

EICL submission on QCA RAB vs Renewals Annuity Draft Report

Eton Irrigation Co-operative Ltd

August 2026

GM – Austin Evans

11 Flaherty St, ETON QLD 4741

austin.evans@etonirrigation.com.au

0427 277 906

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EICL submission on RAB vs Renewals Annuity (RA)

Eton Irrigation Co-operative Ltd

August 2026

1 Introduction

1.1 Eton Irrigation Background

The Eton system was built in the 1980s as a Queensland State Government system to distribute water from Kinchant Dam, 40 km west of Mackay.

Kinchant Dam, built across Sandy Creek in 1977, gets most of its stored water from the Pioneer River with only a small percentage coming from natural inflows.

Water from the river is pumped from Mirani Weir into an 8 km diversion channel that discharges into the dam, where it is then distributed to the Eton system.

The Eton system delivers up to 51,900ML of irrigation water to 315 customers covering approximately 15,000 hectares of irrigated land using 35km of open channel, 130km of pipeline and 6 pump stations.

A move toward local management of the Irrigation Scheme had been discussed and considered by customers of the Irrigation Scheme and the Queensland Government for over 20 years. Work commenced in 2012 when Government began detailed investigations into the feasibility of Local Management for Sunwater's irrigation schemes.

In late 2016, the Queensland Government set up Eton Irrigation and appointed the Board to negotiate and investigate the local management proposal with the Queensland Government and ultimately, if accepted by the Board and the Customers, to become the owner and operator of the Irrigation Scheme.

In 2019 a proposal put to the members was accepted by over 85% of the Water Allocation holders by volume.

In March 2020, Eton Irrigation Pty Ltd came into being and took over ownership and operation of the system (DOL holder). Note that the Marani Pump Station, the diversion channel and Kinchant Dam remains owned and operated by Sunwater (ROL holder).

In December 2020, the company converted to a co-operative. It currently has 5 Directors on the Board (3 irrigator members and 2 independents) and 8 employees.

We constantly strive to improve the operational efficiency of the scheme to provide the customers with their desired level of service at the lowest possible cost. A key responsibility in achieving that is to manage the assets that make up the Eton Irrigation System.

EICL is responsible for around \$300 million of assets. \$250 million of pipelines make up the largest portion of this. The majority of those pipelines are expected to reach end of life in 2060s – 2080s. Although that is a long time in the future, EICL is aware of it and enacting plans now to meet the funding cost of that and all the other assets as they reach end of life.

We have discussed that at a Board level and shared that information at AGMs and in Annual Reports so that members are aware it. Transparency is important.

EICL has a keen interest in the way that Sunwater manages the Eton Bulk System assets and funds their replacement, as the costs are predominantly borne by EICL irrigators.

Irrigators want the necessary work done. They understand that they have to pay for it. They just want the work done in the most efficient way, no unnecessary work done and it funded in the most efficient way.

To all those ends, EICL makes this submission on the QCA Review of RAB-based irrigation prices 2027–29.

2 EICL Modelling of RAB & RA

In response to the modelling that EICL provided in our original submission, the QCA made the following comment:

“EICL’s modelling for the Eton water supply scheme addresses some limitations of the Highlander modelling. However, it also has methodological differences and limitations, including in relation to the RAB formulation and long-term renewals assumptions.” QCA Draft Report Section 2.2

On the basis of that 1 paragraph the QCA has dismissed the results that our modelling demonstrated as:

“We have therefore used stakeholder modelling to inform our understanding of stakeholder views and to illustrate how the annuity and RAB approaches differ in principle, but we have not relied on it to draw firm conclusions about the relative merits of the approaches.” QCA Draft Report Section 2.2

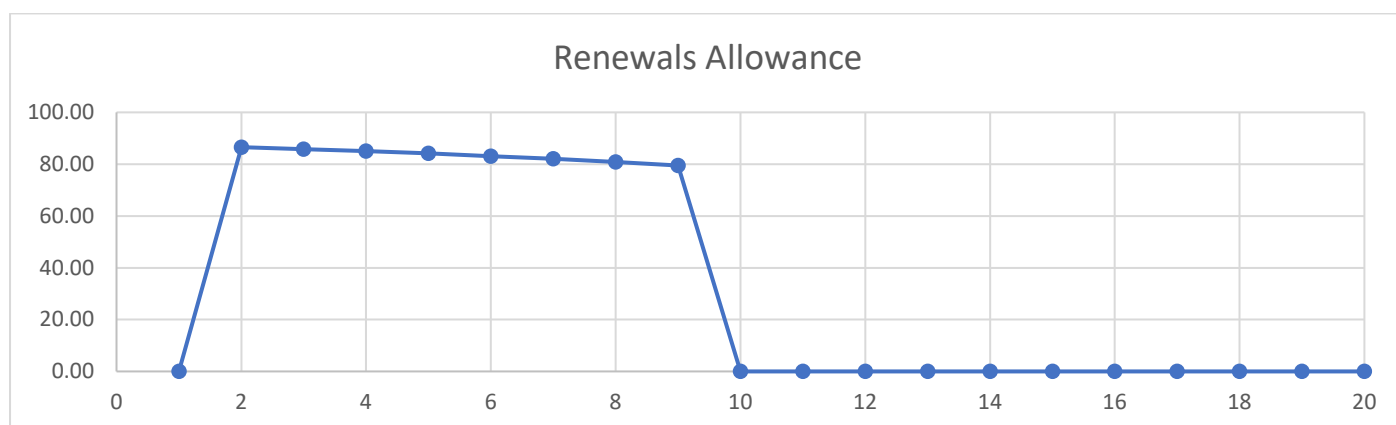
It would be assumed that the QCA would produce modelling that addresses all the shortcoming identified and provide it in a detailed, transparent form similar to the modelling EICL produced. Alas, no such detailed, transparent modelling was provided in the Draft Report. When it was requested by EICL, we got all the fob off excuses (don’t share that, might be confidential). It is no wonder that the transparency of Sunwater is way less than customers desire, when the QCA (the regulator that is meant to hold them to account) can’t be transparent.

The concerns raised by the QCA are addressed below.

The RAB formulation used

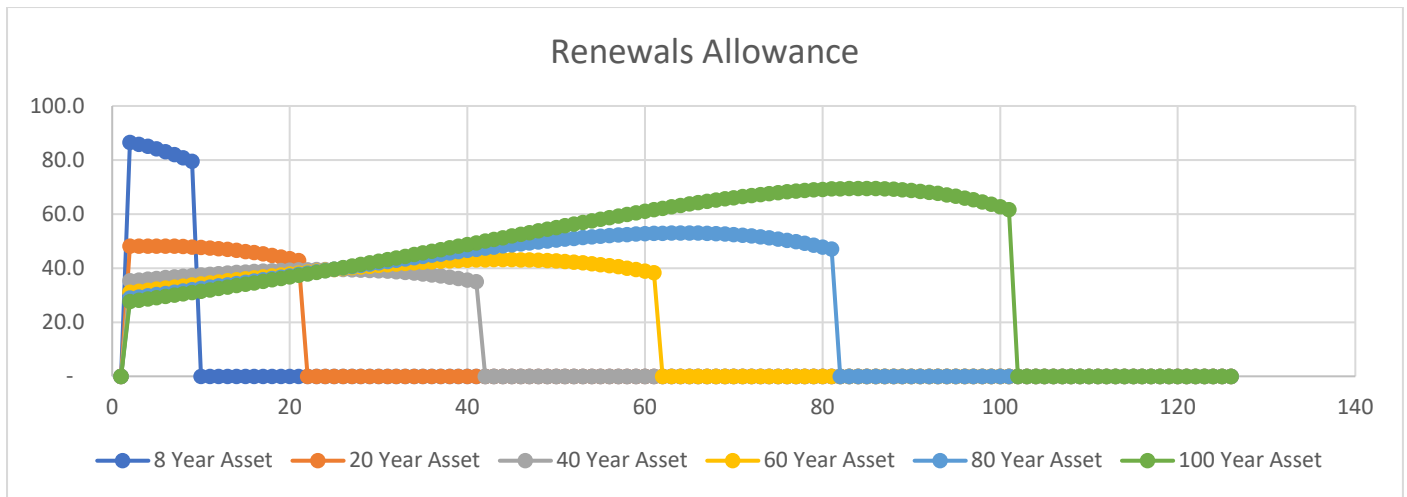
When quizzed on the RAB formulation concern, the QCA explained that EICL had used a straight-line repayment approach that was different to the nuanced repayment approach used by QCA. They explained that their approach would be likely to repay more earlier and may have a material effect on the results. They declined to provide their modelling that showed that and instead pointed to a hypothetical one asset example (\$500K, 8 year life) from their report. The formulae generating this example were eventually provided to EICL, only after we requested it.

This example was added to the EICL model spreadsheet (tab QCA RAB) and did indeed produce a curve that tapered off at the end.



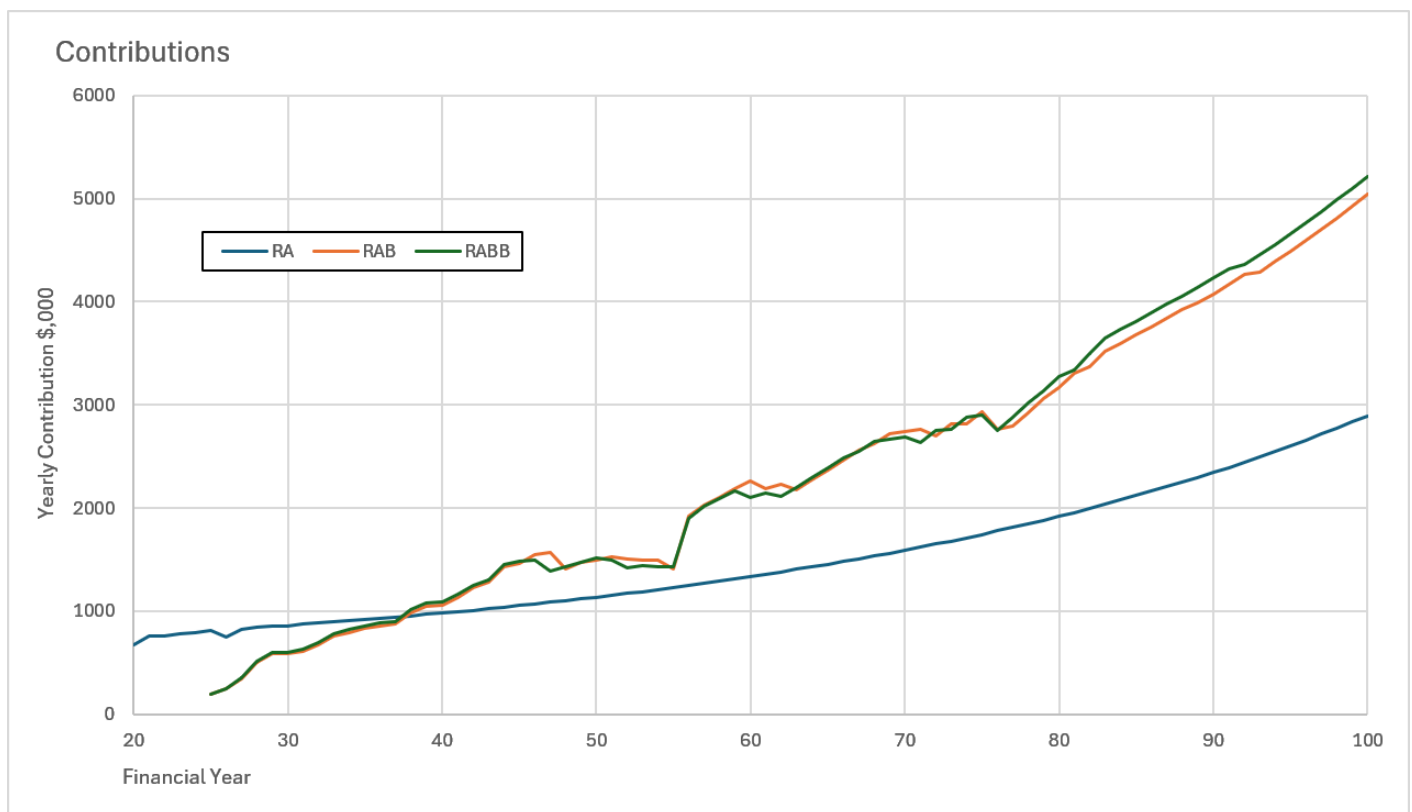
Not hugely different from a straight-line repayment, but different.

The spreadsheet was then extended to model what the curves of longer life assets so that they could be used in the EICL modelling. It should be noted that whilst an 8 year asset tapered off, by about 40 years, the asset curves were symmetrical and longer life assets had curves that started low and got larger until they slightly tapered off at the end.



These calculations based on the QCA methodology (tab QCA RABB) were then incorporated into the EICL model (tab RABB).

This extra curve was then added to the Contributions Comparison tab to produce the following chart.



It can clearly be seen that the change in methodology produces minimal differences between the two RAB curves, and both are significantly higher than the RA (Annuities) curve. It seems the QCA was drastically over estimating any potential impact.

Long-term Renewal Assumptions

When quizzed on the long-term renewals assumptions, the QCA had two concerns.

The first was the EICL had not used CPI to increase the renewals after 2056-7. This had been modelled in the original spreadsheet and showed significantly high absolute numbers for both approaches, but the RAB was still higher by a similar factor. EICL has not modelled it with the QCA RAB calculation due to time restraints but given the two RAB models are so close together the difference between the two approaches would be similar.

The second was that EICL had only used an average renewal figure for the years past 2056-7. As we have repeatedly stated over all of this process, we are happy to use figures from Sunwater if they would supply them. We have requested them repeatedly and we know they exist in SAP (we got the distribution system figures from Sunwater when we went to Local Management). Once again a lack of transparency.

Based on the above addressing of the QCA concerns, we believe there is no reason for the QCA to smear the quality of our modelling, and they should use “it to draw firm conclusions about the relative merits of the approaches”.

The updated spreadsheet is provided as part of EICL’s submission.

3 Comments on the rest of the Draft Report

Comments on the rest of the Draft Report have been made on a copy of the Draft Report which is a submitted attachment – QCA Draft Report on RAB v RA with EICL comments.docx.

The red font is EICL comments.

Any yellow highlighting before those comments is the part of the report that the comments refer to.

Any green highlighting is parts of the report that this separate document comments on.



Review of RAB-based irrigation prices from 1 July 2027: Sunwater

Draft report

June 2026

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Submissions

Closing date for submissions: 7 August 2026

Public involvement is an important element of our decision-making processes. Therefore, we invite submissions from interested parties. We will take account of all submissions received within the stated timeframes. Submissions, comments or inquiries regarding this paper should be directed to:

Queensland Competition Authority
GPO Box 2257, Brisbane Q 4001
Tel 07 3222 0555
www.qca.org.au/submissions

Confidentiality

In the interests of transparency, and to promote informed consultation, we intend to make all submissions publicly available. However, if a person making a submission believes that information in it is confidential, they should claim confidentiality over the relevant information (and state the basis for that claim). We will assess confidentiality claims in accordance with the Queensland Competition Authority Act 1997. Among other things, we will assess if disclosure of the relevant information is likely to damage a person's commercial activities, and we will consider the public interest.

Claims for confidentiality should be clearly noted on the front page of a submission, and relevant sections of the submission marked as confidential. The submission should also be provided in both redacted and unredacted versions. In the redacted version, all information claimed as confidential should be removed or hidden. In the unredacted version, all information should be exposed and visible. These measures will make it easier for us to make the remainder of the document publicly available. A confidentiality claim template is available at **www.qca.org.au/submission-policy**.

The template gives guidance on the type of information that may help us to assess a confidentiality claim. We encourage stakeholders to use this template when making confidentiality claims.

Public access to submissions

Subject to any confidentiality constraints, submissions will be available for public inspection at our Brisbane office or on our website at **www.qca.org.au**. If you experience any difficulty gaining access to documents, please contact us on **07 3222 0555**.

Executive summary

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. This review will inform the government's decision on prices that will apply from 1 July 2027.

This review compares two approaches to recovering renewals expenditure:

- the renewals annuity approach, which is currently used
- the regulatory asset base (RAB) approach, under which renewals expenditure is generally recovered from when incurred, with operating expenditure (opex) recovered in the year it is incurred and capital expenditure (capex) added to the RAB and recovered over time.

Stakeholder feedback highlighted a range of views, particularly on price stability and long-term outcomes under a RAB approach. This feedback has informed both our assessment and the design of transition arrangements.

RAB-based prices are lower in the short-term but increase in later years

RAB-based prices are generally lower over the next two years, primarily because costs start to be recovered from when expenditure is expected to occur. However, prices under the RAB approach are expected to increase in later years as capex is added to the RAB and recovered over time. By contrast, annuity-based prices are higher in the near term, reflecting the upfront recovery of forecast renewals expenditure, but are expected to increase more gradually over time.

Our draft recommended prices under the annuity and RAB approaches for each tariff group are set out in Appendix D and Appendix E, respectively.

Our modelling indicates that long-term prices are broadly aligned but outcomes vary across tariff groups. While most tariff groups are within 5% of annuity-based prices over the longer term (up to 30 years), 30 years isn't long term – EICL's modelling goes out longer and shows that the RAB prices continue to increase much higher than an annuity, a material number fall outside this range. For these groups, RAB-based prices may be higher or lower than under the annuity approach, reflecting scheme-specific factors rather than a uniform impact.

These results should be interpreted with caution. They depend on forecasts that may not materialise, and they do not account for potential behavioural changes. If the same asset replacement profile is used in both, then caution is not needed as the modelling shows the different impacts on the methods – RAB or Annuity.

Overall, the differences between the approaches primarily reflect the timing of cost recovery, rather than differences in the underlying renewals expenditure to be recovered.

The RAB approach strengthens the link between costs and prices

The RAB approach aligns prices more closely with actual efficient the RAB doesn't result in more efficient expenditure, strengthening incentives for cost control how? This is a furphy and investment delivery ??. By linking revenue to delivered works, it improves risk allocation — placing financing and delivery risk with the business not if QCA approves all their expenditure which it historically has 95% of the time, while reducing customers' exposure to forecast risk how? The forecast risk is still there, we would just no longer have visibility of it.

The annuity approach may spread costs more evenly across customer cohorts Yay, that is exactly what we are asking for, particularly where long-term forecasts are stable . In contrast, the RAB approach aligns cost recovery with the timing and service life of assets, which supports intergenerational equity what is your definition of intergenerational equity? It doesn't seem to be the same as ours but potentially results in more variable prices when expenditure is lumpy exactly what we are trying to avoid. The annuity avoids that.

Neither approach has a clear advantage in long-term price stability you have just said in the previous paragraph that a RAB is “potentially results in more variable prices when expenditure is lumpy”. That is the opposite of price stability. Annuity-based prices are more affected by changes in long-term renewals forecasts, while RAB-based prices are more impacted by large or lumpy projects and “any changes in long-term renewals forecasts” (it is just that we can’t see them).

The approaches also differ in transparency. The annuity approach provides visibility of planned expenditure and forward price paths, while the RAB approach offers a clearer audit trail by linking delivered works, the asset base and future revenue. How is the audit trail any clearer. An audit trail can only look at the past – that is the same for both approaches.

The transition settings limit short-term price impacts

We have adopted a pragmatic approach to implementing the RAB framework for this interim review, reflecting data limitations and the constrained timeframe.

Key inputs have been applied on an interim basis. We have used Sunwater’s proposed categorisation of renewals expenditure between capex and opex, as well as its asset life assumptions, noting that both will require further review and validation if a RAB approach is implemented at the next full price review. Consistent with Sunwater’s proposal, we have set the initial RAB at 1 July 2027 using closing annuity balances at 30 June 2027.

Using these inputs, we have assessed the impact of transitioning to a RAB approach on cost-reflective fixed price targets, noting that volumetric price targets remain unchanged.

To moderate price impacts at the point of transition, we have applied tailored depreciation periods for initial RABs for schemes with negative annuity balances. This limits the differences between RAB-based and annuity-based fixed price targets in 2027–28 and helps reduce divergence in subsequent periods.

Sunwater’s customer engagement was adequate but could be improved

Overall, Sunwater’s engagement approach was reasonable in structure and scope, focusing on explaining the proposed transition and seeking feedback on key issues.

However, it provides limited assurance that customers had a well-informed understanding of the pricing impacts and trade-offs associated with the transition. It is also unclear to what extent customer feedback meaningfully informed the design of transition options.

Next steps

We will hold stakeholder workshops on the draft report in July 2026. Further information is available on our website.

Submissions are invited by 7 August 2026. We will consider all submissions received by the due date in preparing our final report, which is due to the government by 30 September 2026.

1 Overview

We have been directed to investigate and report on appropriate prices for the irrigation services provided by Sunwater and Seqwater (the businesses), derived using the regulatory asset base (RAB) approach. The review is being conducted under a direction notice issued by the Minister for Finance, Trade, Employment and Training under section 10(g) of the *Queensland Competition Authority Act 1997* (the QCA Act).¹

1.1 Background

We recently completed a review of the businesses' irrigation pricing practices and recommended irrigation prices to apply for the 4-year period from 1 July 2025 to 30 June 2029 (the 2025 review).² Consistent with previous reviews, our recommended prices reflected the application of the annuity approach to determine an allowance for renewals expenditure.

Following consideration of our recommendations, the Queensland Government decided to set prices for a 2-year period from 1 July 2025 to 30 June 2027 based on our recommendations, but with a 15% discount for eligible customers.³ Prices were set for a shorter period to allow time for this review to be undertaken and for advice to be provided to the government on appropriate prices under a RAB approach. The advice will inform the government's decision on prices that will apply from 1 July 2027.⁴

1.2 What we have been directed to do

In accordance with the direction, we are required to:

- assess the relative merits of the RAB and annuity approaches to developing irrigation prices
- recommend irrigation prices for 2027–28 and 2028–29 using both the RAB and annuity approaches
- report on the results of a comparison between recommended RAB-based and annuity-based prices, as well as between the corresponding price targets, for 2027–28 and 2028–29.⁵

The prices in this review are to be based on allowable costs that are consistent with our positions from the 2025 review, except for changes necessary to move from an annuity approach to a RAB approach.⁶

1.3 Our approach

Given that a comprehensive review of irrigation prices was recently completed, this interim review focuses on the practical considerations associated with transitioning from the existing renewals

¹ The direction is available on our website at [Review of RAB-based irrigation prices 2027–29](#).

² Information about that review is available on our website at [Irrigation price investigation 2025–29](#).

³ Queensland Government, [Gazette](#), vol 399, no 33, 13 June 2025, pp 266–270.

⁴ Queensland Government, [Seqwater and Sunwater irrigation pricing](#), Business Queensland website, 2026, accessed 17 April 2026.

⁵ Direction, para C(1.1)(c).

⁶ See the direction, section A, definitions of 'RAB-based Prices', 'Annuity-based Prices' and 'Price Target'.

annuity approach to a RAB approach, including the treatment of renewals expenditure and related implementation and transition matters.

1.4 Consultation process and timetable

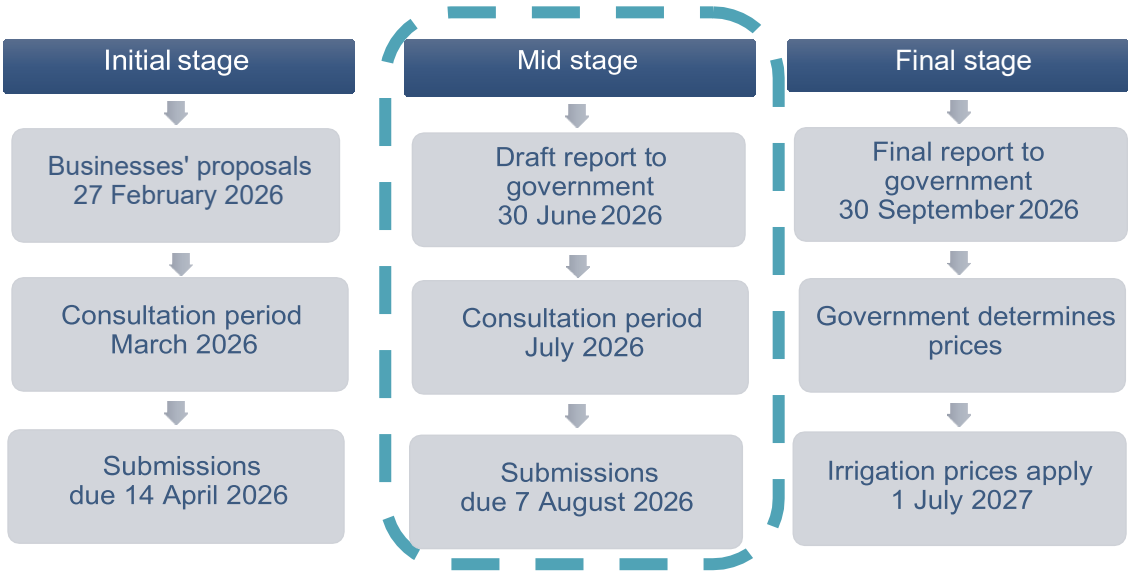
Our consultation process formally began when the businesses submitted their pricing proposals at the end of February 2026.

We held stakeholder workshops in March 2026, with the purpose to understand the issues of importance to stakeholders and to provide information to facilitate submissions.

Initial submissions were invited by 14 April 2026. We have carefully considered all submissions received by the due date in preparing this draft report.

Details of the initial round of workshops we conducted and a list of the submissions we received are in Appendix A.

Figure 1: Review timeframe



Consultation on the draft report will begin with workshops in July 2026. Information about the workshops is available on our website. As with our initial round of workshops, we will not document workshop discussions as formal submissions, but we will publish a summary of the issues raised and expect the discussions will inform our ongoing assessment and final recommendations.

After the workshops, stakeholders are invited to provide written submissions on our draft report by **7 August 2026**.

To stay informed about our review, stakeholders can regularly visit our website or [subscribe](#) to receive email updates. Further information can be requested by using the [contact form](#) on our website or call us on 07 3222 0555.

2 Relative merits of the approaches

This chapter explains how each approach recovers renewals costs and assesses their relative strengths and weaknesses, drawing on stakeholder feedback.

2.1 How each approach recovers renewals costs

The renewals annuity and RAB approaches recover the cost of refurbishing and replacing irrigation assets over time. However, they differ in:

- Whether the money is paid ahead of time or borrowed
- when costs are recovered
- how much they rely on long-term renewals forecasts.

In broad terms:

- the renewals annuity approach smooths the recovery of forecast renewal costs over time
- the RAB approach aligns cost recovery more closely with the timing of actual works delivered.

2.1.1 Key features of each approach

Renewals annuity approach

How the approach works

Under the renewals annuity approach used in Queensland irrigation pricing, forecast renewals expenditure is recovered through a smoothed annual allowance calculated over a long term (30-year) planning period. Note that other organisations outside of Qld use longer timeframes (eg 80 – 100 years at Coleambally Irrigation)

Forecast renewals expenditure includes costs associated with asset refurbishment and replacement, and major periodic maintenance. Smoothing the recovery of these costs over time is intended to limit significant fluctuations in prices associated with lumpy expenditure.

In previous price reviews, a rolling annuity approach has been used. This means that the annuity is recalculated in each year of the price path period to reflect:

- the opening annuity balance for that year
- forecasts of renewals expenditure over the next 30 years.

The allowed rate of return is reflected in the annuity calculation, including in the financing cost or benefit associated with negative or positive opening annuity balances.

The allowance applied in each year is the first-year annuity from that year's calculation.

How updated information is reflected

The annuity approach relies on long-term renewals expenditure being reasonably stable and predictable so that it can be forecast with a reasonable degree of accuracy.

In practice, actual prudent and efficient irrigators question prudence and efficiency expenditure may differ from forecasts, and longer-term forecasts may change. When this occurs:

- differences between forecast and actual prudent and efficient expenditure are incorporated

- into the opening annuity balance for the first year of the next price review
updates to longer-term forecasts are reflected in the recalculated annuity allowance.

