Jan
2026

Warrill Valley

RAB Review Draft Prices



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Background

Regulatory Asset Base (RAB) price review for irrigation customers

- Pricing direction notice issued by Government to QCA on 30 October 2025
  - QCA directed to investigate RAB-based pricing methodology for 2027-29 (two years), for Seqwater and Sunwater irrigation schemes
- Seqwater to prepare draft prices for submission to QCA by 27 February 2026
  - Based on the costs from the 2025-29 price review. No ability to amend or use different costs other than those already provided.
  - Existing Government pricing principles to apply (lower bound pricing, a cap on how quickly prices can increase)
- Initial engagement with Seqwater irrigation customers in October 2025
  - Provided customers with an overview of RAB-based pricing
  - Sought direction from customers to inform the development of draft prices
  - Requested any further investigation that could be undertaken to inform pricing decision

Price investigation

Overview of work undertaken by Seqwater

- Confirmed scope and timing of review
- Development of a new pricing model using RAB-based methodology
  - Reviewed existing cost inputs
  - Merging existing annuity balances into RAB
  - Developed new model parameters and assumptions unique to RAB
  - Model reviewed by the QCA
- Additional investigations as requested by customers
  - Long term (30-year) impact of RAB-based pricing for each scheme
  - Treatment of existing renewal annuity balances (money / debt accumulated under current pricing)
  - Price stability between each year / price path
- Stakeholder engagement
  - Extensive engagement with QCA and Department to ensure acceptance of adopted methodology

How prices are set

Reviewing the methodology for setting irrigation prices

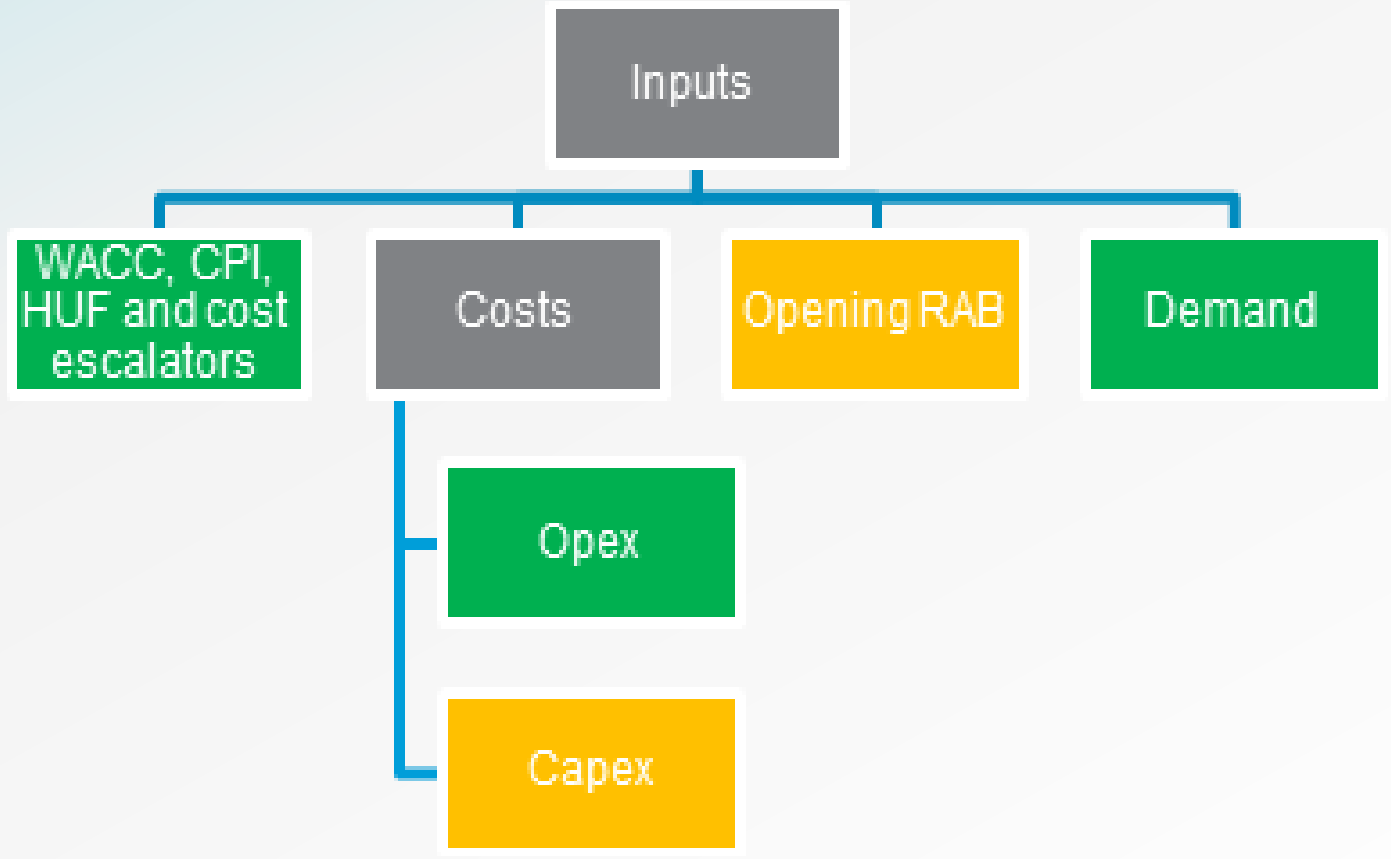
Four yearly process for reviewing cost forecast and setting irrigation prices

