Energex Limited

December 2023 to January 2024 Severe Weather Event Cost Pass Through Application

October 2024

energex
Part of Energy Queensland

ABOUT ENERGEX

Energex Limited (Energex) is part of the Energy Queensland group and builds, operates and maintains the electricity distribution network in the growing region of South East Queensland which includes the major urban areas of Brisbane, Gold Coast, Sunshine Coast, Logan, Ipswich, Redlands and Moreton Bay.

Energex services more than 1.6 million domestic and business customers, delivering electricity to a population base of around 3.8 million people via 56,200 kilometres of overhead and underground network. Our network covers around 25,000 square kilometres from the New South Wales border in the south to Gympie in the north.

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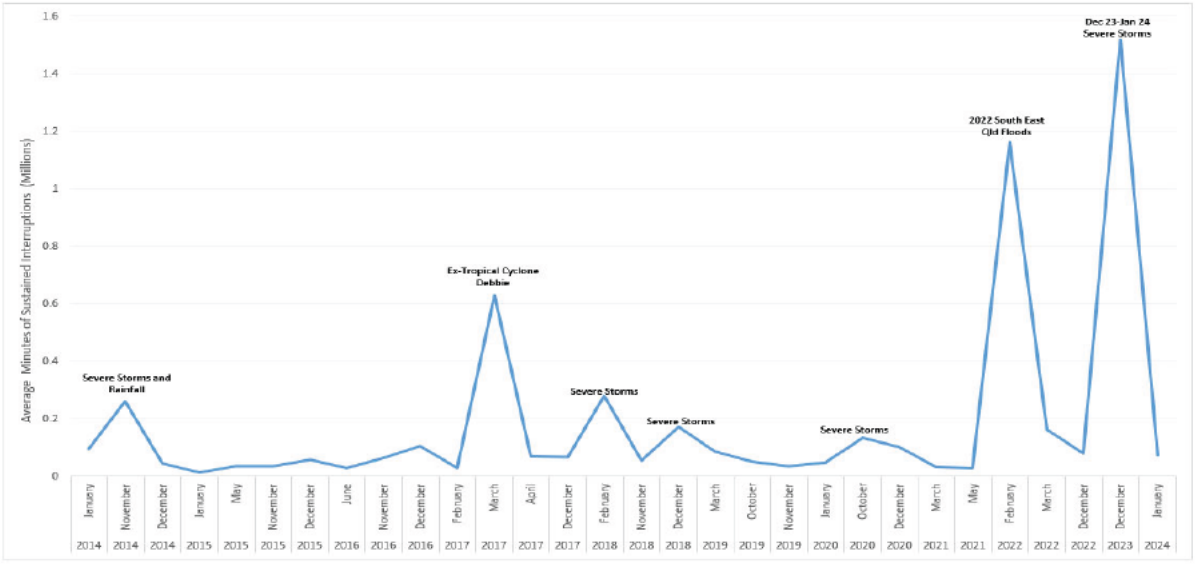
EXECUTIVE SUMMARY

This application seeks approval from the Australian Energy Regulator (AER) to pass through to customers the additional costs incurred by Energex Limited (Energex) in responding to damage caused to its distribution network following the extended period of very severe weather in late December 2023 and early January 2024. The effects of this weather event and the associated network damage impacted Energex's ability to provide direct control services.

Over an eleven-day period, South East Queensland experienced a series of severe storms which produced dangerous winds and intense rainfall throughout the region, and a tornado forming in the Gold Coast and Scenic Rim areas, amounting to a natural disaster akin to a severe tropical cyclone. These severe storms resulted in unparalleled damage and the destruction of a large number of network assets, including concrete transmission poles, transformers and power lines. Approximately 130,000 customers lost electricity supply as a result of this severe weather event and a significant and coordinated field response was required to restore supply to customers as soon as it was safe to do so.

This severe weather event impacted an extensive area of Energex's distribution network with the most significant impacts felt in the Brisbane City, Gold Coast, Logan and Scenic Rim Local Government Areas. The magnitude of this event is demonstrated in Figure 1 which shows the summation of the average duration of minutes of interrupted supply experienced by customers, including major event day and other exclusions, relative to previous large events. It is further reflected in the Queensland Reconstruction Authority's activation of disaster relief assistance for communities in South East Queensland impacted by the event.

Figure 1: Average duration of minutes of outages, major event day and other exclusions (January 2014 to January 2024)



Source: Energex's Category Analysis RIN, Rosetta Analytics

Energex is seeking approval from the AER to recover $28.54 million ($2023-24) in incremental costs (capital and operating expenditure) that was not allowed for in Energex's distribution determination for the 2020-25 regulatory control period. Energex is proposing a positive cost pass through amount of $11.13 million ($nominal, smoothed) to be recovered in 2025-26, the first year of its next regulatory control period. This cost pass through application addresses specific matters, including:

- The December 2023 to January 2024 severe weather meets the requirements to qualify as a natural disaster pass through event, approved by the AER as a nominated pass through event in Energex's 2020-2025 distribution determination
- The costs incurred as a result of the December 2023 to January 2024 severe weather event satisfy the one per cent materiality threshold in the National Electricity Rules (NER), and the pass through event is considered a positive change event[1]
- This application addresses each of the relevant requirements outlined in clause 6.6.1(c) of the NER, and
- This application is submitted prior to 29 November 2024, being the date of the extension granted by the AER on 1 October 2024 in accordance with clause 6.6.1(k) of the NER.

The incremental expenditure had a material impact on the cost of providing direct control services in Energex's distribution area. Accordingly, Energex seeks to recover the positive cost pass through amount in accordance with the provisions of the NER.[2]

Energex's positive cost pass through amount consists of actual costs that were incurred within the current regulatory control period solely as a consequence of the severe weather event. The materiality threshold of $12.74 million ($nominal, smoothed) to constitute a positive change event has been met and this application demonstrates the costs incurred by Energex as a direct result of the severe weather event in South East Queensland were prudent and efficient.

We estimate the cost pass through amount will add approximately $3.93 and $10.60 to an average residential customer's and an average small business customer's network charges respectively.

[1] NER Chapter 10, definition of "materiality".

[2] See clause 6.6.1.

1 INTRODUCTION

During the period 24 December 2023 to 3 January 2024, South East Queensland experienced unprecedented severe weather which produced rolling storms, dangerous winds, large hail, intense rainfall and a tornado in the Gold Coast and Scenic Rim areas.[3] This severe weather event resulted in extensive damage throughout the region, comparable to that typically witnessed following a severe tropical cyclone event. Energex's electricity distribution network was significantly impacted, and Energex's response and recovery efforts resulted in substantial expenditure beyond that allowed for in its 2020-2025 distribution determination.

