post Tax	**$1,533,346**	**$1,589,852**
Positive Annuity Adjustment	$0	$0
Opening RAB	$3,764,503	$4,153,371
Closing RAB	$4,153,371	$4,663,340

6.3. Logan River

Table 5 - Total allowable costs over the price path period

	FY28	FY29
Opex	$3,015,407	$3,170,111
Return on Assets (excl. Working Capital)	$322,979	$337,405
Depreciation (excl. Inflation/Indexation)	$165,325	$175,067
Inflation Adjustment	-$139,017	-$145,260
Working Capital Allowance	$0	$0
Revenue & Cost Offsets	-$43,807	-$44,968
Mid-year Cash Flow Adjustment	-$11,094	-$11,664
Disposals	$0	$0
Tax Allowance	$0	$0
RAB MAR - Post Tax	**$3,309,792**	**$3,480,692**
Positive Annuity Adjustment	$0	$0
Opening RAB	$4,788,284	$4,873,818
Closing RAB	$4,873,818	$5,221,719

6.4. Lower Lockyer

Table 6 - Total allowable costs over the price path period

	FY28	FY29
Opex	$793,638	$860,115
Return on Assets (excl. Working Capital)	$2,812	$13,811
Depreciation (excl. Inflation/Indexation)	$1,449	$7,160
Inflation Adjustment	-$1,221	-$5,976
Working Capital Allowance	$0	$0
Revenue & Cost Offsets	-$12,384	-$12,712
Mid-year Cash Flow Adjustment	-$97	-$476
Disposals	$0	$0
Tax Allowance	$0	$0
RAB MAR - Post Tax	**$784,197**	**$861,921**
Positive Annuity Adjustment	-$61,626	-$63,394
Opening RAB	$0	$85,478
Closing RAB	$85,478	$331,547

6.5. Mary Valley

Table 7 - Total allowable costs over the price path period

	FY28	FY29
Opex	$950,609	$925,600
Return on Assets (excl. Working Capital)	$136,113	$143,298
Depreciation (excl. Inflation/Indexation)	$69,614	$74,058
Inflation Adjustment	-$58,587	-$61,696
Working Capital Allowance	$0	$0
Revenue & Cost Offsets	-$15,770	-$16,188
Mid-year Cash Flow Adjustment	-$4,674	-$4,944
Disposals	$0	$0
Tax Allowance	$0	$0
RAB MAR - Post Tax	**$1,077,306**	**$1,060,128**
Positive Annuity Adjustment	$0	$0
Opening RAB	$2,013,603	$2,058,498
Closing RAB	$2,058,498	$2,229,824

6.6. Warrill Valley

Table 8 - Total allowable costs over the price path period

	FY28	FY29
Opex	$1,042,839	$1,077,652
Return on Assets (excl. Working Capital)	$185,754	$201,153
Depreciation (excl. Inflation/Indexation)	$95,142	$103,524
Inflation Adjustment	-$79,962	-$86,618
Working Capital Allowance	$0	$0
Revenue & Cost Offsets	-$44,099	-$45,268
Mid-year Cash Flow Adjustment	-$6,382	-$6,926
Disposals	$0	$0
Tax Allowance	$0	$0
RAB MAR - Post Tax	**$1,193,291**	**$1,243,518**
Positive Annuity Adjustment	$0	$0
Opening RAB	$2,716,738	$2,841,360
Closing RAB	$2,841,360	$3,180,349

6.7. Morton Vale

Table 9 - Total allowable costs over the price path period

	FY28	FY29
Opex	$74,006	$76,361
Return on Assets (excl. Working Capital)	$0	$0
Depreciation (excl. Inflation/Indexation)	$0	$0
Inflation Adjustment	$0	$0
Working Capital Allowance	$0	$0
Revenue & Cost Offsets	-$254	-$261
Mid-year Cash Flow Adjustment	$0	$0
Disposals	$0	$0
Tax Allowance	$0	$0
RAB MAR - Post Tax	**$73,752**	**$76,100**
Positive Annuity Adjustment	-$49,145	-$50,556
Opening RAB	$0	$0
Closing RAB	$0	$0

6.8. Pie Creek

Table 10 - Total allowable costs over the price path period

	FY28	FY29
Opex	$398,385	$409,037
Return on Assets (excl. Working Capital)	$79,405	$114,581
Depreciation (excl. Inflation/Indexation)	$34,813	$46,661
Inflation Adjustment	-$34,291	-$49,332
Working Capital Allowance	$0	$0
Revenue & Cost Offsets	-$1,017	-$1,044
Mid-year Cash Flow Adjustment	-$2,539	-$3,555
Disposals	$0	$0
Tax Allowance	$0	$0
RAB MAR - Post Tax	**$474,757**	**$516,348**
Positive Annuity Adjustment	$0	$0
Opening RAB	$750,591	$1,644,799
Closing RAB	$1,644,799	$1,796,717

7. Summary of RAB prices by scheme

The bar graph illustrates the difference between full cost recovery (price target) under the annuity method and the RAB framework, showing how each approach allocates fixed (Part A) and variable costs (Part B) across the forecast period.

The line graph illustrates how total allowable costs under the RAB framework compare to those derived from the annuity method, expressed as a year-on-year percentage difference.

QCA fees are incorporated into the fixed-price component for both the annuity and RAB approaches in FY28 and FY29. From FY30 onwards, QCA fees are excluded for both approaches, consistent with the previously accepted methodological treatment.