As a result, adjustments to reflect updated information are generally incorporated at the next price review, and their impact is spread over the 30-year planning period, rather than being reflected immediately in price targets.

Regulatory asset base (RAB) approach

How the approach works

Under a RAB approach, renewals expenditure is recovered differently based on whether it is categorised as capital expenditure (capex) or operating expenditure (opex).

Capex, such as expenditure on asset refurbishment or asset replacement, is:

- funded by the business when required
- added to the RAB when it is expected to be incurred, subject to assessment of prudence and efficiency
- recovered over time through:
 - a return on capital, calculated by applying the allowed rate of return to the RAB
 - a return of capital, through depreciation over the useful life of the asset.

Opex, such as routine or minor periodic maintenance expenditure, is expensed and recovered in the year it is incurred.

Which is the same in an annuity – not sure why this is being highlighted for a RAB

How updated information is reflected

The RAB approach relies less on long-term renewals forecasts than the annuity approach, because only costs expected to occur over the price path period are reflected in price targets for that period.

In practice, actual prudent and efficient expenditure may differ from forecasts. When this occurs:

- the RAB is updated at the next price review to reflect actual prudent and efficient capex
- adjustments are made for previous over- or under-recovery of capital-related allowance.

As a result, adjustments to reflect updated information are generally dealt with more directly at the next price review, rather than being smoothed over the 30-year planning period. ie lumpy

2.1.2 Rate of return

The rate of return is a key input to the calculation of price targets under both the RAB and renewals annuity approaches. The rate of return generally applied is the weighted average cost of capital (WACC). Under a renewals annuity approach, the WACC is used to calculate the annual annuity allowance and is also applied each year to the annuity balance. Under a RAB approach, it is used to determine the return on the RAB included in price targets.

Some stakeholders raised concerns that including a return on capital under a RAB approach would be inconsistent with lower bound pricing principles. They said that the definition of lower bound pricing in Queensland has evolved over time, stating that the definition we used in the 2020 review differed from previous definitions as it excluded only a return on pre-2000 assets and therefore allowed a return on post-2000 capex, including renewals. These stakeholders argued that the renewals annuity approach more closely aligns with lower bound pricing under the National Water Initiative.⁷

⁷ Avocados Australia, sub 3, pp 1, 3; Brooklet Farms, sub 4, p 2; Bundaberg Fruit and Vegetable Growers (BFVG), sub 5, p 3;

Bundaberg Regional Irrigators Group (BRIG), sub 6, pp 2, 4; BRIA Irrigators, sub 7, pp 1–2; Canegrowers, sub 8, pp 1–2; Central Downs Irrigators, sub 10, p 1; Cotton Australia, sub 12, pp 3–4, 6; Lockyer Water Users Forum, sub 16, p 1;

We do not agree that our 2020 review report changed the definition of lower bound pricing. In that report, we referred to lower bound prices ‘as previously defined by the government’, stating that these recover the prudent and efficient costs of operating, maintaining, administering and renewing each scheme, while excluding certain costs, such as a return on and of existing assets (as at 1 July 2000). This reflected the treatment of the initial asset base in the referral notice for that review.

Some stakeholders also raised concerns about the level of the rate of return, noting that the WACC or benchmark cost of debt may exceed the water business’s actual borrowing costs. They argued that this could result in irrigators paying more than the business’s financing costs.⁸

Our approach to setting the rate of return in our previous irrigation price reviews is consistent with our approach in other reviews **ie QCA have always done it that way and it can never be questioned – a sure-fire recipe for failure**. While the water businesses do not operate in a competitive market, we assess the rate of return by reference to the efficient cost of financing a **benchmark business facing similar risks** **except all the non government IIOs**. This reflects the need for water businesses to maintain ongoing access to capital and recognises that the cost of capital reflects the **opportunity cost of funds** **that is a decision of government, not a given, irrespective of public ownership** **except all the non government IIOs**. **Is that the same approach that is taken for publicly owned roads?**

We do not consider it appropriate to set the rate of return too low, as this would risk failing to recover the efficient costs of providing services over time, including maintaining and renewing assets. Where revenues are insufficient to recover these efficient costs, the resulting shortfall is borne by the owner. Decisions about whether certain services should be subsidised, and how any funding shortfall should be addressed, are matters for the government.

2.2 Consideration of stakeholder modelling in our assessment

In assessing the relative merits of the renewals annuity and RAB approaches, we considered modelling by irrigation stakeholders, including modelling undertaken by Highlander Consulting (submitted with the Queensland Farmers’ Federation (QFF) submission) and Eton Irrigation Cooperative Ltd (EICL).

The Highlander Consulting model compares long-term price outcomes under both approaches using a broadly common set of inputs and assumptions. This provides a stylised comparison of how the approaches recover costs over time. On this basis, the results show that annuity-based prices remain relatively stable over time, while RAB-based prices start lower but increase over time and exceed annuity-based prices in later years. Overall, the present value of costs is broadly similar under both approaches.

We consider this modelling useful for illustrating key conceptual differences between the approaches and for understanding stakeholder perspectives.

However, as explained in Appendix B, the model has several limitations, including that it:

- assumes historical renewals were known in advance and therefore does not capture forecast risk or the adjustments that occur in practice
- uses alternative calculation methodologies for the annuity and RAB approaches, which affect the timing of cost recovery compared with our adopted approaches

Queensland Cane Agriculture and Renewables (QCAR), sub 18, p 4; Queensland Farmers' Federation (QFF), sub 19, pp 2–6; QFF, sub 19, attachment (Highlander Consulting report), pp 6–15, 55–57.

⁸ Avocados Australia, sub 3, p 1; Brooklet Farms, sub 4, p 2; BRIG, sub 6, p 2; Canegrowers, sub 8, p 2; Eton Irrigation Cooperative Ltd (EICL), sub 13, pp 3, 8; Pioneer Valley Water Co-operative Limited, sub 17, p 1.

- is likely to materially understate renewals forecasts beyond 2057–58, thereby reducing forecast annuity contributions in later years of the assessment.

EICL's modelling for the Eton water supply scheme addresses some limitations of the Highlander modelling. However, it also has methodological differences and limitations, including in relation to the RAB formulation and long-term renewals assumptions. QCA concerns are addressed in the separate document and spreadsheet.

These limitations can materially affect the level and variability of prices over time. Both models also extend over a very long period, which can amplify the effect of underlying assumptions.

We have therefore used stakeholder modelling to inform our understanding of stakeholder views and to illustrate how the annuity and RAB approaches differ in principle, but we have not relied on it to draw firm conclusions about the relative merits of the approaches. The QCA dismisses the modelling done by Highlander and EICL because it doesn't fit with the predetermined conclusion the QCA are trying to reach. Our assessment is based on the broader regulatory framework and the evidence set out in this report what evidence?, with the modelling providing supporting context only. So, there are no numbers backing up your conclusions. It is just an acceptance of the "way we have always (only 20 years) done it". To put it in colloquial terms – the QCA has "drunk the Kool-aid" and just accepts the "broader regulatory framework" without questioning whether it actually works or not.

2.3 Relative strengths and weaknesses of the approaches

The choice between using the annuity approach or the RAB approach to recover renewals expenditure has implications for:

- investment incentives faced by the business
- the allocation of risk between the business and customers
- longer-term pricing outcomes and the stability of price targets over time
- the profile of cost recovery across customer cohorts (intergenerational equity)
- transparency, accountability and simplicity.

Overall, we consider the RAB approach strengthens incentives for cost control and investment delivery and improves risk allocation — placing financing and delivery risk with the business, while reducing customers' exposure to forecast risk. The annuity approach may smooth costs across customer cohorts and approximate intergenerational equity where renewals needs are broadly stable and long-term forecasts are reliable. However, the RAB approach more directly aligns cost recovery with the timing and service life of renewed assets, although this alignment may be less direct during transition much less - if you only have 10% of the asset base in the RAB in the early years then your alignment is going to be out of whack by 90%.

There is no clear advantage in overall price stability over the long term; both approaches can experience price movements when forecasts or major projects change. They also provide different forms of transparency — the annuity approach provides visibility of planned expenditure and forward price paths, while the RAB approach offers a clearer audit trail between delivered works, the asset base and future revenue. Where is the evidence to back up your conclusions? The QCA has twisted and contorted the evidence to fit their predetermined conclusions and sought to discredit any evidence that shows otherwise.

Our assessment is summarised in Box 1.

Box 1: Summary of relative merits

Incentives for efficient investment are likely to be stronger under the RAB approach. The RAB approach ties revenue more closely to delivered expenditure. **The incentives are actually against efficient investment – the more investment they can get approved, the more profit they make.**

Risks are allocated more efficiently under the RAB approach. The RAB approach allocates more financing and delivery risk to the business (where it can be better managed) and less forecast risk to customers. **Unless the regulator approves 95%+ of their investments (historically true), then all the risk is with the customers.**

Neither approach is clearly better in terms of longer-term pricing outcomes and price target stability. The annuity approach can have significant price target movements where forecast renewals change materially between price reviews or large projects enter the rolling annuity forecast. The RAB approach can also have price target movements when large projects are forecast to be incurred within a price path period. **Yes there are potential price movements with both, but the potential price movements with a RAB are higher than with an Annuity.**

The approaches have different implications for intergenerational equity. The annuity approach can spread costs more evenly across different customer cohorts, particularly when long-term forecasts are reliable and stable. The RAB approach aligns costs more closely with the timing and service life of renewals **the major extra costs aren't renewals – they are new spending expenditure. The Annuity assumes that the asset/service is provided in perpetuity. Any major divergence from the current asset/service would require an agreement from the customers or an opportunity to leave (doesn't currently exist)**

The approaches provide different forms of transparency and accountability. The annuity approach can provide visibility of planned expenditure and expected price target paths. The RAB approach can provide a clearer audit trail between delivered works, the asset base and future revenue.

*The approaches also differ in transparency. The annuity approach provides visibility of planned expenditure and forward price paths, while **the RAB approach offers a clearer audit trail** by linking delivered works, the asset base and future revenue. **How is the asset trail any clearer. An asset trail can only look at the past – that is the same for both approaches. And how does a clearer asset trail benefit irrigators? It doesn't.***

2.3.1 Incentives for efficient investment

A RAB approach is likely to provide stronger incentives for efficient investment. This is because it creates a closer link between delivered expenditure and revenue, while an annuity links revenue to the broader renewals program. However, the effectiveness of the RAB approach depends on the

presence of clear capitalisation rules, **robust prudency and efficiency assessments** none of the past prudency and efficiency assessments have been robust – the QCA has regularly said during price path reviews that they don't have the resources or time to assess items in any detail, **and ongoing scrutiny** the QCA has also repeatedly described that they are only brought in at price path review time and for the rest of the cycle they are not involved at all – that is not ongoing scrutiny **to constrain capital-bias risks** even during price path reviews the QCA has done next to nothing to constrain the capital bias risks.

Box 2 explains the linkage between project delivery and revenue under each approach.

Box 2: Link between delivered projects and revenue

Under the **annuity approach**, the business's revenue is based on a smoothed annual allowance across the forecast renewals program. This means that:

- forecast renewals are reflected in price targets before they are delivered, including those forecast later in the 30-year planning period
- if projects are **brought forward (more common)**, delayed, rescope, not delivered, or assessed as not prudent and efficient, adjustments are made at the next price review
- adjustments are reflected through the annuity balance, with the impact on annuity revenue smoothed over the planning period.

Under the **RAB approach**, cost recovery is more directly linked to when expenditure is incurred and whether it is assessed as prudent and efficient. This means that:

- forecast renewals capex is reflected in price targets from the year it is expected to be incurred, while renewals opex is reflected in full in the year it is incurred
- if projects are **brought forward (more common)**, delayed, rescope, not delivered, or assessed as not prudent and efficient, adjustments are made at the next price review
- adjustments are reflected through updates to the RAB and true-up adjustments for previous over- or under-recovery of capital-related allowances, with any true-up reflected in full in the next price path period.

Several stakeholders expressed concern that a RAB approach may encourage a preference for capital solutions over operating solutions, or lead to over-investment, because the business earns a return on capital.⁹ While this incentive can arise in theory, its strength in practice depends on regulatory design. Clear capitalisation rules, prudence and efficiency **reviews, and the risk of disallowance** can materially constrain the scope for inefficient capitalisation or investment. **Except those things either do not exist or are extremely ineffective.**

Stakeholders also emphasised that investment efficiency depends on effective governance and scrutiny. They highlighted the importance of customer engagement, transparency and forward visibility of long-term forecasts, and the effective scrutiny of proposed expenditure.¹⁰ These safeguards are important under both approaches but are particularly relevant under a RAB **and yet every one acknowledges that the items in the previous sentence have been done very badly in the past and have no prospect of being any better in the future** approach given the explicit return on capital and the need to distinguish capex from opex.

On balance, **a RAB approach is likely to provide stronger incentives for efficient investment** it has no incentive for efficient investment, in fact the opposite – the more that they invest the more revenue they get, because it more closely links revenue to delivered expenditure **that causes the opposite – it encourages more investment which is likely to be less efficient.** This is subject to **robust safeguards** to avoid capital bias and ensure only prudent and efficient expenditure is recovered. **There are currently no “robust safeguards”**

⁹ Avocados Australia, sub 3, p 2; Brooklet Farms, sub 4, p 2; BFVG, sub 5, p 3; BRIA Irrigators, sub 7, p 5; Canegrowers Burdekin, sub 9, p 1; Fairbairn Irrigation Network, sub 14, pp 1–2; Geddes, C, sub 15, p 4; Lockyer Water Users Forum, sub 16, p 2; Pioneer Valley Water Co-operative sub 17, p 1; QCAR, sub 18, p 4; QFF, sub 19, p 5.

¹⁰ BFVG, sub 5, pp 2, 4; Canegrowers Burdekin, sub 9, p 1; Central Highlands Cotton Growers and Irrigators Association (CHCGIA), sub 11, pp 1–2; EICL, sub 13, pp 10–11; Fairbairn Irrigation Network, sub 14, pp 1–2, 5; Geddes, C, sub 15, p 5; QFF, sub 19, pp 4–7; QFF, sub 19, attachment (Highlander Consulting report), pp 53–54; Tinaroo Water Committee, sub 20, p 1.

2.3.2 Efficient allocation of risk

A RAB approach is more likely to allocate risk efficiently where there is material uncertainty in renewals expenditure, as **it places more delivery and financing risk on the business**. **Where is your evidence of that. Historically, the QCA has approved 95%+ of renewals expenditure and therefore the risk is shifted to customers.** By contrast, an annuity approach places greater reliance on long-term forecasts and therefore exposes customers to the risk that those forecasts change over time, including where forecast renewals change materially in timing, scope or cost, or are no longer required. **Yes and we have visibility of that and can push back against changes.**

Box 3 defines the key types of risk considered in this section.

Box 3: Forecast, delivery and financing risk

Forecast risk is the risk that renewals forecasts used to set allowances later differ from actual or updated renewals requirements. This can occur where forecast renewals change materially in timing, scope or cost, or are no longer required.

Delivery risk is the risk associated with planning and delivering projects efficiently. This includes managing project timing, scope, cost control and whether expenditure is approved for recovery.

Financing risk is the risk associated with funding expenditure before it is recovered through price targets, including cash flow and balance sheet impacts.

In general, risk should be borne by the party best placed to manage it. **For renewals expenditure, the business is better placed than customers to manage the timing, scope and cost of individual projects.** Customers are not well placed to manage inefficient project delivery and should not bear costs that are not prudent and efficient **customers are the best at identifying the need for any investment and are the best at weighing that against the cost.**

Under the annuity approach, revenue is based on forecasts of long-term renewals expenditure. This means customers contribute to renewals expenditure before projects are delivered.

Where projects change materially in timing, scope or cost, or are no longer required, **customers may remain exposed to these forecasts until they are updated at a future price review** **this seems to infer that the forecasts are too high – this does not match historical reality, usually they are too low.** Even then, adjustments are made by updating the annuity balance and are therefore **smoothed over the 30- year planning period** **smoothed is what we want, rather than recovered from, or returned to, customers as a discrete adjustment in the next price path period** **lumpy.**

Some stakeholders said they understood and were willing to bear this risk on the basis that contributing to a renewals sinking fund allows each generation of customers to pay its share of asset renewal costs.¹¹ Further, stakeholders considered that appropriate governance arrangements and regulatory scrutiny could mitigate this risk.¹² However, **long-term forecasting is inherently uncertain, particularly for projects beyond the price path period for which asset condition, demand and requirements are less well defined.** **It is too difficult, so Sunwater want a RAB so that they don't even have to try – even though other organisations (eg Coleambally Irrigation) are able to do it.**

¹¹ Canegrowers, sub 8, p 2; QCA, [*Review of RAB-based irrigation prices 2027–29, Ayr workshop — summary of issues raised*](#), n.d.; QCA, [*Review of RAB-based irrigation prices 2027–29, Mackay workshop — summary of issues raised*](#), n.d.; QCA, [*Review of RAB-based irrigation prices 2027–29, Online workshop — summary of issues raised*](#), n.d.

¹² EICL, sub 13, pp 10–11; QFF, sub 19, p 4; QFF, sub 19, attachment (Highlander Consulting report), p 56.

Under a RAB approach, forecast renewals capex is reflected in price targets from the year it is forecast to be added to the RAB. Actual renewals capex is then assessed at the next review before being rolled into the RAB on an ongoing basis.

Some stakeholders argued that the RAB approach would eliminate financial risk for the business and guarantee recovery of actual capex by the business.¹³ In practice, differences between forecast and actual expenditure are generally addressed at the next price review through the RAB roll-forward and true-up adjustments to capital-related allowances. This places more delivery and financing risk on the business, as future cost recovery depends on expenditure being assessed as prudent and efficient and included in the RAB (95%+ have been approved historically). Where project delays or bring forward (more common), rescoping or inefficient expenditure affect the timing or amount approved for recovery, the business is more exposed to delayed, reduced or disallowed cost recovery except that 95%+ have been allowed making these checks and balances close to non-existent.

On balance, where long-term renewals forecasts are materially uncertain, a RAB approach is likely to allocate risk more efficiently, provided there is effective regulatory oversight of capex and capitalisation decisions except there is no “effective regulatory oversight” therefore by the QCA’s own assessment a RAB won’t be more efficient/work.

2.3.3 Longer-term pricing outcomes and price target stability

Neither approach is clearly better in terms of longer-term pricing outcomes and price target stability this is just a barefaced lie - the EICL modelling clearly shows that the Annuity has better longer-term pricing outcomes and price target stability. An annuity approach can support stable price targets by spreading forecast renewals costs over a long period, while a RAB approach reduces reliance on long-term renewals forecasts that only helps Sunwater not customers. However, both approaches can result in price target movements not to the same degree. By its inherent design a RAB will be lumpier ie bigger price target movements.

Changes in price targets will depend on the share of scheme revenues attributable to the renewals allowance. Box 4 explains the key drivers of the renewals allowance and its changes under each approach.

Box 4: Key drivers of changes in renewals allowance

Annuity approach	RAB approach
What determines the size of the renewals allowance?	
- Long-term renewals forecast - Opening annuity balance - Replacement periods - Return on capital (WACC) possibly a return to customers – sometimes positive	- Forecast renewals capex - Opening RAB - Depreciation period (asset lives) - Return on capital (WACC) a cost to customers – always negative
What causes the renewals allowance to change at a price review?	
- Actual renewals expenditure differs significantly from forecast - Revisions are made to forward renewals forecasts - New forecast years are added as the planning period rolls forward - The WACC is updated	- Actual renewals capex differs significantly from forecast - Forecast renewals capex is added to the RAB and is material relative to the RAB, particularly during transition - The WACC is updated

¹³ Geddes, C, sub 15, p 2; Pioneer Valley Water, sub 17, p 1.

Review of RAB-based irrigation prices from 1 July 2027: Sunwater

Several stakeholders expressed a preference for the annuity approach based on price target stability.¹⁴ Where renewals expenditure can be **forecast with reasonable accuracy** **why can't Sunwater forecast with reasonable accuracy – others can (eg CICL)** and the forecast profile remains relatively stable over time, an annuity approach can deliver stable and predictable price targets by spreading lumpy costs over a long period. This is illustrated in the modelling analysis undertaken for the QFF, which shows generally stable annuity revenues under the assumption of **perfect foresight** **wrong – it compares the same asset renewal profiles – the QCA has provided no transparent modelling that shows how a change to the forecast affects the outcomes from a RAN v an Annuity**.¹⁵ **Our long-term modelling** **QCA modelling has limited detail, almost no transparency of price targets from 2027–28 to 2056–57 shows** **similar outcomes** **good, the QCA agrees with us,** with annuity-based price target paths remaining relatively smooth where forecast assumptions are stable (see Chapter 6 and the scheme information sheets).

In practice, annuity-based price targets can change materially between price path periods when the annuity is recalculated at a price review. Although the annuity continues to spread costs over the long-term planning period, price targets may still shift at these review points. These changes generally arise from incorporating differences between forecast and actual renewals expenditure into the annuity balance, as well as updates to forward renewals forecasts. **Together, these adjustments can result in step changes in price targets.** **But unlike a RAB, these changes are obvious and act as a KPI**

This effect can be illustrated by examining recent price reviews. Table 1 shows, for selected schemes with moderate levels of volatility in these recent price reviews, how differences between forecast and actual renewals expenditure and updates to forward forecasts have contributed to step changes in annuity allowance.

Table 1: Drivers of step change in annuity allowance at price reviews (%)

Scheme	Review	Change in previous actuals (%)	Change in future forecasts (%)	Other factors (%)	Step change in first year annuity (%)
Barker Barambah	2020	(38.0)	153.3	38.9	154.3
	2025	4.7	(36.7)	(2.0)	(34.0)
Bundaberg (bulk)	2020	(22.5)	230.4	51.0	207.9
	2025	(10.8)	(16.5)	–	(27.4)
Nogoa-Mackenzie	2020	(8.6)	109.1	37.1	137.7
	2025	8.6	0.7	11.7	21.1

Notes: 1. 'Step change' refers to the change in the annuity allowance between price path periods following recalculation at a price review. 2. Values represent the impact of each factor on the first-year annuity, holding other factors constant. 3. Other factors include the addition of new forecast years and changes modelling assumptions such as the WACC.

Source: QCA analysis.

The table shows that changes in annuity allowances typically reflect a combination of factors. In many cases, updates to forward forecasts have a larger impact on price targets than differences between forecast and actual expenditure.

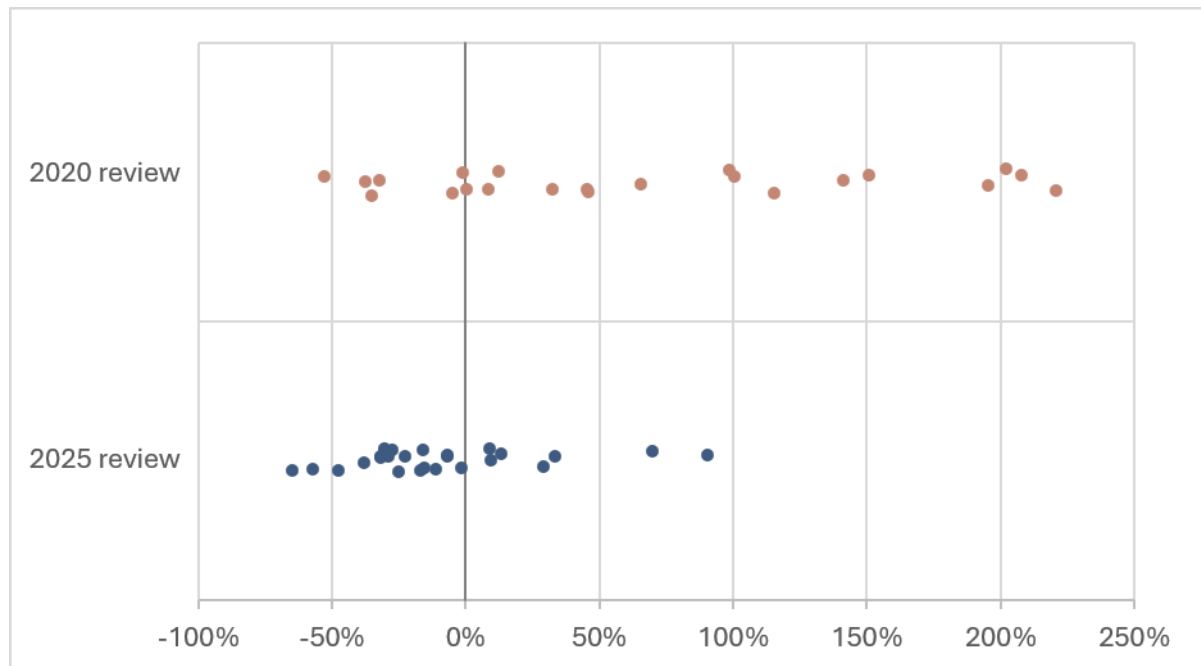
Figure 2 shows the scheme-level spread of first-year step changes in the annuity allowance that is due to differences between forecast and actual renewals expenditure and updates to forward forecasts at each price review.

¹⁵ QFF, sub 19, attachment (Highlander Consulting report).

¹⁴ Brooklet Farms, sub 4, p 2; BRIG, sub 6, p 4; BRIA Irrigators, sub 7, p 6; Canegrowers, sub 8, p 2; Canegrowers Burdekin, sub 9, p 1; Central Downs Irrigators, sub 10; Cotton Australia, sub 12, p 1; EICL, sub 13, p 3; Lockyer Water Users Forum, sub 16, p 2; QCAR, sub 18, p 3; QFF, sub 19, p 5.

¹⁵ QFF, sub 19, attachment (Highlander Consulting report).

Figure 2: Step change in renewals allowance due to changes in forecasts (%)



Notes: 1. Each dot represents a Sunwater scheme. 2. The spread of dots shows how much annuity allowances changed across schemes due to changes in forecasts at each review. 3. Values above zero indicate increases, while values below zero indicate decreases. 4. For the 2020 review, Boyne River and Tarong, Chinchilla Weir, Dawson Valley and Lower Fitzroy were excluded as their increases were over 500%. 5. These changes exclude the effects of changes in WACC, inflation and the term of the planning period.

Source: QCA analysis.

The QCA has gone to great lengths to show that large changes have happened historically – this is not disputed. The industry has long pointed out this as a poor planning failure of Sunwater. However, the QCA has failed to show transparent modelling of the impact of these changes in a RAB v Annuity comparison. A big change will cause a greater variation in a RAB than an Annuity.

A RAB approach is less affected by long-term forecast uncertainty because renewals expenditure is generally reflected in price targets when it is expected to be incurred and then reassessed at the next review. The QCA's idea of "less affected" is seemingly bizarre – it is like you expect the RAB to be lumpier and when it is, you say it is "less affected". The whole starting point of this section was to downplay the modelling by Highlander and EICL as reliable evidence. Your response should be to transparently model those big changes and show the price stability of a RAB v an Annuity – the QCA has not done that. Yet you make this statement of faith that "A RAB approach is less affected". However, stakeholders raised concerns that RAB-based price targets may be lower in early years and higher in later years, making prices less affordable for future customers.¹⁶ This reflects that the RAB approach recovers capitalised renewals from when expenditure is forecast to be incurred and added to the RAB, rather than forward-funding forecast renewals through current price targets.

Highlander's modelling appears to demonstrate this concern by identifying a crossover point at which RAB-based prices exceed annuity-based prices and remain higher thereafter.¹⁷ However, this result should be interpreted with caution (as discussed in Appendix B). The modelling relies on simplifying assumptions, including perfect foresight, and does not reflect behavioural or regulatory responses. The timing and magnitude of any crossover are also highly sensitive to key assumptions and may shift, be delayed, or not arise at all under different inputs. Once again the QCA is being a

¹⁷ QFF, sub 19, attachment (Highlander Consulting report), p 46.

contortionist in their attempts to discredit modelling that undermines their predetermined conclusions. The QCA has refused to supply the detail of their modelling in stark contrast to the detail and transparency provided by the EICL modelling. This paragraph also neglects to say whether the QCA model has modelled these factors. The best conclusion is that the QCA has not modelled these factors, otherwise they would show their evidence. Instead, they have resorted to vague, politician-like, weasel words like “may”. The QCA needs to do comprehensive, transparent modelling to show these impacts or remove all the smears from this report against the only transparent modelling provided in this process (EICL). The QCA also needs to remove any “statements of faith” that are not backed up by detailed transparent modelling and numbers.

