

22 February 2021

**On behalf of Lindsay Krieg, Chair of the Upper Condamine Water Supply Scheme Irrigator Advisory Committee (IAC)**

Dear customer,

**Re: Electricity cost pass-through trial for the Upper Condamine Water Supply Scheme**

Please note, this trial only affects those in the North branch where electricity costs are high from Yarramalong pumps.

Firstly, irrigators in the Upper Condamine are happy to pay the actual cost of operating and maintaining this scheme, but we do not appreciate paying more than we should. To that end we are happy for the actual cost of electricity to be passed to users rather than the current fixed price system.

The Upper Condamine scheme has only one point where significant electricity costs are accrued - Yarramalong pump station. The rest of the scheme has minor electricity costs reflected in the roughly 7c/ML charge included in Part A of our bills.

When it comes to the Yarramalong pumps and the North Branch, electricity costs can be quite high (up to \$153,000/annum). According to the information attached the Queensland Competition Authority has allowed \$13.55/ML for electricity from the \$15.88/ML in Part B charges for North Branch Medium Priority water.

Analysis by Sunwater has revealed that on average the actual electricity cost per ML is only \$7.32. This will of course be higher under new higher tariffs, but we believe there are significant savings to be made.

Sum of ValCOArCur	Year									
Order	CO object name	2013	2014	2015	2016	2017	2018	2019	2020	Grand Total
	Yarramalong pump station total electricity cost (\$)	96,110	70,419	66,508	71,176	152,969	9,569	6,098	50,191	523,039
	Yarramalong pump station total volume pumped (ML)	15,699	11,759	13,060	6,824	16,724	1,693	312	5,406	71,477
	\$/ML pumped	\$ 6.12	\$ 5.99	\$ 5.09	\$ 10.43	\$ 9.15	\$ 5.65	\$ 19.55	\$ 9.28	\$ 7.32

*excerpt from August 2020 IAC meeting minutes available on the Sunwater website [here](#)*

Please read the attached material, but the idea of the trial is to credit/debit our bills in the first quarter of the following water year. Therefore, our actual charges will not change, but a rebate may be applied if a credit exists. During the trial period a debit cannot be applied, but if the trial moves into being fully accepted, a debit could be charged in future.

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I hope this gives users some clarity on the position of the IAC and I am happy to take feedback on any scheme related matter at any time by phone on 0427 939 741.

Kind regards,

**Lindsay Krieg**

**Chair, Upper Condamine Irrigator Advisory Committee**

Encl Sunwater Upper Condamine electricity cost pass-through trial presentation



# Electricity cost pass-through trials

FY 2021 to 2023

Upper Condamine

# Objectives

- Update on irrigation prices, post the QCA's 2020 to 2024 irrigation price investigation
- Confirm shared understanding of electricity assumptions underpinning cost-reflective prices
- Electricity cost pass-through trial:
  - What is it?
  - How does it work?
  - Will customers benefit?
  - What are the risks?
- Next steps:
  - Consolidating customer feedback
  - Submitting a proposal to the Queensland Government (Government)
  - Government will determine whether trials proceed.

# Irrigation prices in FY2021

## Irrigation prices

The QCA provided two sets of irrigation prices to the Government:

- cost-reflective prices (which reflect the QCA’s determination of Sunwater’s prudent and efficient costs)
- recommended prices (which reflect affordability and other considerations, as identified in the Government’s referral notice).

Irrigation prices for 2020/21 were set at the lesser of the QCA’s recommended prices for 2020/21 and 2019/20 prices:

Upper Condamine supply scheme	Sandy Creek or Condamine River		North Branch		North Branch—Risk A	
	Part A	Part B	Part A	Part B	Part A	Part B
2019/20 prices (\$/ML)	34.03	5.57	47.64	15.19	13.44	15.19
QCA recommended 2020/21 prices (\$/ML)	34.03	5.69	47.64	15.53	14.30	17.35
Actual 2020/21 price (\$/ML)	34.03	5.57	47.64	15.19	13.44	15.19

The Government hasn’t set prices for 2021/22, but has announced that from 2021/22 to 2023/24, irrigation prices will be reduced by:

- a 50% cut for fruit and vegetable growers
- a 15% cut for all other irrigation.