7.1. Cedar Pocket

Figure 3 – Price targets 10-year view

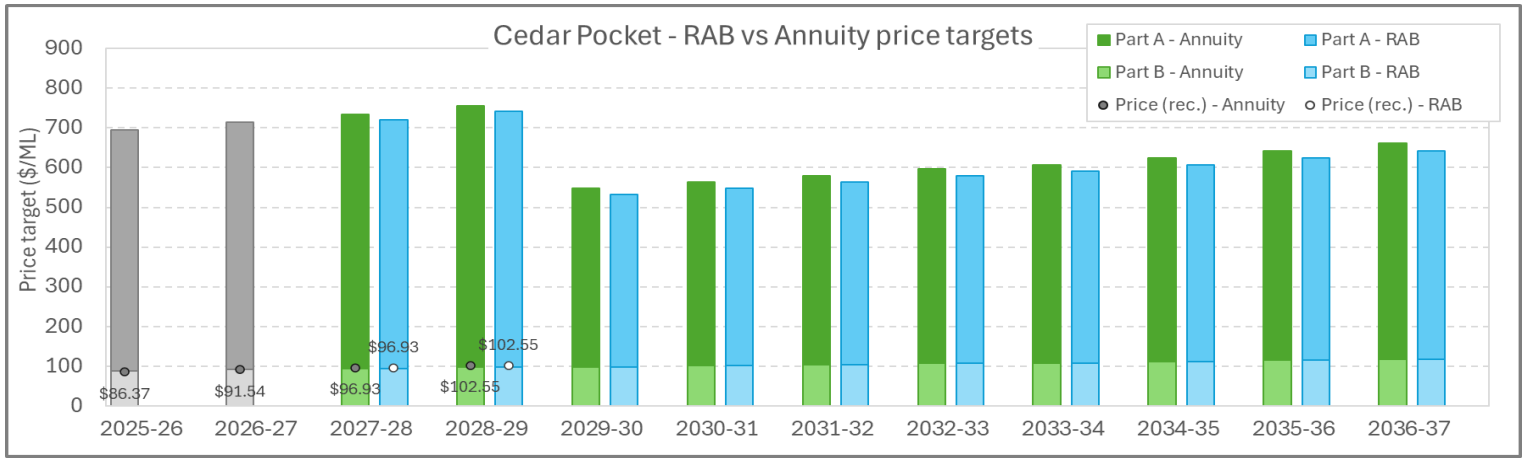
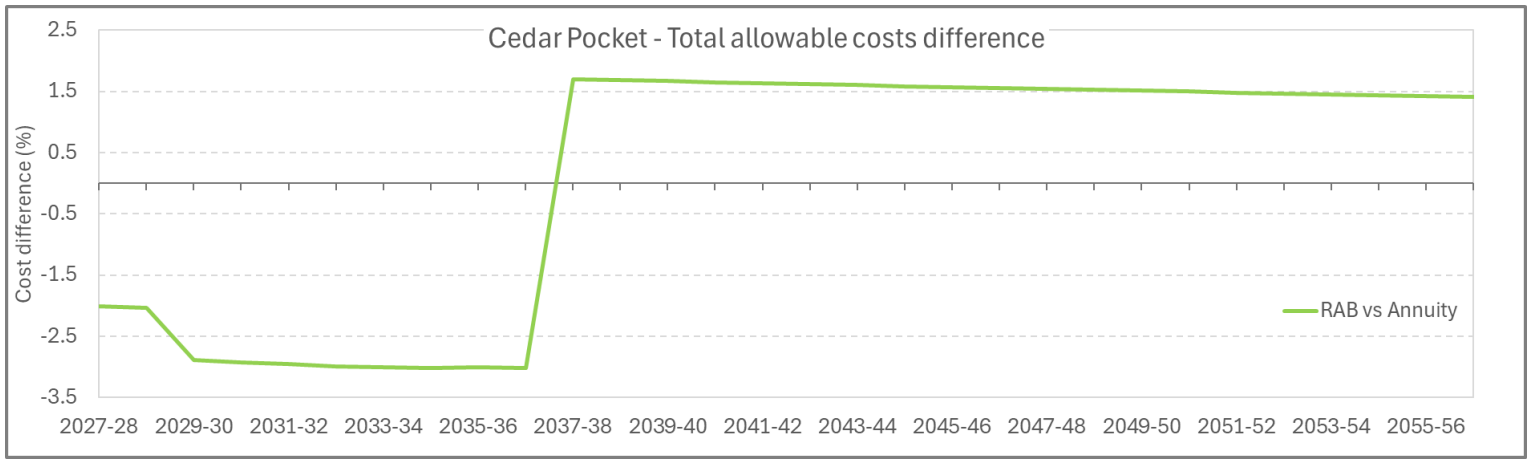


