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Queensland Competition Authority
GPO Box 2257
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Submitted online

Dear QCA

Queensland Competition Authority Review of RAB-based Irrigation Prices 2027-29

Thank you for the opportunity to provide a submission on the Review of RAB-based irrigation prices 2027–29 following publication of the Queensland Competition Authority's (QCA) draft reports on 3 July 2026.

Queensland Cane Growers Organisation Ltd (CANEGROWERS) is a not-for-profit public company with the sole purpose of promoting and protecting the interests of sugarcane growers since its inception in 1925.

CANEGROWERS is the peak body for the sugarcane industry. Our affiliations at the State, National and International level, combined with 13 district offices in Queensland, ensures that services and advocacy are provided in local communities as well as at the highest levels of industry and government decision-making.

CANEGROWERS represents irrigated sugarcane growers across Queensland who rely on Sunwater schemes to provide reliable and affordable water for agricultural production. Water is an essential input for many cane-growing regions. Changes to irrigation pricing frameworks can therefore have significant impacts on farm viability, mill viability, regional economies and long-term investment decisions.

Growers recognise the importance of maintaining water infrastructure and ensuring that dams, channels, pipelines and associated assets remain fit for purpose. There is no dispute that infrastructure must be appropriately funded and renewed over time. However, CANEGROWERS does not support a transition from the existing Renewals Annuity framework to a Regulated Asset Base (RAB) framework at this time.

Our concerns are not based on opposition to infrastructure investment or sound asset management. They arise from concerns about affordability, transparency, regulatory complexity, customer confidence, intergenerational equity, implementation readiness, and the potential loss of a practical accountability mechanism that currently exists under the Renewals Annuity approach.

No compelling case for change

The purpose of this review is not to determine whether a RAB framework could work in theory. The key question is whether moving Queensland irrigators to a RAB framework from 1 July 2027 is justified.

Much of the consultation and discussion to date suggests that neither approach offers a clear advantage when it comes to long-term price stability, transparency or affordability. The evidence

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indicates that the main difference between the Renewals Annuity and RAB approaches is often when costs are recovered, rather than any reduction in the actual cost of supplying water. If that is the case, then a simple question remains: what problem is the RAB framework trying to solve?

CANEGROWERS believes that a major change to the pricing framework should only occur where there is a clearly identified problem with the existing approach, or where there is a clear and meaningful benefit that cannot be achieved another way. The QCA has highlighted potential advantages of a RAB framework, including less reliance on long-term forecasting and better alignment with regulatory approaches used in other industries. However, the review has not demonstrated that the existing Renewals Annuity framework has failed to fund infrastructure renewals, failed to provide funding certainty, prevented sensible investment decisions, or led to poorer outcomes for irrigation customers.

In CANEGROWERS' view, the case for change has not yet been established. The existing framework has supported the ongoing renewal and operation of irrigation infrastructure and remains well understood by customers. In contrast, the proposed RAB framework introduces additional complexity, new assumptions and greater uncertainty at a time when important questions remain around asset lives, expenditure classification, customer understanding and longer-term pricing impacts.

Where the benefits remain uncertain and the risks of transition are still being worked through, CANEGROWERS does not consider that there is a strong enough business case to justify moving away from the existing Renewals Annuity framework.

Consistency with Lower Bound Pricing principles

Queensland's irrigation pricing framework has operated under Lower Bound Pricing principles for more than two decades. These principles recognise that irrigation customers should contribute to the efficient costs of operating, maintaining and renewing infrastructure, while also recognising the broader public benefits delivered by major water assets.

CANEGROWERS considers that any proposed reform should be assessed against these long-standing policy settings. While the review demonstrates that both the Renewals Annuity and RAB approaches are capable of recovering infrastructure costs, it has not demonstrated that a transition to a RAB framework would deliver demonstrably better outcomes for irrigation customers or justify a departure from the existing policy framework.

Accordingly, any move away from the current framework should only occur where there is a clear, evidence-based case that the proposed approach is consistent with the objectives of Lower Bound Pricing and delivers tangible benefits to irrigation customers.

Customer trust and confidence

Water pricing frameworks should follow sound regulatory principles, but they also need to maintain the trust and confidence of the customers who ultimately pay for the infrastructure.

The Renewals Annuity framework provides a level of transparency and accountability that growers can readily understand. It allows customers and Sunwater to have meaningful discussions about spending priorities, future funding needs and planned infrastructure investment.

