

# Electricity cost pass-through trial

## Frequently asked questions

### Eligibility

#### **How were irrigation schemes selected for the electricity cost pass-through trial?**

Sunwater reviewed electricity costs in each of its irrigation schemes. For those irrigation schemes where the electricity cost per megalitre is a significant portion of an irrigation tariff group's total cost per megalitre (what we refer to as 'material'), Sunwater consulted with customer representative groups and irrigation customers to determine their level of interest in participating in the trial.

Following this consultation, Sunwater submitted a recommendation to the Queensland Government to proceed with trials in the following schemes:

- Barker Barambah Bulk Water Supply Scheme (one tariff group, see below)
- Bundaberg Distribution Scheme
- Burdekin Haughton Distribution Scheme
- Lower Mary River Distribution Scheme
- Mareeba-Dimbulah Distribution Scheme (one tariff group, see below)
- Upper Condamine Bulk Water Supply Scheme (two tariff groups, see below).

The Queensland Government subsequently approved the trials for these schemes.

#### **Are all irrigation tariff groups within a scheme eligible for a credit?**

As part of its 2020–24 irrigation price investigation, the Queensland Competition Authority (QCA) determined an allowance for electricity costs for each scheme and allocated the allowance to all customers (in the case of the Bundaberg, Burdekin Haughton and Lower Mary River distribution schemes) or a subset of customers where most of the scheme's electricity costs are incurred in pumping water to those customers only (in the case of the Mareeba-Dimbulah Distribution Scheme, Barker Barambah and Upper Condamine).

Only irrigation tariff groups which have been allocated a share of the QCA's electricity cost allowance are eligible for a credit (if applicable) under the trial. Eligible irrigation tariff groups are shown in Table 1.

Burnett Water Pty Ltd irrigation customers who are supplied water via the Bundaberg Distribution Scheme are also eligible for a credit (if applicable).

Table 1: Eligible irrigation tariff groups

Scheme	Tariff group/s
<b>Barker Barambah bulk</b>	<ul style="list-style-type: none"> <li>Redgate Relift</li> </ul>
<b>Bundaberg distribution</b>	<ul style="list-style-type: none"> <li>Channel or watercourse supplemented by a channel</li> </ul>
<b>Burdekin Haughton distribution</b>	<ul style="list-style-type: none"> <li>Burdekin Channel</li> <li>Giru Groundwater Area</li> <li>Glady's Lagoon – other than from natural yield</li> </ul>
<b>Lower Mary River distribution</b>	<ul style="list-style-type: none"> <li>Lower Mary Channel</li> </ul>
<b>Mareeba-Dimbulah distribution</b>	<ul style="list-style-type: none"> <li>Channel – Relift</li> </ul>
<b>Upper Condamine bulk</b>	<ul style="list-style-type: none"> <li>North Branch – medium Priority</li> <li>North Branch – risk A</li> </ul>

## Why isn't the trial proceeding in my scheme?

The application of a cost pass-through mechanism for electricity costs requires extensive administrative work. The costs of this additional administrative effort need to be weighed against the potential benefit to determine whether a pass-through mechanism is warranted for a particular scheme. For this reason, Sunwater is focusing the electricity cost pass-through trial on schemes where electricity costs represent a significant portion of the irrigation tariff group's total cost per megalitre.

While the Eton Bulk Water Supply Scheme has material electricity costs, Sunwater did not receive sufficient customer support to proceed with the trial. Sunwater will undertake further consultation with irrigation customers in this scheme in early 2022 to gauge their level of interest in joining the trial from the 2021-22 financial year.

## Can irrigation customers opt-out of the trial?

No. The trial has been approved at the scheme or tariff group level.

Individual irrigation customers within the approved scheme or tariff group will receive a credit (if applicable) at the water account level based on their actual aggregate water usage across all eligible irrigation tariff groups during the relevant financial year.

