QCA Review of RAB-based Irrigation Prices 2027-29

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Contents page

This submission is provided to:

Queensland Competition Authority
Attention: Darren Page

Submitted via the QCA website.

Our members

- Queensland Fruit & Vegetable Growers
- Cotton Australia
- CANEGROWERS
- Greenlife Industry QLD
- eastAUSmilk
- Timber Queensland
- Queensland United Egg Producers
- Turf Queensland
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- Burdekin River Irrigation Area
- Central Downs Irrigators Ltd
- Fairburn Irrigation Network
- Mallawa Irrigation
- Pioneer Valley Water Co-operative Ltd
- Theodore Water Pty Ltd
- Eton Irrigation
- Lockyer Valley Water Users

About the Queensland Farmers' Federation

The Queensland Farmers' Federation (QFF) is the united voice of agriculture in Queensland.

Our members are agricultural peak bodies who collectively represent more than 13,000 farmers who produce food, fibre and foliage across the state.

QFF's peak body members come together to develop policy and lead projects on the key issues that are important to their farmer members and the Queensland agriculture sector.

Together, we form a strong, unified voice leveraging our effectiveness by working together to drive policy and initiatives that support a strong future for Queensland agriculture.

Submission

Queensland Farmers' Federation (QFF) welcomes the opportunity to respond to the Queensland Competition Authority's (QCA) draft reports examining the potential adoption of a Regulatory Asset Base (RAB) for irrigation pricing in Queensland.

We provide this submission without prejudice to any additional submission from our members or individual farmers.

QFF supports an irrigation pricing framework that is fit for purpose, reflects the unique operating environment of Queensland irrigated agriculture, and delivers efficient, reliable and affordable water services over the long term. Any proposal to change the existing framework should therefore demonstrate that it would deliver demonstrably better outcomes for irrigation customers.

To inform its response, QFF commissioned Highlander Consulting to undertake an independent assessment of the potential implications of transitioning from the existing Renewals Annuity to a Regulatory Asset Base. Together with extensive engagement with irrigation customers, member organisations and the QCA's consultation process, this work has informed QFF's position.

Having considered the evidence presented throughout the review, QFF is not persuaded that a compelling case has been established for replacing the Renewals Annuity. While the review has identified potential benefits associated with a Regulatory Asset Base, it has also highlighted greater opportunities to improve customer outcomes through stronger governance, increased expenditure transparency, enhanced operational performance, more meaningful customer engagement and continued price stability.

QFF also considers that any future reforms should preserve the long-standing principles of Lower Bound Pricing and provide irrigation customers with confidence that Queensland's pricing framework will continue to deliver long-term policy certainty.

Accordingly, QFF does not support the adoption of a Regulatory Asset Base for Queensland's irrigation pricing framework. The evidence presented throughout this review has not demonstrated that a Regulatory Asset Base would deliver demonstrably better outcomes for irrigation customers or better achieve the long-standing principles of Lower Bound Pricing. QFF therefore supports retaining the Renewals Annuity as Queensland's irrigation pricing framework.

QFF recommendations

QFF recommends that the QCA and the Queensland Government:

- **Do not adopt a Regulatory Asset Base as Queensland's irrigation pricing methodology,**
- **retain the Renewals Annuity as Queensland's irrigation pricing framework as it continues to provide the most appropriate mechanism for delivering affordable, predictable and equitable irrigation prices consistent with the principles of Lower Bound Pricing,**
- **strengthen governance, accountability and transparency across procurement, capital expenditure, capitalisation decisions and long-term asset management,**
- **embed meaningful customer participation throughout infrastructure planning and investment decision-making,**
- **recognise price stability and investment certainty as fundamental characteristics of a fit-for-purpose irrigation pricing framework, and**
- **continue to assess Queensland's irrigation pricing arrangements against the objective of delivering efficient, reliable and affordable water services that support productive, resilient and internationally competitive agriculture.**

Introduction

Queensland's irrigation pricing framework underpins a critical role in supporting one of the state's most productive industries. Reliable, affordable and efficiently managed water infrastructure enables agricultural businesses to invest with confidence, respond to seasonal variability and continue contributing to regional economies.

