

Electricity cost pass-through trials

January 2021

Sunwater is proposing that irrigation customers in selected schemes participate in a three-year 'no-one is worse off' electricity cost pass-through trial.

Irrigation prices include an allowance for Sunwater's electricity costs. Due to both the unpredictability and significance of electricity costs to Sunwater and our customers, Sunwater, the Queensland Farmers' Federation and customer representatives have put forward a proposal to the Queensland Government for a trial electricity cost pass-through mechanism.

The Queensland Government has approved a trial for the Bundaberg Distribution Scheme (DS) and supports Sunwater engaging with customers on introducing the trial in other eligible schemes.

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.

The trial will operate on a 'no-one is worse off basis', so if actual electricity costs are more than allowed by the Queensland Competition Authority (QCA), Sunwater will inform customers of the amount that *would* have been passed-through, but no debits will be applied to customer bills¹.

When will this happen?

Electricity cost pass-through trials for approved schemes will run from 1 July 2020 to 30 June 2023. The pass-through credit, if applicable, will be applied to the irrigation customer's fourth quarter bill.

Which schemes are eligible?

Due to the increased administrative costs of an electricity pass-through mechanism, only schemes with material electricity costs will benefit from a pass-through arrangement.

On that basis, in addition to Bundaberg DS, trials are proposed for:

- Barker Barambah
- Burdekin Houghton DS
- Eton
- Lower Mary River DS
- Mareeba-Dimbulah DS
- Upper Condamine.

For trials to commence in the above eligible schemes, Sunwater must submit a proposal for approval to the Queensland Government.

Before proposals are submitted, Sunwater will engage with customers from each eligible scheme to understand the level of support for the trial and respond to any questions or concerns. Feedback received will be included in the proposal and considered by government in its decision making.

The same 'no-one is worse off' conditions as those in the Bundaberg DS trial will be adopted for trials in other eligible schemes.

How will pass-through amounts be calculated?

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

Pass-through credits and debits will be determined by comparing Sunwater's annual, actual electricity costs to the amount allowed by the QCA in its cost-reflective prices. A worked example is provided in Example 1 below.

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.

We plan to engage with customers at Irrigator Advisory Committee meetings in January/February 2021. Dates are to be advised.

¹ Sunwater 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.

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

	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 – Redgate relief	0.25	47.22	0.27	51.47	0.24	57.37
Bundaberg DS	3.77	52.48	15.80	44.97	16.02	45.60
Burdekin Haughton DS	4.04	17.40	3.81	17.88	3.87	18.13
Eton – MP	5.41		5.99		6.08	
Eton – HP	22.59		25.00		25.35	
Lower Mary River DS	1.82	40.57	1.96	57.84	1.99	58.65
Mareeba-Dimbulah DS – Relift	16.94	67.24	8.17	87.89	8.29	95.47
Upper Condamine – North Branch and 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 fourth quarter bill.</p> <p>In the example shown, 'Customer A' would receive a \$30.48 credit on their fourth quarter 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 <u>not</u> 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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