More fundamentally, the result reflects differences in the timing of cost recovery rather than total costs, as both approaches are intended to be broadly equivalent in present value terms the QCA is really clutching at straws now to try to justify their predetermined conclusions. Our long-term modelling please show us the transparent detail of your modelling (as EICL did) – because we do not accept “trust us” indicates broad long-term alignment how close is that alignment, what is the percentage difference? Again, this is a problem of not transparently releasing the detail of your modelling. Is aligned a 5% difference? Or 10%? Or 20% between the RAB-based and annuity-based price targets over a 30-year period 30 years is not long term. At what time period does the RAB get near 100% of the assets being included in the calculation. EICL would expect that it is only getting towards 100% at around 30 years – therefore, the RAB is grossly under collecting for most of that period and any comparison over that time frame is therefore invalid. With that in mind, if “over a 30-year period” only shows alignment (when the RAB is under collecting), then clearly the periods after that (when the RAB is close to 100% all the time) the RAB will collect much more than an Annuity – why does the QCA support a RAB?, with outcomes varying across tariff groups reflecting differences in starting positions at transition and future renewals profiles (see section 6.3).

¹⁶ Brooklet Farms, sub 4, p 1; BFVG, sub 5, p 3; Canegrowers, sub 8, p 2; Cotton Australia, sub 12, p 3; EICL, sub 13, pp 6–8; Fairbairn Irrigation Network, sub 14, p 1; Lockyer Water Users Forum, sub 16, p 2; QCAR, sub 18, p 3; QFF, sub 19, pp 3–6; QFF, sub 19, attachment (Highlander Consulting report), pp 8–9, 46, 53; Tinaroo Water Committee, sub 20, p 1.

¹⁷ QFF, sub 19, attachment (Highlander Consulting report), p 46.

Stakeholders also expressed concern that the RAB approach could lead to price target instability where large or lumpy renewals projects are forecast to enter the RAB during a price path period.¹⁸

This impact can be most pronounced during transition to a RAB, especially for schemes with low RAB values. In these cases, new renewals capex can represent a large proportion of the RAB and place upward pressure on capital-related revenues and price targets. In EICL's modelling, this occurs in 2056, not during transition.

The scale and persistence of this effect can depend on scheme characteristics, such as the lumpiness of forecast renewals expenditure, and implementation choices, such as the depreciation period applied to the initial RAB. For larger schemes, or as the RAB matures, new renewals capex is more likely to represent a relatively small proportion of the RAB, which may moderate the impact of individual projects on price targets. Not in EICL. Again you use the weasel word "may"

The available evidence from Victoria suggests that rural businesses that have transitioned to the RAB approach have experienced relatively stable revenues in the last 20 years.¹⁹ This reflects the fact that opex constitutes a large share of revenues and has remained relatively stable over this period. Why select Victoria. The evidence from NSW systems show the opposite. EICL specifically asked for comparisons to the NSW non-government Irrigation Infrastructure Operators. It looks like you have avoided these comparisons, because they undermine your predetermined conclusions.

More generally, while the RAB approach can result in price target instability, there are tools available for generating smoother price target profiles, such as adjusting depreciation profiles. In addition, businesses operating under a RAB approach would maintain at least a 10-year capex forecast and actively manage the timing and delivery of capex with regard to price target impacts. So a bastardised RAB. And who would oversee this bastardising? Sunwater regulating themselves? The QCA that only operates part time (QCA's description)

On balance, neither approach clearly dominates in terms of longer-term pricing outcomes and price target stability. The relative merits depend on scheme characteristics, including forecast uncertainty, expenditure lumpiness and scale, and how any transition is implemented. This is a statement of faith, without the evidence to back it up. Even with all your contortionist fudging of the facts, the best you can come up with is *similar-ish*.

2.3.4 Intergenerational equity

The relative merits of the annuity and RAB approaches for intergenerational equity depend largely on the reliability of forecast renewals expenditure and the way transition to a RAB is implemented. A renewals annuity may better smooth costs across customer cohorts where forecasts are reliable and expenditure needs are broadly stable. A RAB approach may better align cost recovery with the timing and useful life of renewed assets, although this alignment may be less direct during transition and can be affected by the timing of renewals capex. Alignment doesn't mean stability. The best alignment is paying in the year the money is spent, but that is the direct opposite of what the approaches are trying to achieve: smoothed costs.

Customers don't care about alignment, they care about smoothed costs.

Box 5 explains the implications for intergenerational equity under the two approaches.

¹⁸ Avocados Australia, sub 3, p 2; BRIG, sub 6, p 2; Canegrowers Burdekin, sub 9, p 2; Central Downs Irrigators, sub 10, p 1; Cotton Australia, sub 12, pp 3–4; EICL, sub 13, pp 8–9; Fairbairn Irrigation Network, sub 14, pp 4–5; QFF, sub 19, p 5.

¹⁹ These businesses include Goulburn Murray Water, Lower Murray Water (rural) and Southern Rural Water.

Box 5: Implications for intergenerational equity

Intergenerational equity is concerned with how costs are allocated between current and future customer cohorts, having regard to when services are provided and assets are used.

Under the **annuity approach** — forecast renewals costs are smoothed over a long-term planning period. Where long-term forecasts are reliable and stable, this can support relatively more even contributions across customer cohorts.

Under a **RAB approach** — renewals capex is recovered over the life of the renewed asset or component. This means the contributions of different customer cohorts more closely reflect the timing and service life of renewals expenditure. **Align**

Under an annuity approach, costs are recovered based on long-term forecasts and smoothed over an extended planning period. This means current customers contribute to longer-term forecast renewals, while future customers also contribute to maintaining the system. Where forecasts are accurate and stable, this can result in relatively even contributions across customer cohorts.

Several stakeholders expressed a preference for the annuity approach on the basis that it better supports intergenerational equity by spreading costs more evenly across customer cohorts.²⁰

However, while the annuity approach can smooth renewals cost recovery over time, this may not necessarily result in intergenerational equity if cost recovery is not aligned with the timing and useful life of renewed assets. The outcome also depends on the reliability of long-term renewals forecasts. If expenditure that current customers have contributed to is later delayed, reduced or removed from the forecast, those customers may contribute more than required and future customers less. Conversely, if long-term forecasts understate future renewals needs, earlier customers may have paid lower prices than would otherwise have been required, resulting in higher future allowances when the annuity is recalculated.

Under a RAB approach, capital costs are recovered over the useful life of the renewed asset, while operating costs are recovered when they arise. This provides a **closer alignment** again with alignment. Alignment is only generational equity in a system that is wildly volatile in costs and service. If the asset manager of these long-life assets delivers wildly volatile costs and services, they have failed. Surprises are a planning failure. Boring, accurate planning is success between the timing of service provision and cost recovery. It can also reduce the risk that current customers contribute to **forecast renewals expenditure that is later delayed, reduced or removed** the historical reality is that forecast renewals expenditure is predominantly brought forward, increased and added. Your use of an unrealistic scenario betrays your bias. In this respect, the RAB approach can better reflect the principle that customers pay for the services they receive. However, during transition, this alignment may be less direct because the RAB may include pre-transition annuity balances, with recovery depending on the depreciation period applied rather than the remaining life of specific renewed assets.

Overall, while the annuity approach can smooth the recovery of renewals expenditure across customer cohorts, this may not necessarily result in intergenerational equity if cost recovery does not align with the timing and useful life of renewed assets. By contrast, **where renewals expenditure is not predictable or stable (failure)**, the RAB approach may improve intergenerational equity outcomes by better aligning cost recovery with service use.

If “renewals expenditure is not predictable or stable” then the entire irrigation industry is doomed. That situation means that there are constant surprises and unexpected costs regularly (historically up not down). The industry cannot operate in that environment.

The contortionist knots that the QCA has had to tie itself in, to try to equate a RAB to intergenerational equity are breathtaking. You see a situation where there is a surprise and large change at every price path review as the norm. That is a nightmare for the industry. You treat planning incompetence as if it is the norm. Maybe you base that on the last 15 years of history. Yes, we have had dramatic changes and surprises in costs – but the service offered has been fundamentally unchanged for 25 years. That is, “service provision and cost recovery” have become disconnected

²⁰ Avocados Australia, sub 3, p 3; Brooklet Farms, sub 4, p 1; BFVG, sub 5, p 2; BRIG, sub 6, p 4; BRIA Irrigators, sub 7, p 6; Canegrowers, sub 8, p 1; CHCGIA, sub 11, p 2; QCAR, sub 18, p 1; QFF, sub 19, p 5.

2.3.5 Transparency, accountability and simplicity

The annuity and RAB approaches provide different forms of transparency and accountability. A renewals annuity is generally more familiar and may be easier for irrigation customers to engage with, as it provides a forward-looking view of planned expenditure and expected price target paths. A RAB approach can provide a clearer link between delivered works, the asset base and future cost recovery, but is more technical and less familiar to irrigation customers. Both approaches require clear reporting and effective engagement to support transparency and accountability (Box 6).

Box 6: Information needed to support transparency and accountability

Transparency means stakeholders can understand what expenditure is proposed or incurred, why it is needed and how it affects price targets. **Good definition**

Accountability means expenditure can be traced through the pricing framework, including how it is assessed, classified, approved and reflected in cost recovery. **Not quite – that definition is more like just good accounting**

Accountability to EICL means that the money being spent is approved by the people paying the bills.

Under the annuity approach, this requires clear information about the long-term renewals forecast, the annuity balance, forecast changes and how these factors affect price targets. **That is just transparency**

Under a RAB approach, this requires clear information about forecast and actual capex, RAB roll-forwards, asset lives, capitalisation decisions and how these factors affect price targets. **That is just transparency**

Transparency and accountability are critical to **discipline and** effective irrigation pricing. Stakeholders viewed clarity and **simplicity** **not so much** as central to trust, meaningful engagement and long-term business planning.²¹

Under a renewals annuity, transparency is largely forward-looking. Price targets are set using long-term forecasts of renewals expenditure, supported by asset management plans identifying the major works expected to be required over the planning period. Many stakeholders viewed this long-term visibility as a key strength, as it allows irrigators to see what major works are planned, when they are expected to occur and how prices are likely to change over time.²² EICL also noted that unplanned or abnormal expenditure may be easier to identify, as it can stand out against an established long-term forecast.²³

Forward planning under an annuity can support earlier engagement on proposed costs, even where forecasts are uncertain. Where forecasts and assumptions are clearly explained, customers can better understand long-term investment needs and engage **and approve** before costs are incurred.

However, transparency under an annuity is not automatic. Recalculated allowances at each price

review reflect the opening annuity balance, the updated 30-year renewals forecast and modelling

²¹ BFVG, sub 5, pp 2–3; Canegrowers, sub 8, p 3; Canegrowers Burdekin, sub 9, pp 1-2; EICL, sub 13, pp 2, 11–12; Fairbairn Irrigation Network, sub 14, p 2; QFF, sub 19, p 4.

²² Brooklet Farms, sub 4, pp 1-3; BFVG, sub 5, p 2; BRIG, sub 6, p 4; BRIA Irrigators, sub 7, p 4; Canegrowers Burdekin, sub 9, pp 1-2; Central Downs Irrigators, sub 10, p 1; CHCGIA, sub 11, p 2; Lockyer Water Users Forum, sub 16, p 2; QFF, sub 19, p 5; QCAR, sub 18, p 5.

²³ EICL, sub 13, pp 9–11.

assumptions. This may reduce transparency about which of these factors is driving changes in allowances and price targets between price path periods. We don't think that is a big concern. If the item previously existed in the longer-term plans, we can seek answers on why the pricing has changed. If a new item is added, we can seek answers on why it has been added recently rather than planned for a long time.

Under a RAB approach, transparency is more directly tied to delivered outcomes. Forecast capex is included in price targets in the price path period it is forecast to be incurred at what point do customers get to approve or say no – this is a key stop point to create accountability, with actual expenditure then assessed at the next review before being rolled into the RAB. Asset roll-forward statements can provide a clear and auditable link this is the past not the future – exactly the same auditing can be done in an Annuity between delivered works, changes in the asset base and future price targets. This can strengthen accountability by allowing expenditure to be traced through to regulatory decisions and cost recovery. You have got this wrong because your definition of Accountability is wrong. What you have here is primarily transparency.

However, many stakeholders expressed concern that RAB frameworks are less familiar and more complex for irrigation customers.²⁴ Several submissions stressed the need for clear, accessible explanations of the RAB approach, noting that its technical complexity and lack of familiarity can make it difficult for customers to understand and engage with.²⁵ Without tailored explanation and disclosure, a RAB may reduce transparency from the customer perspective by shifting focus from long-term planning to technical regulatory concepts, such as asset values and depreciation. Stakeholders also noted that large or unplanned capital works could affect price targets through changes to the asset base unless supported by strong disclosure, clear capitalisation rules and effective engagement.²⁶ I am not sure that we said those things in EICL's submission footnoted in this paragraph. EICL's position is that a RAB's biggest transparency and accountability problems aren't due to its complexity. It is due to its short planning horizon and its likelihood to facilitate surprise items. Short notice surprise items don't allow enough time for customers to properly examine these items. Long-term planning under an Annuity should allow enough time.

In applying either approach, the key issue is whether customers receive information that allows them to understand proposed expenditure, test the basis for price target changes and engage before material costs are incurred or recovered.

Agree that the current level of transparency is nowhere near good enough. Improving transparency and establishing a mechanism for accountability are the most important activities that Sunwater needs to undertake – not moving to a RAB.

²⁴ BFVG, sub 5, pp 2-3; Canegrowers, sub 8, p 3; EICL, sub 13, p 12; Fairbairn Irrigation Network, sub 14, p 2.

²⁵ BFVG, sub 5, pp 2-3; BRIG, sub 6, p 3; Canegrowers, sub 8, p 3; EICL, sub 13, p 12; Fairbairn Irrigation Network, sub 14, p 2.

²⁶ BRIA Irrigators, sub 7, p 5; Canegrowers, sub 8, p 3; Central Downs Irrigators, sub 10, p 1; EICL, sub 13, pp 9–11; Fairbairn Irrigation Network, sub 14, pp 4-5; QCAR, sub 18, pp 3-4.

3 Customer engagement

In this chapter, we assess Sunwater's engagement against the expectations set out in the guidance paper. Those expectations relate to the structure and scope of customer engagement, and its role in informing the development of Sunwater's proposal. **No new EICL comments relating to section 3. Most of this was covered in our original submission.**

3.1 Assessment of Sunwater's engagement

3.1.1 Structure engagement to promote an understanding of customer needs

Sunwater adopted a targeted engagement approach, relying on existing forums and leveraging insights from the 2025 review. It also updated its web content and advised customers as new tools and materials became available.²⁷

Sunwater conducted a two-stage engagement process. The first stage focused on explaining the RAB approach and the implications of moving away from the renewals annuity, with in-person presentations for 7 of its 22 schemes through customer advisory committees and four online sessions open to all customers. The second stage involved an online customer survey conducted in mid-February 2026 that sought feedback on alternative timeframes for recovering or returning annuity balances. Sunwater also consulted with QFF on the nature and manner of engagement.²⁸

Sunwater has generally tailored its engagement methods to align with the nature of the information being communicated. For example, Sunwater has used a range of methods to communicate information on technical topics related to the RAB and existing annuity approaches, evidenced by its presentations, fact sheets and an online invoice calculator that compares customer's long-term prices under these approaches.²⁹

However, we have some concerns about Sunwater's reliance on its survey as the primary means of incorporating customer input into its proposal. While surveys can be an appropriate tool within compressed timeframes, Sunwater's survey provides limited assurance that responses reflected informed views, particularly as respondents' understanding of broader implications was not tested. The very low response rate of around 0.5% also limits the reliability and representativeness of the results.

For complex and technical matters such as transitioning to a RAB approach, incorporating the views of key representative groups is important. While Sunwater engaged with QFF on the transition option reflected in the survey, QFF did not provide its position before Sunwater finalised its proposal.

3.1.2 Target engagement on matters that customers value and can influence

Sunwater said it engaged customers and their representatives on the key features and relative merits of the annuity and RAB approaches, as well as the pricing implications of transitioning to a

²⁷ Sunwater, sub 2, p 27.

²⁸ Sunwater, sub 2, pp 27–29.

²⁹ All presentations, fact sheets and the irrigation customer invoice calculator were available on a project-specific page on

Sunwater's website ([RAB Irrigation Price Review](#), accessed on 12 May 2026).

RAB approach. Engagement covered alternative depreciation periods for the initial RAB, options for returning positive annuity balances, and the resulting effects on price targets, customer prices and bills, in both the current price path period and over the longer term.³⁰

We consider that the scope of engagement was broadly consistent with our guidance, particularly in its focus on explaining the proposed transition to a RAB approach and presenting short- and longer-term pricing impacts. The matters presented to customers were also relevant to issues customers could influence, including the timeframe for recovering or returning annuity balances and the management of transitional price impacts.

However, there is limited evidence that engagement sought to identify the outcomes that customers value in managing those impacts. While Sunwater presented alternative price paths, the engagement materials and proposal do not clearly demonstrate engagement on preferences for outcomes such as price stability, avoiding price shocks, or the trade-offs between lower prices in the short term and higher prices over the long term.

Stakeholder feedback indicates that engagement emphasised near-term price differences and did not clearly communicate longer-term implications.³¹ While Sunwater presented the trade-off between faster recovery of the initial RAB (with higher prices over a shorter period) and slower recovery (with lower prices over a longer period), this framing did not clearly extend to broader trade-offs between short- and long-term price outcomes or the implications for future price targets. Stakeholders also raised concerns about the inadequacy of information provided to support informed feedback, including limited presentation of scheme-level impacts.³² Together, these issues suggest customers may not have been well placed to assess transitional outcomes and provide limited confidence that engagement supported informed customer views.

We also consider there is limited evidence that customer insights informed the development of transition options. While Sunwater sought feedback on alternative timeframes, these appear to have been largely predefined, with no tailoring to scheme-specific circumstances, despite our guidance that appropriate depreciation and return timeframes are likely to differ between schemes.

3.1.3 Ensure engagement informs planning and decision-making

Sunwater said that customer feedback covered a range of issues, including requests for greater technical detail, preferences for simplified explanatory materials, a desire to better understand review processes, scepticism regarding the proposed transition, and interest in independent perspectives. Sunwater noted that feedback reflected a diversity of views across the customer base.³³

Sunwater's response to feedback provides some evidence that stakeholder input influenced its engagement process. For example, Sunwater:

- developed additional materials, including explainer videos and a cost-to-price calculator, to improve transparency and accessibility of information
- deferred the timing of its customer survey to allow more time for customers to consider the materials provided

³⁰ Sunwater, sub 2, pp 26–27.

³¹ Avocados Australia, sub 3, p 2; Bundaberg Fruit and Vegetable Growers (BFVG), sub 5, p 3; Bundaberg Regional Irrigators Group (BRIG), sub 6, p 3; BRIA Irrigators, sub 7, p 2; Canegrowers, sub 8, p 3; Eton Irrigation Cooperative Ltd, sub 13, p 12.

³² Avocados Australia, sub 3, p 2; BFVG, sub 5, p 3; BRIG, sub 6, p 3; BRIA Irrigators, sub 7, p 2.

³³ Sunwater, sub 2, p 29.

- engaged an independent consultant to provide an external perspective on the relative merits of the annuity and RAB approaches.³⁴

However, the proposal provides limited evidence that engagement informed the substantive development of the proposal. While Sunwater summarised feedback it received, it is not clear how customer views influenced the selection or design of transition options. Further, while Sunwater sought input from QFF, it is unclear how the views of representative bodies were incorporated.

3.2 Implications for our broader assessment

Overall, Sunwater's engagement approach was reasonable in terms of structure and scope. It focused on explaining the proposed transition to a RAB approach and seeking feedback on matters relevant to the review.

However, the engagement provides limited assurance that customer feedback reflected an informed understanding of the pricing impacts and trade-offs associated with the transition to a RAB approach, or that customer views meaningfully informed the design of transition options. These limitations reduce the weight that can be placed on engagement outcomes in our broader assessment.

³⁴ Sunwater, sub 2, p 30.

4 Practical considerations

In this chapter, we consider the practical implications of transitioning to a RAB approach for Sunwater. We assess the appropriateness of Sunwater's expenditure categorisation for this interim review, the reliability of data used to determine asset lives, the approach to establishing the initial RAB, and the management of transitional impacts in a way that balances the interests of Sunwater and its customers.

4.1 Appropriate categorisation of expenditure

No new EICL comments relating to section 4.1. We don't think categorization make a big difference. In the 2025 review, we identified areas where Sunwater's capitalisation guideline required strengthening, particularly in relation to the treatment of replacement of parts, major repairs and maintenance, and supporting systems and governance arrangements.³⁵ We also said that, for a RAB approach to be acceptable at the next full price review, Sunwater would need to demonstrate a comprehensive review of renewals expenditure and an implementation plan to support the systematic classification of expenditure as part of business-as-usual processes.³⁶

Given the compressed timeframes for this interim review, our guidance paper set out the expectation that Sunwater would:

- provide a preliminary capitalisation guideline that meaningfully responds to the areas for improvement identified in the 2025 review (section 4.1.1)
- explain how the guideline has been applied to its forecast renewals program (section 4.1.2).³⁷

4.1.1 Assessment of proposed revisions to Sunwater's capitalisation procedure

Sunwater said that it had addressed our guidance by undertaking a full review of its capitalisation procedure, supported by KPMG and informed by our findings in the 2025 review. As a result, Sunwater developed a draft revised capitalisation procedure that, where possible, seeks to align accounting and regulatory approaches, together with an associated implementation plan.³⁸

Sunwater said that it intends to adopt the revised procedure regardless of the outcome of this review and to implement the necessary process changes by 1 July 2027 to support consistent classification of renewals expenditure.³⁹

Our assessment considers the extent to which the revised procedure and implementation plan address the issues identified in the 2025 review, including whether they:

- clarify the criteria for asset recognition, including the role of future economic benefits
- provide clearer guidance on the treatment of expenditure incurred after an asset is first recognised (such as expenditure on replacements, refurbishments and major inspections)
- clarify when complex assets should be separated into significant components, which is key to assessing whether replacement expenditure should be capitalised

³⁵ QCA, *Rural irrigation price review 2025–29: Sunwater*, final report, January 2025, pp 93–94.

³⁶ QCA, *Rural irrigation price review 2025–29: Sunwater*, final report, January 2025, p 98.

³⁷ QCA, [*Review of RAB-based irrigation prices from 1 July 2027*](#), guidance paper, November 2025, p 9.

³⁸ Sunwater, sub 2, pp 11–12, 18–19.

³⁹ Sunwater, sub 2, pp 11–12, 18–19.

- support consistent application through improved systems, governance arrangements and documentation.

Table 2 summarises the key changes reflected in Sunwater's revised capitalisation procedure and our assessment of those changes.

Table 2: Key changes reflected in Sunwater's revised capitalisation procedure

Area	Description of change	QCA assessment
Asset recognition criteria	The revised procedure clarifies the criteria for recognising assets, including that assets should be recognised where it is probable that future economic benefits will flow to Sunwater and the benefits can be measured reliably.	This provides a clearer foundation for applying the capitalisation procedure. In particular, the focus on future economic benefits supports the distinction between expenditure that creates or replaces an asset or significant asset component, and expenditure that restores or maintains existing service levels.
Significant asset components	The revised procedure clarifies when complex assets should be separated into significant components for accounting purposes.	This is important, in the renewals context, in assessing whether replacement expenditure should be capitalised. The revised procedure clarifies that replacement of a significant component may be capitalised even where the work does not extend the useful life of the whole complex asset.
Treatment of subsequent expenditure	The revised procedure provides more detailed guidance on expenditure incurred after an asset has first been recognised, including improvements and enhancements, replacement of significant components, and repairs and maintenance. It clarifies that replacement expenditure may be capitalised where the component replaced is significant in relation to the whole unit of plant and is expected to be used for more than one year, while expenditure that restores or maintains an asset in its existing condition should be expensed.	This addresses a key issue identified in the 2025 review. The revised procedure should support a more consistent distinction between renewals capex and repairs and maintenance. This distinction is particularly important for irrigation assets, where renewals programs may include a mix of replacement of significant components, refurbishment and routine maintenance activities. The effectiveness of this revised guidance will depend on Sunwater applying the criteria to the underlying scope and purpose of each project.
Major inspections	The revised procedure provides new guidance on the treatment of major inspections. Subject to satisfying the asset recognition criteria, the revised procedure provides that major inspections may be capitalised where they are part of a planned inspection cycle of at least 12 months, exceed the capitalisation threshold and can be measured reliably.	This reduces ambiguity in the classification of major inspections and is broadly consistent with established capitalisation practice. However, the classification will depend on Sunwater demonstrating that inspections are part of a planned lifecycle program, rather than routine or ad hoc inspections.

Source: Sunwater, sub 2, Appendix 2; Sunwater, response to RFI 1 (2 April 2026); QCA analysis.

We note that the revised procedure is more closely aligned with capitalisation principles applied by comparable water utilities, including WaterNSW, particularly in relation to subsequent expenditure, separation of complex assets into significant components, and major inspections. The revised procedure provides a stronger foundation for distinguishing renewals capex from repairs and maintenance under a RAB approach.

The effectiveness of the revised procedure will depend on Sunwater's ability to apply the decision framework to project-level information, including identifying related activities, determining whether work relates to a significant component of a larger asset, and applying the distinction between renewals capex and repairs and maintenance consistently across schemes and over time.

Sunwater also proposed an implementation plan to support transition to the revised procedure, outlining staged actions to embed the new requirements into internal governance arrangements, systems and procedures before the next full price review.⁴⁰ Overall, we consider the plan provides a reasonable and credible framework for operationalising the revised procedure. While the plan does not demonstrate that consistent application will occur in practice, it appropriately identifies existing gaps and actions required to support consistent and auditable classification of expenditure over time.

4.1.2 Application of the revised procedure to forecast renewals

Sunwater said that given the compressed timeframes for this interim review, it applied its revised capitalisation procedure to forecast renewals expenditure using the same keyword-based approach adopted in its response to our draft report in the 2025 review.⁴¹ Sunwater extended this analysis to the full 30-year planning period and included a further step in which subject matter experts reviewed the resulting classifications for consistency with the revised capitalisation policy.

Sunwater said that this approach resulted in approximately 96–98% of forecast renewals expenditure being capitalised over 2027–28 and 2028–29 (see Table 3).

Table 3: Sunwater's proposed categorisation of forecast renewals (\$ million, nominal)

Cost	2027–28	2028–29	2029–58	Total
QCA position — forecast renewals	32.8	21.8	831.1	885.7
Sunwater's proposed categorisation				
Renewals capex	31.6	21.3	794.7	847.6
Renewals opex	1.2	0.5	36.4	38.1
Capitalised component (%)	96.2%	97.7%	95.6%	95.7%

Source: QCA, [Rural irrigation price review 2025–29: Sunwater](#), final report, January 2025, p 64; Sunwater, 06 Renewals Expenditure – RAB Review (27 February 2026); QCA analysis.

Sunwater also noted that it bears the risk of misclassification under this interim approach, as under the current regulatory framework it cannot recoup any under-recovery of opex in 2027–28 and 2028–29 if the application of the revised procedure to actual expenditure results in a higher share of renewals being classified as opex. Sunwater acknowledged that its proposal for the next full price review will need to demonstrate the appropriate capitalisation of both actual and forecast renewals expenditure.⁴²

⁴⁰ Sunwater, response to RFI 2 (2 April 2026).