QFF welcomes the Queensland Competition Authority's (QCA) review and recognises the importance of periodically assessing whether Queensland's regulatory framework continues to deliver efficient outcomes for irrigation customers and water businesses.

This submission focuses on the broader principles that should underpin a fit-for-purpose irrigation pricing framework for Queensland irrigated agriculture. While QFF supports the positions advanced by our member organisations regarding the importance of retaining the Renewals Annuity and maintaining affordable, stable irrigation prices, this submission considers the broader policy question of whether the proposed reforms would deliver better outcomes for irrigation customers.

QFF has approached this review by asking a single question: **would the proposed changes deliver demonstrably better outcomes for irrigation customers?**

This submission assesses the evidence presented throughout the review against the principles of effective irrigation pricing and identify the reforms that QFF considers would provide the greatest long-term benefit to Queensland irrigation customers.

Principles for Effective Irrigation Pricing

Before considering how irrigation prices should be calculated, it is important to define the outcomes Queensland's irrigation pricing arrangements should deliver. For QFF and our members, the success of any pricing framework should ultimately be judged by the outcomes it delivers for irrigation customers, not simply the methodology it employs.

Queensland farmers rely on secure, reliable and affordable water services to make long-term investment decisions, manage seasonal variability and remain internationally competitive. The irrigation pricing framework should therefore support these outcomes while providing confidence that water infrastructure is being managed efficiently and responsibly.

Affordable and predictable prices

Water pricing should support productive agriculture by providing prices that are both affordable and predictable over time. Irrigation businesses operate in an environment characterised by highly variable rainfall, water availability and commodity prices. A pricing framework that avoids unnecessary price volatility provides greater certainty for business planning, investment and risk management.

Efficient and prudent expenditure

Customers should have confidence that the prices they pay reflect the efficient costs of delivering water services. This requires disciplined expenditure, sound asset management and procurement practices that demonstrate value for money.

Transparency and accountability

A successful pricing framework depends on trust. Irrigation customers should have clear visibility of how operational and capital expenditure decisions are made, how projects are prioritised and how costs are allocated. Greater transparency strengthens confidence that investment decisions are prudent and that customers are funding necessary and efficient infrastructure.

Meaningful customer participation

Irrigation customers are long-term investors in Queensland's water infrastructure through the prices they pay. They should therefore have genuine opportunities to influence planning and investment decisions before expenditure commitments are made. Effective engagement improves decision-making, strengthens accountability and builds confidence in the regulatory framework.

Long-term sustainability

Queensland's irrigation pricing arrangements should support the long-term sustainability of both irrigation businesses and water infrastructure. This requires balancing efficient cost recovery with affordability, price stability and continued investment in reliable water services that underpin regional economies.

These principles provide the framework through which QFF has assessed the findings and recommendations contained within this review.

QFF also considers that the National Water Initiative's Lower Bound Pricing principles continue to provide an appropriate policy foundation for irrigation pricing in Queensland. These principles have supported an approach that balances efficient cost recovery with affordability, price stability and intergenerational equity, while recognising the broader public benefits delivered by major water infrastructure. Any future pricing approach should remain consistent with these principles, ensuring that irrigation customers contribute to the efficient costs of delivering water services without fundamentally altering the long-standing balance of funding responsibilities between irrigation customers and government.

Has the Review Demonstrated Better Outcomes for Irrigation Customers?

The central question for this review is whether replacing the Renewals Annuity with a Regulatory Asset Base (RAB) would deliver demonstrably better outcomes for irrigation customers. In assessing this question, QFF has considered the QCA's draft reports, the independent assessment undertaken by Highlander Consulting, and extensive engagement with member organisations and irrigation customers.

The evidence presented throughout the review has not demonstrated a compelling case for replacing the Renewals Annuity with a Regulatory Asset Base. While the review discusses potential benefits associated with a Regulatory Asset Base, the evidence presented throughout the review has not demonstrated that these would translate into demonstrably better outcomes for irrigation customers. In particular, the review has not demonstrated clear improvements in the outcomes that matter most to irrigation customers, including affordability, price stability, transparency and confidence in expenditure decisions.