Some examples of the damage to Energex's distribution network as a result of the severe weather event are shown in Figures 2 and 3 below.

Figure 2: A fallen cross-arm in Beechmont

[3] The Queensland Government activated Disaster Recovery Funding Arrangements for communities within South East Queensland affected by a series of severe storms, dangerous winds and intense rainfall from the 24 December 2023 to 3 January 2024.

Figure 3: A concrete pole in Energex's distribution area snapped due to the force of the storms

The December 2023 to January 2024 severe weather event had substantial effects on the Energex network, including:

- Widespread destruction of network assets, including over 500 broken cross-arms, more than 1,000 fallen powerlines, and over 90 power poles requiring replacement
- The complete destruction of sections of the electricity distribution network, which subsequently required redesign and rebuild, and
- Interruption of supply to approximately 135,000 customers (at its peak) throughout South East Queensland.

There were also significant access issues, limiting the safe repair and restoration works, with many roads and highways throughout the region inaccessible due to landslides and continuing storm events creating unsafe work conditions for crews.

This application is made pursuant to clause 6.6.1(a) of the NER and seeks to pass through the incremental costs associated with the December 2023 to January 2024 severe weather event, which Energex submits qualifies as a positive change event. This event has materially increased the cost to Energex of providing direct control services, with the associated total incremental cost

being $28.539 million, comprising operational and capital expenditure of $9.931 million and $18.608 million respectively.

The remainder of this pass through application is structured as follows:

- Section 2 provides an overview of the December 2023 to January 2024 severe weather event, including the key events that had a direct adverse effect on Energex's network
- Section 3 summarises the relevant provisions of the NER, the legislative basis for the application and demonstrates how the December 2023 to January 2024 severe weather event meets the cost pass through provisions
- Section 4 provides an overview of Energex's governance arrangements for its planning and management of emergency situations
- Section 5 outlines the key elements of Energex's response to the December 2023 to January 2024 severe weather event
- Section 6 provides details of the incremental costs associated with the response to the December 2023 to January 2024 severe weather event, and
- Section 7 provides details of the eligible and proposed cost pass through amount.

Further included, are the following supporting documents:

- Attachment 1 - Energy Queensland's Natural Hazards Strategy 2023-24
- Attachment 2a - Emergency Management Plan Distribution Network 2023 (public version)
- Attachment 2b - Emergency Management Plan Distribution Network 2023 (confidential version)
- Attachment 3 - Use of polygons to identify affected areas and assets
- Attachment 4 - Build-up of Costs
- Attachment 5a – 2020-2025 Energex Cost Pass Through Post Tax Revenue Model
- Attachment 5b – 2025-2030 Energex Cost Pass Through Post Tax Revenue Model
- Attachment 6 - Energex Severe Storms SEQ Weather Event Compliance Checklist 2024
- Attachment 7 - Energex Cost Pass Through Confidentiality Claim October 2024.

2 DECEMBER 2023 TO JANUARY 2024 SEVERE WEATHER EVENT IN SOUTH EAST QUEENSLAND

On 24 December 2023, polar air drifted across the eastern seaboard in already high temperatures, and created a volatile atmosphere and ultimately produced the first in a series of severe thunderstorms in South East Queensland. On 25 December 2023, the Bureau of Meteorology issued several severe thunderstorm warnings for areas across South East Queensland, including for 'very dangerous thunderstorms' in the Gold Coast and Scenic Rim areas. Storms throughout the region brought heavy rainfall, large hail and destructive winds and caused significant damage to communities and infrastructure. On the evening of 25 December 2023, a tornado formed as part of the devastating storms, directly impacting the Gold Coast and Scenic Rim with wind speeds of up to 150km per hour and leaving a trail of overwhelming destruction.

On 26 December 2023, the Bureau of Meteorology again issued severe thunderstorm warnings, this time for areas extending from Mackay all the way to the New South Wales border. These included several warnings of 'very dangerous thunderstorms' with destructive winds and giant hailstones. Rolling storms continued over the holiday period, causing further destruction and hampering the efforts of Energex field crew to repair damage and restore power to its customers. In total, more than 130,000 customers lost power during the event. More than 3,200 structures - including public infrastructure like roads and bridges - were damaged by the storms. On Tamborine Mountain, the distribution network sustained significant destruction, such that sections of the network required a complete rebuild.

As a direct result of this severe weather event, Energex sustained the following damage to its network:

- Over 1,000 fallen powerlines
- 100,000 metres of cable/conductor required replacement
- 90 damaged poles
- 500 broken cross arms, and
- 42 damaged Transformers.

In response, Energex field crews and operational teams were mobilised and worked around the clock to repair network damage and restore electricity supply to customers, where it was safe to do so. Crews faced difficult working conditions including extreme heat, continuing storms, challenging terrain, and limited road access (due to fallen trees, infrastructure damage and/flooding). Field crews and other staff from Ergon Energy Corporation Limited (Ergon Energy), excluding those from areas impacted by severe weather events in North Queensland, were also mobilised to assist with recovery efforts. Approved overhead line construction contract resources were also engaged to

support this process. Figure 4 provides an example of crews responding to and working to repair damage to the network.

Figure 4: Energex crews working to repair damage to the network in Tamborine Mountain.

Although extreme storms have occurred in South East Queensland before, this event presented conditions not routinely encountered during typical summer storm events. Energex crews likened the extensive damage sustained because of this severe weather event to that which is characteristically seen during, and following, a tropical cyclone event. The intensity of the storms snapped concrete power poles, something never before witnessed in Energex's distribution area. As expected, the impacts to property and the electricity network were extensive.

3 LEGISLATIVE AND REGULATORY PROVISIONS

3.1 Legislative framework

Energex is a distribution authority holder under the Queensland *Electricity Act 1994*, and is responsible for the safe and reliable supply of electricity to customers within its distribution area in

South East Queensland. As shown in Figure 5 below, Energex's distribution area runs from the New South Wales border north to Gympie and west to the base of the Great Dividing Range, and includes the major urban areas of Brisbane, Gold Coast, Sunshine Coast, Logan, Ipswich, Redlands and Moreton Bay, and the rural and semi-rural areas of Lockyer Valley, Scenic Rim and Somerset.

Figure 5*: Energex Area of Supply*

Energex is required by law to provide connection services.[4] However, this obligation does not apply in certain circumstances:

- In an emergency (or to prevent an emergency happening)
- Where the connection, reconnection or supply to the premises would breach technical requirements, or
- Where the connection, reconnection or supply to the premises would unreasonably interfere with the connection, reconnection, or supply of electricity to the premises of another customer.

Energex's obligations in terms of its management of the distribution network, performance requirements and the services provided to retailers are contained in a number of legislative instruments, including:

- *Electricity Act 1994* (Qld)
- *Electrical Safety Act 2002* (Qld)
- National Electricity Law and NER
- National Energy Retail Law and National Energy Retail Rules, and
- Queensland Electricity Distribution Network Code (EDNC).