The QCA noted from its regional workshops that many irrigators preferred to keep the annuity approach. Irrigators also raised concerns about asset planning, forecasting and management, the application of a rate of return under a RAB framework, the potential for over-investment, and the

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greater reliance on regulatory oversight and governance that would come with a transition to RAB. Participants also highlighted the importance of price stability, intergenerational equity, transparency, accountability and customer engagement, and many felt these outcomes were better supported by the current annuity framework.

Our own discussions with irrigated sugarcane growers reflect many of the same concerns. Growers have told us they are uncertain about how a RAB framework would work in practice, how future prices would be determined, and what real benefits the change would deliver. The QCA also found that Sunwater's customer engagement provided only limited assurance that customers fully understood the pricing impacts and trade-offs involved in moving to a RAB framework.

A technically valid pricing framework will not be successful if customers do not understand it, trust it, or have confidence that it will deliver better outcomes. Moving to a more complex pricing model risks creating greater distance between customers and Sunwater and making future pricing outcomes harder for irrigators to follow and question.

When customer understanding remains limited and confidence in the proposed changes has not yet been established, maintaining trust should be a central consideration in deciding whether reform is warranted.

The Renewals Annuity provides a practical accountability mechanism

The current Renewals Annuity framework has supported irrigation infrastructure for many years. While it is not perfect, it is well understood by customers and has provided a stable way of funding infrastructure renewals over time.

One of its key strengths is that it creates a clear link between the money collected from customers and the money spent on renewing infrastructure. Growers can see whether funds are building up or being spent and can ask questions about why this is occurring. When balances increase, customers can ask whether major projects are planned, whether projects have been delayed, or whether prices are higher than necessary. When balances fall, customers can ask whether renewal spending has increased, whether the scheme is drawing down on accumulated funds, or whether future revenue may need to change.

The annuity balance effectively acts as a financial health check for a scheme. Importantly, growers do not need to be economists or regulators to understand what it is showing. This makes it a practical accountability tool as well as a funding mechanism.

A RAB framework can also provide information through asset valuations, depreciation, capital expenditure and rates of return. However, from a customer's perspective, transparency is not just about the amount of information available. It is about whether that information can be understood, tested and used to question decisions.

Under a RAB framework, future prices are influenced by a range of factors and assumptions that are generally more difficult for irrigators to follow. These include asset values, asset lives, depreciation assumptions, capitalisation decisions, regulatory returns and forecast expenditure. Each of these may be technically capable of explanation, but together they create a framework that is less accessible to most customers.

For growers, the Renewals Annuity remains a familiar, straightforward and transparent way of understanding how renewal costs are funded and how spending decisions affect irrigation prices. Any

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replacement framework should demonstrate that it can maintain or improve this level of transparency, accountability and customer understanding.

Governance, expenditure discipline and customer participation

The review has highlighted that many of the issues most important to irrigation customers go beyond the choice of pricing methodology.

Customers need confidence that expenditure is necessary, prudent and efficient. This requires strong governance, disciplined procurement, clear capital planning, robust expenditure classification and transparent reporting. These matters are important under any framework.

CANEGROWERS considers that the greatest opportunities to improve customer outcomes may come from strengthening governance, expenditure transparency, asset management and customer engagement rather than changing the pricing methodology itself. Better information, stronger scrutiny of expenditure and clearer reporting would improve confidence regardless of whether the Renewals Annuity or a RAB framework is used.

Irrigation customers should have genuine opportunities to influence investment priorities. Meaningful customer participation should occur early in planning and investment decisions so that customers can influence priorities before major expenditure commitments are made.

Unresolved implementation risks

The Atkins Réalis review identified a number of foundational elements that required further development before a RAB framework could be considered mature. These included asset life assumptions, expenditure classification, asset condition information, forecasting capability and investment planning systems.

While Sunwater has made progress in several areas, the current review demonstrates that important questions remain. Updated procedures and governance documents are positive developments, but they do not by themselves demonstrate that the underlying systems, information and decision-making processes have been fully tested and validated through normal business operations.

The QCA's acceptance of a capitalisation methodology (including use of a keyword-based approach) that classifies approximately 96 per cent of forecast renewals expenditure as capital expenditure illustrates why these issues remain important. This outcome raises legitimate questions about the robustness of expenditure classification and the extent to which future pricing outcomes can be independently verified.

CANEGROWERS accepts that no framework is going to be perfect and that some of these challenges also exist under the current annuity approach. However, they become more important under a RAB framework because the underlying assumptions and classification can directly influence prices for many years into the future.

Until the key findings of Atkins Réalis can be shown to have been fully implemented and demonstrated in practice, CANEGROWERS considers that the case for transitioning to a RAB framework remains incomplete.

