

3 November 2015

Mr Chris Pattas
General Manager – Networks
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001



Dear Mr *Chris* Pattas

Pass Through Application – Queensland Solar Bonus Scheme

In accordance with clause 6.6.1 of the National Electricity Rules (NER) and the 2010-15 Energex Distribution Determination (the Determination), Energex seeks the Australian Energy Regulator's approval to pass through a positive pass through amount associated with the occurrence of a feed-in tariff (FiT) event.

Energex became subject to the Queensland Government Solar Bonus Scheme (SBS) obligations from 1 July 2008, and is obliged to make FiT payments to customers through the operation of Clause 44A of the *Electricity Act 1994* (QLD).

Direct FiT payments incurred by Energex under the SBS over the 2014-15 regulatory year amounted to \$203,766,436.27. The forecast amount of 2014-15 FiT payments included in operating expenditure in the Determination was \$10,769,639 (nominal). The difference of \$192,996,797.27 is the result of additional metered output compared to the forecast estimated at the time of the Determination, reflecting the significantly higher than expected take-up of the SBS since inception.

As at 30 June 2015 Energex had approximately 190,427 eligible systems connected to its network with a connected capacity of approximately 587,315kW. This reflects systems still eligible for the Queensland Government 44 cent SBS. The 44 cent SBS is no longer available to new applicants and on 30 June 2014, the 8 cent scheme expired. Consequently, payments are expected to slowly decline, however exported energy will continue to depend on weather conditions and customer behaviour.

After the application of necessary adjustments including inflation and the time value of money, the proposed positive pass through amount is calculated to be \$219,552,244.00. This calculation is set out in **Attachment 1** to this letter, also included is a summary, based on verifiable data from Energex's corporate systems, showing the total energy exported and the amount payable to customers for 2014-15. The value of payments and the associated exported energy is subject to verification through the audit of Energex's 2014-15 Regulatory Information Notice (RIN). Energex understands that the Australian Energy Regulator will rely on the RIN audit to substantiate the actual SBS payment values used to calculate the Positive Pass-through amount. Actual FiT payments for 2014-15 are reported in Table 3 of Template 10 (Operating Costs) of Energex's audited RIN submitted to the AER.

The proposed pass through amount will be incorporated into network charges for the 2016-17 regulatory year.

Should you wish to discuss this application, please contact Neil Andersen, Group Manager Regulation and Pricing on 07 3664 4009.

Yours sincerely

A handwritten signature in black ink that reads "Kevin Kehl". The signature is written in a cursive style with a large, stylized 'K'.

Kevin Kehl
Executive General Manager
Strategy, Regulation and Governance

Calculation of Positive Pass Through Amount -14-15 FiT Payments

Feed- in tariff payments incurred in 2014-15 - Actual	\$203,766,436.27
Allowed feed-in tariff payments - AER determination (\$2009-10)	\$9,597,600
CPI 2011 - per 2011-12 Energex pricing proposal	3.33%
CPI 2012 - per 2012-13 Energex pricing proposal	1.58%
CPI 2013 - per 2013-14 Energex pricing proposal	2.50%
CPI 2014 - per 2014-15 Energex pricing proposal	2.93%
CPI 2015 - per 2015-16 Energex pricing proposal	1.33%
Feed- in tariff payments incurred in 2014-15 (30 June 2015 dollars) (Inflation applied to actuals for half a year as they are assumed to have been paid, on average, at 31 December.)	\$205,117,007.00
Allowed feed-in tariff payments - AER determination (\$ nominal)	\$10,769,639
Difference between Allowed and Actual payments (\$ nominal)	\$194,347,368.00
Nominal vanilla WACC – 2010-15 Determination	9.72%
Nominal vanilla WACC – 2015-20 Determination	6.01%
Interest payment	\$25,204,876.00
Pass through amount	\$219,552,244.00

Feed –in Tariff Payments Incurred 2014-15

Scheme	Units Installed As at 30/6/15	KWh Exported	Solar Bonus Scheme payment
8 cent*	N/A	(995,197.01)	(79,615.76)
44 cent	190,427	463,286,481.88	203,846,052.03
Total All Schemes	190,427	462,291,284.87	203,766,436.27

*Please note that the 8 cent scheme expired on 30 June 2014, but as customers are typically billed on a 3 month cycle, there were customers entitled to the 8 cent rebate that would have exported energy but were yet to be paid as at 30 June 2014. The negative energy (and payment) in the table above therefore reflects the difference between this estimated unbilled exported energy, accrued at 30 June 2014 and the actual payments made to the customers during their billing cycle in the 2014-15 financial year. Energex overestimated the unbilled exported energy as at 30 June 2014 and therefore passes through the over-recovered amount as part of this pass through application.