# Electricity costs: QCA irrigation price investigation

## Cost-reflective prices

The QCA's cost-reflective prices include an allowance for electricity costs and annual electricity cost escalation rates.

For Upper Condamine, those assumed amounts and annual increases are shown in the table below.

North Branch MP and North Branch – Risk A	2020/21	2021/22	2022/23	2023/24
Part A electricity allowance (\$/ML)	0.07	0.07	0.07	0.07
Part B electricity allowance (\$/ML)	13.55	14.00	14.20	14.37
Annual escalation rate (%)	1.94	3.32	1.40	1.18

\* Sandy Creek/Condamine River tariff group has not been allocated a share of electricity costs by the QCA.

<sup>4</sup> Note: Trials will end in 2022/23—electricity allowances in 2023/24 are provided for information only.

# Electricity cost pass-through trial

## Trial proposal

The following recommendations went to Sunwater's shareholding ministers, and were approved:

- **APPROVE** the introduction of an electricity cost pass-through trial for Bundaberg Distribution Scheme.
- **APPROVE** Sunwater engaging with customers to develop electricity cost pass-through trial proposals in other irrigation schemes, where supported.
  - Sunwater notes that, because the pass-through would be applied in the final quarter of the financial year, a trial proposal could be finalised and introduced in other schemes during the first year of the price review period (2020/21), and still align with the timeline proposed for Bundaberg.

In addition to Bundaberg distribution, trials are proposed for:

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

## How it works (continued)

### Duration

Three years—FY2021 to FY2023

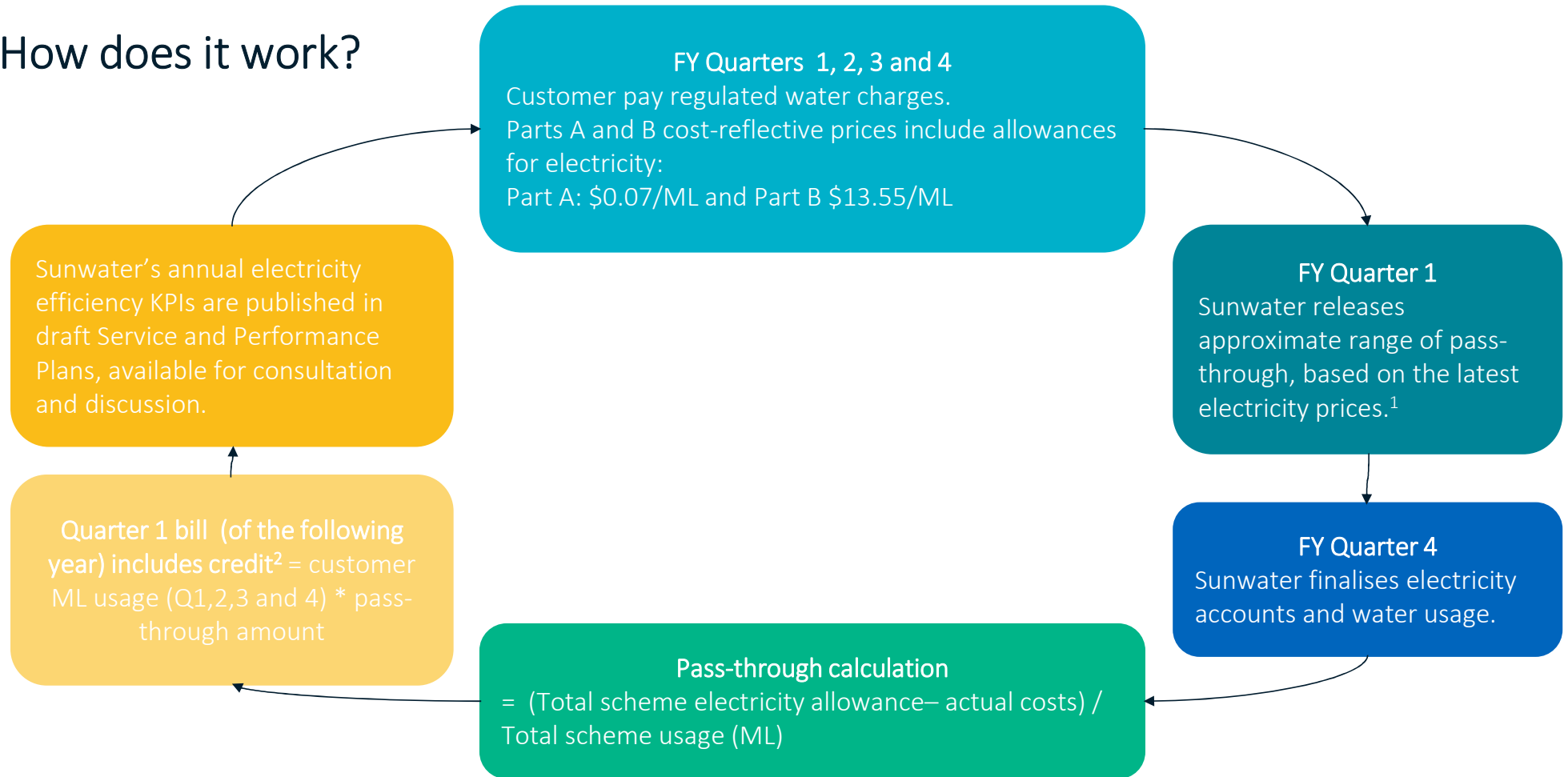
- Annual update after Q1 bills each year to summarise how the pass-through went the previous financial year.
- Engage with customers at the end of the trial to determine whether customers support the adoption of a two-way pass-through.