## Are all customers receiving a credit during the trial?

The electricity cost pass-through trial is applicable only to irrigation customers who contribute to the electricity costs in the approved schemes. Refer to Table 1 above for a list of the eligible irrigation tariff groups.

Burnett Water irrigation customers who are supplied water via the Bundaberg Distribution Scheme are also eligible for a credit (if applicable).

## What happens if I am no longer a Sunwater customer?

As the credit is being applied to irrigation customer bills in the first quarter of the following financial year, you must be a customer at that time to receive the credit.<sup>1</sup> Sunwater will not be manually processing rebates if an account is closed, due to the increased transaction costs involved.

## Mechanism

### How long is the trial period?

The electricity cost pass-through trial runs from 1 July 2020 to 30 June 2023 for approved schemes.

<sup>1</sup> The customer account and water account numbers must remain unchanged from the previous financial year.

## What does 'no-one is worse off' refer to?

The term 'no-one is worse off' refers to the proposed three-year trial period, where irrigation customers will not receive a debit on their bills where Sunwater spends more on electricity than we recover.<sup>2</sup> Irrigation customers will only receive a credit (if applicable).

## How is the cost pass-through amount calculated?

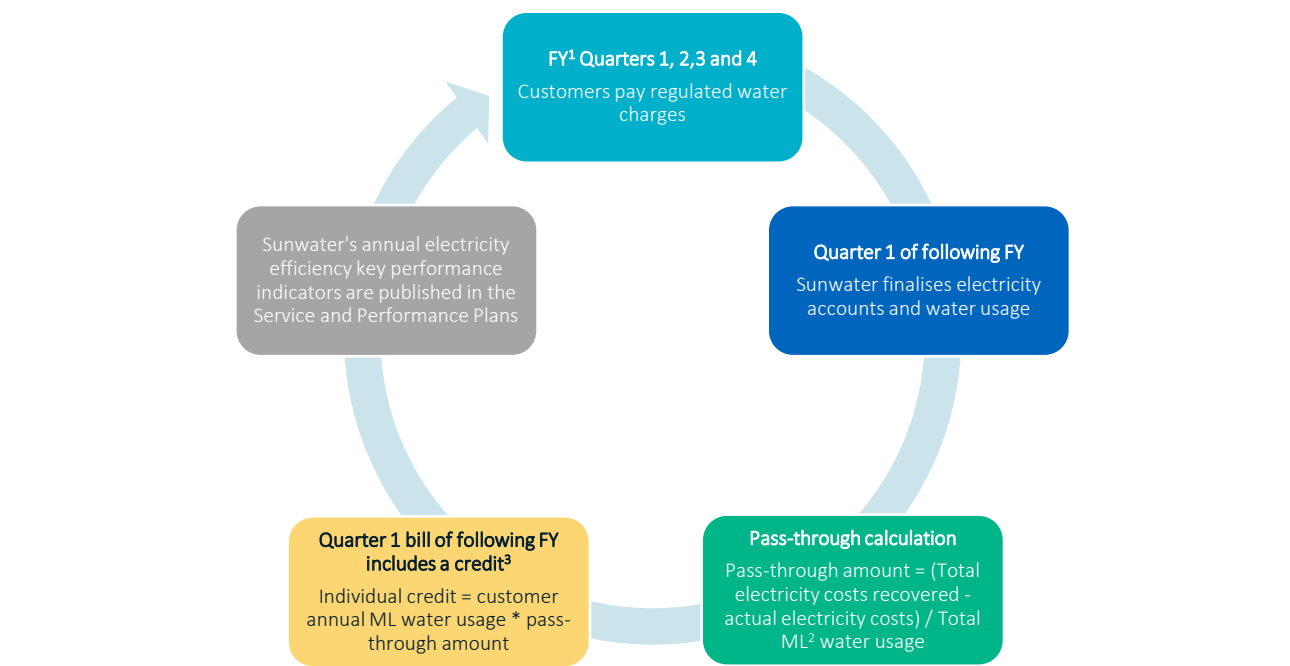
Figure 1 illustrates how the electricity cost pass-through trial works.