For irrigation businesses operating in an environment characterised by variable rainfall, fluctuating water availability and volatile commodity markets, predictable water prices remain fundamental to long-term planning and investment. The Renewals Annuity has provided a practical mechanism for smoothing renewal expenditure over time, and the review has not demonstrated that a RAB would provide a superior balance between efficient cost recovery and long-term price stability.

Importantly, the QCA's own analysis has not demonstrated that transitioning to a Regulatory Asset Base would deliver demonstrably better long-term outcomes for irrigation customers through lower prices or more efficient cost recovery. Rather, the analysis indicates that the differences between the Renewals Annuity and a Regulatory Asset Base primarily reflect the timing of cost recovery, rather than a reduction in the efficient costs of providing irrigation services. This reinforces that the central question is not whether costs are recovered under one methodology or another, but whether the proposed framework delivers demonstrably better long-term outcomes for irrigation customers.

The review has also reinforced that many of the issues most important to irrigation customers extend beyond the choice of pricing methodology. Throughout consultation, stakeholders consistently identified opportunities to strengthen governance, procurement practices, expenditure transparency, prudency assessments, capitalisation practices and long-term asset planning. These reforms are more likely to improve customer confidence and deliver better value for money than changes to the pricing methodology alone.

The review has also not demonstrated how the proposed framework would adequately address the potential for capital bias. Where returns are linked to the value of regulated assets, it is important that investment decisions continue to be driven by operational need, whole-of-life value and customer benefit, rather than an unintended preference for capital solutions over lower-cost operational or maintenance alternatives. This further reinforces the importance of robust governance, prudency assessments and transparent capitalisation practices to ensure customers can have confidence that investment decisions remain efficient and represent value for money.

Meaningful customer engagement also remains fundamental to effective infrastructure planning. Irrigation customers should have genuine opportunities to influence investment decisions before expenditure commitments are made, ensuring infrastructure investment reflects operational need, delivers value for money and maintains customer confidence.

Ultimately, the evidence presented throughout the review points towards strengthening governance, transparency, efficient expenditure and meaningful customer engagement as the reforms most likely to improve outcomes for irrigation customers. As a result, QFF does not support replacing the Renewals Annuity with a Regulatory Asset Base, as the review has not demonstrated that doing so would deliver demonstrably better outcomes for irrigation customers.

Priorities for Strengthening Queensland's Irrigation Pricing Framework

The review has highlighted that the greatest opportunities to improve outcomes for irrigation customers lie beyond the choice of pricing methodology. While considerable attention has been given to the potential adoption of a Regulatory Asset Base, the evidence presented throughout the review suggests that greater benefits can be achieved by strengthening the governance, transparency and performance of Queensland's irrigation businesses.

Future regulatory effort should therefore focus on reforms that improve customer confidence, strengthen accountability and deliver better value for irrigation customers, regardless of the pricing methodology ultimately adopted. The review should be viewed as one step in the ongoing evolution of Queensland's irrigation pricing framework, rather than the conclusion of the reform process.

Governance and organisational performance

Strong governance is fundamental to an effective irrigation pricing framework. Irrigation customers should have confidence that expenditure decisions are necessary, prudent and represent value for money. Continued improvements in organisational performance, procurement practices, operational efficiency and rigorous prudency assessment of expenditure have the potential to deliver lasting benefits irrespective of the pricing methodology adopted.

Transparency in expenditure and investment

Customers should have greater visibility of how operational and capital expenditure programs are developed, how projects are prioritised, and how capitalisation decisions influence future water prices. Transparent and robust prudency assessments are particularly important where investment decisions have the potential to favour capital expenditure over operational alternatives. Strengthening transparency around capitalisation practices will improve customer confidence, support regulatory oversight and help ensure investment decisions are driven by operational need and long-term value rather than regulatory incentives.

Meaningful customer engagement

Effective customer engagement should be embedded throughout infrastructure planning and investment decision-making. Irrigation customers possess valuable operational knowledge and should have genuine opportunities to influence investment decisions before expenditure commitments are made. Earlier engagement will strengthen accountability, improve decision-making and help ensure infrastructure investment reflects operational need and delivers value for money.

Continuous improvement through collaboration

The review has identified a range of opportunities to strengthen Queensland's irrigation pricing framework that do not depend on structural reform. QFF supports continued collaboration between the QCA, Sunwater, Seqwater and irrigation customers to improve governance, transparency, operational performance and customer engagement through ongoing review and continuous improvement.