Figure 4 – Total allowable costs 30-year view



7.2. Central Lockyer

Figure 5 - Price targets 10-year view

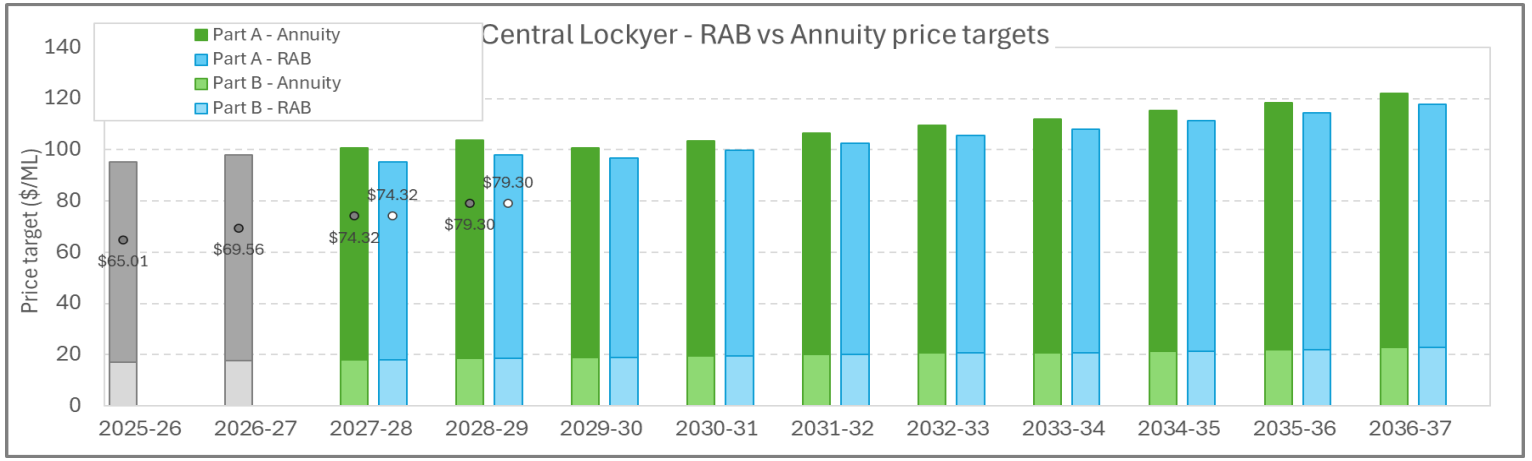
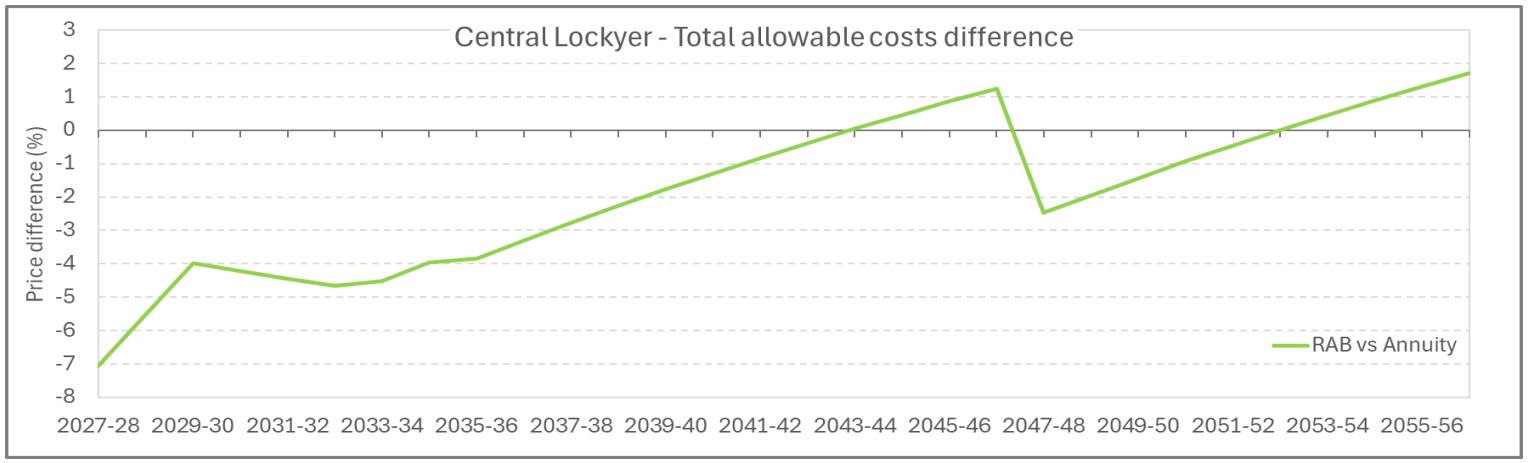


Figure 6 – Total allowable costs 30-year view



7.3. Logan River

Figure 7 - Price targets 10-year view

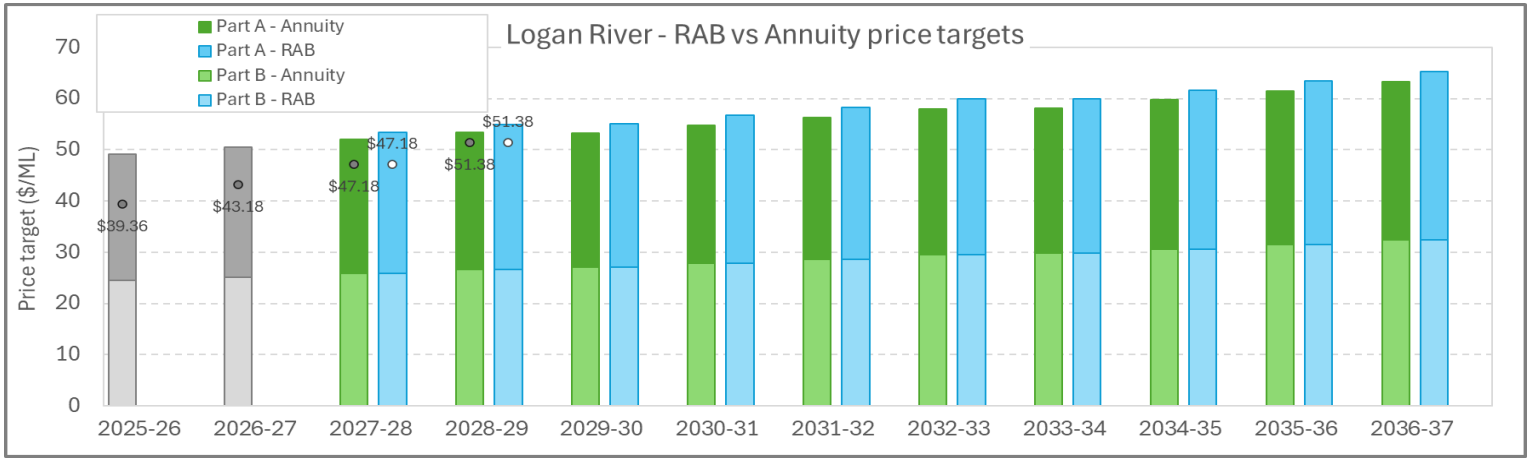
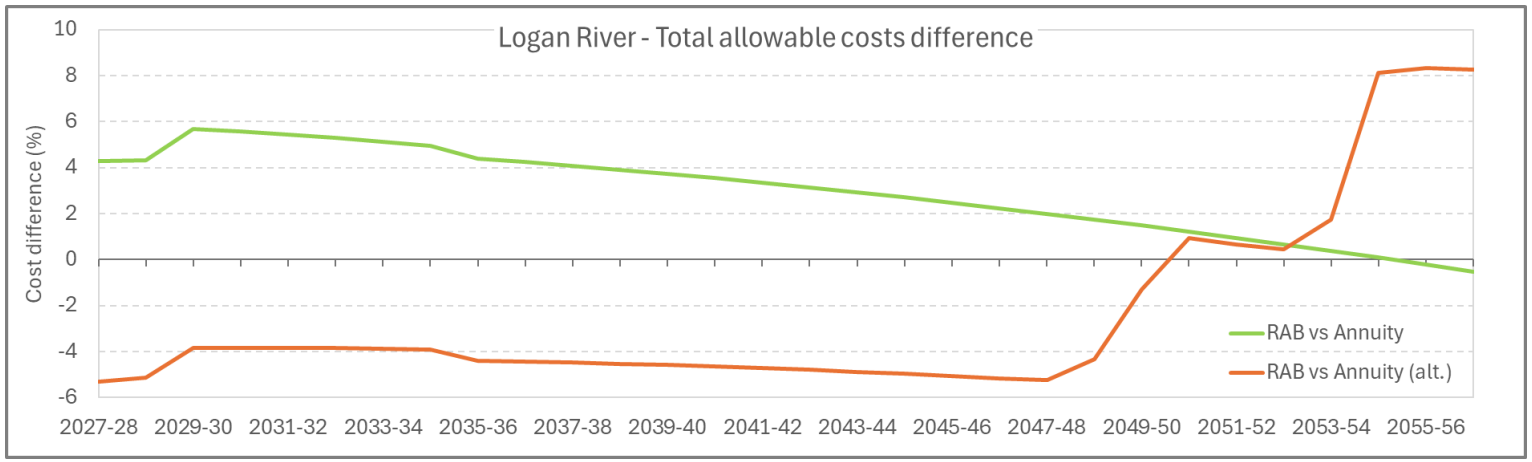


