29 February 2024

BUNDABERG REGIONAL IRRIGATORS GROUP
REPRESENTING MEMBER IRRIGATORS IN THE BUNDABERG IRRIGATION AREA

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Dear Sir/Madam

Re: Irrigation price investigation 2025–29

Our members produce a range of crops in the Bundaberg Regional Council footprint.

In 2021/2022 Agriculture Forestry and Fishing accounted for $1.958 billion of gross value in the Bundaberg regional council area. The total for all industry sectors was $9.248 billion. [1]

Intensive irrigated agriculture is the foundation of the Bundaberg economy and accounted for around $1.727 billion or 18.6% of the total for the regions gross value.

The water energy nexus is not well understood outside the irrigated farming community; water and energy are the most important inputs to our various cropping systems.

SunWater accounts for around 65% of the irrigation water applied to farms in our region and we consider SunWater to be a critical supplier to our various production functions.

We wish to see a sustainable outcome for all irrigators in all sections of the scheme and SunWater's long term sustainability.

Because of the importance to our businesses, we have allocated considerable time and money over the past 20 years to understanding the Bundaberg SunWater Scheme and can demonstrate that knowledge down to a pump station level.

Our involvement has included the Local Management Arrangement Investigations, various regulated price path reviews undertaken by Queensland Competition Authority (QCA), Service and Performance Plans, Irrigation Advisory Committees and, more recently, the Strategic Water Assessment process.

We applaud SunWater for the much-improved consultation process and the efforts to engage with their Bundaberg customers and we look forward to that continuing.

We have met with and workshopped and agreed the contents of this submission with CANEGROWERS Isis, Bundaberg CANEGROWERS, Bundaberg Ag Food and Fibre Alliance (BAFFA) and Bundaberg Sugar. As such the following observations and requests to QCA are representative of around 90,000 ML or around 60% of the nominal allocation in the scheme.

[1] Source: National Institute of Economic and Industry Research (NIEIR) ©2023. ©2023

RAB Vs Annuity:

Our group is opposed to changing to a Regulatory Asset Base (RAB) approach to recover renewal and refurbishment costs:

The key reasons being:

- There are inter-generational equity issues with a RAB. This generation can use and wear out an asset without contributing, leaving the next generation to fully fund the replacement/refurbishment of that asset. With the current annuity methodology, funds are available for repair/replacement when the need arises.

- It is essential to understand the future capex plans by SunWater. For example, if they are to undertake $50 million of climate abatement work, then an annuity approach will be better as the annuity approach will smooth prices over the longer term. We note the QCAs role as a regulator is to assess the prudency and efficiency of proposed adaptation projects.

  We note that the published guidance from the QCA around climate adaptation and mitigation does not consider impacts of specific pricing methodologies (Climate Change Related Spending, September 2023; Final Position Paper on Climate Change Related Expenditure, September 2023). However, we do note the case studies of Horizon and Sydney Desalination and ask the QCA to investigate further the implications of RAB versus Annuity approaches to climate related expenditure at small and large-scale.

  With a RAB, the contribution required will result in prices rising sharply from price path to price path as high value assets are refurbished.

- SunWater have flagged "A fourth tax allowance building block" as a component of the RAB. Irrigators do not want to be paying a tax to the State Government through our water charges.

  Under a Renewals Annuity, expenditure is treated as operational, and is fully tax deductable.

  Under a RAB, expenditure is treated as Capital, meaning that a tax liability may exist.

  Whilst Government Owned Corporations (GOCs) do not pay tax to the Federal Government, the same amount of tax is paid to the State Government as a tax equivalent and in our view is a rate of return.

  There is also the risk that this system will encourage gold plating of the schemes by SunWater given the guaranteed return via the WACC.

- In 2010 QCA engaged SAHA consultants to review both options. In their opinion:

  "A Renewals Annuity approach applies best where there is a dominance of renewable long-life assets such as dams and earthen channels and/or where the expected asset life is greater than that of its components".

  We suggest QCA revisit this report for detail.

Further Discussion:

The major impact in absolute cost terms of the asset renewal and refurbishment collection process falls on the schemes with distribution assets.

SunWater reports (Table 19, p 51) that they received responses from 9.1 % of eligible customers through the *go vote platform*. They then go on to acknowledge that the responses in the Bundaberg and Burdekin Haughton schemes accounted for 84% of the opposition to the proposed change.

Table 17 (p43) lists the entitlements for all SunWater schemes.