The Standard Connection Contract (SCC), a deemed contract between the electricity distributor and customer for ongoing supply regarding the delivery of electricity, defines the terms under which a premises is connected to the electricity distribution network. For example, in accordance with clause 13.1 of the SCC, Energex may disconnect a customer under the following circumstances:

- There is an emergency or for health and safety reasons, or
- It is required to do so at the direction of a relevant authority, or
- It is otherwise permitted by the energy laws to disconnect the premises.

[4] Section 66 National Energy Retail Law (Queensland).

All customer connection services provided by Energex are performed in accordance with electrical safety legislation and applicable industry standards.

All actions taken by Energex during the December 2023 to January 2024 sever weather event were undertaken in accordance with electricity legislative provisions.

3.2 Regulatory framework

The AER is responsible for setting the maximum revenue that Energex can recover from consumers for the use of its electricity distribution network in South East Queensland. Every five years, the AER assesses Energex's proposed expenditure forecasts to determine whether they reflect prudent and efficient spending.

The AER employs a "building block" approach to setting Energex's revenue allowance which is intended to provide enough revenue to cover its capital, operating, finance and other costs. In June 2020, the AER set Energex's revenue for the five-year regulatory control period from 1 July 2020 to 30 June 2025.

3.3 NER cost pass through provisions

Clause 6.6.1(a1) specifies that a pass through event may include any one of the following defined events:

- A regulatory change event
- A service standard event
- A tax change event
- A retailer insolvency event, or
- Any other event specified in a distribution determination as a pass through event for the determination.

Clause 6.6.1(c) of the NER sets out the mechanism for a distribution network service provider (DNSP) to seek the approval from the AER to pass through to Distribution Network Users materially higher costs in providing direct control services incurred as a result of a positive pass through event, where those costs would not have been incurred but for that event.

The AER approved the following nominated pass through events in Energex's 2020-2025 distribution determination:

- Natural disaster event
- Terrorism event

- Insurance coverage event, and
- Insurer credit risk event.[5]

In its final decision, the AER defined "natural disaster" to mean:

> "any natural disaster including but not limited to cyclone, fire, flood or earthquake that occurs during the 2020–25 regulatory control period that increases the costs to Energex in providing direct control services, provided the fire, flood or other event was:
>
> - a consequence of an act or omission that was necessary for the service provider to comply with a regulatory obligation or requirement or with an applicable regulatory instrument, or
> - not a consequence of any other act or omission of the service provider.
>
> *Note: In assessing a natural disaster event pass through application, the AER will have regard to, amongst other things:*
>
> - whether Energex has insurance against the event, and
> - the level of insurance that an efficient and prudent NSP would obtain in respect of the event."[6]

3.3.1 December 2023 to January 2024 Severe Weather Event is a natural disaster pass through event

The severe weather event experienced throughout South East Queensland between 24 December 2023 and 3 January 2024, which resulted in catastrophic damage throughout the region, was an uncontrollable and unexpected natural disaster event, the occurrence of which could not have been prevented or mitigated by Energex. The Queensland Government activated the Disaster Recovery Funding Arrangements (DRFA) in South East Queensland from 24 December 2023 to 3 January 2024 for communities within South Queensland affected by a series of severe storms, dangerous winds and intense rainfall. Energex refers to 24 December 2023 as the commencement date of the event, being the date the DRFA was activated.

[5] AER Final Decision, *Energex Distribution Determination 2020-25*, Attachment 14 - Pass through events, June 2020, p. 14-4.

[6] Ibid., p. 14-6.

Energex submits that the severe weather event in South East Queensland over the December 2023 to January 2024 period, meets the conditions of a pass through event, being a natural disaster nominated pass through event as defined in Energex's 2020-2025 distribution determination.

3.3.2 Positive Change Events

Clause 6.6.1(a) of the NER provides that if a positive change event occurs, a DNSP may seek approval from the AER to pass through to Distribution Network Users a positive pass through amount.

A "*positive change event*" for a DNSP is defined as:

"(a) a pass through event, other than a retailer insolvency event, which entails the Distribution Network Service Provider incurring materially higher costs in providing direct control services than it would have incurred but for that event, but does not include a contingent project or an associated trigger event; or

(b) a retailer insolvency event",

where "*materially*" is defined as:

"For the purposes of the application of clause 6.6.1, an event results in a Distribution Network Service Provider incurring materially higher or materially lower costs if the change in costs (as opposed to the revenue impact) that the Distribution Network Service Provider has incurred and is likely to incur in any regulatory year of a regulatory control period, as a result of that event, exceeds 1% of the annual revenue requirement for the Distribution Network Service Provider for that regulatory year."

In assessing a cost pass through application for a positive change event, the AER is to take account of the matters listed in clause 6.6.1(j)(1)-(8) of the NER. These include:

- The increase in costs in the provision of direct control services that Energex has incurred and is likely to incur until the end of the regulatory control period in which the positive change event occurred, or the end of the regulatory control period following that in which the positive change event occurred

- The efficiency of Energex's decisions and actions in relation to the risk of the event occurring, including whether it has failed to take any action that could reasonably have reduced the magnitude of the pass through amount or has taken or omitted to take any action where such action or omission has increased the magnitude of the amount

- The time cost of money based on the allowed rate of return for Energex for the regulatory control period in which the event occurred

- The need to ensure that Energex only recovers any actual or likely increment in costs to the extent that such an increment is solely attributable to a pass through event, and
- Whether the costs of the pass through event have already been factored into the calculation of Energex's annual revenue requirement for the regulatory control period in which the pass through event occurred or will be factored into the annual revenue requirements for a subsequent regulatory control period.

3.3.2.1 December 2023 to January 2024 Severe Weather Event is a positive change event

For a pass through event to be considered a positive change event for which a DNSP can apply to the AER to pass through the associated incremental costs to consumers, the event must result in the DNSP incurring materially higher costs in providing direct control services than it would have incurred but for that event. That is, for the December 2023 to January 2024 severe weather event to be considered a positive change event, Energex must have incurred, or be likely to incur, a change in costs (as opposed to the revenue impact) in any regulatory year of a regulatory control period, as a result of the event, that exceeds one percent of Energex's annual revenue requirement for that regulatory year.

Under the NER, *annual revenue requirement* is defined as:

> "An amount representing revenue for a *Distribution Network Service Provider*, for each *regulatory year* of a *regulatory control period*, calculated in accordance with Part C of Chapter 6".[7]

Due to the unpredictable nature of this event and the scale of damage to Energex's network, particularly in the Gold Coast and Scenic Rim areas, the network costs brought about by this event could not reasonably have been factored into the approved capital and operating expenditure forecasts included in Energex's 2020-2025 distribution determination. As outlined in detail later in this application, the incremental costs associated with Energex's response to the December 2023 to January 2024 severe weather event of $28.54 million ($2023-24) are material and exceed the one per cent ($12.74 million) materiality threshold of Energex's smoothed revenue allowance in 2023-24.