Figure 8 – Total allowable costs 30-year view



7.4. Lower Lockyer

Figure 9 - Price targets 10-year view

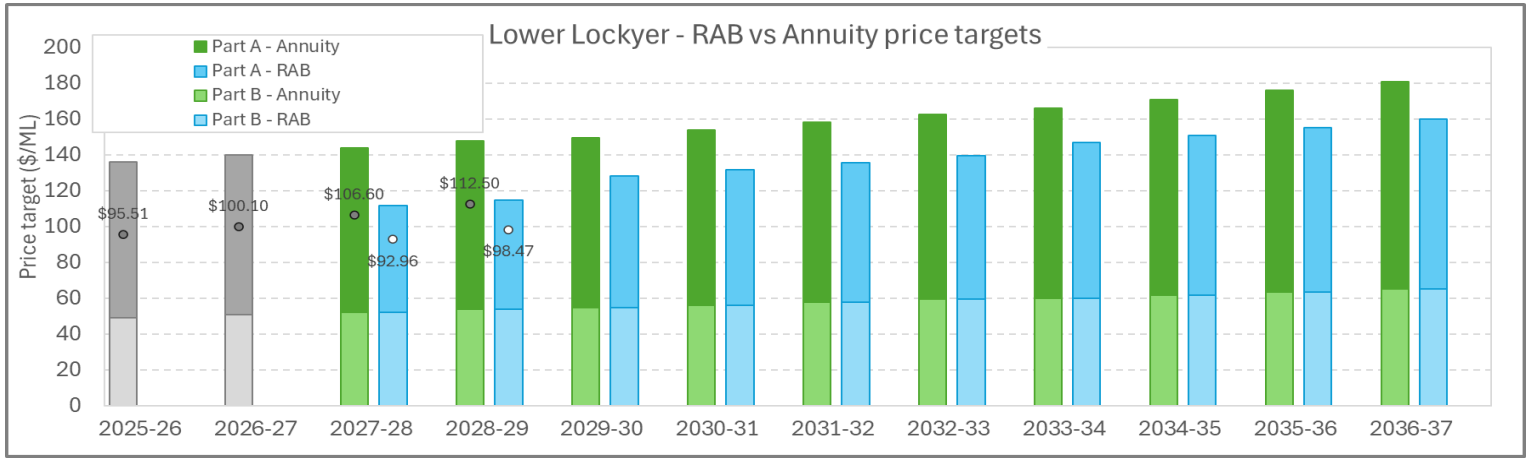
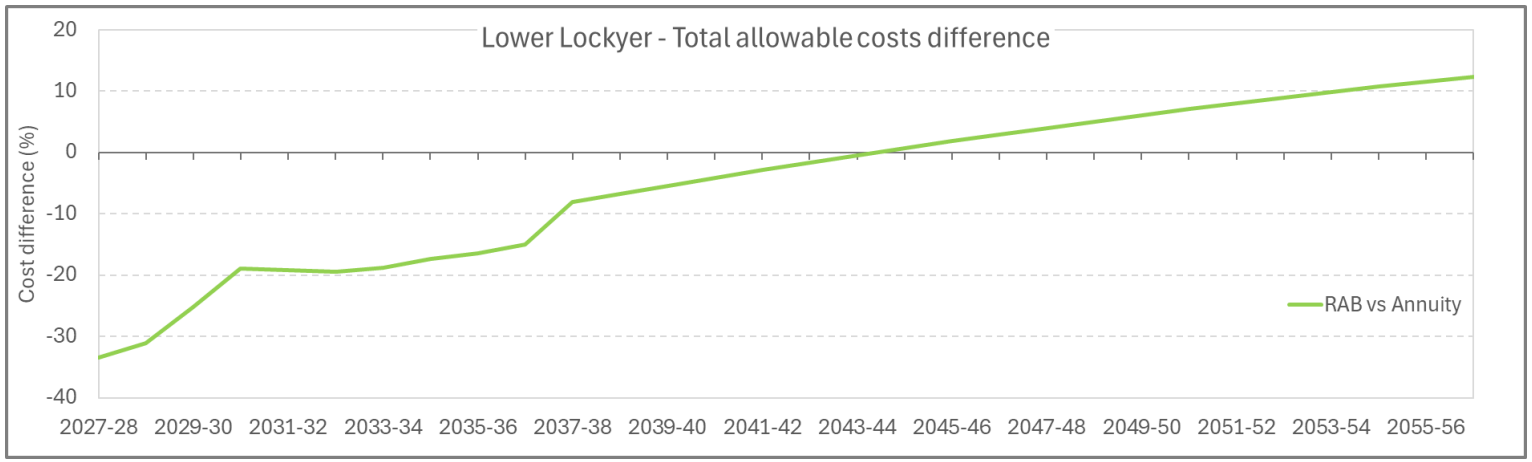


