

Submission on Sunwater's proposal

Pioneer Valley Water Co-operative Ltd

13 April 2026

The Queensland Competition Authority is investigating a potential shift to a Regulated Asset Base (RAB) model for rural water pricing. If adopted, this would represent the most significant structural change to pricing in a generation.

The framework being examined now will influence how costs are calculated and recovered from allocation holders over the long term. It is important that irrigators are across what is being considered and understand how it may affect their scheme.

I am opposed to changing from an Annuity approach to a Regulatory Asset Base (RAB) approach to recover renewal and refurbishment costs because it is likely to cost significantly more.

- 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.
- RAB framework recovers actual capital expenditure as it occurs, with all (QCA allowed) capex added to the asset base and earning a regulated return. This creates an incentive to increase and capitalise expenditure, and any QCA approved cost overruns or higher-than-expected capital costs can be incorporated into the RAB and reflected in all future prices.
- Under a RAB Sunwater will impose greater contributions from irrigators because Sunwater will always be in debt and the irrigators will have to pay interest (artificial WACC) above Sunwater's borrowing cost, from QTC . (Qld Treasury Corp)
- 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 will exist.

There is also the risk that a RAB system will encourage gold plating of the schemes by SunWater given the guaranteed return via the WACC. With the annuity there is a responsibility for Sunwater to work within the available annuity fund. In Pioneer Valley Scheme there have been three changes of the Little Palm Tree Creek pipeline valve because Sunwater have failed several times to engineer the proper/ suitable valve to control the pressure. Each time this cost has been added to our scheme costs. Under a lower bound cost structure there should have been a consequence for poor judgement and workmanship that should have been absorbed by Sunwater but now because of this failure our scheme has a negative balance of over \$6 million which is being passed on to our irrigators.

Under a RAB these costs would have been capitalised along with the WACC which would have further added to our costs

WE OPPOSE A CHANGE FROM THE ANNUITY TO A RAB!