In summary, there are 2,411,621 ML of River (Water Supply) entitlement of which 648,500 ML of nominal allocation is deliverable via a distribution system. (Bundaberg,151,284 ML: Burdekin Haughton 335,000 ML: Lower Mary, 15,262 ML, Mareeba 146,954 ML).

- 59% of the total entitlement sits in either the Burdekin Haughton or Bundaberg Schemes.
- 75% of the nominal entitlement deliverable through the Distribution systems sits in either the Burdekin Haughton or Bundaberg Schemes.

It is incongruous for SunWater to claim support for the RAB approach based on the survey results, that is 13 small schemes for the change, against three (3) larger schemes that are against.

Electricity Cost Pass Through (ECPT)

The Bundaberg scheme has significant lift and relift segments and is a high electricity requirement scheme with significant electricity costs incurred to deliver water to irrigators.

Over a 16-year average, Bundaberg distribution accounts for around 43% of all SunWater schemes use in annual kWh terms. (Table 25 Electricity consumption by (large use) scheme 2022/23).

For the past 16 years we have worked with SunWater and others to identify methodology that would enable electricity to be treated as a pass-through cost in the Bundaberg Scheme.

In 2020 we were advised of a methodology that was acceptable to SunWater and following representations by ourselves, Queensland Farmers' Federation (QFF) and the Burdekin representatives to Minister Lynham, QCA and others. The 'no-one is worse off' electricity cost pass-through trial for irrigation customers in the regulated Bundaberg distribution scheme commenced in 2020. (See attachment A)

The outcomes of the trial saw the following overcollection from electricity allowances returned to Bundaberg Scheme Irrigators:

2020/2021	$ 14.88 / ML resulting in $1,913,400 returned by credits across the scheme.
2021/2022	$ 13.26 / ML resulting in $ 695,200 returned by credits across the scheme.
2022/2023	$ 12.29 / ML resulting in $ 732,200 returned by credits across the scheme.

The methodology presented by SunWater in their pricing proposal is not the same as that which they developed for and used for the trial, and that has acceptance by the irrigators.

In summary the proposed methodology attempts to deduct fixed electricity costs from the Part C charge and allocate to a new Part E charge and then deduct variable electricity costs from the Part D charge and allocate to a new Part F charge.

Because the Bundaberg Scheme is close to or at lower bound for the Part A, C and D forward estimates the removal of fixed costs from the Part C charge results in a significantly lower CSO payment to the scheme overall and, consequently, a higher charge per megalitre to allocation holders via the proposed Part F charge.

Further Discussion:

We are aware that SunWater has been able to negotiate a contract for the majority of their electricity supply for the 2025/2028 price path on very favourable terms and commend them on that initiative.

We note the process outlined in Table 22 (p56) *Key design features of reporting and review process under the ECPT proposal* could be adopted with our preferred methodology.

During the consultation process SunWater advised me that QCA did not have any appetite for an Electricity Cost Pass Through. We would suggest that the majority of entitlement holders are supportive of continuing the current trial methodology (without the no one is worse off parameter) and urge QCA to consider this method and the proposed reporting methodology for the 2025 to 2029 price path.

Insurance

As previously advised, it is our view that SunWater's request for an insurance review event for the current period insurance costs is not warranted.

We acknowledge that adaptation and paying insurance premiums are different approaches to risk, with different effects on asset owners and their customers. Going forward we would be receptive to an annual review and pass-through process in conjunction with a fully transparent reporting and review process with customers.

Billing System Renewal

In their Irrigation Proposal submitted to QCA, SunWater advises that in 2022/23 they had a total of 5,196 customers (p6) and 4,372 customers receiving a price regulated water service of which 1,015 are in the Bundaberg scheme (p11).

The investment of $38.6 million ($42.4 million allowing for a 1 July 2025 commissioning date) in a customer billing and contact management system that equates to $7,429 per customer seems excessive. We do not believe that there is a strong level of justification for this spending, particularly given likely limited customer support (noting that customer support has not been specifically sought for this action and the associated costs).

We have been advised by SunWater that much of the expense arises because of the number of contracts and different tariff groups required for different customers across the schemes. We have been further advised that Bundaberg is not a complex scheme in terms of differing contracts and tariff calculations.

Given this we question the equity associated with Bundaberg customers being requested to meet 20% of the costs. We are also of the opinion that this fails NWI guidelines of not having subsidies between schemes.

We request QCA to further investigate.

Distribution loss allocations

The following table is the actual pumping figures for the 2020/2021 water year.