Figure 10 – Total allowable costs 30-year view



7.5. Mary Valley

Figure 11 - Price targets 10-year view

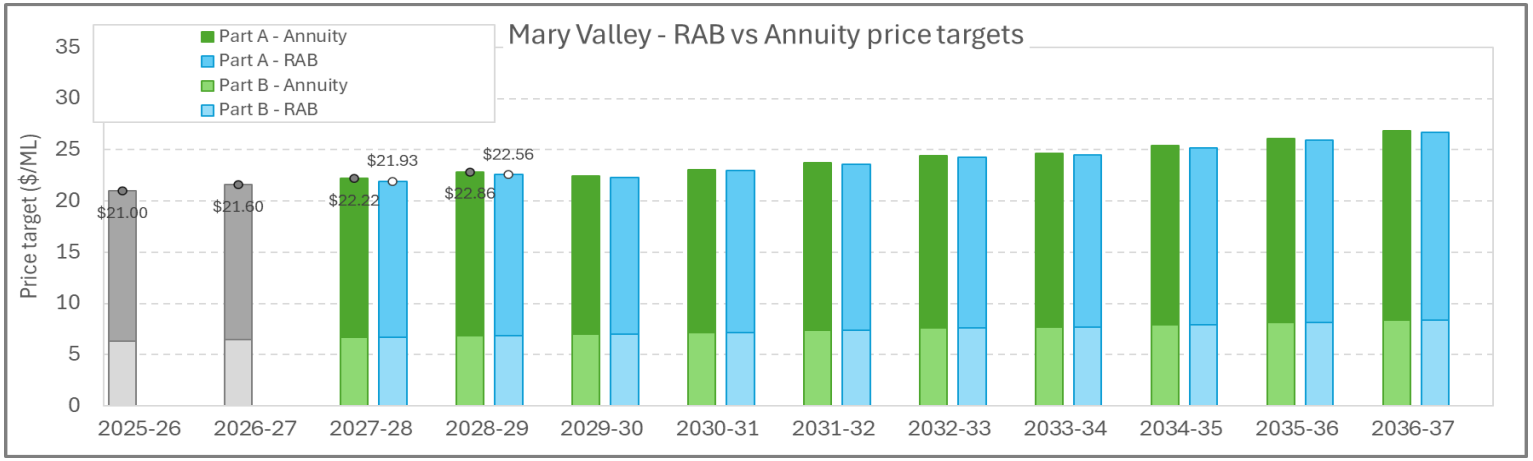
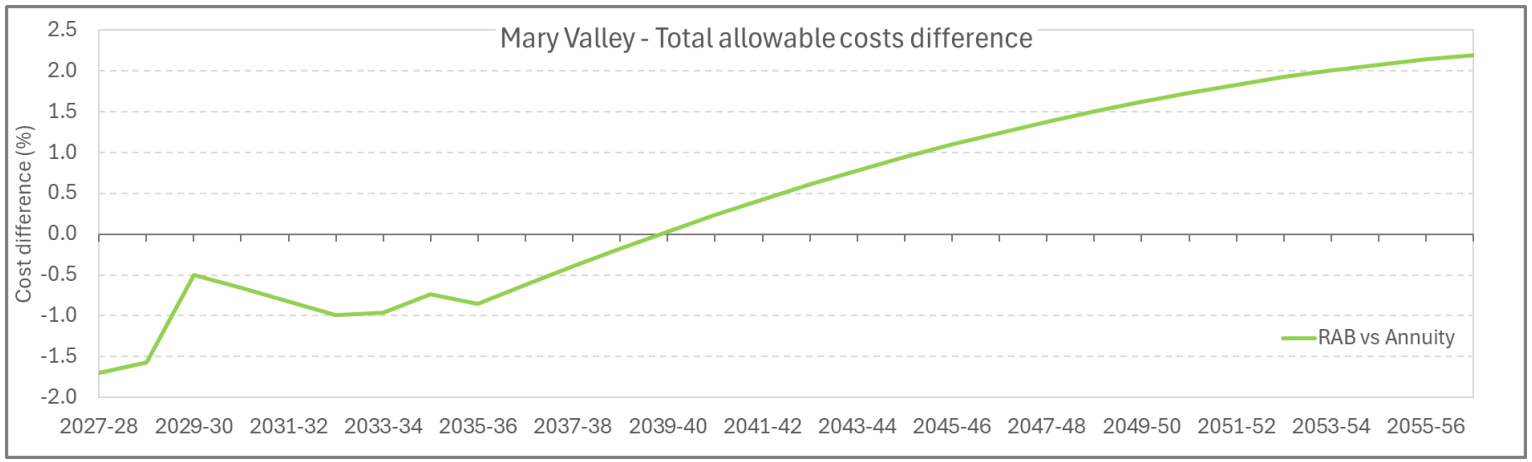