The evidence presented throughout this review suggests these reforms offer the greatest opportunity to improve customer outcomes. Regardless of the pricing methodology adopted, continued improvements in governance, transparency, organisational performance and customer engagement will strengthen confidence in Queensland's irrigation pricing framework and deliver lasting benefits for irrigation customers.

Maintaining the Integrity of Lower Bound Pricing and Long-Term Policy Certainty

Lower Bound Pricing has underpinned Queensland's irrigation pricing framework for more than two decades. It reflects the long-standing policy objective that irrigation customers contribute to the efficient costs of delivering water services while recognising that major water infrastructure delivers broader public benefits that justify an ongoing role for government investment.

This framework has provided irrigation customers with confidence that pricing decisions will continue to balance efficient cost recovery, affordability, price stability and long-term investment certainty. While the regulatory methodologies used to implement these principles may evolve over time, the underlying policy objectives remain relevant and continue to provide an appropriate foundation for future pricing reform.

An equally important feature of Queensland's existing framework has been the promotion of intergenerational equity. By recovering renewal expenditure progressively over time, the Renewals Annuity helps align the costs of maintaining existing infrastructure with the irrigation customers who benefit from those assets. This approach reduces the risk of transferring infrastructure costs disproportionately between successive generations of customers, while recognising the enduring public benefits associated with major water infrastructure. Any departure from this approach should therefore demonstrate not only improved economic efficiency, but also that it maintains an equitable allocation of costs between current and future irrigation customers.

The review has demonstrated that both the Renewals Annuity and a Regulatory Asset Base are capable of supporting efficient cost recovery. However, the adoption of a Regulatory Asset Base raises broader policy questions regarding the treatment of capital, the recovery of historic investment, intergenerational equity and the allocation of long-term funding responsibilities between current and future irrigation customers and government. While different regulatory approaches may alter the timing of cost recovery, the review has not demonstrated that a

Regulatory Asset Base would better preserve the balance between affordability, price stability and intergenerational equity that has underpinned Queensland's existing pricing framework. These issues extend beyond regulatory methodology and should therefore be considered within the context of Queensland's long-standing Lower Bound Pricing framework.

Future reforms should therefore remain consistent with the principles of Lower Bound Pricing unless supported by transparent policy consideration, robust evidence and a clear demonstration that the proposed changes will deliver demonstrably better outcomes for irrigation customers. Structural reform should not progressively alter the balance between efficient cost recovery and the respective funding responsibilities of irrigation customers and government without explicit policy justification.

Maintaining confidence in Queensland's irrigation pricing framework requires both effective economic regulation and long-term policy certainty. Preserving these principles will strengthen investment confidence, reinforce trust in the regulatory framework and ensure Queensland's irrigation pricing arrangements continue to support productive agriculture while remaining responsive to future reform.

Conclusion

QFF welcomes the Queensland Competition Authority's review of irrigation pricing and the opportunity it has provided to examine the long-term suitability of Queensland's regulatory framework. The review has identified valuable opportunities to strengthen governance, expenditure transparency, organisational performance and customer engagement across Queensland's irrigation businesses.

However, the evidence presented throughout the review has not demonstrated a compelling case for replacing the Renewals Annuity with a Regulatory Asset Base. For this reason, QFF does not support the adoption of a Regulatory Asset Base for Queensland's irrigation pricing framework. Instead, the evidence points to strengthening the existing framework through better governance, greater transparency, meaningful customer participation and continued operational improvement as the reforms most likely to improve outcomes for irrigation customers.

This includes ensuring the regulatory framework remains neutral between capital and operating expenditure, so that investment decisions continue to be driven by customer benefit and efficient service delivery rather than unintended investment incentives.

QFF considers that the Renewals Annuity remains the most appropriate pricing framework for Queensland irrigation. The review has not demonstrated a compelling case for adopting a Regulatory Asset Base, and QFF does not support its implementation. Future reform should instead focus on strengthening governance, transparency, operational performance and customer engagement while preserving the long-standing principles of Lower Bound Pricing, intergenerational equity and long-term policy certainty.

Yours sincerely

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QFF Water and Energy Policy Committee

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