- Operative expenditure (Opex)
  - Direct costs – labour, maintenance, materials
  - Indirect costs – administration, insurance, rates, reporting and compliance
- Renewals expenditure (Capex)
  - New infrastructure
  - Refurbishment of existing infrastructure
- Costs are reviewed by the QCA
  - Ensures best value for customers
- Scope of this RAB review is focussed on how to recover Capex relaxed costs
  - Based on the costs provided in the recent 2025-29 price review
  - No changes considered for recovery of Opex related costs

RAB Cost Components

Key differences with Annuity

- Majority of inputs are unchanged between Annuity and RAB
- Key differences are found in the Opening RAB and how CAPEX is treated
- Explicit separation of return on capital and depreciation, which provides greater transparency compared to the blended annuity approach.
- A clear roll-forward of asset values, consistent with economic regulation principles applied in other sectors.



Opening RAB

Converting renewals annuity balance to an Opening RAB

- Annuity balance calculated at the end of each financial year
- Balance can be either positive or negative
  - Positive balance is an overcollection of revenue to pay for future expenditure
  - Negative balance is debt that will be paid down from future revenue
- Opening RAB represents the opening value of Seqwater's asset base used to calculate revenue
- Seqwater has agreed the following approach with the QCA
  - Opening RAB will be set to annuity balance as at 30 June 2027 (negative balances only).
  - Positive annuity balances will be paid back to customers over a 10-year period. Opening RAB will be set to zero. Can result in a sharp price decrease.

Scheme	Component	Irrigation share (HUF)	Forecast annuity (30 June 2027)
Warrill Valley	Non-metering	7.49%	-$99,498
	Metering	100%	-$2,617,239
	Opening RAB		$2,716,738

Draft prices (MP) – review scope

Annuity vs RAB - current price path (2 years)

Warrill Valley (MP) Cost targets and recommended prices		Current price path				RAB price investigation period			
		2025-26		2026-27		2027-28		2028-29	
		Cost	Price (rec)	Cost	Price (rec)	Cost	Price (rec)	Cost	Price (rec)
Annuity	Fixed	21.12	21.12	21.73	21.73	22.35	22.35	23.00	23.00
	Variable	12.52	12.52	12.88	12.88	13.25	13.25	13.63	13.63
	Combined	**33.64**	**33.65**	**34.61**	**34.61**	**35.60**	**35.60**	**36.63**	**36.63**
RAB	Fixed					23.03	23.03	23.69	23.69
	Variable					13.25	13.25	13.63	13.63
	Combined					**36.27**	**36.27**	**37.32**	**37.32**
Variance	$					0.67	0.67	0.69	0.69
	%					1.9%	1.9%	1.9%	1.9%

- Target costs reflect cost to Seqwater to run scheme. Final prices are set by Government and do not necessarily reflect Seqwater costs.
- Prices for 2027-29 are estimates only based on current Government price path policy.