Figure 12 – Total allowable costs 30-year view



7.6. Warrill Valley – medium priority

Figure 13 - Price targets 10-year view

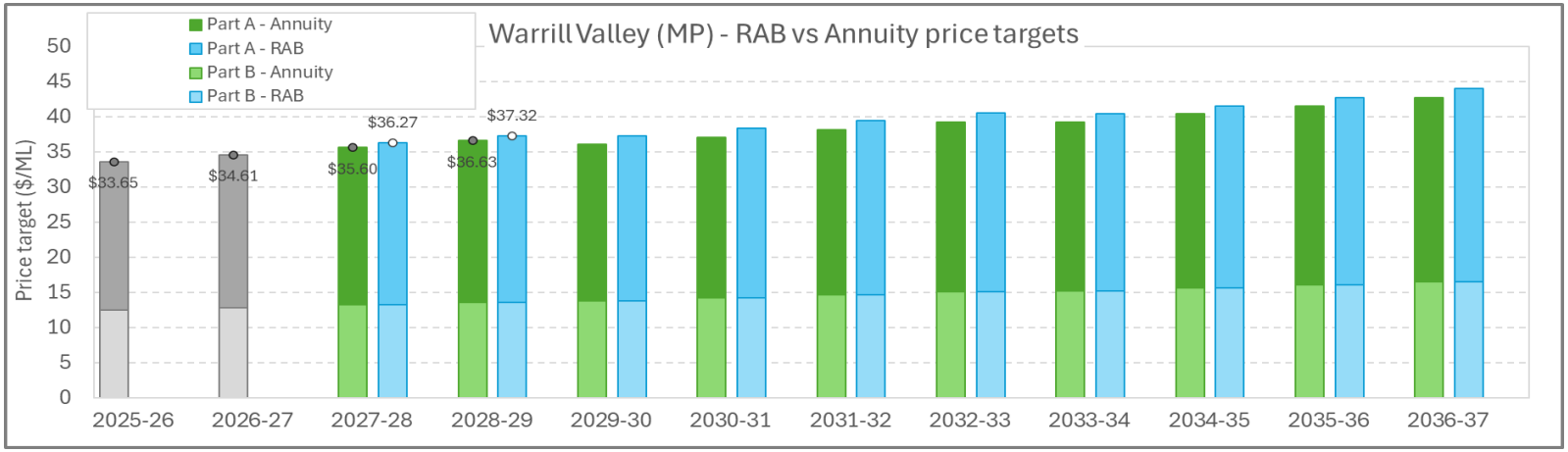
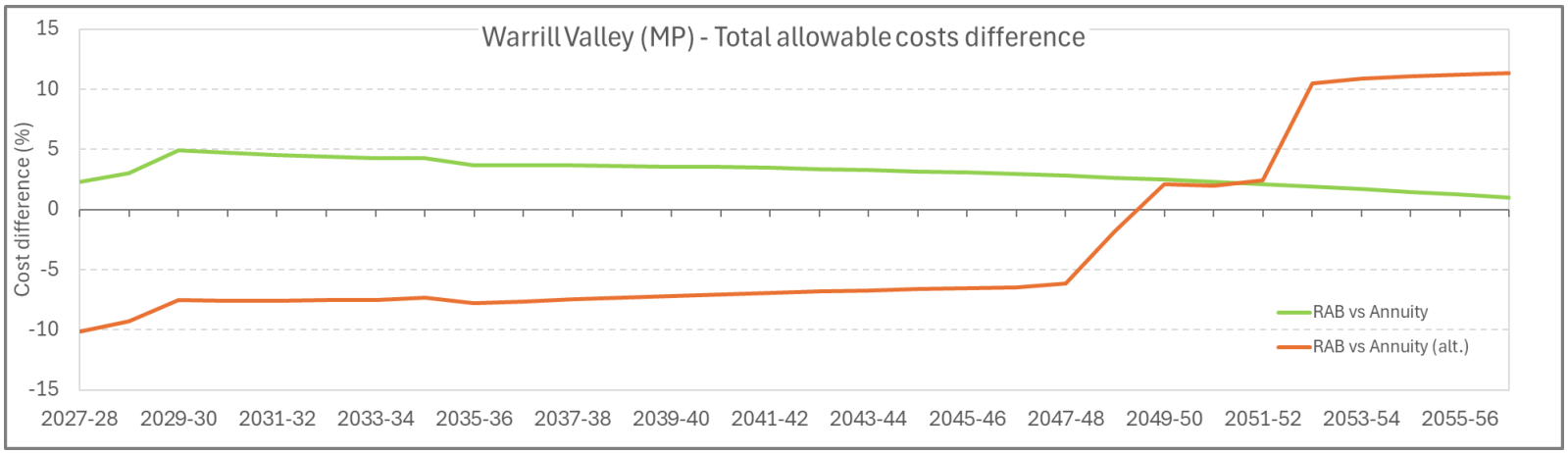