⁴¹ Sunwater, sub 2, pp 19–20.

⁴² Sunwater, sub 2, pp 20–21.

Stakeholders raised concerns about Sunwater's proposed categorisation of renewals expenditure, particularly the high proportion of forecast renewals expenditure proposed to be capitalised. They said that some expenditure currently proposed to be capitalised may be more appropriately treated as operating expenditure or repairs and maintenance.⁴³

In the 2025 review, we identified concerns with Sunwater's application of its revised capitalisation procedure to forecast renewals expenditure. These concerns included reliance on a keyword-based search applied to manually created project identifiers, sensitivity of results to the order in which keywords were applied, and a lack of clear linkage between the revised procedure and the keywords used.⁴⁴

These concerns remain relevant. While Sunwater has extended the analysis to the full 30-year planning period and added an expert review step, the approach still relies on keyword-based classification rather than application of the revised decision framework at the project level. In particular, this approach cannot determine whether a replaced component is significant, which is a critical test in distinguishing capex from opex under the revised procedure. We also note that the additional expert review step did not change the outcomes from the keyword search.

Sunwater's forecast renewals program includes more than 50,000 individual project entries over the 30-year planning period, with related works disaggregated across multiple entries without clear linkages. Given this granularity, there are practical limits to undertaking a robust reclassification exercise within this interim review. In these circumstances, updating Sunwater's proposed classification would require detailed project-level information on the scope and purpose of each renewal activity, including how related activities should be grouped and whether the work relates to replacement of a significant component, an improvement or enhancement, or repairs and maintenance.

To test the sensitivity of pricing outcomes to Sunwater's interim approach, we modelled an alternative capitalisation scenario in which a lower proportion of expenditure is capitalised. This scenario applies opex keywords before capex keywords, consistent with the sensitivity approach considered by our consultant in the 2025 review.⁴⁵ This scenario is not intended to determine the appropriate classification of individual projects. Instead, it tests whether pricing outcomes are materially affected if the interim approach overstates the capitalised share of expenditure.

Table 4 shows the lower level of capitalisation under this approach.

Table 4: Capitalised component under alternative capitalisation scenarios (%)

Cost	2027-28	2028-29	2029-58	Total
Base case: Sunwater proposed classification	96.2	97.7	95.6	95.7
Alternative scenario: opex keywords	84.4	82.8	76.3	76.8

Source: Sunwater, 06 Renewals Expenditure – RAB Review (27 February 2026); QCA analysis.

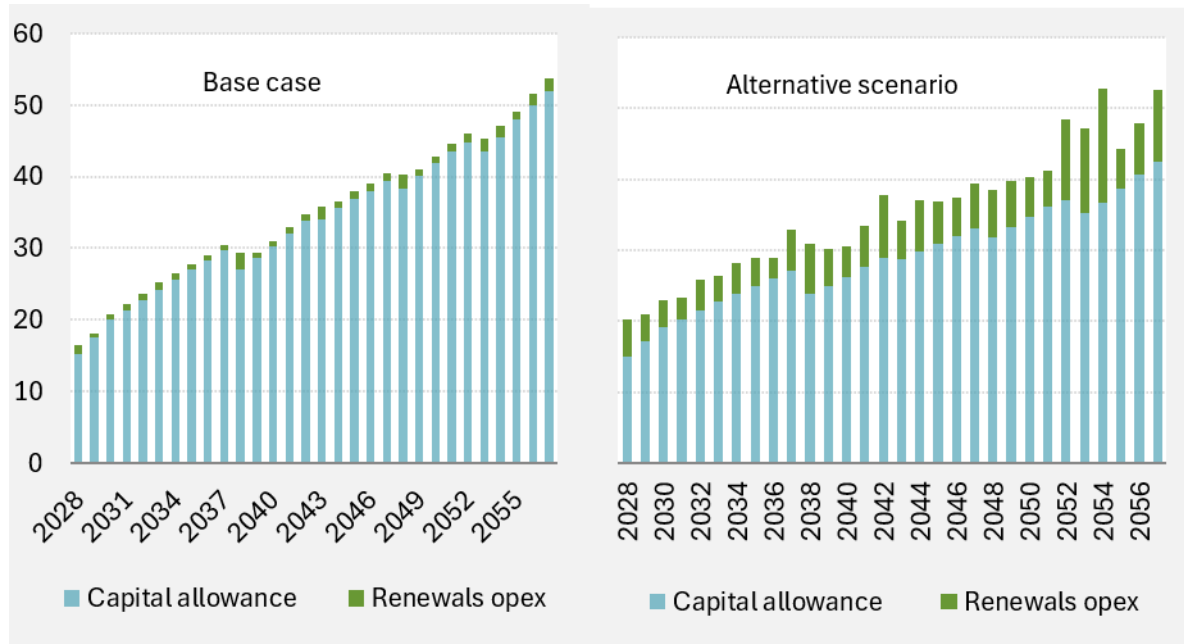
Changes in how renewals expenditure is classified between opex and capex do not affect the total level of expenditure. Rather, they affect how and when those costs are recovered through prices, including whether costs are recovered immediately (as opex) or over time (as capex through the RAB). Figure 3 compares the renewals-related allowance (RAB-based capital allowance plus renewals opex) under Sunwater's proposed capitalisation split with that under the alternative scenario.

⁴³ BRIA Irrigators, sub 7, p 3; Canegrowers, sub 8, p 3; QCAR, sub 18, pp 3–4.

⁴⁴ QCA, [Rural irrigation price review 2025–29: Sunwater](#), final report, January 2025, p94.

⁴⁵ QCA, [Rural irrigation price review 2025–29: Sunwater](#), final report, January 2025, p94.

Figure 3: Renewals cost recovery profiles under alternative capitalisation scenarios (\$ million, nominal)



Source: Sunwater, 06 Renewals Expenditure – RAB Review (27 February 2026); QCA analysis.

These outcomes reflect the timing effects of different capitalisation assumptions. A lower capitalisation rate increases allowable costs in the short term because a greater share of renewals expenditure is treated as opex and is recovered in the year it is incurred. However, it reduces allowable costs in later years because less expenditure is added to the RAB, reducing future cost recovery.

As noted by Sunwater, under the existing regulatory framework, it would not be able to recover any actual renewals expenditure in 2027–28 or 2028–29 that is subsequently classified as opex. Sunwater therefore bears the risk of under-recovery in the current price path period if the interim classification approach overstates the proportion of renewals expenditure that should be capitalised.

We consider it reasonable to rely on Sunwater's proposed classification for the purposes of this interim review, given the constrained timeframe, the practical difficulties in reclassifying the program, the sensitivity analysis undertaken, and the allocation of risk to Sunwater. If a RAB approach is adopted, we will undertake a more robust assessment of renewals classification at the next full price review, based on Sunwater's application of the revised procedure to actual and forecast expenditure through embedded business-as-usual systems and governance processes.

4.2 Reliable data on asset lives

Under the renewals annuity approach, asset lives influence price targets indirectly through their effect on the timing of forecast replacement and refurbishment expenditure over the planning period. Under a RAB approach, asset lives have a direct and more ongoing impact on price targets by determining the period over which renewals capex is recovered through depreciation. The RAB approach therefore requires reliable and robust data on the useful life of the assets, or asset components, to set appropriate depreciation allowances.

For this interim review, the asset life information underlying Sunwater's forecast renewals expenditure from 2027–28 onwards remains unchanged from that submitted in response to our draft report in the 2025 review.

Fairbairn Irrigation Network submitted that asset life assumptions under both the RAB and annuity approaches are a critical issue, directly impacting long-term price stability, intergenerational equity and funding adequacy. It said that we should test the asset life assumptions underlying RAB and annuity calculations.⁴⁶

In the 2025 review, we raised concerns about the reliability of Sunwater's asset life data used in its RAB proposal, including the use of multiple data sources and significant variation in asset lives for the same asset type at different locations.⁴⁷ Sunwater said that it remained committed to addressing the underlying issues associated with data deficiencies and information management.⁴⁸

Given the granularity of Sunwater's forecast renewals program, it is difficult to assess the asset life assumptions associated with individual projects in the forecast program. For this interim review, we have used Sunwater's proposed asset lives in developing draft RAB-based price targets, having regard to the targeted nature of the review and the insufficient time available to undertake a detailed assessment of asset life assumptions. However, these asset life assumptions should be treated as interim, particularly those used in modelling price targets beyond the price path period.

For the next full price review, Sunwater should take steps to strengthen the reliability, consistency and transparency of asset life information used for regulatory purposes. **Agree with this section. Similar comments made earlier.**

4.3 Approach to setting the initial RAB

EICL doesn't agree with a RAB, so we haven't put thought to an initial RAB. In principle, the value of Sunwater's RAB at any point in time should reflect the efficient cost of past investment net of depreciation and disposals. However, allowable costs in this review are required to be consistent with our positions from the 2025 review, including that the value of the asset base for existing rural irrigation assets (as at 1 July 2000) should not be considered when determining allowable costs.

Sunwater proposed that the opening RAB for each scheme on 1 July 2027 should be based on the closing renewals annuity balance at 30 June 2027, such that:

- schemes with negative annuity balances would have an initial RAB equal to the value of the negative annuity balance
- schemes with positive annuity balances would have an initial RAB of zero, with the positive annuity balance returned to customers via a bill rebate.⁴⁹

Under this approach, Burdekin-Haughton (bulk and distribution), Dawson Valley and Mareeba-Dimbulah (distribution) are forecast to have positive annuity balances at 1 July 2027 and would therefore have an initial RAB of zero. The proposed initial RABs for schemes with negative annuity balances are shown in Table 5.

⁴⁶ Fairbairn Irrigation Network, sub 14, pp 4–5.

⁴⁷ QCA, *Rural irrigation price review 2025–29: Sunwater*, final report, January 2025, pp 59, 67–68.

⁴⁸ Sunwater, response to RFI 9 (19 May 2026).

⁴⁹ Sunwater, sub 2, pp 21–22.

Table 5: Initial RAB for schemes with negative annuity balances, 1 July 2027 (\$ million, nominal)

Scheme	Service	Annuity balance	Proposed initial RAB
Barker Barambah	Bulk	(3.9)	3.9
Bowen Broken Rivers	Bulk	(4.9)	4.9
Boyne River and Tarong	Bulk	(16.2)	16.2
Bundaberg	Bulk	(20.3)	20.3
Callide Valley	Bulk	(30.0)	30.0
Chinchilla Weir	Bulk	(1.8)	1.8
Cunnamulla Weir	Bulk	(0.5)	0.5
Eton	Bulk	(2.8)	2.8
Lower Fitzroy	Bulk	(0.3)	0.3
Lower Mary River	Bulk	(2.5)	2.5
Macintyre Brook	Bulk	(20.5)	20.5
Maranoa River	Bulk	–	–
Mareeba-Dimbulah	Bulk	(1.3)	1.3
Nogoa-Mackenzie	Bulk	(10.2)	10.2
Pioneer River	Bulk	(9.0)	9.0
Proserpine River	Bulk	(0.3)	0.3
St George	Bulk	(8.5)	8.5
Three Moon Creek	Bulk	(3.7)	3.7
Upper Burnett	Bulk	(3.0)	3.0
Upper Condamine	Bulk	(0.6)	0.6
Bundaberg	Distribution	(9.2)	9.2
Lower Mary	Distribution	(2.5)	2.5

Note: The annuity balances relate to irrigation and non-irrigation customers.

Source: QCA analysis.

Stakeholders raised several issues relevant to the setting of initial RABs. Fairbairn Irrigation Network submitted that opening RAB positions establish the foundation for future prices and should therefore be subject to scrutiny of the historical drivers of annuity balances, including whether they reflect efficient and prudent investment and an appropriate allocation of costs between past and future customers.⁵⁰ Canegrowers and Queensland Cane Agriculture and Renewables (QCAR) considered that positive annuity balances reflected that the renewals annuity was working as intended where renewals programs had been subject to appropriate scrutiny,⁵¹ while QCAR also said that the drivers of large negative balances should be investigated.⁵²

We have examined the historical performance of schemes under the renewals annuity approach, including the drivers of large negative annuity balances in schemes (see scheme information sheets).

In the 2025 review, we considered it reasonable to set the initial RAB with reference to closing annuity balances. These balances reflect whether, since 1 July 2000, renewals revenue recovered through the annuity (including an allowance for financing costs) has been less than renewals

⁵⁰ Fairbairn Irrigation Network, sub 14, pp 2–3.

⁵¹ Canegrowers, sub 8, p 2; QCAR, sub 18, p 2.

⁵² QCAR, sub 18, p 3.

expenditure incurred (a negative balance), or greater than renewals expenditure incurred (a positive balance).

On this basis, we have accepted Sunwater's proposed approach to setting initial RABs. We assess the appropriate period for returning positive annuity balances to customers in section 4.4.

4.4 Managing transitional impacts

EICL doesn't agree with a RAB, so we haven't put thought to transitional impacts The transition to a RAB approach is expected to place downward pressure on price targets and Sunwater's short-term cash flows in the initial years, reflecting differences in the timing of cost recovery between the RAB and renewals annuity approaches. Under the renewals annuity approach, cost recovery is based on forecasts of future renewals expenditure, whereas under a RAB approach, renewals expenditure is generally recovered from when it is incurred.

In managing transitional impacts, we have sought to balance Sunwater's legitimate commercial interests, including the maintenance of short-term cash flows, with customer outcomes, particularly price stability. We have adopted a targeted approach, focusing on the settings that most directly influence price paths during the transition, namely the timeframes for the recovery of negative annuity balances and the return of positive annuity balances.

4.4.1 Commercial considerations

Commercial considerations relate to Sunwater's ability to manage the transition to a RAB approach while maintaining financial sustainability over time, including the timing of cash flows and the recovery of efficient costs.

We have reviewed Sunwater's financial analysis of the impact of alternative transition timeframes on key financial metrics. This analysis considered 25- and 50-year terms for the recovery of negative annuity balances and 4- and 8-year terms for the return of positive annuity balances. Sunwater indicated that the combination of a 50-year depreciation period and 4-year rebate has the greatest impact on its cash flows but does not create unacceptable financial risk, and that its preferred approach lies within these ranges for both the depreciation period and rebate period.⁵³

While these commercial considerations place some constraints on the range of feasible transition timeframes, they do not, in themselves, determine the appropriate balance between short- and longer-term price target outcomes. Such a balance also requires consideration of customer impacts.

4.4.2 Customer outcomes

Managing transitional impacts requires an understanding of customer outcomes, particularly in balancing trade-offs between short- and longer-term price outcomes.

As discussed in Chapter 2, there is limited evidence that Sunwater's engagement sought to identify the outcomes that customers value in managing transitional impacts. Although information was provided to customers on the price paths associated with alternative recovery periods, there is limited evidence that engagement focused on understanding preferences for outcomes such as short-term price stability or the avoidance of price shocks, including the trade-offs between lower prices in the initial years and higher prices over the longer term.

⁵³ Sunwater, sub 2, pp 23–24; Sunwater, response to RFI 8 (2 April 2026).

However, stakeholder submissions indicate that price stability and predictability are important considerations for customers. They raised concerns that alternative approaches may increase price volatility over time.⁵⁴ Submissions from the 2025 review also indicated a preference for returning positive annuity balances to customers who contributed to them, particularly where entitlements may be traded.⁵⁵ These considerations reflect different aspects of customer outcomes and may involve trade-offs in the design of transition arrangements.

Our consultation suggests that customers are most concerned about the level and stability of price targets over time, including the avoidance of material changes in price targets at the point of transition and across price path periods. We have also had regard to the equity consideration of returning positive balances to customers who contributed to them.

4.4.3 Transition timeframes

Transition timeframes determine how cost recovery is distributed over time and, therefore, the profile of price targets over the transition period. In particular, the depreciation period applied to the initial RAB, and the timeframe for returning positive annuity balances influence the extent to which price target impacts are concentrated in the initial years or deferred to later periods.

In determining appropriate transition timeframes, we have sought to balance commercial and customer considerations, with a focus on how different settings affect price paths over time.

Recovery of negative annuity balances

Negative annuity balances are incorporated into the initial RAB and recovered through price targets over a defined period. The length of the depreciation period applied to the initial RAB determines how quickly this amount is recovered, affecting both short-term price target changes and the profile of price targets in later periods, including the size of adjustments when the depreciation period for the initial RAB ends.

For schemes with negative annuity balances at 1 July 2027, Sunwater presented two sets of RAB-based prices using alternative depreciation periods for scheme-level initial RABs:

- a 25-year depreciation period, reflecting the weighted average life of recent renewals
- a 50-year depreciation period, which Sunwater said is closer to the expected life of a scheme.⁵⁶

Sunwater said it adopted this approach to provide decision-makers with the flexibility to appropriately consider trade-offs between customer and Sunwater outcomes.⁵⁷ However, while this approach illustrates the implications of different depreciation periods, it does not identify scheme-specific transition settings.

We have therefore selected, for each scheme, the depreciation period that minimises the difference between RAB-based and annuity-based fixed price targets in the first year of transition (2027–28).⁵⁸ This provides a practical basis for moderating price changes at the point of transition and reduces divergence in subsequent price path periods.

⁵⁴ Canegrowers, sub 8, p 2; QFF, sub 19, p 4.

⁵⁵ QFF, [submission to the QCA](#), *Rural irrigation price review 2025–29 — draft report*, September 2024; Theodore Water, [submission to the QCA](#), *Rural irrigation price review 2025–29 — draft report*, September 2024.

⁵⁶ Sunwater, sub 2, p 13.

⁵⁷ Sunwater, sub 2, p 22.

⁵⁸ Given that the renewals allowance is fully allocated to fixed price targets, there will be no difference between RAB-based and annuity-based volumetric price targets.

This approach reflects that transitioning to a RAB approach removes the forward-looking allowance for forecast renewals expenditure embedded in annuity-based prices, which would otherwise place downward pressure on price targets. By selecting depreciation periods that offset this effect in the first year, we have sought to minimise the step change in prices at transition and improve short-term price stability.

Tables 6 and 7 present the percentage difference between RAB-based and annuity-based fixed price targets and prices in 2027–28 for bulk water supply schemes and distribution systems, respectively, for depreciation periods of 15, 25 and 35 years. A 25-year depreciation period reflects a reasonable reference point, as it is broadly consistent with the weighted average life of assets expected to be capitalised over the next 10 years (23.7 years).

Table 6: Change in fixed price targets and prices under a RAB approach (relative to annuity), bulk schemes, 2027–28(%)

Tariff group	Fixed price target difference (%)			Fixed price difference (%)		
	Depreciation periods (years)					
	15	25	35	15	25	35
Barker Barambah — River	(9.9)	(14.1)	(15.9)	(2.3)	(6.8)	(8.7)
Barker Barambah — Redgate Relift	(9.8)	(13.9)	(15.7)	(0.9)	(5.5)	(7.4)
Bowen Broken Rivers	—	—	—	—	—	—
Boyne River and Tarong	12.6	2.0	(2.6)	12.6	2.0	(2.6)
Bundaberg	3.5	(7.7)	(12.5)	3.5	(7.7)	(12.5)
Callide Valley	11.6	(2.3)	(8.2)	-	-	-
Chinchilla Weir	0.9	(9.0)	(13.2)	0.9	(9.0)	(13.2)
Cunnamulla	(5.5)	(18.4)	(23.9)	(5.5)	(18.4)	(23.9)
Eton (high B priority)	(13.0)	(15.8)	(17.0)	(13.0)	(15.8)	(17.0)
Eton (high A priority LMS)	(14.8)	(18.0)	(19.4)	(14.8)	(18.0)	(19.4)
Lower Fitzroy	(12.2)	(13.7)	(14.3)	(12.2)	(13.7)	(14.3)
Lower Mary — Mary Barrage	2.8	(11.2)	(17.3)	2.8	(11.2)	(17.3)
Lower Mary — Tinana & Teddington	(19.8)	(24.3)	(26.3)	(19.8)	(24.3)	(26.3)
Macintyre Brook	17.8	2.5	(4.1)	—	—	—
Maranoa River	(21.2)	(22.7)	(23.3)	(15.1)	(16.7)	(17.4)
Mareeba-Dimbulah — River	(16.6)	(18.4)	(19.3)	(16.6)	(18.4)	(19.3)
Nogoa-Mackenzie (medium priority)	(7.2)	(10.7)	(12.2)	(7.2)	(10.7)	(12.2)
Nogoa-Mackenzie (high priority)	(11.3)	(16.9)	(19.3)	—	—	—
Pioneer River	(0.2)	(8.6)	(12.1)	(0.2)	(8.6)	(12.1)
Proserpine River	(10.2)	(10.6)	(10.7)	(10.2)	(10.6)	(10.7)
St George (medium priority)	(3.0)	(10.7)	(14.0)	(3.0)	(10.7)	(14.0)
St George (high priority LMS)	(3.3)	(11.8)	(15.4)	(2.4)	(10.9)	(14.6)
Three Moon Creek	(1.7)	(7.2)	(9.6)	—	—	—
Upper Burnett — Regulated Section of the Nogo/Burnett River	(8.2)	(11.7)	(13.2)	(8.2)	(11.7)	(13.2)
Upper Burnett — John Goleby Weir	(8.2)	(11.7)	(13.2)	(8.2)	(11.7)	(13.2)

Tariff group	Fixed price target difference (%)			Fixed price difference (%)		
	Depreciation periods (years)					
	15	25	35	15	25	35
Upper Condamine — Sandy Creek or Condamine River	(4.6)	(4.8)	(4.9)	(4.6)	(4.8)	(4.9)
Upper Condamine — North Branch	(4.3)	(4.6)	(4.6)	(4.3)	(4.6)	(4.6)
Upper Condamine — North Branch — Risk A	—	—	—	—	—	—

LMS: local management supply.

Notes: 1. The same price target and price impact apply to the Nogoa-Mackenzie (medium priority local management supply) tariff group, as the two medium priority tariff groups in this scheme have the same price targets from 2026–27 onwards. 2. No fixed price target or fixed price applies for the Eton risk priority tariff group. 3. 15-year, 25-year and 35-year refer to depreciation periods for the initial RAB. 4. Tariff groups in this table exclude bulk schemes with closing positive annuity balances.

Source: QCA analysis.

Table 7: Change in fixed price targets and prices under a RAB approach (relative to annuity), distribution systems, 2027–28(%)

Tariff group	Fixed price target difference (%)			Fixed price difference (%)		
	Depreciation periods (years)					
	15	25	35	15	25	35
Bundaberg channel	(9.0)	(12.6)	(14.2)	—	—	—
Lower Mary channel	(11.4)	(16.2)	(18.2)	—	—	—

Notes: 1. 15-year, 25-year and 35-year refer to depreciation periods for the initial RAB. 2. Tariff groups in this table exclude distribution systems with closing positive annuity balances.

Source: QCA analysis.

The resulting depreciation periods vary across tariff groups, reflecting the scale of forecast renewals expenditure embedded in annuity-based prices and the relative size of initial RAB balances compared to scheme revenues (Tables 8 and 9). For most schemes, this approach results in depreciation periods of 25 years or less, with longer periods required only for Boyne River and Tarong, and Macintyre Brook, to moderate initial price target impacts.

Table 8: Selected depreciation periods and resulting change in fixed price targets and prices under a RAB approach (relative to annuity), bulk schemes, 2027–28 (%)

Tariff group	Selected depreciation period (years)	Fixed price target difference (%)	Fixed price difference (%)
Barker Barambah — River	10	(4.7)	—
Barker Barambah — Redgate Relift	10	(4.7)	—
Bowen Broken Rivers	25	—	—
Boyne River and Tarong	35	(2.6)	(2.6)
Bundaberg	20	(3.5)	(3.5)
Callide Valley	25	(2.3)	—
Chinchilla Weir	20	(5.2)	(5.2)
Cunnamulla	15	(5.5)	(5.5)
Eton (high B priority)	10	(9.5)	(9.5)
Eton (high A priority LMS)	10	(10.8)	(10.8)
Lower Fitzroy	10	(10.3)	(10.3)
Lower Mary — Mary Barrage	20	(6.1)	(6.1)
Lower Mary — Tinana & Teddington	20	(22.2)	(22.2)
Macintyre Brook	35	(4.1)	—
Maranoa River	10	(19.4)	(13.2)
Mareeba-Dimbulah — River Tinaroo/Barron	10	(14.2)	(14.2)
Nogoa-Mackenzie (medium priority)	10	(2.8)	(2.8)
Nogoa-Mackenzie (high priority)	10	(4.4)	—
Pioneer River	20	(5.4)	(5.4)
Proserpine River	10	(9.9)	(9.9)
St George (medium priority)	15	(3.0)	(3.0)
St George (high priority LMS)	15	(3.3)	(2.4)
Three Moon Creek	15	(1.7)	—
Upper Burnett — Regulated Section of the Nogo/Burnett River	10	(3.7)	(3.7)
Upper Burnett — John Goleby Weir	10	(3.7)	(3.7)
Upper Condamine — Sandy Creek or Condamine River	10	(4.3)	(4.3)
Upper Condamine — North Branch	10	(4.1)	(4.1)
Upper Condamine — North Branch — Risk A	10	—	—

Notes: 1. The same price target and price impact apply to the Nogoa-Mackenzie (medium priority local management supply) tariff group, as the 2 medium priority tariff groups in this scheme have the same price targets from 2026–27 onwards. 2. No fixed price target or fixed price applies for the Eton risk priority tariff group.

Source: QCA analysis.

Table 9: Selected depreciation periods and resulting change in fixed price target and prices under a RAB approach (relative to annuity), distribution systems, 2027–28 (%)

Tariff group	Selected depreciation period (years)	Fixed price target difference (%)	Fixed price difference (%)
Bundaberg channel	10	(8.7)	–
Lower Mary channel	10	(7.9)	–

Source: QCA analysis.

The relative size of the initial RAB compared to scheme revenue provides an indication of the sensitivity of price targets to the choice of depreciation period. Where this ratio is lower, shorter timeframes can be adopted without materially affecting price outcomes. This is the case for Eton, Lower Fitzroy, Maranoa River, Mareeba-Dimbulah, Proserpine River, Upper Burnett, Upper Condamine, Lower Mary distribution and Bundaberg distribution. For tariff groups in these schemes, the price target impact at the end of the depreciation periods is also more limited.

While this approach focuses on moderating short-term price target impacts, we have also considered the longer-term implications of selected timeframes.

Return of positive annuity balances

Positive annuity balances reflect past over-recovery and are returned to customers over time. These balances could be returned through rebates or reductions in allowable costs.

Sunwater has proposed to return positive annuity balances through bill rebates. Under this approach, schemes with positive balances have a zero opening RAB and the balances are returned to customers over a defined period. Sunwater said that this approach avoided distorting future RAB-based price targets and prices. Sunwater has applied weighted average cost of capital (WACC) adjustments to compensate for the time value of money over the return period.⁵⁹

We consider the use of a rebate mechanism is reasonable, as it delivers the same bill outcomes as an allowable cost offset in schemes forecast to have positive annuity balances at 30 June 2027. As prices in all tariff groups in these schemes have reached the price target, a rebate is equivalent to an offset. The rebate mechanism also avoids potential impacts on the scheme's future transition path to the underlying price target. However, Sunwater should account for these balances over the return period and report on them in future price path reviews.

Sunwater considered alternative return timeframes, including shorter (4 years) and longer (8 years) periods. Sunwater said that the shorter option reflected stakeholder preferences for returning funds to customers from the 2025 review, particularly given entitlements may be traded.⁶⁰

The size of the positive annuity balance relative to scheme allowable costs is a key factor in determining appropriate timeframes. Table 10 shows the total rebate, which reflects the positive annuity balance as at 30 June 2027, and annualised rebate as a percentage of scheme-level total allowable costs over 4- and 8-year return periods.

⁵⁹ Sunwater, sub 2, p 22.

⁶⁰ Sunwater, sub 2, p 22.