It was one of the highest use years we have experienced.

PUMPING FIGURES BUNDABERG 2020-2021		Customer Volume Delivered/Metered ML					Distribution Efficiency %	Nominal allocation Available	Allocation Delivered %
		Q1	Q2	Q3	Q4	TOTAL			
	YTD Pumped Volume by SW, ML	01-Jul-20	01-Oct-20	01-Jan-21	01-Apr-21	01-Jul-20			
PUMP STATION		30-Sep-20	31-Dec-20	31-Mar-21	30-Jun-21	30-Jun-21			
Gooburrum	28,933	3,489	9,835	7,392	3,292	24,008	82.98%	27,452	105.40%
Monduran	28,810	2,360	9,557	10,112	5,898	27,927	96.93%	38,451	74.93%
Abbotsford	504	47	155	70	125	397	78.77%	871	57.86%
ISIS	58,535	4,354	12,490	17,798	12,756	47,398	80.97%	60,310	97.06%
Woongarra	38,699	2,938	11,924	11,125	6,898	32,885	84.98%	37,494	103.21%
	155,481	13,188	43,961	46,497	28,969	132,615	85.29%	157,750	98.56%

The following table lists actual pumping figures for 2022/2023 which is one of the lower use years that we have experienced.

PUMPING FIGURES BUNDABERG 2022-2023		VOLUME DELIVERED/METERED ML					Distribution Efficiency %	Nominal Allocation Available	Nominal Allocation Delivered %
		Q1	Q2	Q3	Q4	TOTAL			
	YTD	1-Jul-22	1-Oct-22	1-Jan-23	1-Apr-23	1-Jul-22			
PUMP STATION	Pumped Volume ML	30-Sep-22	31-Dec-22	31-Mar-23	30-Jun-23	30-Jun-23			
Gooburrum	14,924	856	2,400	3,671	4,309	11,236	75.28%	27,499	40.86%
Monduran	13,118	2,511	1,507	5,010	5,715	14,743	112.39%	38,571	38.22%
Abbotsford	281	15	70	30	84	200	71.08%	671	29.73%
ISIS	29,451	1,571	4,402	10,072	8,567	24,612	83.57%	61,607	39.95%
Woongarra	22,482	1,852	3,479	5,347	4,930	15,608	69.42%	37,407	41.72%
Total	**80,256**	6,805	11,857	24,131	23,605	66,398	82.73%	165,755	40.06%

Note: Allocation volumes exclude all Sunwater Accounts

Given the range of actual achieved efficiency i.e., 82% in a year where we used 40% of the nominal allocation and 85 % where we used 98.6% of the allocation, we are of the opinion that the current efficient level of distribution losses (33,888 ML) is excessive.

We request QCA to further investigate.

Lower Bound

In the past 20 years we have been seeking to achieve the elusive concept of lower bound. This is partly because the definition of lower bound tends to change from price path to price path and does not seem to match NWI or productivity commission definitions.

The forecasts for our scheme indicate that lower bound for Parts A, B, D will be met very early in this price path and that it may make sense to target the CSO exclusively to Part C.

We request QCA to further investigate.

Miscellaneous

On page 19 of the Pricing Proposal, we note that *an investment of $2.9 million per annum and an additional 21 full time equivalent roles in the customer engagement and stakeholder relations space to ensure engagement in a meaningful, timely and responsive way with customers in both regulated and non-regulated activities.*

We are not convinced that this is warranted for medium priority nominal allocation customers in our scheme.

We request QCA to further investigate.

Please call should you require further information or clarification.

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sunwater

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 adopting 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.

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
Barker Barambah bulk	• Redgate Relift
Bundaberg distribution	• Channel or watercourse supplemented by a channel
Burdekin Haughton distribution	• Burdekin Channel • Giru Groundwater Area • Glady's Lagoon – other than from natural yield
Lower Mary River distribution	• Lower Mary Channel
Mareeba-Dimbulah distribution	• Channel – Relift
Upper Condamine bulk	• North Branch – medium Priority • North Branch – risk A

Why isn't the trial proceeding in my scheme?

Due to the increased administrative costs of an electricity cost pass-through mechanism, only irrigation tariff groups with material electricity costs will benefit from a pass-through arrangement. This means the trial is not running in schemes where electricity costs do not represent a significant portion of the irrigation tariff group's total cost per megalitre. It is also being run on an opt-in basis at scheme level.