Irrigation customers will continue to pay regulated water charges<sup>3</sup> in quarters one to four of the financial year with no adjustments to prices. In the first quarter of the following financial year, Sunwater will finalise electricity accounts and water usage data for the previous financial year. These are the key inputs used in the pass-through calculation.

Sunwater will then calculate the tariff group or scheme level pass-through amount. We will calculate the amount of electricity costs recovered from customers based on the QCA's electricity cost allowances, then deduct actual electricity costs. This amount will then be divided by the total tariff group or scheme level usage.

On the first quarter bill of the following financial year, a credit will be applied if Sunwater spends less on electricity than we recovered. An irrigation customer's credit will be calculated by multiplying the customer's water usage for the year across all eligible irrigation tariff groups by the tariff group or scheme level pass-through amount.

Figure 1: How does the electricity cost pass-through trial work?



1. FY = financial year.

2. ML = megalitre.

3. Or a debit if the electricity cost pass-through mechanism is adopted after the trial.

<sup>2</sup> Sunwater will 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.

<sup>3</sup> Burnett Water irrigation customers will continue to pay the charges set by Sunwater in quarters one to four of the financial year with no adjustments to prices.

## Is the credit amount calculated on a quarterly basis?

No. The tariff group or scheme level pass-through amount is calculated on a financial year basis because audited water usage data and electricity cost data are only available at the end of the financial year. The credit (if applicable) is passed through to irrigation customers in the first quarter bill in the following financial year. These bills are typically sent to customers in October each year.<sup>4</sup>

## Is there a minimum threshold for the credit?

No. Any amount exceeding \$0.00 will be rebated.

## How will the credit be displayed on my bill?

The credit amount (if applicable) will be visible on irrigation customers' bills in the 'Other Fees and Charges' section. The accompanying description will include the following key inputs used to calculate the irrigation customer's credit amount:

- the irrigation customer's aggregate annual water usage in megalitres<sup>5</sup>
- the tariff group or scheme level dollar per megalitre pass-through amount.

An example of how the credit will be displayed on an irrigation customer's bill is shown in Figure 2.

Figure 2: Example of how the credit will be displayed on a customer's 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
Total Other Fees and Charges			4,181.64 CR

## Will Sunwater communicate what the debit amount would have been?

Yes. If actual electricity costs are more than what Sunwater recovers via the QCA's allowances, Sunwater will inform customers via the annual fact sheet of the amount that would have been passed through, but no debits will be applied to irrigation customer bills during the trial.<sup>6</sup>

## Water usage

### What types of water usage are used in the calculation of my credit?

'Allocation Water' and 'Allocation Water – Channel Distribution' charges on your bill are calculated by multiplying the relevant Part B tariff or Part D tariff by your quarterly allocation water usage. Sunwater will aggregate your annual allocation water usage for each eligible irrigation tariff group and use this aggregate amount in the calculation of your credit (if applicable).

The calculation will also include:

- Burnett Water allocation water use, for irrigation customers in the Bundaberg Distribution Scheme
- channel harvesting usage, for irrigation customers in the Burdekin Haughton Distribution Scheme as the QCA has attributed a portion of electricity costs to this product
- stream flow usage, for North Branch irrigation customers in the Upper Condamine Water Supply Scheme as Sunwater has set the stream flow price at the regulated Part B price. This means Sunwater is recovering a portion of electricity costs from this product.

<sup>4</sup> For 2020-21, credits in the Upper Condamine Water Supply Scheme were applied to irrigation customers' January 2022 bills.

<sup>5</sup> Related to eligible irrigation tariff groups only.

<sup>6</sup> Sunwater will 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.

The following types of water usage are **excluded** from the calculation:

- relocation water
- riparian allowance
- water harvesting (river).

