

RAB Irrigation Price Review

Learn about what the RAB Irrigation Price Review is investigating and how customers can participate.

In mid-2025, the Queensland Government set irrigation prices for 2025-26 and 2026-27. However, it postponed setting prices for 2027-28 and 2028-29 while it further considered a regulated asset base (RAB) methodology for renewals recovery.

The Queensland Competition Authority (QCA) has now been tasked by the Queensland Government to investigate and report on appropriate prices under a RAB methodology for potential introduction in 2027-28 and 2028-29. Appropriate prices will be based on costs recommended by QCA during the last review, but Customer and Stakeholder Project (CASPr) costs will be excluded.¹ Sunwater will make a submission to QCA with proposed RAB-based prices across 26 regulated service contracts by 27 February 2026. The investigation **is not** a full price path review.

This will not be the first time QCA has considered a RAB methodology for renewals recovery through irrigation prices. In 2020 and again in 2024, in response to Sunwater's most recent irrigation pricing proposal, QCA looked closely at this matter.

QCA has consistently said the RAB approach would:

- make it easier to understand how prices are set
- focus more on short-term spending, not long-term estimates
- encourage Sunwater to find more cost-effective ways to look after its assets.

For the RAB Irrigation Price Review, QCA will:

- review the proposal based on the rules and conditions set out in the Direction Notice
- seek feedback on Sunwater's proposal and issue a draft report
- seek feedback on its draft report
- respond to that feedback via a Final Report due on 30 September 2026, which will include appropriate prices under a RAB methodology.



Customers can learn more about the RAB Irrigation Price Review by attending online information sessions in November, and have their say by completing a short survey in early December.

Find out more on [page 3](#).

How customers pay for Sunwater's services

Sunwater's charges are set to recover the costs it incurs in operating, maintaining and renewing its assets for the benefit of customers.

Under long-standing Queensland Government policy, irrigation prices do not include any costs associated with the building of assets constructed before 2000. Prices that exclude these costs are often referred to as lower bound prices.

Costs that are typically the same from year to year, like operations and maintenance, are passed on to customers on a dollar-for-dollar basis i.e. if Sunwater spends a dollar, a dollar goes onto customer bills in the year it was spent. These costs are recovered through prices via an operating expenditure allowance.

Renewals costs are not the same from year to year and do not have a predictable impact on bills. This uneven spend usually arises when Sunwater renews an asset, which it only does to restore or improve its function or reliability. The cost of these activities is typically larger than maintenance activity and occurs infrequently – once every five, 10, 20 years or more. If Sunwater were to pass these on to customers on a dollar-for-dollar basis, then prices would go up and down considerably year to year. This would penalise those who happen to be customers in years when spend is high and may mean that customers who buy water the year after the high spend aren't contributing anything to the cost of the work required. To manage this issue fairly, Sunwater smoothes the recovery of these uneven costs over time.

There are two ways this can be done.

1. an annuity method (Sunwater's current approach)
2. a regulated asset base method or RAB (what is being considered).

¹ The CASPr project was stopped earlier this year. Sunwater intends to rebate the cost of CASPr currently being recovered through prices. It will share the calculation and payment approach with customers in early 2026.

Changing how customers pay for asset renewals

Since 2001, Sunwater has used an annuity method. A useful way to think about annuities is in the context of health insurance. You pay premiums at a steady rate and in return, the health insurer covers the cost of major health events.

Sunwater's annuity is based on the same principle. Through the annuity component of their prices, irrigators give Sunwater a steady stream of income over a period of time. In exchange, Sunwater spends that money on renewals activities as and when required.

For the annuity to work properly in Sunwater's context, Sunwater would need to be able to accurately predict all future expenditures over a very long period of time, likely more than 100 years given the expected life of its dams and weirs. This is not possible in practice, so Sunwater's annuity is constantly adjusted to consider both what is spent and new forecast information.

When Sunwater started using this method in 2001, it was commonly used by other irrigation service providers. In subsequent years, all jurisdictions in Australia except Queensland have switched to a RAB approach.

