

13 September 2024

Mr Arek Gulbenkoglu
General Manager
Network Expenditure
Australian Energy Regulator

Email: arek.gulbenkoglu@aer.gov.au

Dear Arek

Re: ElectraNet - Network Support Pass Through Application for 2023/24

A network support allowance was approved in ElectraNet's revenue determination for the 2023-2028 regulatory control period based on estimates to fund the expected annual inertia shortfall equivalent to 360 MW of raise Fast Frequency Response (FFR)¹ from 1 July 2023 until the expected completion of Project EnergyConnect.

The pass through of network support costs to Transmission Network Users is required under clause 6A.7.2 of the Rules. The AER has established a Procedural Guideline for preparing a transmission network support pass through application to provide further direction on this process.

The following network support pass through application for the regulatory year ended 30 June 2024 has been prepared in accordance with these provisions. It addresses the specific information requirements of the Guideline. The relevant calculations are contained in a separate spreadsheet model accompanying this application, in accordance with the Guideline.

1. Network support allowance

The applicable regulatory allowance in respect of 2023/24 for network support is \$8,483,358 (\$Jun 2024). This is equivalent to the allowance contained in the AER's final revenue determination for 2023-2028 of \$8,153,000 (\$Jun 2023) as reflected in the currently approved Post Tax Revenue Model (PTRM) (as amended for approved contingent projects and updated annually by the AER for the cost of debt).

2. Actual network support expenditure

A total amount of \$1,860,845 (\$Jun 2024) was spent on network support during 2023/24. This total represents direct costs incurred in the provision of network support services during the 2023/24 regulatory year, comprising contract payments and other costs directly incurred in the provision of FFR and generator support.

a. Actual network support expenditure on FFR

An amount of \$1,860,845 (\$Jun 2024), after the required time value of money adjustments, was spent on providing inertia services during 2023/24. This total represents direct costs incurred in the provision of network support services during the 2023/24 regulatory year.

b. Actual network support expenditure on generator support

¹ AEMO, 2021 System Security Reports, 17 December 2021

ElectraNet did not incur any charges related to generator support during the 2023/24 regulatory year.

3. Network support pass through amount including time cost of money calculations

Therefore, a negative network support event (i.e. over-recovery) totalling \$6,622,514 (\$Jun 2024) occurred in respect of 2023/24. After the required time value of money adjustments, this negative pass-through amount totals \$7,193,894.

This represents the amount that ElectraNet proposes to return to Transmission Network Users as a revenue over-recovery in setting transmission prices for 2025/26, to be published by 15 March 2025.

4. Reasons for variation

The variation in expenditure compared with the original allowance, is consistent with that noted within the negative pass through application approved in March 2024. It reflects:

- the revised the inertia shortfall for 2024/25 downwards by approximately 86% to 50 MW raise FFR by AEMO in December 2023 and the associated impact on the charges payable under the updated network support services contracts;
- the lack of FFR related events or required generator support during the 2023/24 year;
- minor adjustments relating to project costs and a correction to 2022/23 expenditure; and
- a reduction in the annual charges relating to one provider who was not operational for the entire period and so did not provide FFR services during that time.

5. Verification of actual network support expenditure (audited regulatory accounts)

The information presented in this application is derived from audited statutory financial statements. The expenses incurred are also subject to the annual audit of ElectraNet's regulatory accounts, which will be submitted to the AER by end October 2024, as required.

6. Date network support pass through application is submitted to AER

The date of lodgement of this application is 16 September 2024.

7. In some cases, details on contractual arrangements

The AER considered the contracts through which ElectraNet is likely to acquire the relevant services in its assessment of our proposed Network Support Allowance in our current revenue determination and again in their March 2024 negative cost pass through determination.

These contracts have since been renegotiated to reflect the reduced inertia shortfall. The process by which those contracts were established initially was summarised in Attachment 4 to our Revised Revenue Proposal, with supplementary information provided in response to Information Request #27 (ENET0281). Given that this drew on procurement processes that were recent and which have been assessed and found effective by the AER, we are confident that the extensions are also efficient.

8. TNSP decisions affecting the magnitude of the network support event

The network support service was operated during the year as outlined above. There were no decisions taken by ElectraNet that impacted on the network support amount incurred during the period.

I trust this information fully satisfies the requirements of the Guideline and relevant provisions of the Rules. Should you have any queries in relation to this letter, please contact Edward Heaton on Heaton.ed@electranet.com.au or 0481 983 469.

Yours sincerely



Bec Malhotra

Manager Regulation

1. ENC calculation spreadsheet

ElectraNet.com.au

A 52-55 East Terrace, Adelaide
P PO Box 7096, Hutt Street Post Office, Adelaide, South Australia, 5000
T +61 8 8404 7966 or 1800 243 853 (Toll Free) F +61 8 8404 7956
E enquiry@electranet.com.au