Table 10: Total and annualised rebate as a percentage of pre-transition total allowable costs, 2026–27 (%)

Scheme	2026–27 allowable costs (\$m)	Rebate (\$m)			Rebate as proportion of allowable costs (%)		
		Total ^a	Return period (years)		Total	Return period (years)	
			4	8		4	8
Burdekin-Haughton bulk	7.1	4.0	1.1	0.6	55.6	15.7	8.5
Dawson Valley	1.9	3.2	0.9	0.5	167.6	47.3	25.5
Burdekin-Haughton distribution	21.3	2.1	0.6	0.3	10.1	2.8	1.5
Mareeba-Dimbulah distribution	8.3	13.7	3.9	2.1	165.5	46.7	25.2

^a The total rebate amount is equal to the positive annuity balances as at 30 June 2027.

Source: QCA, Rural irrigation price review 2025–29: Sunwater, final report, January 2025, pp 152–164; QCA analysis.

We consider a 4-year return period is appropriate. The shorter return period better aligns the return of funds with those customers who contributed to the positive annuity balance and avoids potential distortions where fixed charges may not fully reflect entitlement holding costs.

In determining this return timeframe, we have had regard to stakeholder preferences, including the equity consideration of returning funds to customers who contributed to those balances, as well as the impact on the profile of customer prices.

This approach is consistent with Sunwater's view that both 4- and 8-year return periods are commercially acceptable. The approach also provides a more timely return of funds to customers.

5 Total allowable costs

In this chapter, we set out our position on total allowable costs for regulated schemes. For this review, allowable costs are consistent with our position in the 2025 review, except for changes required to transition from an annuity approach to a RAB approach.

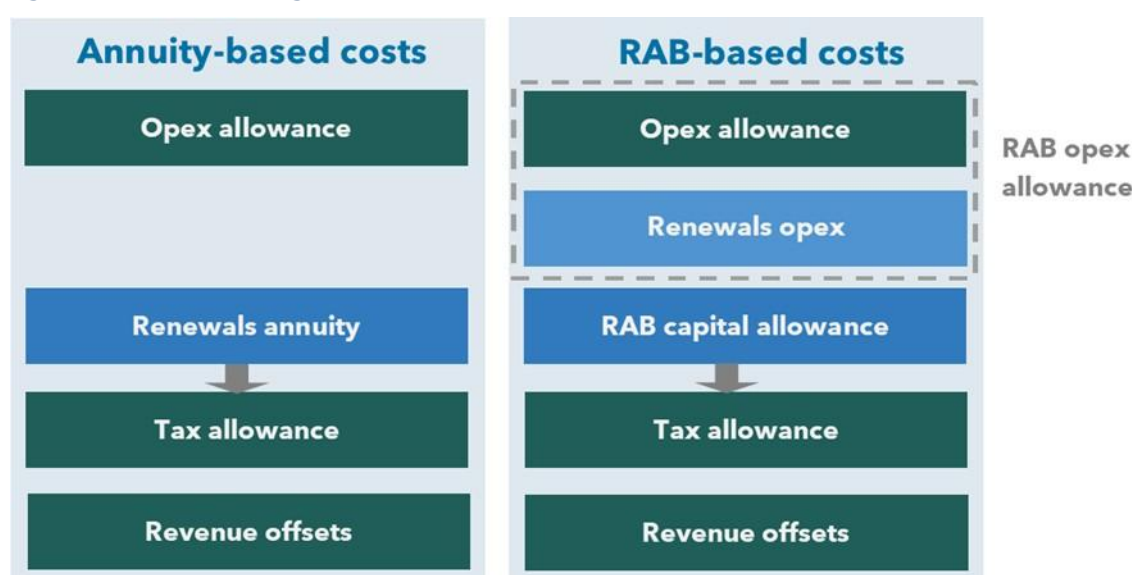
5.1 Adjustments to 2025 review allowable costs

Not a big deal to EICL. As required by the direction, allowable costs reflect our position in the final report of the 2025 review, with the following adjustments:

- for annuity-based costs:
 - exclude the step change component related to information and communication technology (ICT) costs from the opex allowance (section 5.2)
- for RAB-based costs:
 - adjust the opex allowance (section 5.2) to:
 - exclude the same ICT-related step change component
 - include renewals of an operating nature
 - replace the renewals allowance with an appropriate RAB-based capital allowance (section 5.3)
 - include a smoothing adjustment to account for differences between unit costs and smoothed price targets for 2025–26 and 2026–27 (section 5.4)
 - replace the tax allowance with an appropriate RAB-based tax allowance (section 5.5).

Under the RAB approach, renewals are reflected in both operating and capital components of allowable costs. Under both approaches, renewals also feed into the calculation of the tax allowance. Figure 4 shows the different treatment of renewals under each approach.

Figure 4 Calculating annuity-based and RAB-based allowable costs



Reflecting our position on each of these adjustments, Table 11 compares our draft allowable costs under the annuity and RAB approaches. This comparison highlights how the transition from an annuity to a RAB framework affects total allowable costs. Scheme-level information on allowable costs is provided in Appendix C.

Table 11: QCA draft position — total allowable costs (\$ million, nominal)

Cost	Annuity		RAB		Difference	
	2027-28	2028-29	2027-28	2028-29	2027-28	2028-29
Opex allowance (2025 review)	84.1	86.2	84.1	86.2	–	–
ICT step change	(0.6)	(0.6)	(0.6)	(0.6)	–	–
Renewals opex	–	–	1.2	0.5	1.2	0.5
Revised opex allowance	83.4	85.6	84.7	86.1	1.2	0.5
Renewals annuity	25.6	26.2	–	–	(25.6)	(26.2)
RAB-based capital allowance	–	–	15.2	17.6	15.2	17.6
Smoothing adjustment	–	–	0.1	0.1	0.1	0.1
Tax allowance	–	–	–	–	–	–
Revenue offsets	(1.9)	(2.0)	(1.9)	(2.0)	–	–
Total allowable costs	107.1	109.8	98.1	101.8	(9.0)	(8.0)

Notes: 1. Figures include costs allocated to irrigation and non-irrigation customers in regulated schemes. 2. Totals may not add due to rounding.

Source: QCA analysis.

The following sections set out our assessment of each component of allowable costs in detail, including comparisons between Sunwater’s proposal and our draft position.

5.2 Operating expenditure allowance

Not a big deal to EICL. Under the annuity approach, the opex allowance is consistent with our position in the 2025 review, subject to the exclusion of the ICT-related step change component. Under a RAB approach, the opex allowance is adjusted to exclude the same ICT-related step change component and to include renewals of an operating nature (see section 4.1).

We have accepted Sunwater’s proposed annuity-based opex allowance (Table 12).

Table 12: QCA draft position — annuity-based opex allowance (\$ million, nominal)

Cost	Sunwater proposal		QCA draft		Difference	
	2027-28	2028-29	2027-28	2028-29	2027-28	2028-29
Opex allowance (2025 review)	84.1	86.2	84.1	86.2	–	–
ICT-related step change	(0.6)	(0.6)	(0.6)	(0.6)	–	–
Total	83.4	85.6	83.4	85.6	–	–

Notes: 1. Figures in this table include costs allocated to irrigation and non-irrigation customers in regulated schemes. 2. Totals may not add due to rounding.

Source: Sunwater, sub 2, p 34; QCA analysis.

Consistent with the direction, Sunwater has treated renewals opex as a step change (Table 13) in deriving the RAB-based opex allowance. However, in future reviews we would expect that only that component of renewals opex that fits our step change criteria will be treated as a step change.

Table 13: QCA draft position — RAB-based opex allowance (\$ million, nominal)

Cost	Sunwater proposal		QCA draft		Difference	
	2027-28	2028-29	2027-28	2028-29	2027-28	2028-29
Opex allowance (2025 review)	84.1	86.2	84.1	86.2	–	–
ICT step change	(0.6)	(0.6)	(0.6)	(0.6)	–	–
Renewals opex	1.2	0.5	1.2	0.5	–	–
Total	84.7	86.1	84.7	86.1	–	–

Notes: 1. Figures in this table include costs allocated to irrigation and non-irrigation customers in regulated schemes.

2. Totals may not add due to rounding.

Source: Sunwater, sub 2, p 34; QCA analysis.

5.3 Renewals allowance

EICL doesn't agree with a RAB. Under the annuity approach, the renewals allowance remains unchanged from our position in the 2025 review. Under a RAB approach, the renewals allowance is replaced with a RAB-based capital allowance derived from incorporating renewals capex into the RAB, while renewals of an operating nature are included in the opex allowance (see section 5.2).

We use a nominal modelling framework to derive the RAB-based capital allowance. Under this framework, inflation is incorporated in calculating both the return on capital (using the nominal WACC) and the return of capital (by annually indexing the RAB for inflation).

The RAB-based capital allowance is comprised of the following components:

- **return on capital** — calculated by applying the nominal WACC of 6.66% to the opening RAB in each year of the price path period, with an additional part-year return for capex
- **inflation adjustment** — the RAB is indexed annually using forecast inflation of 2.87%. As inflation is already reflected in the nominal WACC applied to calculate the return on capital, the allowance is reduced by the inflationary gain in the RAB to avoid double counting
- **return of capital (depreciation)** — depreciation is deducted from the RAB each year using a straight-line method over remaining asset lives. This allows recovery of prudent and efficient capex over those lives.

Table 14 compares the RAB roll-forward in Sunwater's proposal with our draft position. The difference relates mainly to depreciation, reflecting our use of scheme-level asset lives for initial RABs that are, for most schemes, shorter than the 25 years proposed by Sunwater.

Table 14: QCA draft position — RAB roll-forward (\$ million, nominal)

Cost	Sunwater proposal		QCA draft		Difference	
	2027-28	2028-29	2027-28	2028-29	2027-28	2028-29
Opening balance	152.0	181.3	152.0	179.0	–	(2.3)
plus renewals capex	31.6	21.3	31.6	21.3	–	–
plus inflation	4.7	5.1	4.8	5.4	0.1	0.4
less depreciation	7.0	8.5	9.4	11.0	2.4	2.5
Closing balance	181.3	199.2	179.0	194.8	(2.3)	(4.4)

Notes: 1. Figures include costs allocated to irrigation and non-irrigation customers in regulated schemes. 2.

Sunwater's proposal is based on its proposed 25-year depreciation profile for the initial RAB. 3. Totals may not add due to rounding.

Source: QCA analysis.

Table 15 compares the RAB-based capital allowance in Sunwater's proposal with our draft position. Each cost component in this table has been converted from an end-of-year value to a mid-year value by discounting by the WACC for six months.

Table 15: QCA draft position — RAB-based capital allowance (\$ million, nominal)

Cost	Sunwater proposal		QCA draft		Difference	
	2027-28	2028-29	2027-28	2028-29	2027-28	2028-29
Return on capital	10.8	12.4	10.8	12.2	–	(0.2)
Inflation adjustment	(4.5)	(4.9)	(4.7)	(5.3)	(0.1)	(0.3)
Depreciation	6.8	8.3	9.1	10.6	2.3	2.4
Total	13.1	15.7	15.2	17.6	2.2	1.9

Notes: 1. Figures include costs allocated to irrigation and non-irrigation customers in regulated schemes. 2. Sunwater's proposal is based on its proposed 25-year depreciation profile for the initial RAB. 3. Totals may not add due to rounding.

Source: Sunwater, sub 2, p 34; QCA analysis.

5.4 Smoothing adjustment

EICL doesn't agree with a RAB, so we see the need for smoothing Under the annuity approach, no smoothing adjustment is required under the direction. Under a RAB approach, a smoothing adjustment is applied to allowable costs to account for differences between unit costs and smoothed price targets for 2025–26 and 2026–27.

This adjustment is necessary because the 2025 review set price targets to recover costs over a 4-year period (2025–26 to 2028–29), while limiting increases to inflation. In contrast, this review resets price targets for the final 2 years (2027–28 and 2028–29).

Without adjustment, this could result in an under- or over-recovery of costs across the full 4-year period, due to the mismatch between unit costs and smoothed price targets in the first 2 years.

The smoothing adjustment calculated under the RAB approach is set out in Table 16. The key differences from Sunwater's proposal are that:

- we have smoothed the adjustment over 2027–28 and 2028–29 using the WACC, while Sunwater has escalated the differences from the early years using forecast inflation and applied them only to 2027–28
- consistent with the requirements of the direction, we have calculated the smoothing adjustment based on the unit costs and price targets in 2025–26 to 2026–27 including the ICT step change, while Sunwater has excluded the ICT step change in this calculation.

Table 16: QCA draft position — smoothing adjustment (\$ million, nominal)

Cost	Sunwater proposal		QCA draft		Difference	
	2027-28	2028-29	2027-28	2028-29	2027-28	2028-29
Total	0.2	–	0.1	0.1	(0.1)	0.1

Notes: 1. Figures include costs allocated to irrigation and non-irrigation customers in regulated schemes. 2. Sunwater's proposal is based on its proposed 25-year depreciation profile for the initial RAB.

Source: Sunwater, sub 2, p 34; QCA analysis.

5.5 Tax allowance

EICL don't see this as a material issue. If it were, Sunwater should go tax free ATO public authority like EICL. Under the annuity approach, the tax allowance for 2027–28 and 2028–29 is consistent with our position in the 2025 review. Under a RAB approach, the tax allowance is recalculated using the same framework, updated for the RAB-based capital allowance and revised opex.

Our general approach is to include an explicit allowance for tax that reflects the tax liabilities of a benchmark efficient firm operating in the private sector. In the 2020 and 2025 reviews, we accepted the businesses' proposals for a zero tax allowance, as accumulating negative annuity balances since 1 July 2020 resulted in ongoing tax losses.

For this review, we have accounted for accumulated tax losses from 1 July 2020 to 30 June 2027. Consistent with our 2025 review approach, the tax allowance is calculated at the benchmark entity level (i.e. across all regulated schemes) using a top-down method, with any resulting allowance then allocated to schemes using an appropriate allocator.

Sunwater proposed calculating the tax allowance at the scheme level, arguing that this better reflects cost reflectivity principles.⁶¹ In its proposal, it assumed zero tax loss carry-forwards as at 1 July 2027.

Sunwater subsequently provided revised information on accumulated tax losses from 1 July 2020 to 30 June 2027 and their allocation to schemes at 30 June 2027. It also provided revised tax allowance estimates for 2027–28 and 2028–29 using a scheme level approach, reflecting these updated tax loss balances.⁶²

Some stakeholders raised concerns that Sunwater's RAB proposal creates an additional tax cost for Sunwater's return on capital earnings that is not incurred within the annuity approach.⁶³ As we noted in the 2025 review, a tax allowance may need to be calculated under either approach, as both approaches produce renewals-related revenues.⁶⁴

Consistent with our approach in the 2025 review, we have calculated the tax allowance for the benchmark entity comprising all regulated schemes, rather than at the scheme level. In doing so, we have derived interest deductions based on the geared component of the annuity balance multiplied by the cost of debt. On this basis, Sunwater remains in a tax loss position in 2027–28 and 2028–29, so no tax allowance is required at the scheme level.

The tax allowance calculated under the RAB approach is set out in Table 17 below.

Table 17: QCA draft position — RAB-based tax allowance (\$ million, nominal)

Cost	Sunwater revised		QCA draft		Difference	
	2027-28	2028-29	2027-28	2028-29	2027-28	2028-29
Total	–	0.1	–	–	–	(0.1)

Notes: 1. Sunwater's proposal is based on its proposed 25-year depreciation profile for the initial RAB. 2. Figures include costs allocated to irrigation and non-irrigation customers in regulated schemes.

Source: Sunwater, response to RFI 6 (2 April 2026); QCA analysis.

⁶¹ Sunwater, sub 2, p 33.

⁶² Sunwater, response to RFI 6 (2 April 2026).

⁶³ Avocados Australia, sub 3, p 2; Brooklet Farms, sub 4, p 2; Bundaberg Regional Irrigators Group, sub 6, pp 2–3; BRIA Irrigators, sub 7, pp 5–6; Canegrowers, sub 8, p 2; Pioneer Valley Water Co-operative, sub 17, p 1.

⁶⁴ QCA, [*Rural irrigation price review 2025–29: Sunwater*](#), final report, January 2025, pp 97–98.

6 Price targets and prices

This chapter explains how we have calculated draft price targets and prices for each tariff group over the price path period. We also compare price targets and prices under the two approaches.

EICL has no comments on Section 6.

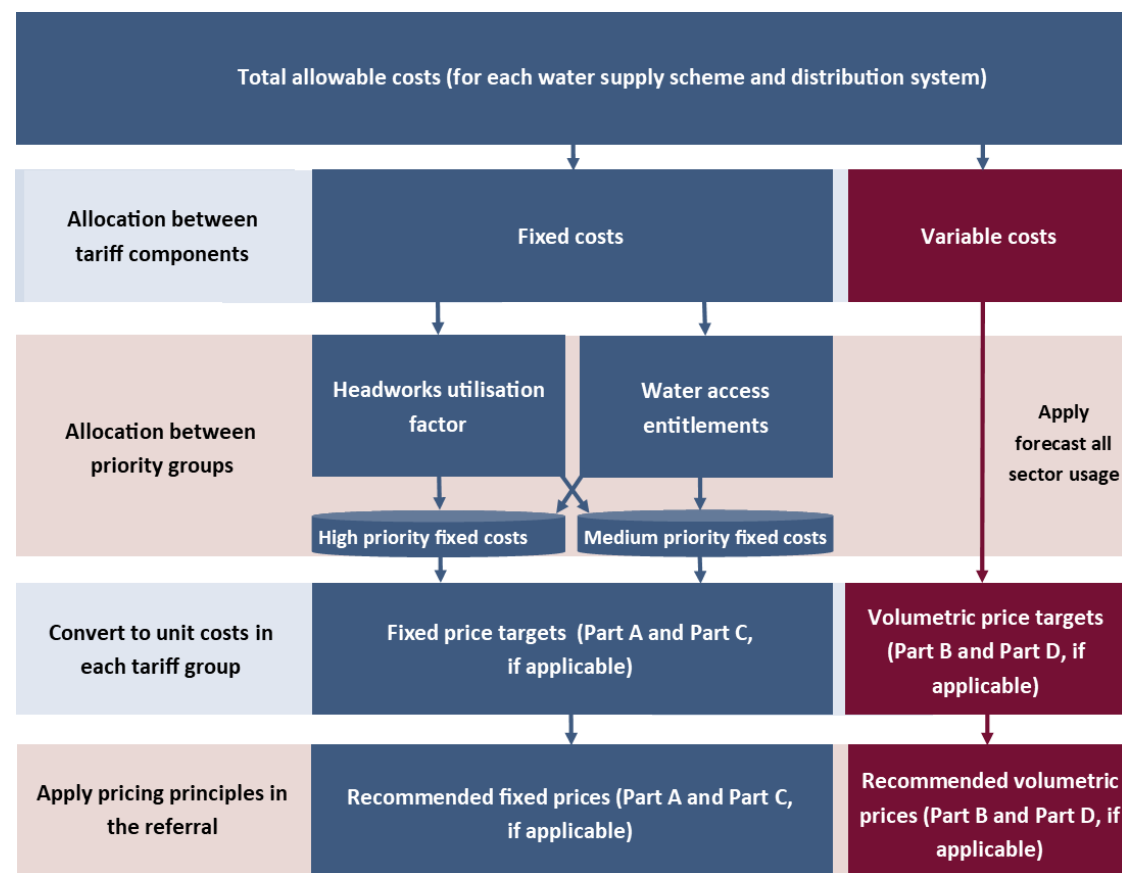
6.1 Deriving draft price targets and prices

In accordance with the 2025 review, after making some adjustments to scheme-level allowable costs to ensure that costs were allocated to the appropriate beneficiaries, we then converted allowable costs at the scheme level to a price target for each tariff group by:

1. allocating costs between the fixed and volumetric tariff components
2. allocating costs between high and medium priority groups
3. allocating costs between tariff groups (where applicable), or making other scheme-specific adjustments
4. converting allocated costs into a unit cost for each tariff component (for example, a cost per megalitre (ML) of water usage); then smoothing these unit costs over the price path period so that the price target for each tariff group increases by forecast inflation of 2.87% in 2028–29.⁶⁵

We then applied the pricing principles used in the 2025 review to establish the transitional path to the price target for each tariff group and derive annuity and RAB-based prices (Appendices D and E). Our general approach to deriving recommended prices is shown in Figure 5.

Figure 5: QCA general approach to deriving recommended irrigation prices



⁶⁵ QCA, *Rural irrigation price review 2025–29: Sunwater*, final report, January 2025, p 105.

6.2 Draft price targets and prices

The impact of moving to a RAB approach reflects differences in the timing of recovery of renewals expenditure under each approach. In the early years of transition, the RAB approach generally places downward pressure on fixed price targets due to the removal of the forward-looking allowance for forecast renewals expenditure embedded in annuity-based prices. For tariff groups in schemes with a negative annuity balance as at 30 June 2027, this effect is partially moderated by the selected depreciation periods applied to the initial RAB (see section 4.4).

The recovery of renewals expenditure directly affects fixed price targets, while volumetric price targets are unchanged. However, volumetric prices may differ between the two approaches since actual prices reflect the transitional arrangements set out in the government's pricing principles.

Our draft recommended annuity-based and RAB-based prices for each tariff group are set out in Appendix D and Appendix E, respectively. These appendices also contain the associated draft annuity-based and RAB-based price targets.

6.2.1 Comparison of price targets

Fixed price target levels and differences, and the corresponding differences in total price targets, are presented for bulk schemes in Table 18 and distribution systems in Table 19. Comparisons are shown for 2027–28 only, as percentage differences remain unchanged in 2028–29 because price targets are escalated by the same inflation factor under both approaches.

Table 18: Change in price targets under a RAB approach (relative to annuity), bulk schemes, 2027–28

Tariff group	2027–28 fixed price target (\$/ML)		Fixed target difference (\$/ML)	Fixed target difference (%)	Total price target difference (%)
	Annuity	RAB			
Barker Barambah — River	54.51	51.94	(2.57)	(4.7)	(4.5)
Barker Barambah — Redgate Relift	55.17	52.60	(2.57)	(4.7)	(3.6)
Bowen Broken Rivers	10.14	10.14	—	—	—
Boyne River and Tarong	16.75	16.32	(0.43)	(2.6)	(2.3)
Bundaberg	13.90	13.41	(0.49)	(3.5)	(3.3)
Burdekin-Haughton	5.95	4.99	(0.96)	(16.1)	(15.1)
Callide Valley	111.84	109.32	(2.52)	(2.3)	(2.1)
Chinchilla Weir	26.88	25.47	(1.41)	(5.2)	(4.7)
Cunnamulla	41.02	38.76	(2.26)	(5.5)	(5.4)
Dawson Valley — River (medium priority)	22.45	18.07	(4.38)	(19.5)	(18.5)
Dawson Valley — River (high priority)	110.75	83.15	(27.60)	(24.9)	(24.6)
Eton (high B priority)	34.73	31.44	(3.29)	(9.5)	(8.9)
Eton (high A priority LMS)	125.85	112.25	(13.60)	(10.8)	(10.6)
Eton risk priority	n.a.	n.a.	n.a.	n.a.	(8.0)
Lower Fitzroy	16.47	14.77	(1.70)	(10.3)	(9.6)

Tariff group	2027-28 fixed price target (\$/ML)		Fixed target difference (\$/ML)	Fixed target difference (%)	Total price target difference (%)
	Annuity	RAB			
Lower Mary — Mary Barrage	6.77	6.36	(0.41)	(6.1)	(5.8)
Lower Mary — Tinana & Teddington	22.32	17.37	(4.95)	(22.2)	(18.0)
Macintyre Brook	124.15	119.06	(5.09)	(4.1)	(4.0)
Maranoa River	89.04	71.73	(17.31)	(19.4)	(18.8)
Mareeba-Dimbulah — River	3.31	2.84	(0.47)	(14.2)	(12.7)
Nogoa-Mackenzie (medium priority)	11.45	11.13	(0.32)	(2.8)	(2.5)
Nogoa-Mackenzie (high priority)	74.64	71.37	(3.27)	(4.4)	(4.3)
Pioneer River	22.55	21.33	(1.22)	(5.4)	(5.1)
Proserpine River	17.66	15.91	(1.75)	(9.9)	(8.9)
St George (medium priority)	33.20	32.20	(1.00)	(3.0)	(2.9)
St George (high priority LMS)	52.28	50.54	(1.74)	(3.3)	(3.2)
Three Moon Creek	72.44	71.20	(1.24)	(1.7)	(1.6)
Upper Burnett — Regulated Section of Nogo/Burnett River	51.28	49.37	(1.91)	(3.7)	(3.5)
Upper Burnett — John Goleby Weir	51.28	49.37	(1.91)	(3.7)	(3.5)
Upper Condamine — Sandy Creek or Condamine River	24.45	23.40	(1.05)	(4.3)	(3.6)
Upper Condamine — North Branch	25.64	24.59	(1.05)	(4.1)	(2.6)
Upper Condamine — North Branch — Risk A	23.87	23.87	—	—	—

Notes: 1. The same price target difference applies to the Nogoa-Mackenzie (medium priority local management supply) tariff group, as the two medium priority tariff groups in this scheme have the same price targets from 2026–27 onwards. 2. Fixed price targets reflect the fixed (Part A) component of the price target. 3. Total price targets reflect the fixed price target plus the volumetric (Part B) price target multiplied by the assumed scheme usage percentage of water access entitlement (WAE). 4. For tariff groups in schemes with positive annuity balances (i.e. Burdekin-Haughton and Dawson Valley), the price targets and differences do not reflect the impact of the rebate.

Source: QCA analysis.

Table 19: Change in price targets under a RAB approach (relative to annuity), distribution systems, 2027–28

Tariff group	2027-28 fixed price target (\$/ML)		Fixed target difference (\$/ML)	Fixed target difference (%)	Total price target difference (%)
	Annuity	RAB			
Bundaberg channel	107.85	98.42	(9.43)	(8.7)	(6.9)
Burdekin channel	58.34	48.72	(9.62)	(16.5)	(13.2)
Burdekin — Giru Groundwater	58.34	48.72	(9.62)	(16.5)	(13.2)
Burdekin — Gladys's Lagoon	58.34	48.72	(9.62)	(16.5)	(13.2)
Lower Mary channel	122.42	112.70	(9.72)	(7.9)	(7.0)
Mareeba-Dimbulah — outside a relief up to 100 ML	76.53	75.97	(0.56)	(0.7)	(0.7)

Tariff group	2027–28 fixed price target (\$/ML)		Fixed target difference (\$/ML)	Fixed target difference (%)	Total price target difference (%)
	Annuity	RAB			
Mareeba-Dimbulk — outside a relift 100 ML to 500 ML	67.88	67.33	(0.55)	(0.8)	(0.7)
Mareeba-Dimbulk — outside a relift over 500 ML	53.45	52.91	(0.54)	(1.0)	(0.9)
Mareeba-Dimbulk — river sup.	37.10	36.58	(0.52)	(1.4)	(1.3)
Mareeba-Dimbulk — relift	79.28	78.74	(0.54)	(0.7)	(0.4)

Notes: 1. Fixed price targets reflect the fixed (Part A and Part C) components of the price target. 2. Total price targets reflect the fixed price target plus the volumetric (Part B and Part D) price target multiplied by the assumed scheme usage percentage of WAE. 3. For tariff groups in distribution systems with positive annuity balances (i.e. Burdekin-Haughton and Mareeba-Dimbulk), the price targets and differences do not reflect the impact of the rebate.

Source: QCA analysis.

Across the bulk schemes and distribution systems, draft RAB-based fixed price targets are lower than, or equal to, the corresponding annuity-based fixed price targets. The percentage impact on total price targets is smaller than the impact on fixed price targets because volumetric price targets are unchanged.

For total price targets, the impact ranges from a reduction of 24.6% to no difference, with a median reduction of 4.3%. Overall, 24 of the 43 tariff groups have reductions in total price targets of less than 5%. Of the remaining tariff groups, 6 are in schemes with a positive annuity balance.