Figure 14 – Total allowable costs 30-year view



7.7. Warrill Valley – high priority

Figure 15 - Price targets 10-year view

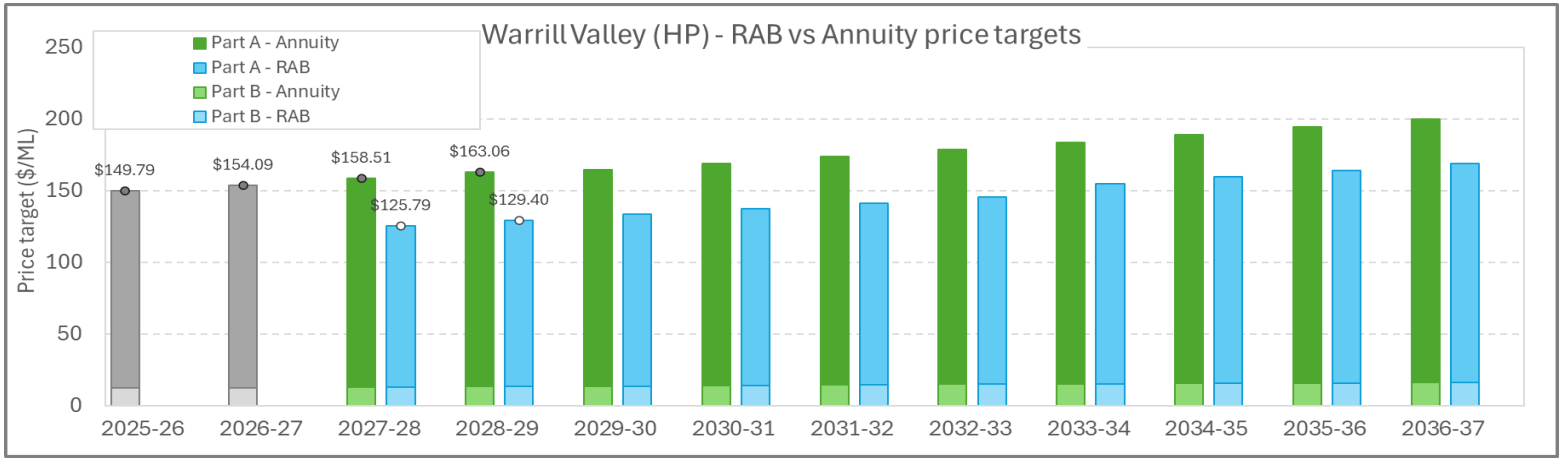
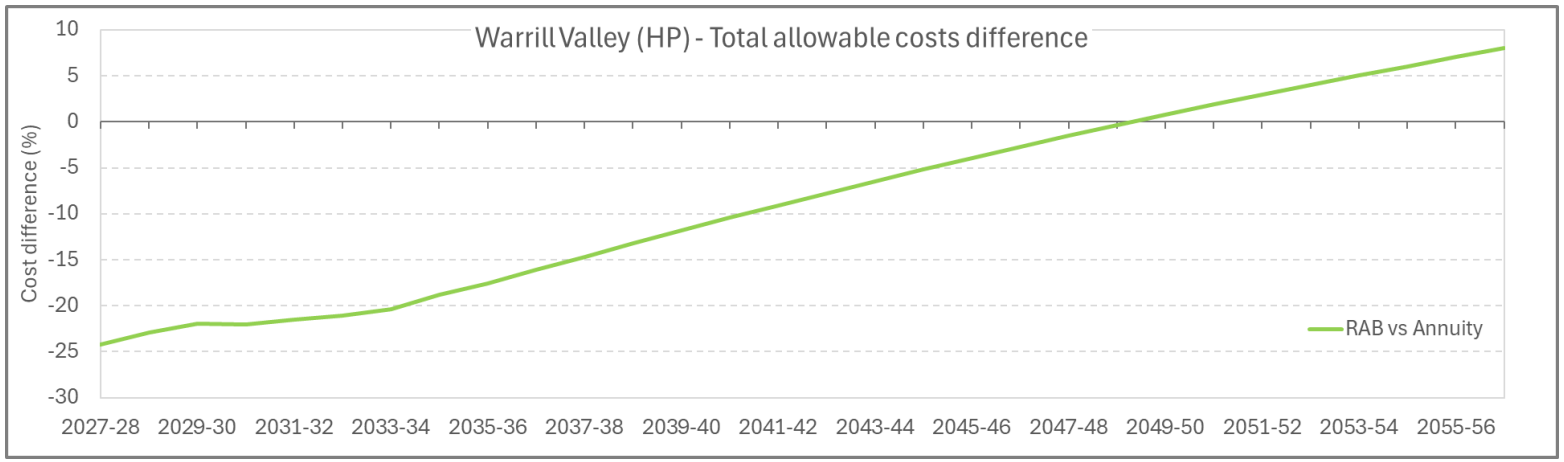


Figure 16 - Total allowable costs 30-year view



7.8. Morton Vale

Figure 17 - Price targets 10-year view

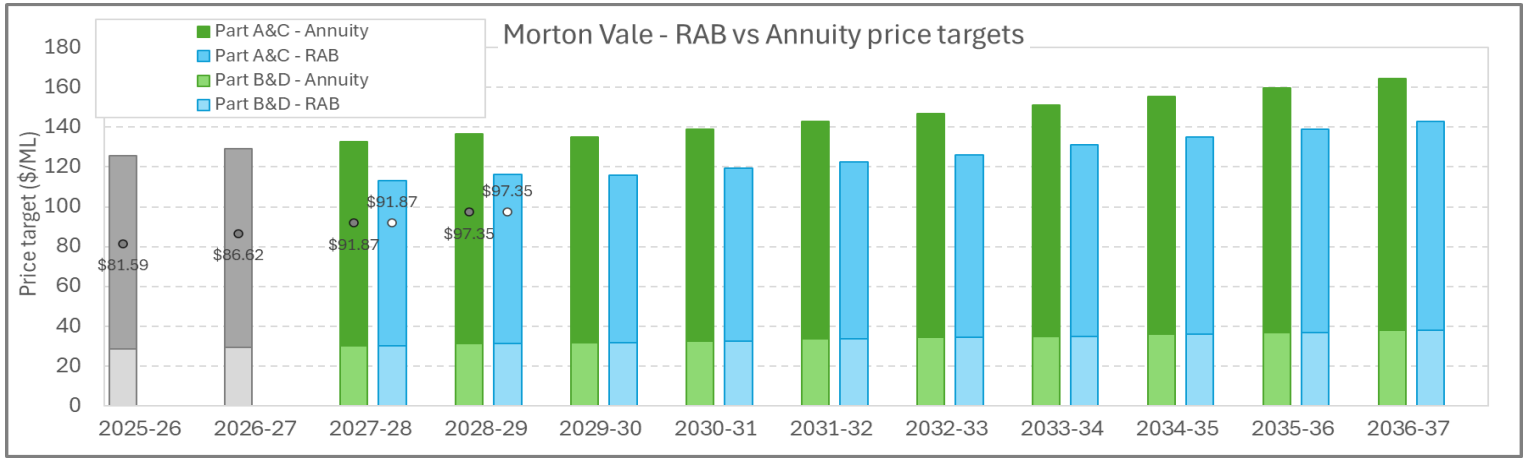
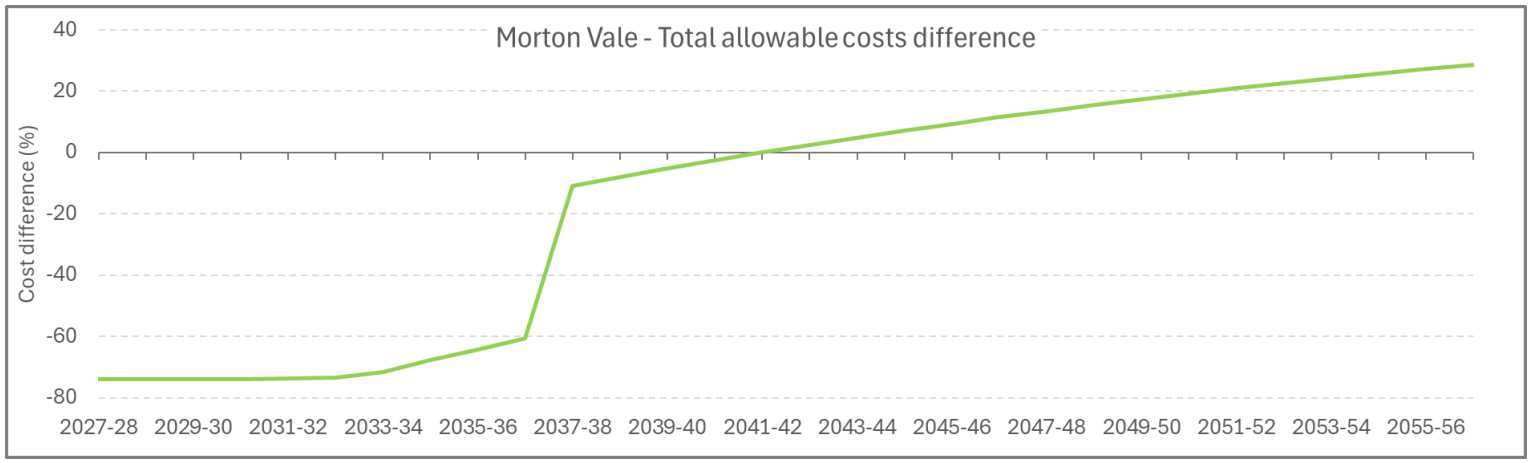


