sunwater

A permanent electricity cost pass-through

What it means for irrigation customers

Sunwater is preparing its pricing proposal for submission to the Queensland Competition Authority (QCA) for the four-year Irrigation Price Path period commencing 1 July 2025. We are asking our customers for feedback on the inclusion of a permanent electricity cost pass-through.

There are seven schemes that Sunwater operates that, given the nature of the infrastructure in those schemes, incur high electricity costs. In partnership with the Queensland Farmers Federation, Sunwater has been running an electricity cost pass-through trial in six of those seven schemes.

How electricity is paid for today

Under current arrangements, the QCA determines an electricity cost allowance as part of its assessment of Sunwater's pricing submission. These allowances are built into your Part A, Part B, Part C and Part D charges and they do not change during the price path period to reflect actual costs. This can lead to over or under-recovery of electricity costs where the QCA's recommended allowances differ materially from actual costs.

How the trial operated

At the end of each financial year, Sunwater finalised its electricity accounts and customer water usage. It then calculated how much customers paid for electricity during the year based on the allowance for electricity the QCA set during the last price path and compared this to what electricity actually cost.

If Sunwater spent less on electricity than it recouped from customers, then irrigation customers received a credit on their first quarter bills in the following financial year. The credit applied to each irrigation customer's bill relative to their water usage. Where Sunwater spent more on electricity than it recovered, no debits were applied, however, customers' bills showed the amount of under recovery.

Trial outcomes

In the first two years, the trial results were as follows:

2020-2021 outcomes

Scheme	Electricity costs recovered based on QCA $/ML allowances ($)	Actual scheme-level electricity costs ($)	(Under)/over recovery ($)	Total monies to be returned to irrigators ($)
Burdekin Haughton	5,977,932	4,808,919	1,169,012	1,140,320
Bundaberg	7,578,056	5,604,883	1,973,172	1,913,361
Mareeba-Dimbulah	584,098	545,124	38,974	38,341
Upper Condamine	123,690	99,661	24,029	23,988
Lower Mary River	264,038	215,072	48,965	46,808
	14,527,814	11,273,659	3,254,152	3,162,817
Barker Barambah	20,202	75,086	(54,883)	0
	20,202	75,086	-54,883	0
Total	14,548,016	11,348,745	3,199,270	3,162,817

2021-2022 outcomes

Scheme	Electricity costs recovered based on QCA $/ML allowances ($)	Actual scheme-level electricity costs ($)	(Under)/over recovery ($)	Total monies to be returned to irrigators ($)
Burdekin Haughton	6,179,229	2,980,177	3,199,051	2,636,307
Bundaberg	5,077,324	4,026,219	1,051,105	695,017
Mareeba-Dimbulah	601,502	487,755	113,747	91,245
Upper Condamine	86,250	76,825	9,426	6,787
	11,944,305	7,570,976	4,373,329	3,429,355
Lower Mary River	83,206	176,448	(93,241)	0
Barker Barambah	12,612	29,526	(16,914)	0
	95,818	205,974	-110,156	0
Total	**12,040,123**	**7,776,950**	**4,263,173**	**3,429,355**

*While the third year's outcomes will not be known until October 2023, the learnings from the trial have been incorporated into our proposal.

Current electricity arrangements

The cost of electricity varies across schemes depending on the amount of energy required to pump water and the distance the water needs to move. Sunwater is constantly working to minimise electricity costs with efficiency initiatives including:

- ensuring scheduling and delivery of water is as efficient as possible
- monitoring and managing peak demand to investigate smoothing demand to minimise costs, where assets have the capability
- undertaking regular tariff reviews and alternate generation analysis and energy audits and invests in demand management where economically desirable to do so.

Broadly, there are two electricity arrangements for water supply schemes:

Whole of Government contestable agreement

- eligibility is generally for sites consuming more than 100 megawatt hours per annum
- fixed electricity rates, though exposure to annual changes to network tariffs
- costs are mostly known until 31 December 2028, except for network charges; renewable power percentages; and small-scale technology percentages (all published annually)
- other cost risks include:
  - forecast water demand vs customer usage
  - Reliability and Emergency Reserve Trader events
  - unaccounted energy losses
  - price exposures from 1 January 2029.

Regulated retail tariff

- default tariff for sites consuming less than 100 megawatt hours per annum
- subject to QCA review on an annual basis
- exposure to risk of annual tariff change and uncertainty of changing market conditions
- March 2023 draft determination forecasts higher prices –
  - small customers – increase of approx. 35%
  - large businesses – increase of approx. 13% (tariff 44) and 26% (tariff 20).

Proposal for customer consideration

Sunwater would like to explore whether or not there is customer support for a permanent and fully symmetrical electricity cost pass-through mechanism applying for the 1 July 2025 to 30 June 2029 period. A permanent mechanism would ensure customers continue to only pay for actual electricity costs, and that Sunwater is reimbursed for its actual electricity costs.

The proposal is open to the seven water supply schemes where electricity costs are material due to significant pumping assets. The pass-through mechanism would only apply to electricity costs in the following water supply schemes:

- Barker Barambah
- Bundaberg distribution
- Burdekin Haughton distribution
- Lower Mary River distribution
- Mareeba-Dimbulah distribution
- Upper Condamine
- Eton.

Pending customer feedback, a permanent electricity cost pass-through proposal may form part of our Irrigation Price Path submission to the QCA.

The QCA will review this proposal in line with its requirements under the Queensland Competition Authority Act 1997 and any conditions set out in a Referral Notice, before making a recommendation back to the Queensland Government.

This factsheet explains how Sunwater currently recovers electricity costs, as well as what the impacts of implementing a permanent electricity pass-through would look like, including the benefits and how it would work. We are seeking your feedback on whether you would like to see this mechanism applied to your scheme for future irrigation prices.

The full proposal will be presented as part of our Stage 2 engagement roll out and made available online following customer meetings.

Customer feedback

To gauge support for the changes we are proposing, we will invite online feedback from customers of relevant tariff groups in eligible schemes. We will provide more information on this process in the coming weeks.

Scope of proposed cost pass-through

Broadly, Sunwater's proposed cost pass-through proposal includes:

Fully symmetrical pass-through	• Changes in price impact Sunwater and customers equally • If costs go down, so do prices. If costs go up, so do prices
Opt-in at scheme level – until next irrigation price path review	• Sunwater to assess level of support at customer level across each eligible scheme • Threshold level of support to determine final proposal
All electricity costs in scope	• Current and future electricity costs in scope • Incremental costs associated with pass-through methodology
Price setting / pass-through at regular intervals	• Sunwater to set prices on a quarterly basis (lagged by one quarter) • A final annual "true-up" at the end of a financial year (quarter five)
Agreed electricity targets with defined review pathways	• Reporting mechanisms for Sunwater to transparently demonstrate its electricity costs are prudent and efficient • An agreed review mechanism with a potential trigger for third party review • Adverse third-party findings would trigger asymmetric pass-through

Customer engagement

Sunwater is committed to proactive and ongoing engagement with customers and acknowledges the feedback we have received over the past few years. We are rolling out a three-stage engagement plan to share information on our Irrigation Price Path 1 July 2025 to 30 June 2029 draft future prices, as well as:

- refreshing Service & Performance Plans
- how Sunwater recovers its renewals costs through prices
- a permanent electricity cost pass-through mechanism in seven relevant schemes.

We are holding customer forums in regional centres and providing all relevant forum details and information materials online at www.sunwater.com.au/projects/price-path

Stay informed

We will update our website as the project progresses.

www.sunwater.com.au/projects/price-path

Get in touch

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