Therefore, Energex submits that the severe weather event in South East Queensland during December 2023 to January 2024 period, meets the conditions to be classified as a positive change

[7] NER Chapter 10.

event, meeting the one per cent materiality threshold through the event for the purposes of the NER.

3.4 Insurance arrangements

Energy Queensland has a range of insurance policies designed to mitigate risk for the Energy Queensland Group. However, we do not hold insurance coverage for damage to the "poles and wires" network caused by a natural disaster event. The cost of transferring this risk to another party via payment of a premium outweighs the benefits of eliminating or substantially mitigating against the cost impact of natural disasters.

Standard practice requires regular reviews of our insurance coverage where policies such as "weather derivative coverage" (i.e. a financial instrument used by companies or individuals to hedge against the risk of weather-related losses when certain pre-determined conditions are met) or "captives" have been assessed to be not economically viable due to:

- Insurance market pressures resulting in cost prohibitive premiums
- Premium cost increases once a claim is made and insurance arrangements are renegotiated, along with further exclusions making future claims more onerous to pursue, and
- Substantial initial set up costs for "captives".

The insurance market appetite to offer coverage for "poles and wires" assets is challenging, with most concern focused on catastrophic weather events such as flood, cyclone and storm, which could potentially result in large insurance losses for these types of assets. As a result, underwriters look to price the coverage accordingly, and are likely to impose limitations on the coverage and large deductibles.

In past years, Energy Queensland has worked with its insurer to complete a detailed risk assessment process addressing "poles and wires" assets. This review included natural catastrophe loss modelling, risk profiling, maximum foreseeable loss scenarios, impact on business assessment, regulatory factors, development of go-to-market strategies, insurer presentations (in Australia, London and Singapore), consideration of alternative risk transfer options (e.g. parametric solutions, use of captive structures) and market indications for a range of risk transfer solutions. After following this process, Energy Queensland made the decision not to insure "poles and wires" assets given the premium cost impact is not economically feasible.

4 GOVERNANCE ARRANGEMENTS

Each year Energex, as part of the Energy Queensland group, undertakes thorough preparation and planning activities to ensure it is prepared for the potential impact of the various natural hazards that can occur in South East Queensland. Energex needs to ensure its network is resilient,

able to withstand the impact of natural hazards and that its response capability is efficient and effective.

As part of its business-as-usual activities, Energex maintains several preparedness plans, policies and procedures to ensure it can respond effectively to significant weather and emergency events. The importance of these measures is reinforced through legislative and regulatory obligations, corporate governance arrangements, internal policies, and procedures (for example, work practice documents) and staff training. In some cases, these measures are made publicly available, thereby providing confidence that Energex is appropriately prepared.

Energex's approach is structured hierarchically under Energy Queensland's Organisational Resilience Strategy, which features a Natural Hazards Strategy, and supporting response documents to be used when planning for and responding to natural hazards and other emergencies. An Emergency and Business Disruption Framework is used to assist the organisation in the management of crisis, emergency, and business continuity events. This framework is comprised of a suite of documents designed to guide Energex in its prevention, preparedness, response, and recovery for emergencies, including natural hazard events.

The Emergency and Business Disruption Framework is modelled on the Queensland Government's Emergency Risk Management Framework and the principles of the Australasian Interservice Incident Management System to align with emergency services and other response agencies and organisations. Energex also maintains representation on the following groups and committees to ensure appropriate collaboration and interagency information sharing with emergency services. These groups and committees are convened throughout the year (both during and outside emergency events):

- Queensland Disaster Management Committee
- State Disaster Co-ordination Group
- District Disaster Management Groups
- Local Disaster Management Groups
- State Bushfire Committee, and
- Regional Bushfire Committee.

4.1 Natural Hazards Strategy

The Natural Hazards Strategy (Attachment 1) details our planning and preparation activities critical to providing South East Queensland with a reliable network where disruptions are minimised during natural hazard events. When disruptions do occur, we ensure that we respond as quickly as possible to restore supply safely. This Strategy provides a summary of natural hazards,

including; severe storms, tropical cyclones, bushfires, heatwaves, tsunamis, floods, earthquakes, landslides, pandemics and space weather.[8]

Acknowledging the changing climate, an expanded view of natural hazards and the additional preparation, planning and response now required outside the typical summer period, the Natural Hazards Strategy includes Energex's Summer Preparedness Overview for the 2023-24 season.

To minimise the impacts of exposure to the elements and severe weather events on its network operations and customers, Energex regularly undertakes critical maintenance activities including various asset maintenance and inspection, vegetation management and asset improvement initiatives, capital investment programs, and preparedness training. An annual cycle of dedicated activities commences in May and continues throughout the year to prepare for the start of the bushfire season (typically from August) and the summer storm period (from October). These activities include planning and documentation updates, training in the Emergency and Business Disruption Framework, familiarisation of emergency management plans, emergency response exercises, emergency response refresher training for all field personnel and online training to all employees involved in emergency management.

Several memoranda of understanding (MoUs) are maintained with other DNSPs and supporting bodies to assist with our ability to prepare, plan for and respond to emergency events. As part of the annual preparation, a review of these MoUs is conducted. Arrangements are also in place for assistance from approved contractors and suppliers.

The Natural Hazards Strategy sets out the governance framework which features the following elements:

- **Reporting**

  A Summer Preparedness Working Group operates to ensure our business divisions have conducted preparations throughout the year and in the lead up to the summer storm season. In addition, there are hazard specific committees and technical advisory groups covering bushfire, flood, heatwave, space weather and pandemic hazards. This assures a safe and robust network, sound emergency response procedures and safety awareness of employees and the broader community.

[8] Refer to Energy Queensland Natural Hazards Strategy, Inc. Summer Preparedness Overview for 2023/24, pg 10 for detailed descriptions of each of these hazards.

- **Roles and Responsibilities**

  A dedicated organisational structure has been developed for oversight and emergency management teams. Charters and role statement handbooks outline each role and the associated responsibilities required for an emergency response.

- **Processes**

  Detailed guidelines, processes and checklists have been developed to assist roles during events.

- **Reviews and Updates**

  The Natural Hazard Strategy and Summer Preparedness Overview are reviewed annually to ensure currency and application of learnings from previous events and to identify improvement opportunities.