### 'No-one is worse off'

- Only electricity savings will be passed on to customers during the trial—they will receive an annual credit if Sunwater spends less on electricity than we recover from customers via the QCA's cost-reflective electricity allowance.
- After FY2023, if adopted, customers would either:
  - receive a credit, if Sunwater spends less on electricity than we recover
  - pay a debit, if Sunwater spends more on electricity than we recover.



## How does it work?



1. Sunwater may not have the capacity to deliver this modelling for 2022.
2. Or debit, after the trial.

## Worked example: Upper Condamine

Scheme information	
Water allocations	14,885 ML
Actual fixed price	\$47.64/ML (North Branch – Medium Priority) and \$13.44/ML (North Branch – Risk A)
Actual volumetric price	\$15.19/ML
QCA electricity allowance in fixed cost-reflective price	\$0.07/ML
QCA electricity allowance in volumetric cost-reflective price	\$13.55/ML
2020/21 information	
Actual scheme-level usage	7800 ML
Actual scheme-level electricity costs	\$92,000
'Customer A' actual usage	256 ML
Pass-through calculations	
Electricity costs recovered in cost-reflective prices	$= (14,885 * \$0.07) + (7800 * \$13.55)$ $= \$106,732$
Total pass-through amount = recovered amount minus actual costs	$= \$106,732 - \$92,000$ $= \$14,732$
Total pass-through amount per ML = total pass-through amount divided by water usage (ML)	$= \$14,732/7800$ $= \$1.89/ML$
'Customer A' pass through amount = total pass-through amount per ML multiplied by Customer A's actual water usage	$= \$1.89 * 256$ $= \$483.51$

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.

In the example shown, 'Customer A' would receive a \$483.51 credit on their first quarter bill in the following financial year.

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.

# Impact on customers?

## Benefits

- Customers will directly benefit from energy efficiency improvements and lower electricity tariffs, within the price path period.
- No need for end of price period adjustments—under/over recovered electricity costs (after the trial) won't be passed on to customers in the next price path period.
- Any difference between the QCA's electricity cost estimates and actual costs will be adjusted during the price path period.
- Balancing forecast costs and actual electricity costs each year is fairer for individual customers—those who have used water pay the additional costs/receive a pass-through credit, within the same financial year.

## Risks

- Customers will pay no more than the prices set by Government during the electricity cost pass-through trial—so no risk of unexpected cost.
- (After the trial) If electricity costs are higher than allowed for by the QCA, customers would pay the adjustment amount at the end of the financial year.
- (After the trial) Inefficient electricity use or improper selection of tariffs would directly affect customers.