

QFF Water & Energy Policy Committee

Key Insights Summary:

Rural Water Pricing Frameworks



Renewals Annuity vs Regulated Asset Base (RAB)

QCA Review of Rural Water Pricing (2027–29)

The Queensland Competition Authority is reviewing how irrigation water prices will be set for 2027–29, including whether to retain the current **renewals annuity** approach or move to a **Regulatory Asset Base (RAB)**.

This is a **fundamental shift in how prices are calculated**, not just the level of prices. It will influence:

- How prices change over time
- How infrastructure costs are recovered
- How costs are shared between current and future irrigators

The QCA's review represents the most significant potential policy shift in recent decades, that may fundamentally change how supplemented water prices are set, how costs are recovered, and how those costs are shared over time. It is important that growers have their say now on the future of supplemented water pricing.

1. The two pricing approaches

Renewals Annuity (current approach – “pay ahead”)

- Long-term planning (forecasting 30 years) of future works
- Growers contribute steadily over time
- Funds are built up before works occur
- No return applied to the asset base

Future works (e.g. replacements, refurbishments) are identified early and funded gradually. This reduces the risk of large price increases in any single year.

This is similar to:

Planning ahead and setting money aside over time so when infrastructure needs replacing, the cost has already been spread out.

Regulatory Asset Base (RAB – “pay after”)

- Infrastructure is treated as a growing financial asset
- Prices include:
 - Paying off the asset (depreciation)
 - Paying a return on the asset (like interest)
- Costs are added after projects are completed

- Forecasting is shorter-term
- Each new project increases the asset base

When infrastructure is built, costs are added to the asset base and recovered over time with a return.







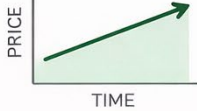
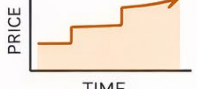





Under a RAB new projects have the potential to increase the total amount being paid over time, particularly as the asset base grows.

This is similar to:

Paying for infrastructure after it is built, with an added return, where new projects increase the total amount being paid over time.

RURAL WATER PRICING FRAMEWORKS

How Renewals Annuity and RAB differ – and why it matters

 RENEWALS ANNUITY (CURRENT APPROACH)	 REGULATORY ASSET BASE (RAB)	
 PAY AHEAD Plan and build up funds for future works.	 PAY LATER + RETURN Recover costs after spending asset plus a return on assets.	
 HOW IT WORKS <ul style="list-style-type: none"> • Long-term planning (around 30 year) • Set money aside each year for expected future works • No return is charged on the scheme 	 HOW IT WORKS <ul style="list-style-type: none"> • Infrastructure treated as a financial asset • Prices include: <ul style="list-style-type: none"> – Paying of the asset (depreciation) – Paying a return (like interest) • Each new project is added to the asset base 	
PRICE PATH OVER TIME <ul style="list-style-type: none"> • Costs are smoothed • Gradual, predictable increases 	PRICE PATH OVER TIME <ul style="list-style-type: none"> • Lower prices early on • Step increases after major projects • Prices rise as the asset base grows 	
 IMPACT OF NEW PROJECTS <ul style="list-style-type: none"> • Costs are spread over many years, reducing big price spikes 	 IMPACT OF NEW PROJECTS <ul style="list-style-type: none"> • New projects increase the total amount paid over time as the asset base grows 	
WHAT THIS MEANS FOR GROWERS		
 RENEWALS ANNUITY: More stable and predictable prices	 RAB: Lower in the short term, potential for higher prices later	 YOUR SAY MATTERS: This decision will shape water prices for years to come

2. Core difference: timing of costs

- **Renewals annuity:** pay **ahead of time** based on planned future works
- **RAB:** pay **after spending occurs**, with costs carried forward

This difference in timing drives how prices behave and how costs build over time.