Customers within the Eton Bulk Water Supply Scheme (which has material electricity costs) are not participating in the trial.

Consultation with Eton irrigation customers in both 2021 and again in early 2022 did not elicit sufficient levels of customer support to participate in the trial. The results of the three year trial will, however, be shared with Eton customers as part of overall trial evaluation.

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.[1] 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 trials run from 1 July 2020 to 30 June 2023 for approved schemes.

[1] 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[2] Irrigation customers will only receive a credit (if applicable).

How is the cost pass-through amount calculated?

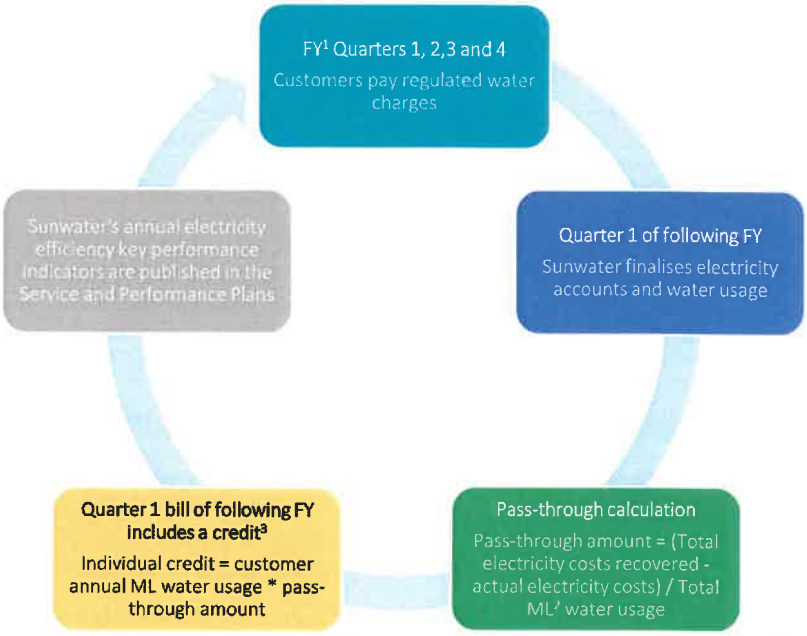
Figure 1 illustrates how the electricity cost pass-through trial works.

Irrigation customers will continue to pay regulated water charges[3] 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 embedded in prices paid by irrigation customers, 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.*

[2] 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.
[3] 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.

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[4]
- 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.[5]

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).

For irrigation customers in the Bundaberg Distribution Scheme, the water usage will also include Burnett Water allocation water use.

For irrigation customers in the Burdekin Haughton Distribution Scheme, the calculation also includes channel harvesting usage as the QCA has attributed a portion of electricity costs to this product.

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

- relocation water
- riparian allowance

[4] Related to eligible irrigation tariff groups only.
[5] 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.

- stream flow
- 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.

For the Bundaberg Distribution Scheme, the calculation will also include Burnett Water allocation water used for irrigation purposes. For the Burdekin Haughton Distribution Scheme, the water usage also includes channel harvesting usage.

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, where Burnett Water allocation water used for irrigation purposes and channel harvesting 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 temporary 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 would 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 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 or you can contact customer support on 13 15 89.

sunwater

Electricity cost pass-through trial 2022-23

Bundaberg Distribution Scheme

Background

Irrigation customers in the Bundaberg Distribution Scheme are participating in a three-year electricity cost pass-through trial, from 1 July 2020 to 30 June 2023.

During the trial, Sunwater's actual, scheme level electricity cost savings (if any) will be passed through to irrigation customers at the end of the financial year via a credit applied to their bills. If Sunwater spends more on electricity than we recover from customers, no debits will be applied to customers' bills.[1]

The trial covers irrigation customers on the 'Channel or watercourse supplemented by a channel' tariff group, as well as Burnett Water Pty Ltd irrigation customers who are supplied water via the Bundaberg Distribution Scheme.

2022-23 outcome (Year 3 of the three-year trial)

In 2022-23, Sunwater spent less on electricity than we recovered from customers in the Bundaberg Distribution Scheme.

This means eligible irrigation customers who used water in 2022-23 will have a **credit** applied to their bill in October 2023.

The following section explains how the 2022-23 scheme level pass-through amount and individual customer credits are calculated.

Calculation of the pass-through amount

The Queensland Competition Authority (QCA) included an allowance for electricity in its fixed and volumetric cost-reflective prices for the Bundaberg Distribution Scheme.

