

Electricity cost pass-through trials

July 2021

Sunwater is introducing a three-year ‘no-one is worse off’ electricity cost pass-through trial for certain tariff groups in selected irrigation schemes.

Sunwater recovers a portion of our electricity costs through the prices we charge irrigation customers. Due to both the unpredictability and significance of electricity costs to Sunwater and our customers, Sunwater, the Queensland Farmers’ Federation and customer representatives put forward a proposal to the Queensland Government for a trial electricity cost pass-through mechanism.

After an earlier approval of a trial for the Bundaberg distribution scheme (DS), the Queensland Government has now approved a trial for irrigation customers in the following schemes and tariff groups:

Scheme	Tariff group/s
Barker Barambah	<ul style="list-style-type: none"> Redgate Relift
Burdekin Houghton DS	<ul style="list-style-type: none"> Burdekin Channel Giru Groundwater Area Glady’s Lagoon – Other than from natural yield
Lower Mary River DS	<ul style="list-style-type: none"> Lower Mary Channel
Mareeba-Dimbulah DS	<ul style="list-style-type: none"> Channel – Relift
Upper Condamine	<ul style="list-style-type: none"> North Branch – Medium Priority North Branch – Risk A

What does this mean?

For the three-year trial period, Sunwater’s actual, scheme-level electricity cost savings will be passed through to irrigation customers at the end of the financial year via a credit applied to their bills.

The trial will operate on a ‘no-one is worse off basis’. This means that, if actual electricity costs are more than what we have recovered, Sunwater will inform customers of the amount that *would* have been passed through, but no debits will be applied to customer bills.¹

When will this happen?

Electricity cost pass-through trials for the approved schemes will run from 1 July 2020 to 30 June 2023.

Sunwater will calculate the scheme or tariff group level pass-through amount at the end of the financial year, and advise irrigation customers of the outcome.

An irrigation customer’s pass-through credit, if applicable, will then be applied to their first quarter bill in the following financial year.

How will pass-through amounts be calculated?

The Queensland Competition Authority (QCA) has included an allowance for electricity in its cost-reflective prices for each scheme. These amounts are shown in Table 1.

Pass-through amounts will be determined by comparing Sunwater’s annual, actual electricity costs to the amount allowed by the QCA in its cost-reflective prices and subsequently recovered by Sunwater during the year. A worked example is provided in Example 1 below.

¹Sunwater will seek to recover its prudent and efficient electricity costs via an end of price period review, if the QCA’s cost-reflective allowance is less than actual costs.

Why does the trial only apply to certain tariff groups in approved schemes?

As part of its 2020–24 irrigation price investigation, the QCA determined an allowance for electricity costs for each scheme, then allocated that allowance to certain tariff groups. Only irrigation tariff groups which have been allocated a share of the QCA’s electricity cost allowance are eligible for a credit (if applicable).

Will Sunwater engage with irrigation customers during and after the trial?

Yes, engagement will be ongoing. Topics which may be discussed include (but are not limited to):

- how the pass-through amount was calculated
- implementation learnings, e.g. timing of the application of the credit to irrigation customer bills and customer communications
- electricity efficiency metrics
- whether customers are interested in adopting an electricity cost pass-through mechanism at the end of the trial which applies both credits and debits.

Why is the trial not proceeding in Eton?

During consultation in early 2021, Sunwater did not receive sufficient support from irrigators in the Eton bulk water supply scheme. Additional consultation with irrigators in this scheme is planned for late 2021/early 2022 to gauge their interest in proceeding with the trial from 2021/22.

How can I find out more?

Questions and feedback can be sent to: qcairrigationpricereview@sunwater.com.au or you can contact Customer Support on 13 15 89.

Table 1: QCA electricity allowance over the trial period (\$/ML)

Scheme	Tariff group/s	2020/21		2021/22		2022/23	
		Part A/C (fixed)	Part B/D (volumetric)	Part A/C (fixed)	Part B/D (volumetric)	Part A/C (fixed)	Part B/D (volumetric)
Barker Barambah	<ul style="list-style-type: none"> Redgate Relift 	4.82	47.22	5.25	51.47	5.33	52.19
Bundaberg DS	<ul style="list-style-type: none"> Channel or watercourse supplemented by a channel 	3.77	52.48	15.80	44.97	16.02	45.60
Burdekin Haughton DS	<ul style="list-style-type: none"> Burdekin Channel Giru Groundwater Area Glady's Lagoon – Other than from natural yield 	4.04	17.40	3.81	17.88	3.87	18.13
Lower Mary River DS	<ul style="list-style-type: none"> Lower Mary Channel 	1.82	40.57	1.96	57.84	1.99	58.65
Mareeba-Dimbulah DS	<ul style="list-style-type: none"> Channel – Relift 	16.94	67.24	8.17	87.89	8.29	95.47
Upper Condamine	<ul style="list-style-type: none"> North Branch – Medium Priority North Branch – Risk A 	0.07	13.55	0.07	14.00	0.07	14.20

Example 1: Calculating the electricity cost pass-through amount*

Scheme information		<p>If the total pass-through amount per megalitre (ML) is positive, there will be an electricity pass-through credit applied to the irrigation customer's first quarter bill in the following financial year.</p> <p>In the example shown, 'Customer A' would receive a \$30.48 credit on their bill.</p> <p>If the total pass-through amount per ML is negative, there would be an electricity pass-through debit. However, during the three-year trial period, debit amounts will not be passed through to irrigation customers.</p>
Water allocations	1642 ML	
Fixed cost-reflective price	\$43.85/ML	
Volumetric cost-reflective price	\$53.47/ML	
QCA electricity allowance in fixed cost-reflective price	\$7.91/ML	
QCA electricity allowance in volumetric cost-reflective price	\$32.57/ML	
2020/21 information*		
Actual scheme-level usage	890 ML	
Actual scheme-level electricity costs	\$39,713	
'Customer A' actual usage	12 ML	
Pass-through calculations		
Electricity costs recovered in cost-reflective prices	$= (1642 * \$7.91) + (890 * \$32.57)$ $= \$41,976$	
Total pass-through amount = recovered amount minus actual costs	$= \$41,976 - \$39,713$ $= \$2263$	
Total pass-through amount per ML = total pass-through amount divided by water usage (ML)	$= \$2263/890$ $= \$2.54/ML$	
'Customer A' pass-through amount = total pass-through amount per ML multiplied by Customer A's actual water usage	$= \$2.54 * 12$ $= \$30.48$	

* This example uses theoretical prices only and does not reflect actual prices or amounts for 2020/21.

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