- **Continuous Improvement**

  Regular assurance checks are conducted of the framework, procedures, processes and work practices to ensure we maintain a current and effective emergency management framework to safely support the community. Hazard-specific reviews are conducted to identify the risk and exposure to business continuity, its functions and assets and the potential effect on customers and the community. Following the activation of escalated emergency response functions, debriefs are undertaken to identify both success and improvement opportunities for application in future events.

The Natural Hazards Strategy also sets out Energex's Resilience Approach (Planning, Preparation, Response and Recovery) which includes the following key components:

- **Risk Management**

  Natural hazard risks are managed in accordance with Energy Queensland's Risk Management Policy and Framework. The Risk Management process aligns with the internationally recognised Standard AS/NZ ISO 31000:2018 Risk Management – Principles and Guidelines. Management of risk is critical to effective asset management and is integral to the ISO 55000 Asset Management suite of Standards. Inherent and emerging risks as a result of operations, are therefore regularly reviewed.

- **Preparation**

  The specific activities undertaken to prepare the network and improve resilience against natural hazards include appropriate design and location of assets, inspection and maintenance programs, network capacity and security improvement programs, safety net requirements, plant emergency rating information, strategic spare components, peak load

monitoring, temporary load support, and demand management and inspection programs. Natural Hazard profiles detailing the potential impacts and protocols of specific natural hazards, including tropical cyclones, describe the major elements of our preparation for these events.

- **Contingency**

  Network contingency plans detail the load transfer and load management options available to restore supply following a single contingency event affecting bulk supply substations, zone substations and sub-transmission feeders. Each year, the entire network is reviewed to ensure that all substations and feeders can supply forecast peak load under system normal conditions. A process has been implemented to monitor loads during the summer peak period so that as hot weather develops, emerging "hot spots" where demand growth may have exceeded the previous annual forecasts are identified. In these cases, corrective action to avoid an overload is taken well before a capacity constraint occurs.

- **Response**

  A standard fault response and emergency escalation framework is employed to respond to incidents. An initial assessment of potential damage determines whether the response is managed using local operational arrangements (Level 1) or escalated to a Level 2 or Level 3 Emergency Management structure. The response is managed within a tiered escalation process that increases resource capabilities and coordination, drawing across regions as required to meet the response requirements in the impacted area.

  The main priority immediately following the impact of an event is the safety of employees and the community, identifying the number of customers affected, the extent of damage, and types of customers impacted and the availability of response teams. Making the network safe for staff and the public occurs before restoration activities commence. We then respond as quickly as possible to restore supply safely, with the priority for restoration focused on emergency services, critical infrastructure and community assets.

- **Recovery**

  Recovery is the coordinated process to permanently restore operational capability, the network infrastructure and/or electricity supply to the community. Energex plays a key role in immediate recovery activities, as well as working with government agencies on infrastructure resilience, business continuity, reliability and community and customer support.

Also attached, for the AER's information, is Energex's (and Ergon Energy's) Emergency Management Plan – Distribution Network (Attachment 2a (public version) and 2b (confidential version)).

5 RESPONSE TO DECEMBER 2023 TO JANUARY 2024 SEVERE WEATHER EVENT

5.1 Operational Response

Energex was committed to safely restoring supply of electricity to its customers impacted by the December 2023 to January 2024 severe storm events as soon as it was safe to do so. There were widespread impacts to communities across the region, and significant damage to properties, infrastructure and network assets. The severity and continuing nature of the event created significant access issues (due to flooding, fallen trees and damaged roads) making it difficult for crews to assess network damage and therefore, delayed restoration efforts. Furthermore, lighting strikes and destructive winds were a significant hazard and impacted restoration efforts, as it is not safe for crews to work in these conditions.

More than 650 field crew, including additional staff from Ergon Energy, Powerlink, and approved line construction contract resources, responded to the event with many crew members cancelling annual leave to assist with restoration efforts. Energex Contact Centre and Network Control Centre staff were also bolstered, and support personnel worked tirelessly behind the scenes to ensure crews were adequately resourced and supported throughout the event. In the hardest hit areas of Tamborine Mountain and Jimboomba, dedicated community engagement teams worked with residents and business owners providing support and attending community meetings to provide updates on restoration activities. Figures 6 and 7 show field crews and support personnel assembling to support recovery efforts.

Figure 6: Morning briefing for field crews at Tamborine Depot

Figure 7: Field crews assembling in Southport

The teams from across Queensland faced incredibly challenging working conditions including extreme heat and continuing storms. Nonetheless, based on initial damage assessments and known network impacts, Energex targeted a supply restoration date of 31 December 2023, where it was safe to do so.

5.2 Communications and safety messaging

Community safety was a key focus of both proactive and reactive public communication activity during the South East Queensland storm event of December 2023 to January 2024. Messages via traditional news media (television, radio, print and online) as well as social media included network impact and restoration updates as well as key safety messages regarding general severe weather safety, fallen powerlines, solar photovoltaic safety, generator safety and reconnecting power.

During the event there were:

- Approximately 700 media enquiries managed, including many live to air interviews, which produced more than 2,300 media mentions (online, print, radio, and television), with a total audience of about 60 million people
- Social media posts which reached more than 20 million people across Facebook and X (formerly Twitter), with an overall positive sentiment of 71.5 per cent

- More than 9 million visits to Energex's online Outage Finder providing live network restoration updates
- Over 100,000 calls to our customer contact centre loss of supply line, with an interactive voice response satisfaction rate of 79.8 per cent, and
- Over 21,000 calls answered by contact centre operators with an average speed of answer of 139 seconds.

Energex also provided regular updates to external stakeholders (including relevant Government Departments and the State Disaster Coordination Centre) on the response, key safety messages, and network restoration efforts. In total, 15 situation reports were provided to the State Disaster Coordination Centre and all response agencies and departments. In addition, representatives liaised with each relevant local disaster management group to provide updates on the network impact and restoration and provide assistance to the coordinated local disaster response effort.

Energex fielded many requests from response agencies and departments for information during the event to assist with the response and recovery effort, particularly around network outage and restoration information for prioritised critical infrastructure such as schools, water pumping stations, aged care nursing homes, emergency services facilities and telecommunication sites. Energex also supplied data to assist the facilitation of government assistance payments.

5.3 Restoration of supply

Following initial network damage assessments, Energex followed a network restoration hierarchy response, commencing with make safe, and then prioritising supply restoration for core network assets and critical community infrastructure, such as hospitals, aged care facilities, evacuation centres, police, ambulance and fire brigade services, water treatment, and pumping stations. The next priority was to restore power to the largest number of customers as quickly as possible, typically by way of repairing distribution powerlines which connect individual locations, such as powerlines in local streets. Following this, repairs were made to distribution transformers and service wires to residential homes and businesses.

