

14 April 2026

Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Online: www.qca.org.au/submissions

Dear Sir/Madam

Thank you for the opportunity to make a submission regarding potential changes to the method of pricing, Renewal Annuity vs RAB.

The Central Queensland avocado growing region comprises of over 3,000 ha of which approximately 97% of the area utilizes the Bundaberg irrigation Scheme. This region produced over 28,627 tonnes of avocado in the 2024/25 year and therefore supplies over 22% of the national avocado crop.

Lower Bound Cost Recovery

We have recently learnt that the definition of Lower Bound cost recovery was changed in 2019/20 to enable a rate of return on capex post 2000 (See table 1 Highlander Report).

We request that the Pre 2019/20 definition be reinstated, which explicitly excludes a rate of return on assets.

RAB Vs Annuity:

Our grower members are opposed to changing to a Regulatory Asset Base (RAB) approach to recover renewal and refurbishment costs:

The key reasons being:

- A RAB will cost irrigators more as the scheme will always be in debt and the interest charges applied by the WACC provide a margin from what SunWater pays the QTC and what irrigators are charged. Highlander has identified the RAB cost in the Bundaberg Distribution Scheme will be \$9.1 million in the FY 2062 or a multiple of 5.1 times the cost of a Renewals Annuity.
- There are inter-generational equity issues with a RAB. This generation can use and wear out an asset without contributing, leaving the next generation to fully fund the replacement/refurbishment of that asset. With the current annuity methodology, funds are available for repair/replacement when the need arises.

- With a RAB, the contribution required will result in prices rising sharply from price path to price path as high value assets are refurbished. QCA indicate that this lumpiness can be managed through their price path review process, however, it can clearly be better managed with a Renewals Annuity.
- SunWater have flagged "A fourth tax allowance building block" as a component of the RAB. Irrigators do not want to be paying a tax to the State Government through our water charges.

Under a Renewals Annuity, expenditure is treated as operational and is fully tax deductible.

Under a RAB, expenditure is treated as Capital, meaning that a tax liability may exist.

Whilst Government Owned Corporations (GOCs) do not pay tax to the Federal Government, the same amount of tax is paid to the State Government as a tax equivalent and in our view is a rate of return.

There is also the risk that this system will encourage gold plating of the schemes by SunWater given the guaranteed return via the WACC.

- In 2010 QCA engaged SAHA consultants to review both options. In their opinion:

"A Renewals Annuity approach applies best where there is a dominance of renewable long-life assets such as dams and earthen channels and/or where the expected asset life is greater than that of its components".

We suggest QCA revisit this report for detail.

Consultation Process:

The SunWater, and to a lesser extent the QCA, consultation was very confusing and focussed on the short-term concept that cost may be lower under a RAB. (which is not the case for the Bundaberg Irrigation Area).

Whilst we appreciate the attempt of the consultation, we were left feeling the examples provided were very one sided and did not reflect the realities of the Bundaberg scheme.

SunWater:

The review of RAB based irrigation prices from 1 July 2027 by SunWater was provided to WEPC on 02/03/2026.

In that document, SunWater claimed that the irrigators were in support of the transition, stated (page 25) "Most customers were either broadly supportive of, or agnostic to, the change from the annuity approach to the RAB approach, as evident from customer preferences reflected through voting on an independent platform (Go vote)"

Avocados Australia strongly disputes this claim as it is inaccurate and misleading when 57% of all WAE has voted against changing to a RAB. Three schemes Burdekin 40% WAE, Bundaberg 14% and Pioneer River 3% voted against it.

QCA:

At the meeting held in Bundaberg on 16 March 2026, QCA was requested to:

- Provide a worked example in writing of a switchboard with a cost of \$10 million and a life of 10 years being reassessed as having a life of 15 years at year 8 on prices paid by irrigators.
- Advise as to how RAB protects irrigators from gold plating.
- To identify any OPEX cost savings from implementing a RAB.

To date these requests are outstanding.

Avocados Australia position reflects the view that a renewals annuity approach:

- Provides more stable and predictable pricing outcomes
- Supports long-term planning and transparency
- Aligns more closely with Lower Bound Pricing principles
- Promotes a more balanced sharing of costs between current and future irrigators
- Supports intergenerational equity by avoiding the deferral of costs to future irrigators, helping maintain long-term productivity and regional growth in alignment with Prosper 2050.

Finally, we wish to acknowledge the Highlander Consulting report as it has very eloquently and accurately identified the many misgivings if the current concept of RAB pricing were to be applied to the Bundaberg Irrigation Scheme.

Sincerely,



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Avocados Australia



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