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Affordability and future price risk

The Queensland sugar industry continues to face growing cost pressures. Electricity, labour, transport, compliance and farm inputs have all become more expensive in recent years. For irrigated cane growers, keeping water affordable remains extremely important.

The Draft Report highlights that prices under a RAB framework are generally lower in the first two years. However, lower prices in the short term do not necessarily mean irrigators are better off overall. Much of the difference between the annuity and RAB approaches appears to come down to when costs are recovered, rather than reducing the actual cost of supplying water. In other words, lower prices today may mean a greater share of costs are recovered from future customers.

The Highlander Consulting analysis commissioned by QFF explored this issue and reached a similar conclusion. CANEGROWERS acknowledges that the QCA identified limitations in aspects of that modelling. However, the broader point remains relevant – a RAB may improve short-term affordability but at the expense of higher future cost recovery. This raises generational equity questions about who ultimately pays for infrastructure renewals and whether costs are being shifted to future irrigators.

Many cane farms are family businesses that make investment decisions over generations. A framework that lowers prices in the short term but increases costs for future irrigators should not automatically be viewed as a better outcome. Before making a significant change to the pricing framework, there should be clear evidence that the benefits outweigh the risks and that affordability is being improved, rather than simply deferred.

Capital bias and regulatory incentives

CANEGROWERS is also concerned that a RAB could create stronger incentives to favour capital solutions over operating or maintenance alternatives, unless appropriate safeguards are in place.

Where returns are linked to the value of regulated assets, there is an inherent risk that capital expenditure may become more attractive than lower-cost operating or maintenance options. This does not mean that inefficient investment will occur automatically, but it does mean that the regulatory framework needs strong checks and balances to ensure investment decisions are driven by customer benefit, operational need and whole-of-life value.

This risk reinforces the importance of robust prudency assessments, clear capitalisation rules, independent validation of expenditure classification and meaningful customer engagement before major investment decisions are made. Customers should not be expected to accept a framework that increases reliance on regulatory oversight unless they can also have confidence that the necessary safeguards are strong, transparent and working effectively.

Long-term policy certainty

Irrigation customers make decisions over long timeframes. Cane farms, irrigation systems, water allocations and farm succession planning are not short-term investments. Growers need confidence that water pricing policy will remain stable, understandable and fair over time.

A move from the Renewals Annuity to a RAB framework would be a significant change to irrigation pricing arrangements. Such a change should not proceed simply because an alternative model is available or because it is used in other regulated sectors. It should proceed only if there is a clear policy reason, strong evidence of customer benefit and confidence that the transition will not create new risks for affordability, transparency or intergenerational equity.

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In CANEGROWERS' view, the review has not yet demonstrated that level of certainty. The existing framework is well understood and has supported infrastructure renewal over time. The proposed framework remains subject to unresolved questions about implementation, customer understanding, expenditure classification, asset lives, capital bias and long-term price impacts.

Conclusion

CANEGROWERS supports the ongoing maintenance and renewal of Queensland's irrigation infrastructure and recognises the importance of ensuring that funding arrangements remain sustainable over the long term.

However, we do not support a transition from the Renewals Annuity framework to a Regulated Asset Base framework.

The existing approach provides a practical, transparent and easily understood way of funding infrastructure renewals. It also provides a valuable accountability mechanism through the annuity balance, allowing customers to see how revenue and renewal expenditure are tracking over time.

CANEGROWERS acknowledges that the annuity framework relies on long-term forecasting and is not without limitations. However, the review has not demonstrated that these limitations have prevented infrastructure renewals, reduced funding certainty, constrained prudent investment decisions, or resulted in poorer outcomes for irrigation customers. Equally, it has not demonstrated that a RAB framework will deliver materially better outcomes for customers.

The case for change has not yet been established. If the QCA continues to pursue a future transition to a RAB framework, that transition should not occur until:

- expenditure classification has been independently validated at a project level;
- asset life assumptions have been comprehensively reviewed and supported by evidence;
- long-term customer impacts are better understood and clearly demonstrated;
- stronger safeguards against capital bias are in place;
- transparent annual reporting is available to customers;
- governance, procurement and prudency arrangements have been tested through normal business operations; and
- customers have had a genuine opportunity to engage with, understand and influence the design of the framework.

Until these conditions are met, CANEGROWERS considers that retaining the Renewals Annuity framework remains the most prudent, transparent and equitable outcome for Queensland irrigators. Please do not hesitate to contact Chris Gillitt, Farm Business Resilience Project Manager, chris_gillitt@canegrowers.com.au if you require any further information in relation to this submission.

Yours Sincerely

Dan Galligan
Chief Executive Officer