Figure 18 - Total allowable costs 30-year view



7.9. Pie Creek

Figure 19 - Price targets 10-year view

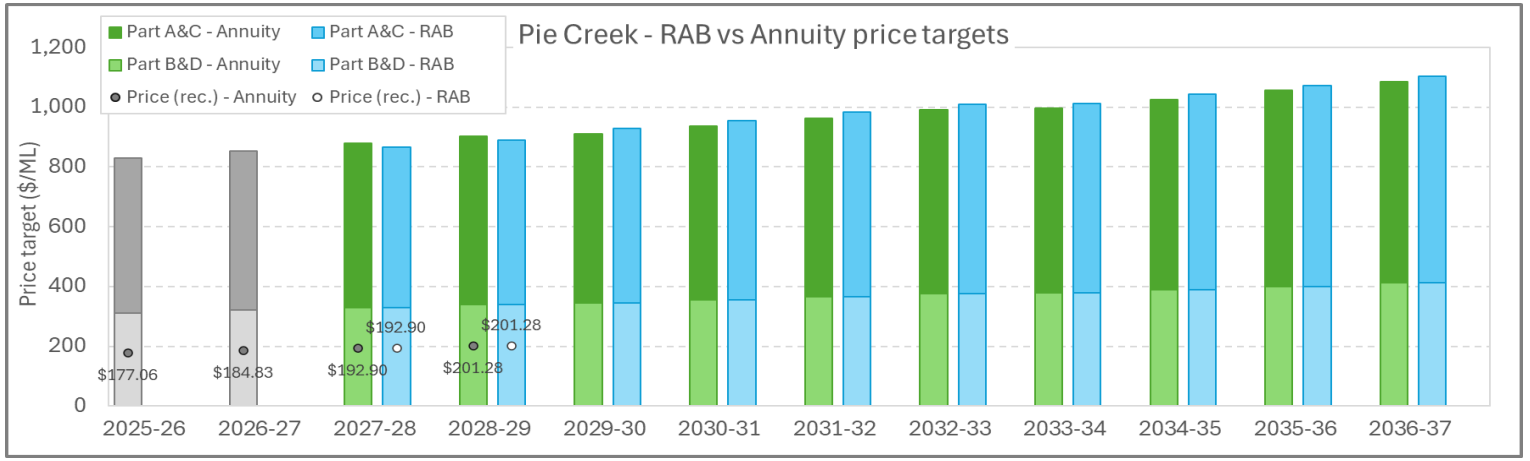
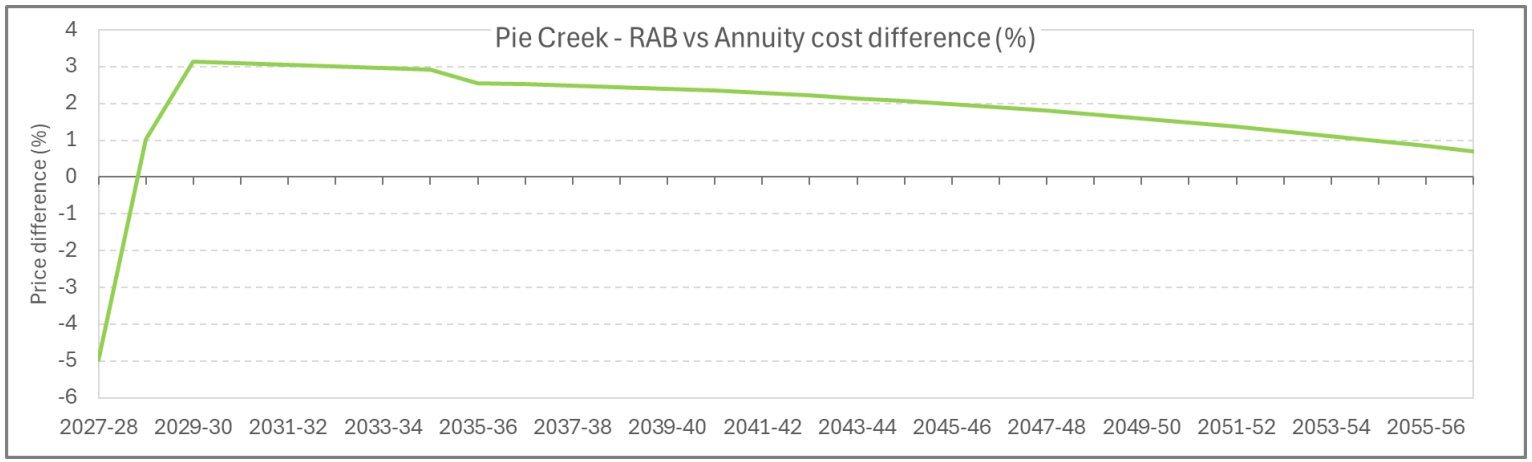


Figure 20 - Total allowable costs 30-year view



8. Accumulated tax losses

Figure 21 - Combined schemes accumulated tax losses