Mary Valley WSS & Cedar Pocket WSS

RAB Review Pricing Consultation

Date and Time	30 October 2024 10:00am
Location	Online via Microsoft Teams
Attendees	4 Irrigation Customers
Purpose	RAB Pricing Consultation

Welcome & Introductions

Seqwater welcomed irrigators to the RAB Pricing Consultation.

RAB Pricing Review

A recent QCA Price review has been completed for 2025-2029, with Seqwater receiving a pricing direction notice from the Government in June 2025, shortening the price path from four years to two years.

It is believed that Seqwater will be required by the Queensland Government to undertake an expedited assessment of irrigation pricing methodologies. It is anticipated that Seqwater will receive a directive from Government shortly, with a submission required to QCA by February 2026. This process involves comparing the current renewals annuity approach to the regulated asset base (RAB) method.

The notice also requests an expedited review of capital cost recovery methods for the 2027-28 and 2028-29 periods. The Queensland Competition Authority (QCA) is responsible for ensuring that expenditure is both prudent and efficient, and that Seqwater does not generate profit from irrigation pricing.

The consultation process and timeline will be condensed, with education and feedback sessions currently underway with all irrigation schemes. Draft price presentations are scheduled for late November or early December, and a final submission to QCA is planned for February. Seqwater is tasked with developing draft prices, an additional consultation will take place after the QCA publishes its draft report.

The review focuses solely on capital expenditure (Capex) recovery methods, excluding operational expenditure (Opex), and will use existing cost data from the previous price review. Assets constructed before July 2000 are excluded from the RAB calculation.

Customers' feedback is crucial, with initial consultations covering all schemes through in-person and online channels. Further input will be invited after draft prices are prepared.

Seqwater detailed comparison of the renewal's annuity and RAB approaches for capital cost recovery explaining the technical differences, implications for price stability and the rationale for the Government's interest in transition to the RAB.

Technical explanation of both methods is that the renewals annuity method forecasts capital expenditure over a 30-year period and smooths costs over time, while the RAB method focuses on the current asset base and recovers costs over the asset's useful life, typically aligned with shorter-term forecasts.

The implications for price stability indicate that both approaches are expected to deliver comparable results in terms of long-term pricing. The annuity method offers enhanced price smoothing over time, while the RAB method may produce more pronounced short-term fluctuations, reflecting actual expenditure more accurately in the immediate pricing trajectory. The RAB method enables focused engagement with stakeholders, letting them influence short-term pricing by discussing upcoming four-year expenditures instead of uncertain long-term forecasts.

Pricing Consultation Actions

- Develop draft prices for the RAB and renewals annuity approaches using existing QCA-approved inputs and prepare to present them for feedback in early December.
- Conduct initial consultations with all relevant schemes (excluding Brisbane) during the rest of October to gather feedback on what should be modelled for the price review.
- Model and present the price impacts of both the annuity and RAB approaches for at least the next 10 years to help stakeholders understand potential long-term differences. (if possible investigate 20 year forecast)
- Investigate and model different options for setting the opening balance (e.g., zero balance, exist pricing annuity balance) and depreciation periods for the RAB approach and present the impacts.

Consultation Closed

The consultation was closed at 11:10am with no further questions.