6.2.2 Comparison of prices

Total price levels and differences are presented in Table 20 for bulk schemes and in Table 21 for distribution systems. Price comparisons are shown for both 2027–28 and 2028–29, as prices reflect the application of the pricing principles and associated transitional pricing arrangements and therefore may not move by the same percentage under the two approaches.

Our analysis is based on the total price per megalitre of water access entitlement (WAE) for each tariff group. This is derived as the total fixed price plus the total volumetric price multiplied by the assumed scheme usage percentage of WAE from the 2025 review. As a result, the price increases for individual customers will vary if their water usage differs from the assumed scheme usage.

Table 20: Change in prices under a RAB approach (relative to annuity), bulk schemes, 2027–28

Tariff group	2027–28 total price (\$/ML)		2027–28 total price difference (\$/ML)	2027–28 total price difference (%)	2028–29 total price difference (%)
	Annuity	RAB			
Barker Barambah — River	51.82	51.82	–	–	(1.3)
Barker Barambah — Redgate Relift	61.49	61.49	–	–	(0.3)
Bowen Broken Rivers	13.26	13.26	–	–	–
Boyne River and Tarong	18.47	18.04	(0.43)	(2.3)	(2.3)
Bundaberg	14.66	14.17	(0.49)	(3.3)	(3.3)
Burdekin-Haughton	6.37	5.41	(0.96)	(15.1)	(14.9)
Callide Valley	48.04	48.04	–	–	–

Tariff group	2027-28 total price (\$/ML)		2027-28 total price difference (\$/ML)	2027-28 total price difference (%)	2028-29 total price difference (%)
	Annuity	RAB			
Chinchilla Weir	30.05	28.64	(1.41)	(4.7)	(4.7)
Cunnamulla	41.91	39.65	(2.26)	(5.4)	(5.4)
Dawson Valley — River (medium priority)	23.73	19.35	(4.38)	(18.5)	(18.4)
Dawson Valley — River (high priority)	71.41	71.41	—	—	—
Eton (high B priority)	36.80	33.51	(3.29)	(8.9)	(8.9)
Eton (high A priority LMS)	127.92	114.32	(13.60)	(10.6)	(10.6)
Eton risk priority	14.18	13.04	(1.14)	(8.0)	(8.1)
Lower Fitzroy	17.65	15.95	(1.70)	(9.6)	(9.6)
Lower Mary — Mary Barrage	7.09	6.68	(0.41)	(5.8)	(5.6)
Lower Mary — Tinana &	27.56	22.61	(4.95)	(18.0)	(18.0)
Macintyre Brook	79.75	79.75	—	—	—
Maranoa River	84.74	73.94	(10.80)	(12.7)	(15.4)
Mareeba-Dimbulah — River	3.70	3.23	(0.47)	(12.7)	(12.6)
Nogoa-Mackenzie (medium priority)	12.78	12.46	(0.32)	(2.5)	(2.4)
Nogoa-Mackenzie (high priority)	54.37	54.37	—	—	—
Pioneer River	23.89	22.67	(1.22)	(5.1)	(5.1)
Proserpine River	19.57	17.82	(1.75)	(8.9)	(8.9)
St George (medium priority)	34.66	33.66	(1.00)	(2.9)	(2.9)
St George (high priority LMS)	52.84	52.00	(0.84)	(1.6)	(3.2)
Three Moon Creek	51.08	51.08	—	—	—
Upper Burnett — Regulated Section of Nogo/Burnett River	55.34	53.43	(1.91)	(3.5)	(3.5)
Upper Burnett — John Goleby Weir	55.29	53.43	(1.86)	(3.4)	(3.5)
Upper Condamine — Sandy Creek or Condamine River	28.32	27.50	(0.82)	(2.9)	(3.6)
Upper Condamine — North Branch	35.51	34.93	(0.58)	(1.6)	(1.6)
Upper Condamine — North Branch — Risk A	33.51	33.51	—	—	—

Notes: 1. The same price difference applies to the Nogoa-Mackenzie (medium priority local management supply) tariff group, as the 2 medium priority tariff groups in this scheme have the same prices from 2026-27 onwards. 2. For tariff groups in schemes with positive annuity balances (i.e. Burdekin-Haughton and Dawson Valley), the price targets and differences do not reflect the impact of the rebate.

Source: QCA analysis.

Table 21: Change in prices under a RAB approach (relative to annuity), distribution systems, 2027–28

Tariff group	2027–28 total price (\$/ML)		2027–28 total price difference (\$/ML)	2027–28 total price difference (%)	2028–29 total price difference (%)
	Annuity	RAB			
Bundaberg channel	109.85	109.85	–	–	–
Burdekin channel	72.89	63.27	(9.62)	(13.2)	(13.2)
Burdekin — Giru Groundwater	55.98	55.98	–	–	–
Burdekin — Gladys Lagoon	72.89	63.27	(9.62)	(13.2)	(13.2)
Lower Mary channel	95.80	95.80	–	–	–
Mareeba-Dimbulah — outside a relift up to 100 ML	81.86	81.65	(0.21)	(0.3)	(0.7)
Mareeba-Dimbulah — outside a relift 100 ML to 500 ML	73.59	73.04	(0.55)	(0.7)	(0.7)
Mareeba-Dimbulah — outside a relift over 500 ML	59.16	58.62	(0.54)	(0.9)	(0.9)
Mareeba-Dimbulah — river sup.	40.68	40.16	(0.52)	(1.3)	(1.3)
Mareeba-Dimbulah — relift	133.57	133.57	–	–	–

Note: For tariff groups in distribution systems with positive annuity balances (i.e. Burdekin-Haughton and Mareeba-Dimbulah), the prices and differences do not reflect the impact of the rebate.

Source: QCA analysis.

Across the bulk schemes and distribution systems, draft RAB-based prices are lower than, or equal to, the corresponding annuity-based prices, with a median reduction of 2.9%. Overall, 28 of the 43 tariff groups have reductions in total prices in 2027–28 and 2028–29 of less than 5%. Of the remaining tariff groups, 4 are in schemes with a positive annuity balance.

6.2.3 Comparison of annual price increases

Our draft price changes vary over the price path period for each tariff group and between tariff groups (Tables 22 and 23). Our analysis is based on the total price per megalitre (ML) of WAE for each tariff group. This is derived as the total fixed price plus the total volumetric price multiplied by the assumed scheme usage percentage of WAE. As a result, the price increases for individual customers will vary if their water usage differs from the assumed scheme usage.

In 2027–28, a key driver of the difference in price changes between tariff groups is whether the fixed and volumetric components of the 2026–27 price are above or below the corresponding tariff components of the 2027–28 price target. Any components that are above will immediately reduce to the price target and any components that are below will increase by no more than inflation plus \$2.77/ML (2027–28 dollars) towards the price target.

Table 22: Changes in irrigation prices, bulk schemes (nominal, % change)

Tariff group	Annuity approach		RAB approach	
	2027-28	2028-29	2027-28	2028-29
Barker Barambah — River	8.7	8.4	8.7	7.0
Barker Barambah — Redgate Relift	7.7	7.5	7.7	7.1
Bowen Broken Rivers	1.4	2.9	1.4	2.9
Boyne River and Tarong	2.2	2.8	(0.2)	2.9
Bundaberg	2.3	2.8	(1.1)	2.8
Burdekin-Haughton	2.4	2.9	(13.0)	3.1
Callide Valley	9.1	8.8	9.1	8.8
Chinchilla Weir	2.2	2.9	(2.6)	2.9
Cunnamulla	2.5	2.9	(3.0)	2.9
Dawson Valley — River (medium priority)	2.2	2.9	(16.6)	2.9
Dawson Valley — River (high priority)	7.0	6.8	7.0	6.8
Eton (high B priority)	2.4	2.9	(6.8)	2.9
Eton (high A priority LMS)	2.5	2.9	(8.4)	2.9
Eton risk priority	2.4	2.9	(5.9)	2.9
Lower Fitzroy	2.0	2.8	(7.8)	2.8
Lower Mary — Mary Barrage	2.5	2.8	(3.5)	3.0
Lower Mary — Tinana & Teddington	2.7	2.9	(15.7)	2.9
Macintyre Brook	6.6	6.4	6.6	6.4
Maranoa River	6.3	6.2	(7.2)	3.0
Mareeba-Dimbulah — River	1.7	2.8	(11.2)	2.9
Nogoa-Mackenzie (medium priority)	2.3	2.8	(0.3)	2.9
Nogoa-Mackenzie (high priority)	8.4	8.1	8.4	8.1
Pioneer River	2.4	2.9	(2.8)	2.9
Proserpine River	2.1	2.8	(7.0)	2.9
St George (medium priority)	7.2	2.9	4.2	2.9
St George (high priority LMS)	8.6	4.6	6.8	2.9
Three Moon Creek	8.8	8.4	8.8	8.4
Upper Burnett — Regulated Section	3.4	2.9	(0.1)	2.9
Upper Burnett — John Goleby Weir	5.9	3.0	2.4	2.9
Upper Condamine — Sandy Creek or Condamine River	8.5	6.3	5.4	5.5
Upper Condamine — North Branch	9.5	6.5	7.7	6.5
Upper Condamine — North Branch — Risk A	12.1	7.5	12.1	7.5

Note: The same price target and price differences apply to the Nogoa-Mackenzie (medium priority local management supply) tariff group, as the two medium priority tariff groups in this scheme have the same price targets from 2026–27. Source: QCA analysis.

Table 23: Changes in irrigation prices, distribution systems (nominal, % change)

Tariff group	Annuity approach		RAB approach	
	2027–28	2028–29	2027–28	2028–29
Bundaberg channel	5.5	5.5	5.5	5.5
Burdekin channel	2.3	2.9	(11.2)	2.9
Burdekin — Giru Groundwater	8.2	7.9	8.2	7.9
Burdekin — Gladys Lagoon (other	2.3	2.9	(11.2)	2.9
Lower Mary channel	5.9	5.8	5.9	5.8
Mareeba-Dimbulah — outside a relift up to 100 ML	6.0	3.3	5.7	2.9
Mareeba-Dimbulah — outside a relift 100 ML to 500 ML	5.1	2.9	4.3	2.9
Mareeba-Dimbulah — outside a relift over 500 ML	2.5	2.9	1.6	2.9
Mareeba-Dimbulah — river sup.	1.9	2.9	0.6	2.9
Mareeba-Dimbulah — relift	5.0	5.0	5.0	5.0

Source: QCA analysis.

In 2027–28, the draft price changes under an annuity approach range from a 1.4% increase to a 12.1% increase, with a median increase of 3.4%. Under a RAB approach, the 2027–28 price changes range from a 16.6% decrease to a 12.1% increase, with a median increase of 1.4%.

6.3 Long-term price targets and prices

This section compares draft RAB-based and annuity-based price targets and prices in the long term, using 2056–57 as a representative year when transitional effects have largely unwound.

Sunwater relied on its customer invoice calculator to provide customer-specific information on the long-term impact of adopting the RAB approach.⁶⁶ Sunwater noted that the impact of the RAB approach on customer and target prices varied considerably by tariff group. In calculating the long-term annuity-based prices for this calculator, Sunwater used a fixed-term annuity rather than the rolling annuity that is generally used. However, our long-term price targets are based on the use of the rolling annuity, with post 2057–58 renewals derived as the inflation-adjusted average of scheme-level renewals expenditure over the 30-year planning period (2028–29 to 2057–59).

Over the long term, both approaches are designed to recover the same underlying costs, and differences primarily reflect the timing of that recovery. Tables 24 and 25 present percentage differences in fixed and total price targets, and corresponding prices, across bulk schemes and distribution systems.

⁶⁶ Sunwater, sub 2, pp 44–45. The irrigation customer invoice calculator was available on a project-specific page on Sunwater's website ([RAB Irrigation Price Review](#), accessed 29 May 2026).

Table 24: Change in price targets and prices under a RAB approach (relative to annuity), bulk schemes, 2056–57

Tariff group	Total fixed price target difference (%)	Total price target difference (%)	Total fixed price difference (%)	Total price difference (%)
Barker Barambah — River	0.1	0.1	0.1	0.1
Barker Barambah — Redgate Relift	0.1	0.1	0.1	0.1
Bowen Broken Rivers	—	—	—	—
Boyne River and Tarong	1.6	1.4	1.6	1.4
Bundaberg	(10.2)	(9.6)	(10.2)	(9.6)
Burdekin-Haughton	14.2	13.2	14.2	13.2
Callide Valley	(15.1)	(13.8)	(15.1)	(13.8)
Chinchilla Weir	(8.4)	(7.4)	(8.4)	(7.4)
Cunnamulla	19.6	19.1	4.0	3.9
Dawson Valley — River (medium priority)	8.4	7.9	8.4	7.9
Dawson Valley — River (high priority)	10.5	10.4	10.5	10.4
Eton (high B priority)	(1.3)	(1.3)	(1.3)	(1.3)
Eton (high A priority LMS)	(1.5)	(1.5)	(1.5)	(1.5)
Eton risk priority	n.a	(1.1)	n.a	(1.1)
Lower Fitzroy	3.7	3.5	3.7	3.5
Lower Mary — Mary Barrage	(14.6)	(13.8)	(14.6)	(13.8)
Lower Mary — Tinana & Teddington	0.3	0.3	0.3	0.3
Macintyre Brook	2.4	2.3	2.4	2.3
Maranoa River	13.4	12.9	13.4	12.9
Mareeba-Dimbulah — River	(0.4)	(0.3)	(0.4)	(0.3)
Nogoa-Mackenzie (medium priority)	(4.5)	(4.0)	(4.5)	(4.0)
Nogoa-Mackenzie (high priority)	(7.1)	(6.9)	(7.1)	(6.9)
Pioneer River	(5.8)	(5.5)	(5.8)	(5.5)
Proserpine River	5.2	4.7	5.2	4.7
St George (medium priority)	(3.9)	(3.7)	(3.9)	(3.7)
St George (high priority LMS)	(4.3)	(4.2)	(4.3)	(4.2)
Three Moon Creek	(5.2)	(4.9)	(5.2)	(4.9)
Upper Burnett — Regulated Section	0.9	0.9	0.9	0.9
Upper Burnett — John Goleby Weir	0.9	0.9	0.9	0.9
Upper Condamine — Sandy Creek or Condamine River	1.0	0.8	1.0	0.8
Upper Condamine — North Branch	0.9	0.6	0.9	0.6
Upper Condamine — North Branch — Risk A	—	—	—	—

Note: The same price target and price differences apply to the Nogoa-Mackenzie (medium priority local management supply) tariff group, as the two medium priority tariff groups in this scheme have the same price targets from 2026–27. Source: QCA analysis.

Table 25: Change in price targets and prices under a RAB approach (relative to annuity), distribution systems, 2056–57

Tariff group	Fixed price target difference (%)	Total price target difference (%)	Fixed price difference (%)	Total price difference (%)
Bundaberg channel	1.6	1.3	1.6	1.3
Burdekin channel	6.5	5.2	6.5	5.2
Burdekin — Giru Groundwater	6.5	5.2	6.5	5.2
Burdekin — Gladys's Lagoon (other	6.5	5.2	6.5	5.2
Lower Mary channel	0.9	0.8	0.9	0.8
Mareeba-Dimbulah — outside a relift up to 100 ML	7.6	7.1	7.6	7.1
Mareeba-Dimbulah — outside a relift 100 ML to 500 ML	7.6	7.0	7.6	7.0
Mareeba-Dimbulah — outside a relift over 500 ML	7.5	6.8	7.5	6.8
Mareeba-Dimbulah — river sup.	7.4	6.7	7.4	6.7
Mareeba-Dimbulah — relift	5.7	3.2	5.7	3.2

Source: QCA analysis.

Overall, across the 43 tariff groups in 2056–57, the median difference in total price targets is 0.8% higher under the RAB approach. The distribution of differences is as follows:

- 25 tariff groups have RAB-based total price targets within 5% of annuity-based total price targets
- 11 tariff groups have RAB-based total price targets of more than 5% higher than annuity-based total price targets
- 7 tariff groups have RAB-based total price targets of more than 5% lower than annuity-based total price targets.

These results suggest that long-term total price targets are broadly aligned at the median but vary across tariff groups. While most tariff groups are within 5% of the annuity-based price target, a material number are outside this range, with RAB-based price targets higher for some tariff groups and lower for others. This indicates that the long-term impact of the RAB approach depends on scheme- and tariff group-specific factors and will not be uniform across all tariff groups.

These results provide a useful contrast to Highlander's modelling, which identifies a crossover point where RAB-based prices exceed annuity-based prices and remain higher thereafter (see Appendix B).⁶⁷ Our scheme-specific modelling does not indicate a uniform long-term shift to higher price targets under the RAB approach. Rather, it shows that long-term outcomes vary across tariff groups, reflecting differences in their starting position at transition and future renewals expenditure profile. In particular, outcomes are affected by the size and timing of renewals expenditure, the depreciation profile of renewals capex added to the RAB, and opening annuity balances that affect the annuity-based price path.

⁶⁷ Queensland Farmers' Federation, sub 19, attachment (Highlander Consulting report).

Appendix A: Stakeholder consultation

This appendix lists the submissions we received during our review (section A.1) and provides details of the two rounds of workshops we conducted (section A.2).

A.1 List of submissions

The submission we received are listed below. They are numbered for reference purposes only — the numbers are used in the footnotes in the report. The submissions are available on our website.

Table 26: List of submissions received from stakeholders

Stakeholder	Submission number	Type of submission	Date
Seqwater	1	Seqwater proposal	February 2026
Sunwater	2	Sunwater proposal	February 2026
Avocados Australia	3	Submission on Sunwater's proposal	April 2026
Brooklet Farms	4	Submission on Sunwater's proposal	April 2026
Bundaberg Fruit and Vegetable Growers (BFVG)	5	Submission on Sunwater's proposal	April 2026
Bundaberg Regional Irrigators Group (BRIG)	6	Submission on Sunwater's proposal	April 2026
Burdekin River Irrigation Area (BRIA) Irrigators Limited	7	Submission on Sunwater's proposal	April 2026
Canegrowers	8	Submission on Sunwater's proposal	April 2026
Canegrowers Burdekin	9	Submission on Sunwater's proposal	April 2026
Central Downs Irrigators	10	Submission on Sunwater's proposal	April 2026
Central Highlands Cotton Growers and Irrigators Association (CHCGIA)	11	Submission on Sunwater's proposal	April 2026
Cotton Australia	12	Submission on Sunwater's proposal	April 2026
Eton Irrigation Cooperative Ltd (EICL)	13	Submission on Sunwater's proposal	April 2026
Fairbairn Irrigation Network	14	Submission on Sunwater's proposal	March 2026
Geddes, C	15	Submission on Sunwater's proposal	April 2026
Lockyer Water Users Forum	16	Submission on Seqwater's proposal	April 2026
Pioneer Valley Water Co-operative Limited	17	Submission on Sunwater's proposal	April 2026

Stakeholder	Submission number	Type of submission	Date
Queensland Cane Agriculture and Renewables (QCAR)	18	Submission on Sunwater's proposal	April 2026
Queensland Farmers' Federation (QFF)	19	Submission on Sunwater's and Seqwater's proposal	April 2026
Tinaroo Water Committee	20	Submission on Sunwater's proposal	January 2026

A.2 Stakeholder workshops

We held 6 stakeholder workshops in March 2026. A summary of the issues raised at each workshop is available on our website.

Table 27: List of stakeholder workshops held in March 2026

Date	Location	Schemes covered	Number of attendees
10 March	Gatton	Central Lockyer Valley, Lower Lockyer Valley, Logan River (Seqwater)	8
12 March	Ayr	Burdekin-Haughton (Sunwater)	15
13 March	Mackay	Eton, Pioneer River (Sunwater)	14
16 March	Bundaberg	Bundaberg (Sunwater)	6
17 March	Emerald	Nogoa-Mackenzie (Sunwater)	6
26 March	Online	All schemes	18
Total			67

Note: The number of attendees excludes QCA staff.

Appendix B: Review of stakeholder modelling

B.1 Introduction and purpose

The Queensland Farmers' Federation (QFF) submission included modelling by Highlander Consulting (Highlander) that compares the renewals annuity and regulatory asset base (RAB) approaches. Eton Irrigation Cooperative Ltd (EICL) also provided long-term modelling comparing the approaches for the Eton water supply scheme.

We present this appendix for irrigation customers to provide context for the Highlander modelling, recognising that it has informed stakeholder views. In particular, it sets out how we have interpreted the modelling, noting that it was designed as a structural comparison of the approaches rather than a direct projection of pricing outcomes. We also briefly refer to EICL's modelling where relevant.

We do not replicate or critique the modelling in detail. Instead, we:

- explain the key differences between modelling approaches
- outline why those differences matter
- explain how they affect interpretation of results.

We use the stakeholder modelling to inform our assessment of relative merits in Chapter 2, having regard to its purpose and limitations.

B.2 Overview of stakeholder modelling

The Highlander model compares long-term price outcomes under the renewals annuity and RAB approaches using a broadly consistent set of inputs and assumptions. It applies both approaches from the same starting point over a 50-year period (2012–13 to 2061–62) and presents side-by-side comparisons for each scheme. This supports a stylised comparison, so differences in results mainly reflect the annuity and RAB approaches rather than other factors.

For each scheme, the model reports annual allowable costs under both frameworks, along with the associated annuity and RAB balances and fixed and volumetric price targets. The analysis covers 4 bulk water supply schemes and 2 distribution systems:

- Bundaberg distribution system
- Burdekin-Haughton distribution system
- Eton water supply scheme
- Upper Condamine water supply scheme
- Central Lockyer water supply scheme
- Lower Lockyer water supply scheme.

The results show a consistent pattern. Annuity-based price targets are lower and smoother over the long term, while RAB-based price targets start lower but increase over time and exceed annuity-based price targets. Despite these different price paths, the present value of costs is broadly similar.

EICL also provided long-term modelling comparing the two approaches for the Eton scheme. That modelling is referred to where relevant, but is not assessed in the same level of detail as the Highlander model. Comments made in the separate document.

While the stakeholder modelling broadly reflects key elements of our methodologies, there are differences in implementation.

B.3 How the Highlander model compares with our modelling

The models differ in several areas. We focus on the differences that have the greatest impact on results, in particular:

- historical treatment and transition to the RAB framework
- calculation methods (annuity and RAB)
- long-term renewals assumptions (after 2057–58)
- asset life assumptions.

These differences are not exhaustive. Other variations in inputs and implementation, including scheme-specific factors, also exist but are not examined in detail in this appendix.

Given the nature of its modelling, Highlander also uses simplifying assumptions in converting allowable costs to price targets. For example, our approach to the allocation of costs between tariff components takes into account the underlying fixed and variable nature of each cost type, while Highlander applies a scheme specific single fixed/variable split across total costs. Highlander also assigns all costs to medium priority users, even in bulk schemes where this is not appropriate, which can lead to misallocated costs and distorted price targets.

Historical treatment and transition to the RAB framework

The models differ in how they treat historical outcomes, including forecast risk, and when they transition to the RAB framework.

The Highlander model uses actual renewals costs up to 2024–25, which means it assumes perfect foresight for renewals from 2012–13 to 2024–25. It treats historical outcomes as if they were known in advance and, as a result, removes forecast error from both the annuity and RAB calculations.

Our modelling reflects how the annuity works in practice. At each previous review, we have calculated the annuity using forecasts of future renewals with this amount then recovered through price targets over the price path period. When actual renewals expenditure differs from forecasts, we carry any under- or over-recovery forward in the opening annuity balance for the price path period. This means our modelling captures the cumulative effects of forecast error over the historical period and only assumes perfect foresight from 2027–28 onwards.

This difference matters because, under an annuity approach, forecast errors build up over time and are reflected in updates to the annuity balance at the start of each price path period. These adjustments affect price targets and contribute to the variability customers experience between price path periods. Our modelling captures this process and reflects how forecast risk is allocated in practice. By contrast, the Highlander model removes forecast error and the need for these adjustments, which can make annuity-based price targets appear smoother and more predictable than they would be in practice.

The models also differ in when they transition to the RAB framework. The Highlander model applies the RAB approach from 2012–13, while our modelling transitions from 2027–28 based on current

annuity balances. This affects how each model reflects conditions at the point of transition and contributes to differences in results.

Calculation methodologies — annuity and RAB

Both models use a rolling annuity framework. Each year, they recalculate the annuity using a 30-year forecast of renewals but apply only the first-year result from that calculation before repeating the process in the following year.

The key difference is how each model profiles annual contributions within each 30-year annuity calculation. The Highlander model derives a constant nominal annuity, meaning that the annual contribution is assumed to remain constant in nominal terms over the 30-year period. By contrast, our model calculates an indexed annuity, meaning the annual contribution is assumed to increase over time with inflation.

This assumption affects the level of the first-year contribution. Because a constant nominal profile does not allow contributions to increase over time, it requires a higher first-year contribution to recover the same costs in present value terms. Under an indexed annuity, the first-year contribution is lower because contributions increase with inflation over time.

As a result, the approaches distribute cost recovery differently in real (inflation-adjusted) terms. The Highlander approach has a higher first-year allowance and brings forward cost recovery within each 30-year calculation, with contributions declining over time in real terms. In a rolling annuity model, this higher first-year contribution can also affect future annuity balances. For example, for the Bundaberg distribution system, Highlander's annuity contribution is \$2.8 million in 2027–28 and falls to \$2.3 million in 2057–58 in nominal terms, equivalent to \$1.1 million in 2027–28 dollars. The lower future allowance reflects not only the forward renewals forecast at that time, but also the effect of higher earlier contributions on the annuity balance.

The RAB treatment also differs. The Highlander model does not index the RAB for inflation and applies a nominal WACC directly to this unindexed asset base. Our standard approach indexes the RAB for inflation and then applies a nominal WACC, with an explicit adjustment to ensure inflation is only counted once in the total revenue requirement.

While the Highlander approach avoids double counting by not indexing the RAB, it does not explicitly reflect inflation in the asset base. This affects the timing and profile of cost recovery and may influence long-run revenue outcomes.

Long-term renewals assumptions (after 2057–58)

The models differ materially in how they treat long-term renewals expenditure.

Sunwater has advised that renewals expenditure data beyond 2057–58 is incomplete. The Highlander model uses this incomplete data for 2058–59 to 2064–65. This results in unusually low renewals expenditure in those years — often the lowest across the entire modelling period.

From 2065–66 onwards, the model repeats historical renewals expenditure patterns from 2012–13 using uninflated nominal terms. While this preserves the pattern of expenditure, it materially reduces the assumed value of future renewals expenditure relative to an inflation-adjusted forecast (by around a factor of 3.7).

The approach also excludes the forecast period from 2038–39 to 2057–58, when expenditure is relatively high. Highlander states this avoids over-weighting high-cost periods.⁶⁸ However,

⁶⁸ QFF, sub 19, attachment (Highlander Consulting report), p 20.

excluding this period may remove a large share of expected renewals. Combined with the lack of inflation, this is likely to materially understate long-term renewals expenditure.

These assumptions do not affect the RAB over 2027–28 to 2057–58, because the RAB only incorporates renewals expenditure from when it is forecast to occur. However, they do affect the annuity, which incorporates forward-looking renewals expenditure. Lower assumed renewals beyond 2057–58 therefore reduce annuity contributions in later years, as these lower forecasts feed into the calculation. This effect begins from 2029–30 and becomes more pronounced over time, with a growing impact on the annuity contribution.

Our modelling takes a different approach. We use average available forecast capex for outer years and adjust for inflation, producing a more realistic long-term profile.

These differences are material. The Highlander approach tends to understate long-term renewals and reduce annuity contributions in later years. This affects long-run price paths and may bias conclusions about intergenerational outcomes.

Asset life assumptions

The Highlander model applies a uniform 50-year asset life to both the initial RAB (as at 1 July 2012) and all subsequent capex.

By contrast, our modelling reflects Sunwater’s approach and uses scheme-specific asset lives for the initial RAB and differentiated asset lives for new capex. These are materially shorter on average (less than 20 years for initial RABs and around 23 years for capex over the 2027–28 to 2056–57 period).