**I hold multiple water allocations, which are on irrigation and non-irrigation tariff groups. Will the water usage associated with the non-irrigation tariff groups be included in the calculation of my credit?**

No. The credit (if applicable) will be calculated by using the aggregate annual water usage associated with eligible irrigation tariff groups only. Refer to Table 1 above for a list of the eligible irrigation tariff groups.

The calculation will also include:

- Burnett Water allocation water used for irrigation purposes (Bundaberg Distribution Scheme)
- channel harvesting usage (Burdekin Haughton Distribution Scheme)
- stream flow usage (Upper Condamine Water Supply Scheme).

**I hold multiple water allocations, which are on different irrigation tariff groups. Will the usage for each irrigation tariff group be included in the calculation of my credit?**

The credit (if applicable) will be calculated by using the aggregate annual water usage associated with eligible irrigation tariff groups only. Refer to Table 1 above for a list of the eligible irrigation tariff groups.

Water usage associated with any other irrigation tariff group will not be included in the calculation of your credit (if applicable). The exceptions are the Bundaberg and Burdekin Haughton distribution schemes and the Upper Condamine Water Supply Scheme, where Burnett Water allocation water used for irrigation purposes, channel harvesting usage and stream flow usage are included, respectively.

**I used more water during the financial year than my water allocation. Will the excess usage be included in the calculation of my credit?**

No, the excess usage will not be included in the calculation of your credit unless you temporarily transferred water to your account to cover the volume of excess water used. If the temporary transfer only covered a portion of the excess usage, the calculation will only include the portion of usage covered by the temporary transfer (plus the usage associated with your water allocation).

## Energy efficiency

**How do I know Sunwater's electricity costs and usage are efficient?**

Sunwater undertakes an annual retail electricity tariff optimisation process to select the optimal retail electricity tariff for each pump. This includes comparing regulated and contestable options, using at least four years' worth of information.

If the optimal retail electricity tariff requires a change in operation or presents water delivery risk, e.g. an interruptible supply tariff, Sunwater will engage with all customers impacted and obtain agreement prior to implementing such a change.

Sunwater also publishes electricity-related key performance indicators in the annual [Service and Performance Plans](#), including electricity usage and pump efficiency indicators, and consults with customers on our performance against these measures.

Pump efficiency is compared against industry guidelines—a range of 3.4 to 4.5, depending on the size and design of the pump station with the benchmark for larger pump stations being more efficient.

## **Can I find out what retail electricity tariffs Sunwater is on?**

Tariff selections for individual connections are commercial-in-confidence. However, Sunwater will publish, at a high level, the outcome of our tariff selection review in the annual Service and Performance Plans. This will include average cents per kilowatt hour (c/kWh) at the scheme level and a summary of the movement between regulated and contestable retail electricity tariff options.

## **Post-trial**

### **What happens after the trial period concludes?**

At the end of the trial, Sunwater will engage with irrigation customers to determine their level of interest in implementing an electricity cost pass-through mechanism that applies both credits and debits. Sunwater will then make a recommendation to the Queensland Government. Whether an electricity pass-through mechanism proceeds is a matter for the Queensland Government.

If an electricity cost pass-through mechanism is approved, irrigation customers would either:

- receive a credit, if Sunwater spends less on electricity than recovered, or
- pay a debit, if Sunwater spends more on electricity than recovered.

This is different to the trial, where only credits (if applicable) are included on irrigation customer bills.

Importantly, with an electricity cost pass-through mechanism, customers pay no more or less than actual electricity costs. Further, balancing forecast costs and actual electricity costs each year is transparent for individual customers—those who have used water pay the additional costs or receive a pass-through credit.

## **Further questions**

### **Dispute resolution**

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

### **How can I find out more?**

Questions and feedback about the trial can be sent to: [customersupport@sunwater.com.au](mailto:customersupport@sunwater.com.au) or you can contact customer support on 13 15 89.