

# Electricity cost pass-through trial outcome 2021-22

## Upper Condamine Bulk Water Supply Scheme

### Background

Irrigation customers in the North Branch section of the Upper Condamine Bulk Water Supply Scheme are participating in a three-year electricity cost pass-through trial, from 1 July 2020 to 30 June 2023.

During the trial, Sunwater's actual, scheme level electricity cost savings (if any) will be passed through to irrigation customers at the end of the financial year via a credit applied to their bills. If Sunwater spends more on electricity than we recover from customers, no debits will be applied to customers' bills.<sup>1</sup>

The trial covers irrigation customers on the following irrigation tariff groups:

- North Branch – medium priority
- North Branch – risk A.

### 2021-22 outcome (Year 2 of the 3-year trial)

In 2021-2022, Sunwater spent less on electricity than we recovered from customers in the Upper Condamine Scheme.

This means eligible irrigation customers who used water in 2021-2022 will have a credit applied to their bill in October 2022.

The following section explains how the 2021-22 pass-through amount and individual customer credits are calculated.

### Calculation of the pass-through amount

The Queensland Competition Authority (QCA) included an allowance for electricity in its fixed and volumetric cost-reflective prices for the North Branch section. Sunwater also sets a price for stream flow in the North Branch section which recovers a share of variable electricity costs.

The scheme level pass-through amount is determined by deducting Sunwater's actual electricity costs in 2021-22 from the amount allowed by the QCA in its cost-reflective prices and subsequently recovered by Sunwater during the year. This amount is then divided by the scheme's water usage in 2021-22 to arrive at a dollar per megalitre (ML) pass-through rate.

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<sup>1</sup> Sunwater may seek to recover our prudent and efficient electricity costs via an end of price period review if the QCA's cost-reflective allowance is less than actual costs. This will not occur as part of the trial.

The scheme level pass-through rate is based on cost-reflective pricing. In 2021-22 irrigation customer prices differed from cost-reflective levels. This affects (reduces) the electricity allowance recovered from irrigation customers via fixed and variable charges. This is reflected in the right-hand column of Table 1, which shows the electricity allowance recovered via actual irrigation prices. The right-hand column also shows how this has been used to calculate the irrigation customer pass-through rate.

The pass-through calculation for 2021-22 is detailed in Table 1.

*Table 1: Calculation of the 2021-22 electricity cost pass-through amount<sup>1</sup>*

Scheme-level information	Scheme	Customer
Water access entitlements (WAEs) – North Branch - Medium priority	7,565 ML	
Water access entitlements (WAEs) – North Branch - Risk A	7,320 ML	
Usage – North Branch	3,093 ML	
Usage – North Branch – Risk A	2,992 ML	
Actual electricity costs	\$76,825	
<b>QCA electricity cost allowances</b>		
Electricity allowance in fixed cost-reflective price -North Branch	\$0.07/ML	\$0.18/ML
Electricity allowance in fixed cost-reflective price -North Branch – Risk A	\$0.07/ML	\$0.06/ML
Electricity allowance in volumetric cost-reflective price - North Branch	\$14.00/ML	\$9.34/ML
Electricity allowance in volumetric cost-reflective price - North Branch – Risk A	\$14.00/ML	\$10.95/ML
<b>Pass-through calculations</b>		
Electricity costs recovered via the fixed cost-reflective prices	$(\$0.07 \times 7,565 \text{ ML}) + (\$0.07 \times 7,320 \text{ ML}) = \$1,057$	$(\$0.18 \times 7,565 \text{ ML}) + (\$0.06 \times 7,320 \text{ ML}) = \$1,817$
Electricity costs recovered via the volumetric cost-reflective prices	$(\$14 \times 3,093 \text{ ML}) + (\$14 \times 2,992 \text{ ML}) = \$85,194$	$(\$9.34 \times 3,093 \text{ ML}) + (\$10.95 \times 2,992 \text{ ML}) = \$61,630$
Total electricity costs recovered via cost-reflective prices	$(\$1,057 + \$85,194) = \$86,250$	$(\$1,817 + \$61,630) = \$63,448$
Proportion of electricity costs recovered from scheme / irrigation customers	$(\$86,250 / \$86,250) = 100\%$	$(\$63,448 / \$86,250) = 73.56\%$
Total pass-through amount = recovered amount minus actual electricity costs	$(\$86,250 - \$76,825) \times 100\% = \$9,426$	$(\$86,250 - \$76,825) \times 73.56\% = \$6,934$
Total pass-through amount per ML = total pass-through amount divided by water usage (ML)	$(\$9,426 / 6,085 \text{ ML}) = \$1.55/\text{ML}$	$(\$6,934 / 6,085 \text{ ML}) = \$1.14/\text{ML}$

- Figures may not sum due to different rounding conventions between this table and the underlying electricity cost pass-through modelling.*
- Equal to the QCA's electricity allowance included in volumetric cost-reflective prices, as Sunwater has set the stream flow price for the North Branch section equal to the regulated volumetric (Part B) price for the North Branch – medium priority tariff group.*

### Impact on individual customers

The credit is calculated by multiplying the irrigation customer pass-through rate of \$1.14/ML by the irrigation customer's 2021-22 water usage at a water account level. Only water usage associated with eligible irrigation tariff groups is included in the calculation.

The credit will be visible on customers' October bills in the 'Other Fees and Charges' section. The accompanying description will include the following key inputs used to calculate the credit amount:

- the irrigation customer's aggregate annual water usage
- the pass-through rate of \$1.14/ML.

An example of how the credit will be displayed on an irrigation customer's bill is shown in [Figure 1](#).

*Figure 1: Example of how the credit will be displayed on a bill'*

### This invoice in detail

#### Other Fees and Charges

Date	Transaction	Description	Amount(\$)
28 Jul 2021	Irrigation Electricity Passthrough	644.32 ML @ \$6.49 per ML pa in arrears	4,181.64 CR
<b>Total Other Fees and Charges</b>			<b>4,181.64 CR</b>

- The pass-through rate of \$6.49/ML is used for illustrative purposes. As noted above, the Upper Condamine Water Supply Scheme's pass-through amount for 2021-22 is \$1.14/ML.*

## How can I find out more?

More information is available in the frequently asked questions document available on the Sunwater [website](#).

If you have a query in relation to the calculation of the pass-through amount, or the credit applied to your January bill, please contact customer support via email [customersupport@sunwater.com.au](mailto:customersupport@sunwater.com.au) or phone on 13 15 89.