3. How prices change over time

Short term	Long term
<ul style="list-style-type: none"> • RAB can deliver lower prices early on • Costs are deferred into future years 	<ul style="list-style-type: none"> • As projects are added: <ul style="list-style-type: none"> ○ The asset base grows ○ A return is applied to a larger base
<p>Over time under a RAB, new projects have the potential to increase the total amount being paid, and prices may rise above those under the current approach.</p> <p>Overall pattern</p> <ul style="list-style-type: none"> • RAB: lower now, higher later • Renewals Annuity: more stable over time 	

4. Price behaviour and predictability

Renewals Annuity	RAB
<ul style="list-style-type: none"> • Costs are smoothed over time • Large projects are spread across many years • Prices: <ul style="list-style-type: none"> ○ Move gradually ○ Are more predictable 	<ul style="list-style-type: none"> • Costs enter prices when projects are completed • Prices: <ul style="list-style-type: none"> ○ Can increase in steps after major works ○ Rise as the asset base grows <p>Growers are more exposed to:</p> <ul style="list-style-type: none"> • Timing of projects • Scale of spending

5. Investment and visibility

Renewals Annuity	RAB
<ul style="list-style-type: none"> • Long-term planning provides visibility of: <ul style="list-style-type: none"> ○ Future works ○ Expected costs • Allows early engagement before spending occurs • Costs are shared across time 	<ul style="list-style-type: none"> • Focus on recovering actual expenditure • Less reliance on long-term forecasts • Less visibility of future works <p>This means growers may have less forward visibility of future costs.</p>

6. Key benefits and trade-offs

Renewals Annuity	RAB
<ul style="list-style-type: none"> • Stable and predictable prices • Spreads costs over time • Supports forward planning and transparency • Reduces price shocks • Aligns more closely with Lower Bound Pricing principles applied in QLD 	<ul style="list-style-type: none"> • Aligns with other infrastructure sectors • Direct link between spending and price recovery • Less reliance on forecasting

7. Key risks

Renewals Annuity	RAB
<ul style="list-style-type: none"> • Relies on forecasts and assumptions • Requires periodic review and adjustment 	<ul style="list-style-type: none"> • Prices can rise over time as investment is added • New projects have the potential to increase the total amount being paid • Less visibility of future works • Greater exposure to timing and scale of spending

8. What this means for future generations

- **Renewals annuity:**
Costs are shared more evenly over time, helping avoid large increases being passed to future irrigators
- **RAB:**
Costs can build over time as investment is added, meaning future irrigators may face higher costs

9. Simple comparison

- **Renewals Annuity:**
Planning ahead and saving for future infrastructure so costs are steady and predictable
- **RAB:**
Paying for infrastructure after it is built, with an added return, where new projects increase total costs over time

10. Why the review matters

This is one of the most significant potential changes to rural water pricing in recent decades.

The review has the potential to influence:

- Long-term water costs
- Price stability and predictability
- How confidently growers can plan for the future

11. QFF's Water & Energy Policy Committee position

Queensland Farmers' Federation (QFF) Water & Energy Policy Committee (WEPC) supports the continuation of a renewals annuity framework as the basis for rural water pricing in Queensland.

This position is informed by an independent review commissioned by QFF, which assessed the performance of both the Renewals Annuity and Regulatory Asset Base frameworks using real scheme data. The review considered historical costs and pricing outcomes, alongside forward projections based on data from Sunwater and Seqwater.

The findings from this work highlight key differences in how each framework impacts pricing over time, including price stability, long-term cost outcomes, and how costs are shared across generations.

QFF's position reflects the view that a renewals annuity approach:

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

The independent review report commissioned by QFF will be published as supporting evidence with QFF's submission to the QCA. Please use the link below to review our submission after 7 April 2026.

12. Have your say

Growers are encouraged to make a submission to the QCA prior to 4pm Tuesday 7 April 2026.

This is an opportunity to:

- Ensure your views are considered
- Influence future pricing outcomes
- Shape decisions that affect your business and region

To share your thoughts with the QCA, please click on the link below and follow the prompts.

[Review of RAB-based irrigation prices 2027–29](#)