The scheme level pass-through amount is determined by deducting Sunwater's actual electricity costs in 2022-23 from the amount allowed by the QCA in its cost-reflective prices and subsequently recovered by Sunwater during the year. This amount is then divided by the scheme's water usage in 2022-23 to arrive at a dollar per megalitre (ML) pass-through rate.

The scheme level pass-through rate is based on cost-reflective pricing. In 2022-23, irrigation customer prices differed from cost-reflective levels. This affects (reduces) the electricity allowance recovered from irrigation customers via fixed and variable charges. This is reflected in the right-hand column of Table 1, which shows the electricity allowance recovered via actual irrigation prices. The right-hand column also shows how this has been used to calculate the irrigation customer pass-through rate.

[1] Sunwater may 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.

The pass-through calculation for 2022-23 is detailed in Table 1.

Table 1: Calculation of the 2022-23 electricity cost pass-through amount[1]

Scheme-level information	Scheme	Customer
Water access entitlements (WAEs) – High priority	1,930 ML[2]	
Water access entitlements (WAEs) – Medium priority	163,812ML[2]	
Usage - High priority	731 ML[2]	
Usage - Medium priority	62,007 ML[2]	
Actual electricity costs[3]	$4,410,794	
QCA electricity cost allowances		
Electricity allowance in fixed cost-reflective price - High priority	$15.97/ML	$15.97/ML
Electricity allowance in fixed cost-reflective price - Medium priority	$15.97/ML	$8.87/ML
Electricity allowance in volumetric cost-reflective price - High priority	$45.60/ML	$45.60/ML
Electricity allowance in volumetric cost-reflective price - Medium priority	$45.60/ML	$37.91/ML
Pass-through calculations		
Electricity costs recovered via the fixed cost-reflective prices	($15.97 x 1,930 ML) + ($15.97 x 163,812 ML) = $2,647,561	($15.97 x 1,930 ML) + ($8.87 x 163,812 ML) = $1,483,694
Electricity costs recovered via the volumetric cost-reflective prices	($45.6 x 731 ML) + ($45.6 x 62,007 ML) = $2,861,093	($45.6 x 731 ML) + ($37.91 x 62,007 ML) = $2,384,105
Total electricity costs recovered via cost-reflective prices	($2,647,561 + $2,861,093 = $5,508,653	($1,483,694 + $2,384,105 = $3,867,799
Proportion of electricity costs recovered from scheme / irrigation customers	($5,508,653 / $5,508,653) = 100%	($3,867,799 / $5,508,653) = 70.21%
Total pass-through amount = recovered amount minus actual electricity costs	($5,508,653 - $4,410,794) x 100% = $1,097,859	($5,508,653 - $4,410,794) x 70.21% = $770,841
Total pass-through rate per ML = total pass-through amount divided by water usage (ML)	($1,097,859 / 62,737 ML) = $17.50/ML	($770,841 / 62,737 ML) = $12.29/ML

1. *Figures may not sum due to different rounding conventions between this table and the underlying electricity cost pass-through modelling.*
2. *Includes WAEs and usage associated with Burnett Water Pty Ltd customers that are supplied their water via the channel system, as the QCA has allocated a share of the Bundaberg Distribution Scheme's costs to these customers.*
3. *Excludes 5 per cent of electricity costs related to the Monduran pump station which are transferred to the Bundaberg Bulk Water Supply Scheme.*

Individual irrigation customer credits

The credit is calculated by multiplying the irrigation customer pass-through rate of $12.29ML by the irrigation customer's 2022-23 water usage at a water account level. Only water usage associated with eligible irrigation tariff groups is included in the calculation.

The credit will be visible on customers' October bills in the 'Other Fees and Charges' section. The accompanying description will include the following key inputs used to calculate the credit amount:

- the irrigation customer's aggregate annual water usage
- the pass-through rate of $12.29/ML.

An example of how the credit will be displayed on an irrigation customer's bill is shown in Figure 1.

Figure 1: Example of how the credit will be displayed on a bill[1]

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**

1. *The pass-through rate of $6.49/ML is used for illustrative purposes. As noted above, the Bundaberg Distribution Scheme's pass-through rate for 2021-22 is $13.26/ML.*

How can I find out more?

More information is available in the frequently asked questions document available on the Sunwater website.

If you have a query in relation to the calculation of the scheme level pass-through amount, or the credit applied to your October bill, please contact customer support via email customersupport@sunwater.com.au or phone on 13 15 89.