Draft prices (HP) – review scope

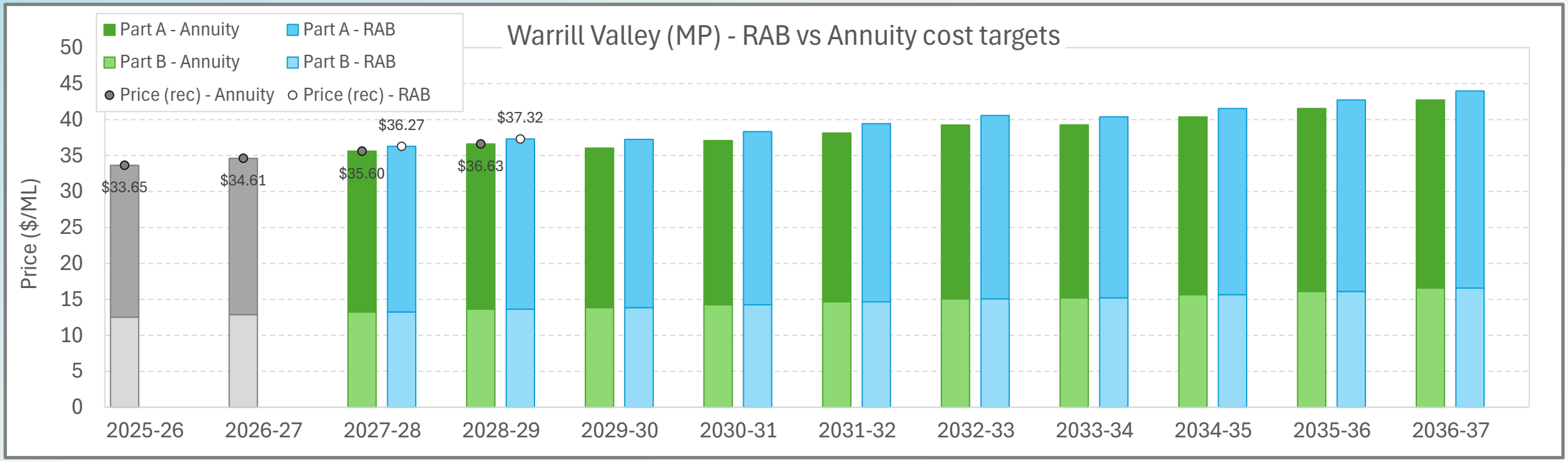
Annuity vs RAB - current price path (2 years)

Warrill Valley (HP) Cost targets and recommended prices		Current price path				RAB price investigation period			
		2025-26		2026-27		2027-28		2028-29	
		Cost	Price (rec)	Cost	Price (rec)	Cost	Price (rec)	Cost	Price (rec)
Annuity	Fixed	137.27	137.27	141.21	141.21	145.26	145.26	149.43	149.43
	Variable	12.52	12.52	12.88	12.88	13.25	13.25	13.63	13.63
	Combined	**149.79**	**149.79**	**154.09**	**154.09**	**158.51**	**158.51**	**163.06**	**163.06**
RAB	Fixed					112.48	112.54	115.71	115.77
	Variable					13.25	13.25	13.63	13.63
	Combined					**125.73**	**125.79**	**129.34**	**129.40**
Variance	$					-32.78	-32.72	-33.72	-33.66
	%					-20.7%	-20.6%	-20.7%	-20.6%

- Target costs reflect cost to Seqwater to run scheme. Final prices are set by Government and do not necessarily reflect Seqwater costs.
- Prices for 2027-29 are estimates only based on current Government price path policy.

Draft prices (MP) – extended review

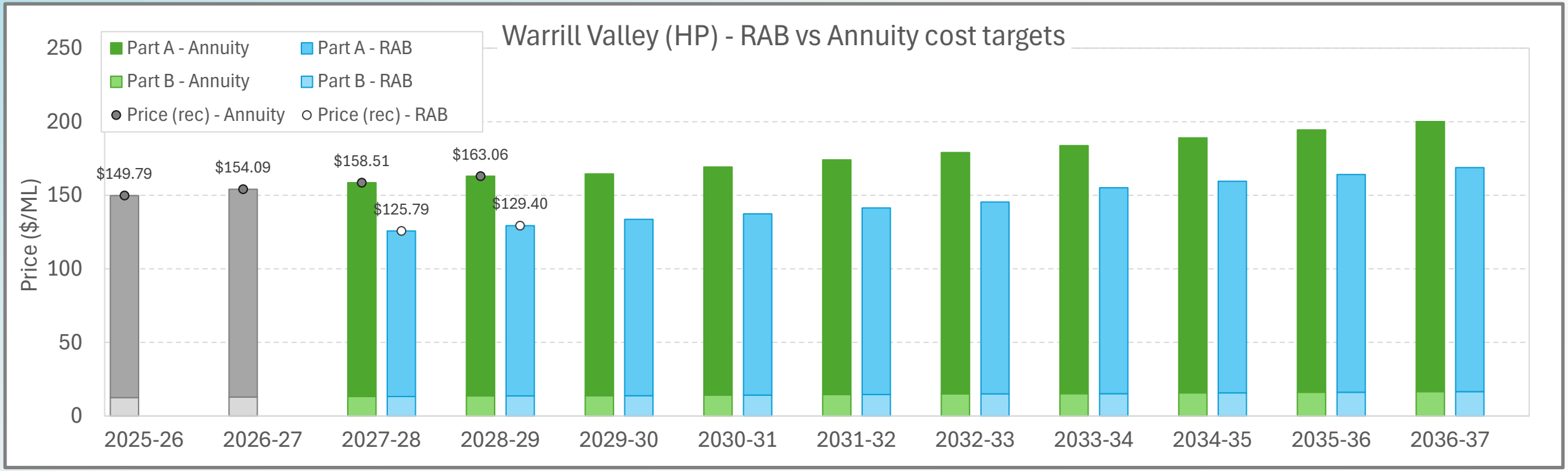
Annuity vs RAB target costs - price path forecast (10 years)