Asset lives determine depreciation profiles and the timing of cost recovery under a RAB. Longer asset lives reduce capital costs in the short term but increase them over the long term. In contrast, shorter asset lives have the opposite effect — they increase capital costs in the short term and reduce them over the long term, which narrows the difference between annuity and RAB cost profiles. This relationship is illustrated in Table 15 of the Highlander report.⁶⁹

Highlander’s use of longer asset lives assumptions shifts cost recovery to later periods relative to our modelling.

Limitations of the Highlander modelling

The Highlander model has several important limitations, including that it:

- assumes perfect foresight for historical outcomes, excluding associated forecast risk
- applies alternative annuity and RAB calculations that differs from those used by us
- relies on uninflated or incomplete renewals expenditure data in later years.

These limitations indicate that it should be interpreted as a conceptual illustration rather than a predictor of pricing outcomes.

B.4 Implications for relative merits assessment

We use the Highlander modelling to understand stakeholder arguments about price stability, intergenerational equity and price outcomes.

Under the model’s assumptions, the results show that:⁷⁰

- annuity-based price targets are lower over the long term across all schemes

⁶⁹ QFF, sub 19, attachment (Highlander Consulting report), pp 51–52.

⁷⁰ QFF, sub 19, attachment (Highlander Consulting report), pp 10–11, 43–47.

- RAB-based price targets are lower in the short to medium term but exceed annuity-based prices in later years across all schemes
- by 2061–62, RAB-based price targets are around 13–40% higher than annuity-based price targets and annual capital costs under a RAB are around 2 to 6 times higher than renewals
- annuity-based price targets follow a smoother path over time, while RAB-based price targets vary more and include step changes
- despite the differences in profiles outlined above the present value comparisons of the two approaches appear similar.

However, the relevance of these results to the relative merits assessment is limited by the model's simplifying assumptions. In particular:

- removing forecast risk is likely to make annuity-based price paths appear smoother and more predictable than in practice
- the use of an alternative annuity calculation methodology, which brings annuity contributions forward as compared to the existing indexed annuity approach
- the treatment of long-term renewals, which significantly understates annuity contributions in later periods
- simplified or incomplete capex inputs in later years reduce the reliability of long-term results, especially for outcomes several decades into the future.

The modelling identifies a crossover point where RAB-based price targets exceed annuity-based price targets and remain higher thereafter. While this result is produced by the model, it should be interpreted with caution. The modelling relies on simplifying assumptions, including perfect foresight, and does not reflect behavioural or regulatory responses. For example, it does not reflect changes in expenditure planning or delivery in response to different incentives, future review outcomes, or how decisions may change as circumstances evolve.

The timing and size of any crossover point are also sensitive to key assumptions, including the capex profile, WACC, asset lives, inflation treatment and starting conditions. Small changes in these inputs, or in the timing of investment, **could** materially shift, delay, or even remove the crossover. This means the crossover **may** not occur in practice or **may** not persist if conditions change over time.

Weasel words.

More fundamentally, the crossover reflects differences in the timing of cost recovery rather than differences in the underlying expenditure to be recovered, as both approaches are designed to be broadly equivalent in present value terms under consistent assumptions.

Overall, the model provides directional insights rather than robust quantitative evidence. It illustrates conceptual differences between the annuity and RAB approaches but does not reflect how prices are set in practice. In particular, it does not capture several factors central to our assessment, including the accumulation of forecast errors over time, the management of transition arrangements, and the role of regulatory processes and incentives.

In addition, our approach to managing transitional impacts seeks to reduce short-term price differences between the annuity and RAB approaches. This affects the timing and significance of any modelled crossover point and how these longer-term comparisons should be interpreted.

Taken together, the modelling does not demonstrate that one approach is clearly better than the other on price stability, intergenerational equity, or price outcomes. We have therefore used the Highlander modelling to:

- inform our understanding of stakeholder views in these key areas

- illustrate key conceptual differences between the annuity and RAB approaches.

However, we have not relied on the modelling to draw firm conclusions about relative merits.

B.5 Overall assessment

The Highlander model provides a stylised comparison of the annuity and RAB approaches. It can assist in showing how each approach recovers costs over time, including how differences in the timing of cost recovery can affect price paths and long-term contribution profiles.

However, given the model's limitations — especially its assumption of perfect foresight, differences from the annuity and RAB calculations used in our modelling, and long-term renewals assumptions — we place limited weight on its quantitative results.

EICL's modelling for the Eton water supply scheme addresses some limitations of the Highlander model, including by not assuming perfect foresight of historical outcomes, and by applying the indexed annuity formulation and using asset-specific lives for renewals capex. However, it has its own methodological differences and limitations, including the RAB formulation and long-term renewals assumptions. It also extends over a very long period, which can amplify the effect of assumptions. Comments in the separate document.

We have therefore used the modelling to contextualise stakeholder views and illustrate key conceptual differences but have relied on the broader regulatory framework and evidence in forming our conclusions.

Appendix C: Draft costs by scheme

C.1 Bulk water supply schemes

Barker Barambah WSS

Table 28: Total allowable costs, Barker Barambah WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027-28	2028-29	2027-28	2028-29
Opex allowance (2025 review)	1,594.9	1,633.2	1,594.9	1,633.2
ICT step change	(12.4)	(12.7)	(12.4)	(12.7)
Revenue offsets	(7.3)	(7.5)	(7.3)	(7.5)
Total costs before renewals and tax	1,575.2	1,613.0	1,575.2	1,613.0
Renewals annuity	841.4	858.7	—	—
RAB-based capital allowance	—	—	652.6	786.5
Renewals opex	—	—	24.0	8.5
Smoothing adjustment	—	—	14.4	14.8
Tax allowance	—	—	—	—
Total allowable costs	2,416.6	2,471.7	2,266.3	2,422.9

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Bowen Broken Rivers WSS

Table 29: Total allowable costs, Bowen Broken Rivers WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027-28	2028-29	2027-28	2028-29
Opex allowance (2025 review)	1,851.1	1,895.5	1,851.1	1,895.5
ICT step change	(14.5)	(14.9)	(14.5)	(14.9)
Revenue offsets	—	—	—	—
Total costs before renewals and tax	1,836.6	1,880.6	1,836.6	1,880.6
Renewals annuity	686.4	698.2	—	—
RAB-based capital allowance	—	—	386.9	413.1
Renewals opex	—	—	102.4	—
Smoothing adjustment	—	—	12.6	13.0
Tax allowance	—	—	—	—
Total allowable costs	2,523.0	2,578.9	2,338.5	2,306.7

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Boyne River and Tarong WSS

Table 30: Total allowable costs, Boyne River and Tarong WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027–28	2028–29	2027–28	2028–29
Opex allowance (2025 review)	1,408.3	1,442.4	1,408.3	1,442.4
ICT step change	(8.5)	(8.7)	(8.5)	(8.7)
Revenue offsets	(0.9)	(1.0)	(0.9)	(1.0)
Total costs before renewals and tax	1,398.9	1,432.7	1,398.9	1,432.7
Renewals annuity	1,221.6	1,233.3	–	–
RAB-based capital allowance	–	–	1,082.3	1,155.2
Renewals opex	–	–	10.7	–
Smoothing adjustment	–	–	22.9	23.5
Tax allowance	–	–	–	–
Total allowable costs	2,620.5	2,666.0	2,514.8	2,611.4

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Bundaberg WSS

Table 31: Total allowable costs, Bundaberg WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027–28	2028–29	2027–28	2028–29
Opex allowance (2025 review)	2,441.8	2,500.5	2,441.8	2,500.5
ICT step change	(21.8)	(22.4)	(21.8)	(22.4)
Revenue offsets	(2.1)	(2.2)	(2.1)	(2.2)
Total costs before renewals and tax	2,417.9	2,475.9	2,417.9	2,475.9
Renewals annuity	2,022.2	2,057.7	–	–
RAB-based capital allowance	–	–	1,776.0	1,823.3
Renewals opex	–	–	76.2	93.4
Smoothing adjustment	–	–	18.7	19.2
Tax allowance	–	–	–	–
Total allowable costs	4,440.1	4,533.6	4,288.8	4,411.9
Costs transferred from distribution	63.5	65.2	51.3	52.1
Total allowable costs allocated to tariff groups	4,503.6	4,598.8	4,340.1	4,464.0

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Burdekin-Haughton WSS

Table 32: Total allowable costs, Burdekin-Haughton WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027–28	2028–29	2027–28	2028–29
Opex allowance (2025 review)	6,022.8	6,169.7	6,022.8	6,169.7
ICT step change	(31.0)	(31.8)	(31.0)	(31.8)
Revenue offsets	(6.8)	(7.0)	(6.8)	(7.0)
Total costs before renewals and tax	5,985.0	6,130.9	5,985.0	6,130.9
Renewals annuity	1,300.1	1,327.3	–	–
RAB-based capital allowance	–	–	32.0	124.3
Renewals opex	–	–	61.7	–
Smoothing adjustment	–	–	16.6	17.0
Tax allowance	–	–	–	–
Total allowable costs	7,285.1	7,458.2	6,095.3	6,272.2

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Callide Valley WSS

Table 33: Total allowable costs, Callide Valley WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027–28	2028–29	2027–28	2028–29
Opex allowance (2025 review)	2,467.3	2,526.7	2,467.3	2,526.7
ICT step change	(17.5)	(17.9)	(17.5)	(17.9)
Revenue offsets	–	–	–	–
Total costs before renewals and tax	2,449.9	2,508.7	2,449.9	2,508.7
Renewals annuity	2,513.6	2,563.3	–	–
RAB-based capital allowance	–	–	2,312.9	2,380.1
Renewals opex	–	–	103.7	19.7
Smoothing adjustment	–	–	41.2	42.3
Tax allowance	–	–	–	–
Total allowable costs	4,963.5	5,072.0	4,907.6	4,950.9

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Chinchilla Weir WSS

Table 34: Total allowable costs, Chinchilla Weir WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027–28	2028–29	2027–28	2028–29
Opex allowance (2025 review)	147.0	150.5	147.0	150.5
ICT step change	(1.2)	(1.3)	(1.2)	(1.3)
Revenue offsets	(2.6)	(2.7)	(2.6)	(2.7)
Total costs before renewals and tax	143.1	146.5	143.1	146.5
Renewals annuity	199.1	201.7	–	–
RAB-based capital allowance	–	–	163.7	179.5
Renewals opex	–	–	6.1	–
Smoothing adjustment	–	–	3.5	3.6
Tax allowance	–	–	–	–
Total allowable costs	342.3	348.3	316.4	329.7

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Cunnamulla WSS

Table 35: Total allowable costs, Cunnamulla WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027–28	2028–29	2027–28	2028–29
Opex allowance (2025 review)	43.5	44.6	43.5	44.6
ICT step change	(0.4)	(0.4)	(0.4)	(0.4)
Revenue offsets	–	–	–	–
Total costs before renewals and tax	43.1	44.1	43.1	44.1
Renewals annuity	65.5	66.6	–	–
RAB-based capital allowance	–	–	58.2	62.1
Renewals opex	–	–	–	–
Smoothing adjustment	–	–	1.2	1.2
Tax allowance	–	–	–	–
Total allowable costs	108.6	110.7	102.5	107.5

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Dawson Valley WSS

Table 36: Total allowable costs, Dawson Valley WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027-28	2028-29	2027-28	2028-29
Opex allowance (2025 review)	1,344.3	1,376.7	1,344.3	1,376.7
ICT step change	(11.4)	(11.7)	(11.4)	(11.7)
Revenue offsets	–	–	–	–
Total costs before renewals and tax	1,332.9	1,365.0	1,332.9	1,365.0
Renewals annuity	632.9	645.1	–	–
RAB-based capital allowance	–	–	63.7	225.6
Renewals opex	–	–	129.6	46.3
Smoothing adjustment	–	–	1.8	1.8
Tax allowance	–	–	–	–
Total allowable costs	1,965.8	2,010.1	1,528.0	1,638.6

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Eton WSS

Table 37: Total allowable costs, Eton WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027-28	2028-29	2027-28	2028-29
Opex allowance (2025 review)	1,907.1	1,956.6	1,907.1	1,956.6
ICT step change	(12.7)	(13.1)	(12.7)	(13.1)
Revenue offsets	(1.8)	(1.8)	(1.6)	(1.7)
Total costs before renewals and tax	1,892.6	1,941.7	1,892.7	1,941.8
Renewals annuity	776.7	794.4	–	–
RAB-based capital allowance	–	–	447.6	556.9
Renewals opex	–	–	49.4	21.6
Smoothing adjustment	–	–	(11.2)	(11.5)
Tax allowance	–	–	–	–
Total allowable costs	2,669.3	2,736.1	2,378.5	2,508.8

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Lower Fitzroy WSS

Table 38: Total allowable costs, Lower Fitzroy WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027–28	2028–29	2027–28	2028–29
Opex allowance (2025 review)	425.2	435.4	425.2	435.4
ICT step change	(4.8)	(4.9)	(4.8)	(4.9)
Revenue offsets	–	–	–	–
Total costs before renewals and tax	420.4	430.4	420.4	430.4
Renewals annuity	97.7	98.8	–	–
RAB-based capital allowance	–	–	42.3	47.5
Renewals opex	–	–	–	–
Smoothing adjustment	–	–	0.8	0.9
Tax allowance	–	–	–	–
Total allowable costs	518.1	529.2	463.6	478.8

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Lower Mary WSS

Table 39: Total allowable costs, Lower Mary WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027–28	2028–29	2027–28	2028–29
Opex allowance (2025 review)	150.8	154.5	150.8	154.5
ICT step change	(1.4)	(1.4)	(1.4)	(1.4)
Revenue offsets	–	–	–	–
Total costs before renewals and tax	149.4	153.1	149.4	153.1
Renewals annuity	248.2	252.5	–	–
RAB-based capital allowance	–	–	217.8	226.9
Renewals opex	–	–	–	–
Smoothing adjustment	–	–	(1.9)	(1.9)
Tax allowance	–	–	–	–
Total allowable costs	397.6	405.5	365.4	378.0
Costs transferred from distribution system	317.2	335.7	232.8	243.0
Total allowable costs allocated to tariff groups	714.8	741.2	598.2	621.0

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Macintyre Brook WSS

Table 40: Total allowable costs, Macintyre Brook WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027–28	2028–29	2027–28	2028–29
Opex allowance (2025 review)	1,743.6	1,785.2	1,743.6	1,785.2
ICT step change	(17.4)	(17.9)	(17.4)	(17.9)
Revenue offsets	(1.9)	(2.0)	(1.9)	(2.0)
Total costs before renewals and tax	1,724.2	1,765.4	1,724.2	1,765.4
Renewals annuity	1,795.6	1,819.8	–	–
RAB-based capital allowance	–	–	1,488.7	1,714.9
Renewals opex	–	–	56.9	70.9
Smoothing adjustment	–	–	34.7	35.7
Tax allowance	–	–	–	–
Total allowable costs	3,519.8	3,585.2	3,304.5	3,586.9

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Maranoa River WSS

Table 41: Total allowable costs, Maranoa River WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027–28	2028–29	2027–28	2028–29
Opex allowance (2025 review)	55.0	56.4	55.0	56.4
ICT step change	(0.4)	(0.4)	(0.4)	(0.4)
Revenue offsets	–	–	–	–
Total costs before renewals and tax	54.7	56.0	54.7	56.0
Renewals annuity	19.5	19.6	–	–
RAB-based capital allowance	–	–	5.4	5.4
Renewals opex	–	–	–	–
Smoothing adjustment	–	–	0.5	0.5
Tax allowance	–	–	–	–
Total allowable costs	74.1	75.6	60.5	61.9

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Mareeba-Dimbulah WSS

Table 42: Total allowable costs, Mareeba-Dimbulah WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027–28	2028–29	2027–28	2028–29
Opex allowance (2025 review)	1,776.6	1,819.5	1,776.6	1,819.5
ICT step change	(15.5)	(15.9)	(15.5)	(15.9)
Revenue offsets	(743.6)	(763.3)	(743.6)	(763.3)
Total costs before renewals and tax	1,017.4	1,040.3	1,017.4	1,040.3
Renewals annuity	618.8	627.3	–	–
RAB-based capital allowance	–	–	279.8	404.4
Renewals opex	–	–	19.4	12.4
Smoothing adjustment	–	–	4.3	4.5
Tax allowance	–	–	–	–
Total allowable costs	1,636.3	1,667.6	1,321.0	1,461.6
Costs transferred to Barron Falls Hydro	(43.4)	(44.2)	(43.4)	(44.2)
Total allowable costs allocated to tariff groups	1,592.9	1,623.4	1,277.6	1,417.4

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Nogoa-Mackenzie WSS

Table 43: Total allowable costs, Nogoa-Mackenzie WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027–28	2028–29	2027–28	2028–29
Opex allowance (2025 review)	4,171.4	4,272.3	4,171.4	4,272.3
ICT step change	(27.0)	(27.7)	(27.0)	(27.7)
Revenue offsets	(113.8)	(116.8)	(113.8)	(116.8)
Total costs before renewals and tax	4,030.6	4,127.8	4,030.6	4,127.8
Renewals annuity	1,817.4	1,889.9	–	–
RAB-based capital allowance	–	–	1,457.7	1,652.3
Renewals opex	–	–	137.1	36.2
Smoothing adjustment	–	–	4.4	4.5
Tax allowance	–	–	–	–
Total allowable costs	5,848.0	6,017.7	5,629.8	5,820.8

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Pioneer River WSS

Table 44: Total allowable costs, Pioneer River WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027–28	2028–29	2027–28	2028–29
Opex allowance (2025 review)	1,734.1	1,776.0	1,734.1	1,776.0
ICT step change	(11.2)	(11.5)	(11.2)	(11.5)
Revenue offsets	(1.6)	(1.7)	(1.6)	(1.7)
Total costs before renewals and tax	1,721.2	1,762.8	1,721.2	1,762.8
Renewals annuity	1,005.2	1,030.9	–	–
RAB-based capital allowance	–	–	794.7	843.1
Renewals opex	–	–	70.3	18.2
Smoothing adjustment	–	–	7.6	7.9
Tax allowance	–	–	–	–
Total allowable costs	2,726.4	2,793.7	2,593.9	2,632.0

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Proserpine River WSS

Table 45: Total allowable costs, Proserpine River WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027–28	2028–29	2027–28	2028–29
Opex allowance (2025 review)	1,726.8	1,768.3	1,726.8	1,768.3
ICT step change	(13.3)	(13.6)	(13.3)	(13.6)
Revenue offsets	–	–	–	–
Total costs before renewals and tax	1,713.5	1,754.7	1,713.5	1,754.7
Renewals annuity	334.6	341.5	–	–
RAB-based capital allowance	–	–	55.7	89.2
Renewals opex	–	–	32.0	–
Smoothing adjustment	–	–	7.6	7.8
Tax allowance	–	–	–	–
Total allowable costs	2,048.2	2,096.2	1,808.9	1,851.7

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

St George WSS

Table 46: Total allowable costs, St George WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027–28	2028–29	2027–28	2028–29
Opex allowance (2025 review)	1,850.4	1,894.9	1,850.4	1,894.9
ICT step change	(17.9)	(18.4)	(17.9)	(18.4)
Revenue offsets	(2.5)	(2.5)	(2.5)	(2.5)
Total costs before renewals and tax	1,830.0	1,873.9	1,830.0	1,873.9
Renewals annuity	1,146.7	1,161.0	–	–
RAB-based capital allowance	–	–	992.3	1,127.6
Renewals opex	–	–	–	15.2
Smoothing adjustment	–	–	23.0	23.6
Tax allowance	–	–	–	–
Total allowable costs	2,976.7	3,034.9	2,845.3	3,040.3

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Three Moon Creek WSS

Table 47: Total allowable costs, Three Moon Creek WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027–28	2028–29	2027–28	2028–29
Opex allowance (2025 review)	1,068.9	1,094.6	1,068.9	1,094.6
ICT step change	(9.4)	(9.6)	(9.4)	(9.6)
Revenue offsets	–	–	–	–
Total costs before renewals and tax	1,059.6	1,085.0	1,059.6	1,085.0
Renewals annuity	569.0	593.1	–	–
RAB-based capital allowance	–	–	486.3	614.2
Renewals opex	–	–	–	5.5
Smoothing adjustment	–	–	5.5	5.7
Tax allowance	–	–	–	–
Total allowable costs	1,628.6	1,678.1	1,551.4	1,710.3

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Upper Burnett WSS

Table 48: Total allowable costs, Upper Burnett WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027-28	2028-29	2027-28	2028-29
Opex allowance (2025 review)	1,534.0	1,570.7	1,534.0	1,570.7
ICT step change	(14.7)	(15.1)	(14.7)	(15.1)
Revenue offsets	(0.8)	(0.8)	(0.8)	(0.8)
Total costs before renewals and tax	1,518.5	1,554.8	1,518.5	1,554.8
Renewals annuity	579.1	588.1	—	—
RAB-based capital allowance	—	—	449.0	507.4
Renewals opex	—	—	45.0	—
Smoothing adjustment	—	—	8.0	8.3
Tax allowance	—	—	—	—
Total allowable costs	2,097.5	2,142.9	2,020.5	2,070.4

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Upper Condamine WSS

Table 49: Total allowable costs, Upper Condamine WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027-28	2028-29	2027-28	2028-29
Opex allowance (2025 review)	2,245.7	2,299.5	2,245.7	2,299.5
ICT step change	(19.3)	(19.8)	(19.3)	(19.8)
Revenue offsets	(3.2)	(3.3)	(3.2)	(3.3)
Total costs before renewals and tax	2,223.3	2,276.5	2,223.3	2,276.5
Renewals annuity	514.4	534.9	—	—
RAB-based capital allowance	—	—	124.8	198.8
Renewals opex	—	—	48.7	59.5
Smoothing adjustment	—	—	2.3	2.3
Tax allowance	—	—	—	—
Total allowable costs	2,737.7	2,811.4	2,399.0	2,537.1

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Bundaberg distribution system

Table 50: Total allowable costs, Bundaberg distribution system (\$'000, nominal)

Cost	Annuity		RAB	
	2027–28	2028–29	2027–28	2028–29
Opex allowance (2025 review)	16,294.6	16,759.4	16,294.6	16,759.4
ICT step change	-99.7	-102.3	-99.7	-102.3
Revenue offsets	(4.1)	(4.2)	(4.1)	(4.2)
Total costs before renewals and tax	16,190.8	16,652.9	16,190.8	16,652.9
Renewals annuity	2,869.7	2,974.5	–	–
RAB-based capital allowance	–	–	1,334.8	1,491.8
Renewals opex	–	–	58.6	20.8
Smoothing adjustment	–	–	(49.7)	(51.2)
Tax allowance	–	–	–	–
Total allowable costs	19,060.5	19,627.4	17,534.4	18,114.3
Costs transferred to bulk scheme	(63.5)	(65.2)	(51.3)	(52.1)
Total allowable costs allocated to tariff groups	18,997.0	19,562.2	17,483.2	18,062.2

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Burdekin-Haughton distribution system

Table 51: Total allowable costs, Burdekin-Haughton distribution system WSS (\$'000, nominal)

Cost	Annuity		RAB	
	2027–28	2028–29	2027–28	2028–29
Opex allowance (2025 review)	19,947.8	20,459.9	19,947.8	20,459.9
ICT step change	(135.4)	(138.9)	(135.4)	(138.9)
Revenue offsets	(1,017.8)	(1,044.8)	(1,017.8)	(1,044.8)
Total costs before renewals and tax	18,794.6	19,276.3	18,794.6	19,276.3
Renewals annuity	3,082.4	3,149.4	–	–
RAB-based capital allowance	–	–	91.0	329.1
Renewals opex	–	–	189.5	37.0
Smoothing adjustment	–	–	(34.1)	(35.0)
Tax allowance	–	–	–	–
Total allowable costs	21,877.0	22,425.6	19,041.0	19,607.3

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Lower Mary distribution system

Table 52: Total allowable costs, Lower Mary distribution system (\$'000, nominal)

Cost	Annuity		RAB	
	2027–28	2028–29	2027–28	2028–29
Opex allowance (2025 review)	1,664.0	1,708.5	1,664.0	1,708.5
ICT step change	(13.0)	(13.4)	(13.0)	(13.4)
Revenue offsets	–	–	–	–
Total costs before renewals and tax	1,650.9	1,695.2	1,650.9	1,695.2
Renewals annuity	561.4	589.2	–	–
RAB-based capital allowance	–	–	344.9	360.8
Renewals opex	–	–	–	17.6
Smoothing adjustment	–	–	(1.7)	(1.8)
Tax allowance	–	–	–	–
Total allowable costs	2,212.3	2,284.4	1,994.1	2,071.8
Costs transferred to bulk scheme	(317.2)	(335.7)	(232.8)	(243.0)
Total allowable costs allocated to tariff groups	1,895.1	1,948.7	1,761.3	1,828.8

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Mareeba-Dimbulah distribution system

Table 53: Total allowable costs, Mareeba-Dimbulah distribution system (\$'000, nominal)

Cost	Annuity		RAB	
	2027–28	2028–29	2027–28	2028–29
Opex allowance (2025 review)	8,443.3	8,652.7	8,443.3	8,652.7
ICT step change	(80.0)	(82.1)	(80.0)	(82.1)
Revenue offsets	(11.1)	(11.4)	(11.1)	(11.4)
Total costs before renewals and tax	8,352.2	8,559.2	8,352.2	8,559.2
Renewals annuity	101.7	119.0	–	–
RAB-based capital allowance	–	–	103.8	277.3
Renewals opex	–	–	27.6	21.2
Smoothing adjustment	–	–	(7.3)	(7.5)
Tax allowance	–	–	–	–
Total allowable costs	8,453.9	8,678.2	8,476.3	8,850.2

Notes: 1. Totals may not add due to rounding. 2. The opex allowance includes review events and the QCA fee. 3. The smoothing adjustment accounts for differences between the unit costs and the smoothed price targets for 2025–26 and 2026–27. 4. These costs include those allocated to irrigation and non-irrigation customers.

Source: QCA analysis.

Appendix D: Draft annuity-based price targets and prices

D.1 Bulk water supply schemes

The 2026–27 prices and draft price targets and prices over the price path period are shown in Table 54.