These include:

- State Water (NSW) – changed to a RAB in 2006
- Goulburn-Murray Water (Vic) – changed to a RAB in 2005
- Southern Rural Water (Vic) – started changing to a RAB in 2013.

Asset renewals through a RAB

Like the annuity method, the RAB approach aims to smooth the impact of uneven expenditure on irrigation prices. The main difference is that it doesn't concern itself with long-term forecasts, but focuses on what has already been spent.

It impacts customer prices like a home loan. Costs that go into the RAB are like a loan and are paid back by customers via principal and interest components that allow the loan to be paid off in full over a set period of time. That period of time is determined by the assumed life of the asset that has been renewed.

QCA determines the principal and interest repayment elements separately:

- principal repayments are referred to as a depreciation or 'return of' capital allowance
- interest repayments are referred to as a 'return on' capital allowance.

For example, a pump that would need to be renewed again in five years' time will have a five-year asset life (or loan term). At the end of Year 5, that asset would no longer be contributing to prices. Its replacement would be included in prices at the start of Year 6, assuming the renewal is needed again at that time.

Under a RAB methodology, pre-2000 construction costs would still be excluded from prices, as per the current policy. Schemes on lower bound prices today will still be on lower bound prices under a RAB approach.

While the RAB Irrigation Price Review is only considering setting prices for the remaining two years of this price path, the below table compares the approaches to set a four-year price path to illustrate key differences.

Feature	Annuity approach	RAB approach
Forecasting	Uses a 33-year forecast	Uses a four-year forecast
Cost base renewals	Expenditure only	Renewals expenditure only
Price alignment	Costs and prices do not match well	Costs and prices match closely
Confidence in forecasts	Sunwater is confident about the first four years, but things get uncertain after that	Sunwater is confident about what it will do and spend over the four-year period, which is all it needs to set prices for that period
Effort required	A lot of time is needed to plan long-term forecasts, which often change before projects start	Focuses effort on short-term planning and delivering projects
Transparency	As it is calculated annually on a rolling basis, it is hard for customers to see how their payments match the work Sunwater has done and will do	Customer prices are designed to pay for work that has already been done (noting that a price path includes a short-term forecast that is later corrected for actual cost)
Fairness	Customers may end up paying for things that might not happen for 30 years or at all	Customers only pay for what is being done now

Sunwater's proposal and customer feedback

In its RAB Irrigation Price Review proposal Sunwater will address some of QCA's recommendations related to a RAB methodology from the last price path review. It will also recommend prices for each service contract for the two remaining years of this price path.

Relevant to this review, QCA wanted Sunwater to change its approach to capitalisation and seek customer feedback on how to recover/return payments on closing annuity balances.

Sunwater is currently reviewing its Capitalisation Policy and will provide an update to QCA in its proposal. To help address how to recover/return closing annuity balances in its proposal, Sunwater is seeking customer views around:

- **For service contracts where a negative balance needs to be recovered:** Would you prefer to pay back the negative balance over a shorter period e.g. 25 years, meaning higher prices for a shorter period of time, or a longer period e.g. 50 years, meaning lower prices for longer?
- **For the four service contracts where a rebate would be provided¹:** Would you prefer to receive your rebate over a four- or eight-year period?

To obtain this feedback, Sunwater will attend scheduled Customer Advisory Committee meetings and hold online forums during November 2025. It will also send customers a targeted survey in early December.

¹ A rebate will only apply in the Burdekin Haughton (bulk and distribution), Dawson Valley and Mareeba Distribution service contracts.



Irrigation Customer Invoice Calculator

To help customers respond to the survey, Sunwater has prepared an Irrigation Customer Invoice Calculator relevant to your tariff group in your service contract. Find the calculator online at sunwater.com.au/projects/regulated-asset-base



Information forums

Find details of the online forums at sunwater.com.au/projects/regulated-asset-base or scan the QR code



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