On 28 December 2023, based on the damage assessments of known network impacts, Energex set a target to restore supply to 80 per cent of impacted customers by 30 December 2023 and have 90% of the network restored by 31 December 2023. Estimated restoration times for impacted customers were made available and regularly updated on Energex's online Outage Finder tool. The availability of the Outage Finder tool was advertised across all communication channels as a means for customers to self-serve and stay updated on restoration progress.

Over subsequent days, helicopter assessments of the hardest hit areas of the network showed extensive damage beyond what had initially been identified. Energex subsequently predicted full network supply restoration to customers in the Tamborine Mountain and Jimboomba areas by 5 January 2024. Where it was physically and technically feasible, mobile generation was used to

support these customers while work continued on the network. 23 MVA of mobile generation was used to provide supply to customers throughout the event. Figure 8 provides an example of restoration efforts and field crew response in Jimboomba.

Subsequent severe storms on 2 January 2024 produced unsafe working conditions and further delayed restoration efforts. However, by 7 January 2024 Energex and Ergon Energy field crews had restored or made supply available for all customers via mains supply or generation, where safe to do so.

Figure 8: Restoration efforts in Jimboomba

6 INCREMENTAL COSTS INCURRED

This section outlines the incremental costs to Energex incurred in responding to damage to its network during and following the severe weather event in South East Queensland. It includes immediate response and post event expenditure.

6.1 Use of polygons to identify affected areas and assets

In accordance with the AER's requirement under s 6.6.1 (j)(5), Energex employed the use of spatial and operational analysis to determine the incremental costs incurred because of the severe weather event.

The spatial analysis (see Attachment 3) involved the generation of spatially explicit shapes (or polygons) which represent a geographic location and are composed of vertices which were a set of a series of x and y coordinates or spatial points that encompassed network assets damaged during the severe weather event, resulting in unplanned power outages (Event impacted polygon (EIP)).

The EIP was then compared to the geographic locations of our planned programs of work (operational polygons) for network replacement or refurbishment (capital expenditure). These EIP locations were also compared against our operating expenditure vegetation clearance and planned maintenance activities.

The overlap of EIPs and operational polygons would indicate areas for further investigation to determine if assets located within the overlap area had been previously identified for planned replacement or refurbishment works or were due for planned inspection or maintenance in the period immediately following the South East Queensland severe weather event.

If either planned operational activity was associated with assets in these locations, this may have indicated that Energex might expect a reduction in planned expenditure for the same period and therefore, this would be reflected in our forward program of works activity and costings.

The results of the spatial polygon analysis confirmed that there was no overlap of unplanned emergency works performed in areas where planned replacement works were scheduled. Similarly, the emergency vegetation clearance following the severe weather event was not in Energex's forward maintenance plans. Therefore, all the restoration costs incurred were entirely incremental costs.

The timeframe applied to event restoration efforts was a 30-day period which commenced from the date when storm damage, or power outages, was initially reported and recorded in Energex's Outage Management System or Damage Assessment Tool.

Energex has implemented systems to retain records of these spatial information assets to provide a reference for future storm-related damage assessments. This data can be used to optimise future planned operational efforts and contribute towards enhancing grid resilience.

6.2 Material change in the costs of providing direct control services

Energex's response to the severe weather event resulted in additional capital and operating costs (total incremental expenditure or totex) of $28.54 million ($2023-24). Tables 6.1 to 6.3 below break down the incremental costs by financial year and element (e.g.: Labour, Overtime, Contractors) and excludes those expenses that were funded in Energex's 2020-2025 distribution determination.

Table 6.1 Incremental operating expenditure by element

$ million	2023-24
Labour - Ordinary Time Opex	2.018
Labour Overtime	3.053
Contractors	2.908
Other Operating Costs	1.313
GSL's	0.638
Sub-Total	**9.931**

Table 6.2 Incremental capital expenditure by element

$ million	2023-24
Labour - Ordinary Time Capex	4.130
Labour Overtime	5.929
Materials	1.998
Material Oncost	0.335
Contractors	5.341
Other Costs	0.875
Sub-Total	**18.608**

Table 6.3 Total Incremental expenditure (Incremental totex)

$ million	2023-24
Incremental operating costs	9.931
Incremental capex costs	18.608
TOTAL INCREMENTAL SPEND	**28.539**

The nature of the response included both operating expenditure ($9.931 million), and capital expenditure ($18.608 million) with the classification determined in accordance with appropriate accounting standards and our agreed cost allocation method.

Table 6.4 below summarises the incremental expenditure by the three major activities of expenditure.

Table 6.4 Incremental costs by activity

$ million	2023-24
Emergency (replacement) capital works	18.608
Emergency corrective works (opex)	9.931
Other operating costs (GSL)	0.638
Total	**28.539**

As shown in Table 6.5 below, this amount meets the calculated pass through trigger of $12.74 million (nominal, smoothed). Total costs, incremental and non-incremental, are $46.8 million (inclusive of GSL's) in 2023-24 dollars.

Table 6.5 Materiality assessment of the Severe Weather Event

$ million (nominal, smoothed)	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Incremental operating expenditure	0.00	0.00	0.00	9.931	0.00	9.931
Incremental capital expenditure	0.00	0.00	0.00	18.608	0.00	18.608
Total incremental expenditure	0.00	0.00	0.00	**28.539**	0.00	**28.539**
AER approved unsmoothed revenue per 2023/24 RoD updated PTRM	0.00	0.00	0.00	**1273.96**	0.00	**1273.96**
Materiality	0.00	0.00	0.00	2.2%	0.00	2.2%

6.3 Network Repair and Restoration Services

In response to the December 2023 to January 2024 severe weather event, Energex incurred $9.931 million in additional operating costs relating to the provision of network repair and restoration services. These operating costs are again summarised in Table 6.6 below according to the nature of the response.

Table 6.6: Eligible pass through amount Opex Emergency Response (Corrective)

$ million	2023-24
Planning and Intelligence Response	1.622
Communication and Stakeholder Response	0.118
Logistics Response	0.964
Safety Response	0.090
Operations Response	6.499
Sub-total	**9.293**
Other Operating Costs GSL	**0.638**
TOTAL	**9.931**

The response is dominated by operations response which includes coordination of various field teams, damage assessment and repairs and network operations.

Planning and Intelligence Response activities includes the cost of employees from:

- Restoration Planning (Restoration Planners and Network Operations, Customer Market Operations and Asset Management lead personnel)
- Labour Resource Planning (Resource, External entities, Contractor and Aircraft coordinators)
- Information and Data (Damage Assessment Coordinators and Packagers and Data Coordinators), and
- Finance.

These costs are confined to additional overtime effort required during response efforts to the severe weather event, and incremental operating expenses.