Table 54: Draft price targets and prices — bulk schemes (\$/ML, nominal)

Tariff group	Price	Draft price targets		2026–27 prices	Draft prices	
		2027–28	2028–29		2027–28	2028–29
Barker Barambah River	Part A	54.51	56.07	46.13	50.22	54.51
	Part B	9.31	9.58	4.81	4.95	5.09
Barker Barambah Redgate Relift	Part A	55.17	56.75	46.13	50.22	54.51
	Part B	38.11	39.20	26.09	26.84	27.61
Bowen Broken Rivers	Part A	10.14	10.43	10.04	10.14	10.43
	Part B	7.75	7.97	7.53	7.75	7.97
Boyne River and Tarong	Part A	16.75	17.23	16.40	16.75	17.23
	Part B	3.40	3.49	3.30	3.40	3.49
Bundaberg	Part A	13.90	14.29	13.59	13.90	14.29
	Part B	1.57	1.61	1.52	1.57	1.61
Burdekin-Haughton	Part A	5.95	6.12	5.81	5.95	6.12
	Part B	0.81	0.84	0.79	0.81	0.84
Callide Valley	Part A	111.84	115.05	37.54	41.38	45.41
	Part B	13.95	14.35	10.05	10.34	10.64
Chinchilla Weir	Part A	26.88	27.65	26.32	26.88	27.65
	Part B	5.74	5.90	5.58	5.74	5.90
Cunnamulla	Part A	41.02	42.20	40.03	41.02	42.20
	Part B	1.51	1.56	1.47	1.51	1.56
Dawson Valley River (high priority)	Part A	110.75	113.93	65.60	70.25	75.11
	Part B	2.07	2.13	1.83	1.88	1.93
Dawson Valley River (medium priority)	Part A	22.45	23.09	21.97	22.45	23.09
	Part B	2.07	2.13	2.01	2.07	2.13
Eton (high B priority)	Part A	34.73	35.72	33.94	34.73	35.72
	Part B	5.92	6.09	5.75	5.92	6.09
Eton (high A priority local management supply)	Part A	125.85	129.46	122.78	125.85	129.46
	Part B	5.92	6.09	5.75	5.92	6.09
Eton risk priority	Part B	40.65	41.81	39.69	40.65	41.81
Lower Fitzroy	Part A	16.47	16.94	16.16	16.47	16.94
	Part B	1.82	1.87	1.77	1.82	1.87

Tariff group	Price	Draft price targets		2026-27 prices	Draft prices	
		2027-28	2028-29		2027-28	2028-29
Lower Mary — Mary Barrage	Part A	6.77	6.96	6.61	6.77	6.96
	Part B	1.24	1.27	1.20	1.24	1.27
Lower Mary — Tinana & Teddington	Part A	22.32	22.96	21.73	22.32	22.96
	Part B	17.86	18.37	17.36	17.86	18.37
Macintyre Brook	Part A	124.15	127.72	72.36	77.20	82.26
	Part B	8.33	8.57	4.65	4.78	4.92
Maranoa River	Part A	89.04	91.60	77.62	82.61	87.83
	Part B	117.51	120.88	75.17	77.33	79.55
Mareeba-Dimbulah – Access Charge	\$/cust	818.08	841.56	795.26	818.08	841.56
Mareeba-Dimbulah — River Tinaroo/Barron	Part A	3.31	3.40	3.26	3.31	3.40
	Part B	0.63	0.65	0.61	0.63	0.65
Nogoa-Mackenzie (medium priority)	Part A	11.45	11.77	11.20	11.45	11.77
	Part B	2.05	2.11	2.00	2.05	2.11
Nogoa-Mackenzie (medium priority local management supply)	Part A	11.45	11.77	11.20	11.45	11.77
	Part B	2.05	2.11	2.00	2.05	2.11
Nogoa-Mackenzie (high priority)	Part A	74.64	76.78	49.54	53.73	58.12
	Part B	2.05	2.11	0.95	0.98	1.01
Pioneer River	Part A	22.55	23.20	22.03	22.55	23.20
	Part B	4.61	4.74	4.48	4.61	4.74
Proserpine River	Part A	17.66	18.16	17.31	17.66	18.16
	Part B	5.16	5.31	5.01	5.16	5.31
St George (medium priority)	Part A	33.20	34.15	31.28	33.20	34.15
	Part B	1.73	1.78	1.23	1.73	1.78
St George (high priority local management supply)	Part A	52.28	53.78	47.64	51.77	53.78
	Part B	1.73	1.78	1.23	1.27	1.78
Three Moon Creek	Part A	72.44	74.52	44.79	48.84	53.09
	Part B	12.06	12.40	5.52	5.68	5.84
Upper Burnett — Regulated Section of the Nogo/Burnett River	Part A	51.28	52.76	50.27	51.28	52.76
	Part B	7.49	7.70	5.95	7.49	7.70
Upper Burnett — John Goleby Weir	Part A	51.28	52.76	49.63	51.28	52.76
	Part B	7.49	7.70	4.72	7.40	7.70
Upper Condamine — Sandy Creek or Condamine River	Part A	24.45	25.15	23.25	24.45	25.15
	Part B	11.33	11.66	6.70	9.12	11.66
Upper Condamine — North Branch	Part A	25.64	26.38	23.33	25.64	26.38
	Part B	33.92	34.89	20.25	21.95	25.42

Tariff group	Price	Draft price targets		2026–27 prices	Draft prices	
		2027–28	2028–29		2027–28	2028–29
Upper Condamine — North Branch — Risk A	Part A	23.87	24.56	20.04	23.38	24.56
	Part B	33.92	34.89	21.89	22.52	25.51

Source: QCA analysis.

D.2 Distribution systems

Table 55 shows the 2026–27 price and draft price targets and prices over the price path period.

Table 55: Draft price targets and prices — distribution systems (\$/ML, nominal)

Tariff group	Price	Draft price targets		2026–27 prices	Draft prices	
		2027–28	2028–29		2027–28	2028–29
Bundaberg channel	Part A	13.90	14.29	13.59	13.90	14.29
	Part B	1.57	1.61	1.52	1.57	1.61
	Part C	93.95	96.64	63.40	68.06	72.87
	Part D	55.89	57.50	54.33	55.88	57.49
	Fixed	107.85	110.93	76.99	81.96	87.16
	Volumetric	57.46	59.11	55.85	57.45	59.10
Burdekin channel	Part A	5.95	6.12	5.81	5.95	6.12
	Part B	0.81	0.84	0.79	0.81	0.84
	Part C	52.39	53.89	51.33	52.39	53.89
	Part D	22.93	23.59	22.29	22.93	23.59
	Fixed	58.34	60.01	57.14	58.34	60.01
	Volumetric	23.74	24.43	23.08	23.74	24.43
Burdekin — Giru Groundwater	Part A	5.95	6.12	5.81	5.95	6.12
	Part B	0.81	0.84	0.38	0.39	0.40
	Part C	52.39	53.89	35.02	38.82	42.78
	Part D	22.93	23.59	17.39	17.89	18.40
	Fixed	58.34	60.01	40.83	44.77	48.90
	Volumetric	23.74	24.43	17.77	18.28	18.80
Burdekin — Gladys Lagoon (other than Natural Yield)	Part A	5.95	6.12	5.81	5.95	6.12
	Part B	0.81	0.84	0.79	0.81	0.84
	Part C	52.39	53.89	51.33	52.39	53.89
	Part D	22.93	23.59	22.29	22.93	23.59
	Fixed	58.34	60.01	57.14	58.34	60.01
	Volumetric	23.74	24.43	23.08	23.74	24.43

Tariff group	Price	Draft price targets		2026–27 prices	Draft prices	
		2027–28	2028–29		2027–28	2028–29
Lower Mary channel	Part A	6.77	6.96	6.61	6.77	6.96
	Part B	1.24	1.27	1.20	1.24	1.27
	Part C	115.65	118.97	68.30	73.05	78.00
	Part D	52.55	54.06	51.08	52.54	54.05
	Fixed	122.42	125.93	74.91	79.82	84.96
	Volumetric	53.79	55.33	52.28	53.78	55.32
Mareeba-Dimbulah — outside a relift up to 100 ML	Part A	3.31	3.40	3.26	3.31	3.40
	Part B	0.63	0.65	0.61	0.63	0.65
	Part C	73.22	75.32	69.34	73.22	75.32
	Part D	8.50	8.74	6.79	7.90	8.74
	Fixed	76.53	78.72	72.60	76.53	78.72
	Volumetric	9.13	9.39	7.40	8.53	9.39
Mareeba-Dimbulah — outside a relift 100 ML to 500 ML	Part A	3.31	3.40	3.26	3.31	3.40
	Part B	0.63	0.65	0.61	0.63	0.65
	Part C	64.57	66.42	62.14	64.57	66.42
	Part D	8.50	8.74	6.79	8.50	8.74
	Fixed	67.88	69.82	65.40	67.88	69.82
	Volumetric	9.13	9.39	7.40	9.13	9.39
Mareeba-Dimbulah — outside a relift over 500 ML	Part A	3.31	3.40	3.26	3.31	3.40
	Part B	0.63	0.65	0.61	0.63	0.65
	Part C	50.14	51.58	49.27	50.14	51.58
	Part D	8.50	8.74	7.64	8.50	8.74
	Fixed	53.45	54.98	52.53	53.45	54.98
	Volumetric	9.13	9.39	8.25	9.13	9.39
Mareeba-Dimbulah — river sup. Streams & Walsh River	Part A	3.31	3.40	3.26	3.31	3.40
	Part B	0.63	0.65	0.61	0.63	0.65
	Part C	33.79	34.76	33.20	33.79	34.76
	Part D	5.10	5.24	4.96	5.10	5.24
	Fixed	37.10	38.16	36.46	37.10	38.16
	Volumetric	5.73	5.89	5.57	5.73	5.89
Mareeba-Dimbulah — relift	Part A	3.31	3.40	3.26	3.31	3.40
	Part B	0.63	0.65	0.61	0.63	0.65
	Part C	75.97	78.15	62.35	66.95	71.72
	Part D	100.68	103.57	97.87	100.68	103.57
	Fixed	79.28	81.55	65.61	70.26	75.12
	Volumetric	101.31	104.22	98.48	101.31	104.22

Source: QCA analysis.

Appendix E: Draft RAB-based price targets and prices

E.1 Bulk water supply schemes

The 2026–27 price and draft price targets and prices over the price path period are shown in Table 56.

Table 56: Draft price targets and prices — bulk schemes (\$/ML, nominal)

Tariff group	Price	Draft price targets		2026–27 prices	Draft prices	
		2027–28	2028–29		2027–28	2028–29
Barker Barambah River	Part A	51.94	53.43	46.13	50.22	53.43
	Part B	9.31	9.58	4.81	4.95	6.17
Barker Barambah Redgate Relift	Part A	52.60	54.11	46.13	50.22	54.11
	Part B	38.11	39.20	26.09	26.84	28.01
Bowen Broken Rivers	Part A	10.14	10.43	10.04	10.14	10.43
	Part B	7.75	7.97	7.53	7.75	7.97
Boyne River and Tarong	Part A	16.32	16.79	16.40	16.32	16.79
	Part B	3.40	3.49	3.30	3.40	3.49
Bundaberg	Part A	13.41	13.79	13.59	13.41	13.79
	Part B	1.57	1.61	1.52	1.57	1.61
Burdekin-Haughton	Part A	4.99	5.14	5.81	4.99	5.14
	Part B	0.81	0.84	0.79	0.81	0.84
Callide Valley	Part A	109.32	112.46	37.54	41.38	45.41
	Part B	13.95	14.35	10.05	10.34	10.64
Chinchilla Weir	Part A	25.47	26.20	26.32	25.47	26.20
	Part B	5.74	5.90	5.58	5.74	5.90
Cunnamulla	Part A	38.76	39.87	40.03	38.76	39.87
	Part B	1.51	1.56	1.47	1.51	1.56
Dawson Valley River (high priority)	Part A	83.15	85.54	65.60	70.25	75.11
	Part B	2.07	2.13	1.83	1.88	1.93
Dawson Valley River (medium priority)	Part A	18.07	18.59	21.97	18.07	18.59
	Part B	2.07	2.13	2.01	2.07	2.13
Eton (high B priority)	Part A	31.44	32.34	33.94	31.44	32.34
	Part B	5.92	6.09	5.75	5.92	6.09
Eton (high A priority local management supply)	Part A	112.25	115.47	122.78	112.25	115.47
	Part B	5.92	6.09	5.75	5.92	6.09
Eton risk priority	Part B	37.36	38.43	39.69	37.36	38.43
Lower Fitzroy	Part A	14.77	15.19	16.16	14.77	15.19
	Part B	1.82	1.87	1.77	1.82	1.87

Tariff group	Price	Draft price targets		2026-27 prices	Draft prices	
		2027-28	2028-29		2027-28	2028-29
Lower Mary — Mary Barrage	Part A	6.36	6.55	6.61	6.36	6.55
	Part B	1.24	1.27	1.20	1.24	1.27
Lower Mary — Tinana & Teddington	Part A	17.37	17.87	21.73	17.37	17.87
	Part B	17.86	18.37	17.36	17.86	18.37
Macintyre Brook	Part A	119.06	122.48	72.36	77.20	82.26
	Part B	8.33	8.57	4.65	4.78	4.92
Maranoa River	Part A	71.73	73.79	77.62	71.73	73.79
	Part B	117.51	120.88	75.17	80.09	85.23
Mareeba-Dimbulah — Access Charge	\$/cust	818.08	841.56	795.26	818.08	841.56
Mareeba-Dimbulah — River Tinaroo/Barron	Part A	2.84	2.92	3.26	2.84	2.92
	Part B	0.63	0.65	0.61	0.63	0.65
Nogoa-Mackenzie (medium priority)	Part A	11.13	11.45	11.20	11.13	11.45
	Part B	2.05	2.11	2.00	2.05	2.11
Nogoa-Mackenzie (medium priority local management supply)	Part A	11.13	11.45	11.20	11.13	11.45
	Part B	2.05	2.11	2.00	2.05	2.11
Nogoa-Mackenzie (high priority)	Part A	71.37	73.42	49.54	53.73	58.12
	Part B	2.05	2.11	0.95	0.98	1.01
Pioneer River	Part A	21.33	21.94	22.03	21.33	21.94
	Part B	4.61	4.74	4.48	4.61	4.74
Proserpine River	Part A	15.91	16.37	17.31	15.91	16.37
	Part B	5.16	5.31	5.01	5.16	5.31
St George (medium priority)	Part A	32.20	33.12	31.28	32.20	33.12
	Part B	1.73	1.78	1.23	1.73	1.78
St George (high priority local management supply)	Part A	50.54	51.99	47.64	50.54	51.99
	Part B	1.73	1.78	1.23	1.73	1.78
Three Moon Creek	Part A	71.20	73.25	44.79	48.84	53.09
	Part B	12.06	12.40	5.52	5.68	5.84
Upper Burnett — Regulated Section of the Nogo/Burnett River	Part A	49.37	50.79	50.27	49.37	50.79
	Part B	7.49	7.70	5.95	7.49	7.70
Upper Burnett — John Goleby Weir	Part A	49.37	50.79	49.63	49.37	50.79
	Part B	7.49	7.70	4.72	7.49	7.70
Upper Condamine —Sandy Creek or Condamine River	Part A	23.40	24.07	23.25	23.40	24.07
	Part B	11.33	11.66	6.70	9.66	11.66
Upper Condamine — North Branch	Part A	24.59	25.30	23.33	24.59	25.30
	Part B	33.92	34.89	20.25	23.00	26.50

Tariff group	Price	Draft price targets		2026–27 prices	Draft prices	
		2027–28	2028–29		2027–28	2028–29
Upper Condamine — North Branch — Risk A	Part A	23.87	24.56	20.04	23.38	24.56
	Part B	33.92	34.89	21.89	22.52	25.51

Source: QCA analysis.

E.2 Distribution systems

Table 57 shows the 2026–27 price and draft price targets and prices over the price path period.

Table 57: Draft price targets and prices — distribution systems (\$/ML, nominal)

Tariff group	Price	Draft price targets		2026–27 prices	Draft prices	
		2027–28	2028–29		2027–28	2028–29
Bundaberg channel	Part A	13.41	13.79	13.59	13.41	13.79
	Part B	1.57	1.61	1.52	1.57	1.61
	Part C	85.01	87.45	63.40	68.55	73.37
	Part D	55.89	57.50	54.33	55.88	57.49
	Fixed	98.42	101.24	76.99	81.96	87.16
	Volumetric	57.46	59.11	55.85	57.45	59.10
Burdekin channel	Part A	4.99	5.14	5.81	4.99	5.14
	Part B	0.81	0.84	0.79	0.81	0.84
	Part C	43.73	44.98	51.33	43.73	44.98
	Part D	22.93	23.59	22.29	22.93	23.59
	Fixed	48.72	50.12	57.14	48.72	50.12
	Volumetric	23.74	24.43	23.08	23.74	24.43
Burdekin — Giru Groundwater	Part A	4.99	5.14	5.81	4.99	5.14
	Part B	0.81	0.84	0.38	0.39	0.40
	Part C	43.73	44.98	35.02	39.78	43.76
	Part D	22.93	23.59	17.39	17.89	18.40
	Fixed	48.72	50.12	40.83	44.77	48.90
	Volumetric	23.74	24.43	17.77	18.28	18.80
Burdekin — Gladys Lagoon (other than Natural Yield)	Part A	4.99	5.14	5.81	4.99	5.14
	Part B	0.81	0.84	0.79	0.81	0.84
	Part C	43.73	44.98	51.33	43.73	44.98
	Part D	22.93	23.59	22.29	22.93	23.59
	Fixed	48.72	50.12	57.14	48.72	50.12
	Volumetric	23.74	24.43	23.08	23.74	24.43

Tariff group	Price	Draft price targets		2026–27 prices	Draft prices	
		2027–28	2028–29		2027–28	2028–29
Lower Mary channel	Part A	6.36	6.55	6.61	6.36	6.55
	Part B	1.24	1.27	1.20	1.24	1.27
	Part C	106.34	109.39	68.30	73.46	78.41
	Part D	52.55	54.06	51.08	52.54	54.05
	Fixed	112.70	115.94	74.91	79.82	84.96
	Volumetric	53.79	55.33	52.28	53.78	55.32
Mareeba-Dimbulah — outside a relift up to 100 ML	Part A	2.84	2.92	3.26	2.84	2.92
	Part B	0.63	0.65	0.61	0.63	0.65
	Part C	73.13	75.23	69.34	73.13	75.23
	Part D	8.50	8.74	6.79	8.46	8.74
	Fixed	75.97	78.15	72.60	75.97	78.15
	Volumetric	9.13	9.39	7.40	9.09	9.39
Mareeba-Dimbulah — outside a relift 100 ML to 500 ML	Part A	2.84	2.92	3.26	2.84	2.92
	Part B	0.63	0.65	0.61	0.63	0.65
	Part C	64.49	66.34	62.14	64.49	66.34
	Part D	8.50	8.74	6.79	8.50	8.74
	Fixed	67.33	69.26	65.40	67.33	69.26
	Volumetric	9.13	9.39	7.40	9.13	9.39
Mareeba-Dimbulah — outside a relift over 500 ML	Part A	2.84	2.92	3.26	2.84	2.92
	Part B	0.63	0.65	0.61	0.63	0.65
	Part C	50.07	51.51	49.27	50.07	51.51
	Part D	8.50	8.74	7.64	8.50	8.74
	Fixed	52.91	54.43	52.53	52.91	54.43
	Volumetric	9.13	9.39	8.25	9.13	9.39
Mareeba-Dimbulah — river sup. Streams & Walsh River	Part A	2.84	2.92	3.26	2.84	2.92
	Part B	0.63	0.65	0.61	0.63	0.65
	Part C	33.74	34.71	33.20	33.74	34.71
	Part D	5.10	5.24	4.96	5.10	5.24
	Fixed	36.58	37.63	36.46	36.58	37.63
	Volumetric	5.73	5.89	5.57	5.73	5.89
Mareeba-Dimbulah — relift	Part A	2.84	2.92	3.26	2.84	2.92
	Part B	0.63	0.65	0.61	0.63	0.65
	Part C	75.90	78.08	62.35	67.42	72.20
	Part D	100.68	103.57	97.87	100.68	103.57
	Fixed	78.74	81.00	65.61	70.26	75.12
	Volumetric	101.31	104.22	98.48	101.31	104.22

Source: QCA analysis.

Appendix F: Responses to other stakeholder comments

In this appendix, we address additional issues that stakeholders raised in submissions that are not addressed elsewhere in this report. Our responses are set out in Table 58.

Table 58: QCA response to other stakeholder comments

Issue raised	QCA response
A stakeholder suggested that our previous adjustments to Sunwater's forecast profile for its longer-term renewals expenditure program were intended to reduce annuity revenues, and therefore prices, in the short-term. ⁷¹	In practice, the adjustments were made on the advice of our engineering consultant to address: - deficiencies in predictive maintenance and asset condition information that were causing a systematic bias in asset replacement timing and leading to overly conservative expenditure forecasts in the 2020 review⁷² - a significant increase in the level of overhead and indirect costs allocated to renewals expenditure in the 2025 review compared with previous reviews.⁷³
A stakeholder requested we publish a comparative analysis of the transition from a renewals annuity approach to a RAB approach in other jurisdictions, including outcomes, lessons learned and any modifications made. ⁷⁴	In Australia, the main jurisdictions where rural irrigation businesses have transitioned from a renewals annuity approach to a RAB approach are New South Wales (NSW) and Victoria. Ignores NGIIOs In NSW, WaterNSW (then known as State Water Corporation) requested a transition to the RAB approach as part of its submission to the Independent Pricing and Regulatory Tribunal (IPART) for the 2006–10 regulatory period. IPART assessed the RAB approach to be generally superior to the annuity approach in terms of economic efficiency and regulatory effectiveness and accepted WaterNSW's proposal. As part of the transition, IPART determined an initial asset base as at 1 July 2004 by capitalising WaterNSW's annuity revenue.⁷⁵ IPART considered the financial viability of WaterNSW, impacts on WaterNSW's customers and consistency with IPART's previous decisions in applying this approach.⁷⁶

⁷¹ Eton Irrigation Cooperative Ltd (EICL), sub 13.

⁷² QCA, [Rural irrigation price review 2020–24, Part B: Sunwater](#), final report, January 2020, pp 68–72. We note that Sunwater's consultant for the 2025 review made similar adjustments to their forecast renewals program.

⁷³ QCA, [Rural irrigation price review 2025–29: Sunwater](#), final report, January 2025, pp 67–72.

⁷⁴ Queensland Cane Agriculture and Renewables (QCAR), sub 18.

⁷⁵ IPART, [Bulk Water Prices for State Water Corporation and Water Administration Ministerial Corporation from 1 October 2006 to 30 June 2010](#), final report, 2006, pp 85–86.

⁷⁶ IPART, [Bulk Water Prices for State Water Corporation and Water Administration Ministerial Corporation from 1 October 2006 to 30 June 2010](#), 2006, p 28.

Issue raised	QCA response
	In Victoria, the Essential Services Commission of Victoria (ESC) approved the use of the RAB approach for all rural water businesses, with initial RABs determined by the Victorian Government on advice from the ESC. Businesses had a choice whether to continue recovering expenditure using the annuity approach or to transition immediately to the RAB approach. Goulburn-Murray Water and Grampians Wimmera Mallee Water chose to transition immediately, while Lower Murray Water transitioned in 2008 and Southern Rural Water transitioned in 2013. The transition process was guided by an assessment of the cash flow implications for the businesses and pricing outcomes for customers. A key lesson from this experience is that transitional mechanisms need to be designed carefully to balance the commercial interests of the business with pricing outcomes for customers.
Some stakeholders said that the renewals annuity is suitable for irrigation schemes⁷⁷ and referenced a report by SAHA International⁷⁸ which states that, “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.”	In theory, the renewals annuity approach can work well where the service potential of a system of assets can be maintained by ongoing renewal of the component parts. However, its effectiveness depends on the reliability and stability of long-term renewals forecasts. In practice, renewals requirements are not necessarily stable, and there are regular forecast revisions to the renewals program, as discussed in section 2.3.3 of this report.
Some stakeholders said that Sunwater’s claim that irrigators support the transition to a RAB approach is incorrect.⁷⁹	We have previously noted our concern with Sunwater’s approach to justifying customer support for moving to a RAB approach.⁸⁰
Some stakeholders requested that the QCA identify any opex savings from implementing the RAB approach.⁸¹	As discussed in the 2025 review final report, we do not consider there would be material savings in operational activities from moving to a RAB approach.⁸²
A stakeholder submitted that, under the RAB approach, there is a risk that customers end up paying a return on assets that may have been funded by government.⁸³	Under the RAB approach, customers would only pay a return on the initial RAB (which would consist of any negative annuity balances) and new renewals capex from 1 July 2027 (exclusive of any funding from government).

⁷⁷ Avocados Australia, sub 3, p 2; Brooklet Farms, sub 4, p 3; Bundaberg Regional Irrigators Group (BRIG), sub 6, p 3.

⁷⁸ SAHA International, Issues Paper on Renewals Annuity or a Regulatory Depreciation Allowance: [Sunwater’s Water Supply Schemes 2011–2016 Price Paths](#), 2010, p 54.

⁷⁹ Avocados Australia, sub 3, pp 2-3; BRIG, sub 6, p 3; BRIA Irrigators, sub 7, p 2.

⁸⁰ QCA, [Rural irrigation price review 2025–29: Sunwater](#), final report, June 2024, pp 10-11.

⁸¹ Avocados Australia, sub 3, p 3; BRIG, sub 6, p 3.

⁸² QCA, [Rural irrigation price review 2025–29: Sunwater](#), final report, January 2025, p 91.

⁸³ Bundaberg Fruit and Vegetable Growers, sub 5, p 3.

Issue raised	QCA response
	Under both the renewals annuity and RAB approaches, government funded renewals expenditure offsets the revenue requirement of the business. For example, in the 2025 review, we added \$2.5 million to Seqwater's annuity revenue to account for government funding of the modernisation program in the Central Lockyer Vally scheme. Under the RAB approach, we would similarly have reduced the value of the RAB by \$2.5 million to reflect that the program is a grant and the cost does not have to be recovered from customers.
One stakeholder said that the Queensland Government and QCA's primary objective should be to ensure that irrigation pricing policy supports sustainable agricultural production. ⁸⁴	The government's objective for irrigation pricing is a policy issue that is a matter for government. The QCA is required to consider a range of issues, consistent with our obligations under the QCA Act, when we undertake irrigation pricing investigations.
A stakeholder said that price outcomes should balance cost recovery with regional economic resilience. ⁸⁵	
A stakeholder said that we should model the proposed RAB approach against a working renewals annuity where the proposed works have been budgeted for and the funds accumulated. ⁸⁶	In recommending and comparing RAB-based prices, with annuity-based prices we have modelled the RAB approach and renewals approach on a consistent basis, using the same input data and reflecting opening annuity balances at 1 July 2027. Where is the detailed, transparent model.
A stakeholder commented that the current renewals annuity approach can be improved with better consultation processes around major changes to the long-term forecast.⁸⁷	Strong transparency and accountability around long-term renewals forecasts may improve the current renewals annuity approach EICL agrees with that part but cannot overcome the inherent uncertainty associated with long-term forecasts as discussed in section 2.3.2. The QCA is fixated on this uncertainty of long term forecasts – a RAB doesn't fix that – it ignores it.
A stakeholder said that we should assess the RAB and annuity approaches based on real-world operating conditions, where capital expenditure is not always predictable or evenly distributed over time. ⁸⁸	We have modelled how differences between forecast and actual renewals expenditure, and updates to forward forecasts, contributed to step changes in scheme-level annuity allowance in the 2020 and 2025 reviews (see section 2.3.3). This provides useful evidence on how the current annuity approach has operated in practice. We have not modelled how a RAB approach would have performed over the three previous price path periods. This would have required assumptions about historical opex/capex classification, asset lives and transition

⁸⁴ BRIA Irrigators, sub 7, p 1.

⁸⁵ Tinaroo Water Committee, sub 20, p 2.

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⁸⁶ BRIA Irrigators, sub 7, p 2.

⁸⁷ EICL, sub 13, p 3.

⁸⁸ Fairbairn Irrigation Network, sub 14, pp 4–5.

Issue raised	QCA response
	arrangements that would have applied if the RAB approach had been adopted earlier.

Glossary

2020 review	the QCA's review of irrigation prices charged by Seqwater and Sunwater for the period 1 July 2020 to 30 June 2024, which was completed in January 2020
2025 review	the QCA's review of irrigation prices charged by Seqwater and Sunwater for the period 1 July 2025 to 30 June 2029, which was completed in January 2025
BFVG	Bundaberg Fruit and Vegetable Growers
BRIA Irrigators	Burdekin River Irrigation Area Irrigators Limited
BRIG	Bundaberg Regional Irrigators Group
capex	capital expenditure
CHCGIA	Central Highlands Cotton Growers and Irrigators Association
direction	the direction notice for the QCA to conduct this review, which was issued by the Minister for Finance in October 2025 under section 10(g) of the QCA Act
EICL	Eton Irrigation Cooperative Ltd
ESC	Essential Services Commission
ICT	information and communication technology
IPART	Independent Pricing and Regulatory Tribunal
LMS	local management supply
ML	megalitre
opex	operating expenditure
price path period	the period 1 July 2027 to 30 June 2029
QCA	Queensland Competition Authority
QCA Act	<i>Queensland Competition Authority Act 1997</i>
QCAR	Queensland Cane Agriculture and Renewables
QFF	Queensland Farmers' Federation
RAB	regulatory asset base
RFI	request for information
WACC	weighted average cost of capital
WAE	water access entitlement
WSS	water supply scheme

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