- Provides customers with an indicative comparison of RAB vs annuity over the medium term
- Prices have been overlaid for the current price path period only

Draft prices (HP) – extended review

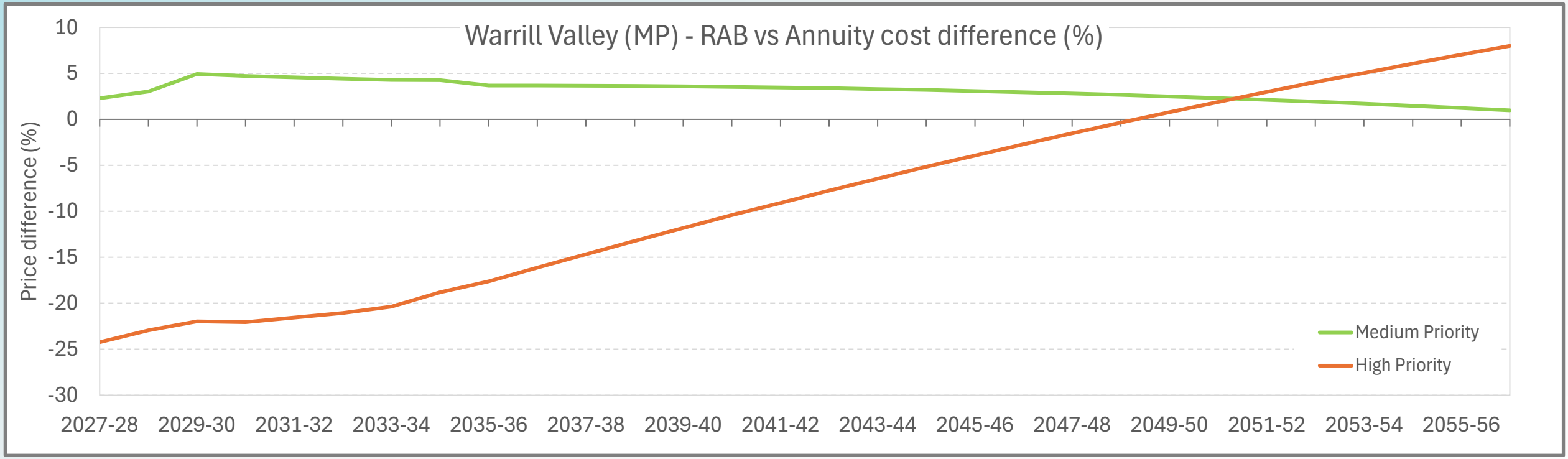
Annuity vs RAB target costs - price path forecast (10 years)



- Provides customers with an indicative comparison of RAB vs annuity over the medium term
- Prices have been overlaid for the current price path period only

Draft prices (MP & HP) – long term forecast

Long term forecast (30 years) of Annuity vs RAB



- Provides Seqwater and customers with a longer-term comparison
- Limited by the scope of the review

Customer feedback

Feedback and key dates

- Seqwater submission due to QCA by 27 February 2026
- Public submissions on draft prices due to QCA by 27 March 2026
- Draft QCA Report published early July 2026
- QCA consultation in July 2026
- Public submissions on draft QCA Report due late July 2026
- Final QCA Report in Oct 2026

Scan QR code above to provide feedback (will need to register)

Can also phone or email irrigators@seqwater.com.au