Communications and Stakeholder Response activities includes the cost of employees from:

- Liaison (State Disaster Coordination, District Disaster Management, Local Disaster Management and Government Liaison representatives)
- Reporting (Internal, External and Board Reporting), and
- Community Media (Media and Social Media representatives, Visitor Management and Community Engagement Coordinator).

These costs are confined to additional overtime effort required during response efforts related to the severe weather event, and incremental operating expenses.

Logistics Response includes the cost of employees from:

- Fleet (Fleet supervisors and representatives)
- Stores (Stores field supervisors and representatives)
- Mobilisation (Travel and Accommodation team, Catering Supervisor and Staging Managers), and
- Administration, Infrastructure and Security (Property and Security Coordinators, Digital Support and Field Force Automation representatives).

These costs are mostly confined to additional overtime effort required during response efforts related to the severe weather event, and incremental operating expenses.

Safety Response includes the cost of employees from:

- Health, Safety and Environment (Field Safety and Environmental representatives, nurses and fatigue advisors),
- Pastoral Care and Welfare (Human Resources representatives and mental health advocates), and
- Investigation (Regulatory Reporting officer and Incident Investigators).

These costs are confined to additional overtime effort required during response efforts related to the severe weather event and incremental operating expenses.

The tables below highlight response expenditure by element and frontline and support response.

Table 6.7 Operating Emergency Response Expenditure

$ million	2023-24
Labour - Ordinary Time Opex	2.018
Labour Overtime	3.053
Contractors	2.908
Other Operating Costs	1.313
GSL's	0.638
Sub-Total	**9.931**

Table 6.8 Operating Emergency Response Expenditure by frontline and support response

$ million	Ord Labour	Overtime	Materials	Contractor	Other	Total
Front Line Response	2.018	2.359	0.048	1.487	0.587	6.499
Support Services		0.694	0.012	1.419	0.669	2.794
Sub-total	**2.018**	**3.053**	**0.060**	**2.906**	**1.256**	**9.293**
GSLS					0.638	**0.638**
Total						**9.931**

6.4 Expenditure by Element

Expenditure by element is as follows:

- **Labour**

  Energex's response to the severe storm event in December 2023 was labour intensive, not only requiring the assignment of internal labour field resources to the storm affected areas but also Ergon Energy and contract labour. The use of internal labour resources was managed in compliance with Energex's safety and fatigue management policies.

Labour incurred during the storm event was costed based on Energex's standard labour costing processes. The rates vary between the type of resource deployed by Energex or Ergon Energy and, while the rates are standard across the distribution business, they vary according to the ten labour resource types. The rate is designed to be inclusive of allowance and labour on-cost.

- **Contractors**

  As a Government Owned Corporation, Energex must comply with the strategies and objectives of the Queensland State Purchasing Policy. This Policy requires Energex to adopt a strategic and considered approach to procurement management to achieve value for money and ensure probity and accountability for its procurement outcomes.

  Energex manages a significant proportion of its contractor engagement through formal procurement arrangements. Under these arrangements Energex engages in market-based tendering and assessment of contractors to establish long-term, flexible and lowest supply chain cost contracts. Due to the time-critical and safety-focused nature of Energex's emergency response, the remaining contractor expenditure was incurred on an "as needed" basis, with invoices reviewed for reasonableness prior to payment.

  Typical contractor spends deployed for the event included aerial surveillance, traffic control, security arrangements, earthmoving and vegetation contractors.

- **Materials**

  Materials primarily represent Energex Store's issue of materials used by field resources in repairing and maintaining network assets. Minor purchases of materials not readily available from the Stores were sourced directly from suppliers due to the urgency of requirement. Materials requisitioned included:

  - Generator maintenance parts and consumables required to operate mobile generators during the event response
  - Relays used in the restoration of substations, and
  - Cross-arms and cable used in repairing distribution assets.

6.5 Expenditure by Function

Expenditure by function is as follows:

- **Frontline Response**

  When storms and floods impact Energex's network, appropriately qualified employees are required to address safety risks and restore supply to customers. The response required a

significant deployment of Energex crews and assistance from Ergon Energy and other contractor support.

Typical service response included:

- Network switching operating activities from control centres and appropriate frontline support
- Restringing and repair of fallen conductor (downed powerlines)
- Damage assessment and hazard reductions
- Attendance to high voltage lockouts
- De-energisation of assets due to safety concerns, and
- Clearing vegetation.

These key operating tasks are labour intensive and not of a capital nature.

- **Field Services**

Following the aftermath of the storms, field crews began assessing structural damage, de-energising electricity assets that were a risk to the community and undertaking repairs where appropriate. This activity resulted in a significant amount of labour incurred as overtime. However, it was considered prudent to ensure the safe and timely restoration of electricity supply to customers consistent with community expectations. This event occurred just prior to Christmas and continued after Christmas, and impeded operational responses. Continuing rolling storm activity with wind, rain and lightning, reduced available response time.

During the event response period, inspection activities occurred to assess the extent of the damage and plan specific targeted responses by feeder and area to maximise the effectiveness of and assist in the overall prioritisation of restoration efforts.

Following the storms, significant effort was required to restore electricity supply to customers. This effort included:

- Inspection (including foot, car, and helicopter patrols)
- Clearing of debris and repairs to network where possible - removing vegetation and erecting conductor, and
- Network data validation.

In addition to the extensive internal labour used throughout the storm event, field contract services were contracted to provide the following services:

- Civil construction
- Customer services - connections
- Distribution network overhead and underground services
- Earthmoving and debris removal
- Equipment and stores transport
- Equipment hires
- Generator support
- Helicopter hire
- Property repair and landscaping
- Streetlight maintenance
- Towing and equipment recovery
- Traffic control, and
- Vegetation clearance and disposal.

- **Network Operations and Control**

  Network Operations was responsible for the coordination of Energex's response to the event. The labour costs represent staff involved in coordinating the emergency event room and managing the high-level response, including:

  - Monitoring and operating the network
  - Receiving and prioritising work requests
  - Requesting dispatch of field crews
  - Network switching, and
  - Reporting of outage and other relevant information.

- **Coordination, backup office support and customer engagement**

  Additional coordination, back-office support and customer engagement activities were performed as part of the response to the severe weather event. These support areas included conducting planning and intelligence functions, safety support, logistics and customer and external stakeholder engagement. Only the incremental costs, such as overtime, have been included in this application.

- **Materials Warehouse & Logistics**

  Energex's materials warehouse operated 24 hours a day during the event to ensure materials were provided quickly and efficiently to crews working in the impacted areas.

  Due to the volume of goods being transported and the need for urgent delivery, Energex did not have the manpower or available vehicles to cater for the evolving requirements. As a result, contractors were engaged to provide transport of materials to depots and field crews.

- **Media, Community and Government Liaison**

  Energex Corporate Communications staff provided 24 hours a day access for television, radio and print media to ensure customers, the community and government agencies were constantly informed of safety issues, the impact of the event on Energex's network and ongoing response to restoration.

  Approximately 700 media enquiries were managed throughout the event, including many live to air interviews.

- **Safety and Records Management**

  Overtime was incurred in relation to the testing of safety and live line equipment and updating meter and meter reading records for meters replaced during the event.

6.6 Guaranteed Service Level Payments

Energex is subject to the Electricity Distribution Network Code (EDNC) in Queensland which requires it to make guaranteed service level (GSL) payments to small customers where service levels are not met. The payments relate to, for instance, the duration and frequency of customer outages, wrongful disconnections, the timeliness of connections and reconnections, and notification of planned interruptions.

The EDNC requires the Queensland Competition Authority to review the GSL measures, thresholds and payment amounts that will apply at the beginning of each regulatory control period. The regulatory control periods coincide with the regulatory periods for the distributor's revenue determinations by the AER, with the current period running from 1 July 2020 to 30 June 2025.

The GSL payments that have been included in the incremental costs are for late connections. An ordinary monthly performance average was deducted from what was incurred between the impacted months to calculate an incremental impact.

6.7 Emergency Capital Works

Energex effectively had to rebuild feeders to recover from the severe storms . A summary of these works is below:

Table 6.9 Emergency Incremental Capex 2023-24 dollars ($M)

	2023-24
Labour - Ordinary Time Capex	4.130
Labour Overtime	5.929
Materials	1.998
Material Oncost	0.335
Contractors	5.341
Other Costs	0.875
Sub-Total	**18.608**

Table 6.10 Capital Emergency Response Expenditure by frontline and support response

	Ord Labour	Overtime	Materials	Contractor	Other	Total
Front Line Response	4.130	5.929	1.998	5.341	1.210	18.608
Sub-total	**4.130**	**5.929**	**1.998**	**5.341**	**1.210**	**18.608**

In summary, $18.608 was expended in 2023-24. No additional post event works were deemed necessary.

6.8 Cost Capture Methodology

To ensure the accurate identification and segregation from other program of works, a works request (unique number) and subsidiary parent work orders (also unique numbers linked to the works request) were created within the Energex works system. More detailed work orders are also created linked to these parent work orders. This facilitates accurate cost capture and reporting capabilities for the severe storm event.

The parent works orders allow for the identification of costs by the major type of emergency response activity directed by the anointed Emergency Event Team. The parent work orders are as follows:

1. Operations Response Support

2. Planning and Intelligence Response Support

3. Comms and Stakeholder Response Support

4. Logistics and Response

5. Safety Response Support, and

6. Emergency Manager Response Support

Operations Response Support function is considered the frontline support. The majority of the costs for this event were of a capital nature, involving rebuilding the network in impacted areas. The only incremental costs sourced outside the cost structure were GSL payments. Overhead expenditure (inclusive of fleet allocations) and ordinary time labour of support was deducted from total expenditure to calculate incremental costs.

7 ELIGIBLE AND PROPOSED COST THROUGH AMOUNTS

In the context of the severe weather event, clause 6.6.1(c) of the NER requires Energex to identify:

- The eligible pass through amount in respect of this positive change event, and
- The positive pass through amount Energex proposes to pass through to Distribution Network Users in the 2025-26 regulatory year.

7.1 Eligible pass through amount

The eligible pass through amount is the increase in costs incurred in the provision of direct control services as a result of the positive change event. Although an eligible pass through amount allows for costs that Energex is likely to incur as a result of the event, no future costs have been included in the claim. The eligible pass through amount of $28.54 million ($2023-24) consists of the incremental operating and capital expenditure (as opposed to the revenue impact) incurred in 2023-24, which is the year the positive change event occurred.

Table 7.1 specifies the eligible cost pass through amounts associated with the severe weather event.

Table 7.1: Eligible Pass Through Amount

$ million	2023-24
Emergency replacement Capital Works	18.61
Emergency corrective works opex	9.29
Other Operating Costs (GSL)	0.64
Total	**28.54**

Energex's incremental costs were identified in Section 6 of this application. In determining the eligible pass through amount, only incremental costs attributable were included. The actual costs incurred were extracted from our enterprise resource planning and accounting system.

Attachment 4 provides a build-up of costs incurred to determine the eligible pass through amount.

7.2 Costs included in eligible pass through amount are solely as a consequence of the positive change event

As previously stated, Energex must only seek to recover the incremental costs incurred from the pass through event, being the Severe Weather Event. In Section 6, Energex has described the incremental costs incurred because of the severe weather event, focusing on the additional work undertaken.

In deriving the eligible pass through amount, Energex included only the incremental costs for those activities that were incurred solely as a result of the positive change event. All expenditure incurred by Energex in responding to the severe weather event has been reviewed to ensure that it:

- Can be specifically attributed to Energex's response to the severe weather event in South East Queensland
- Has been conservatively adjusted to remove overlaps between "business as usual" operations funded through Energex's distribution determination and those activities undertaken as a result of the severe weather event, and
- Reflects prudent and efficient expenditure in the context of the significant operational challenges presented by the severe weather event.

Specifically, Energex excluded the following costs from this application, given the difficulties in clearly distinguishing the incremental nature of the costs:

- Corporate overheads
- Ordinary time for support resources, and
- Fleet allocation charges for operating costs and depreciation.

Energex captured expenditures that were in response to the severe weather event in a manner consistent with our accounting framework, creating specific projects and work orders to clearly record and track the costs incurred due to the severe storms. Our accounting structure allowed us to record costs as business-as-usual or storm-specific, and into capital and operating expenditure categories.

7.3 Efficiency of eligible pass through amount

Clause 6.6.1(j)(3) of the NER requires the AER to consider the efficiency of our "decisions and actions" in relation to the risks presented by the severe weather event. This must include "whether we failed to take any action that could have been reasonably taken to reduce the magnitude of the eligible pass through amount".

Energex's preparedness for natural hazards affecting the network and our actions to restore services, as outlined in section 5, after the impact of the storm event ensured an efficient response.

The measures Energex adopts to efficiently manage risk from the potential impact of numerous natural hazards are set out in section 4 "Governance Arrangements". Information about the efficiency and prudence of our approach to insurance is discussed in section 3.4.3.

7.4 Positive pass through amount

Clause 6.6.1(c)(4) of the NER requires us to specify the positive pass through amount that we propose in relation to the positive change event. The positive pass through amount is defined as an amount not exceeding the eligible pass through amount.

Energex proposes a positive pass through amount of $11.13 million ($nominal, smoothed) arising in incremental revenue, to be recovered in 2025-26, the first year of the next regulatory control period. The positive pass through amount does not exceed the eligible pass through amount. Refer to Table 7.2 and Table 7.3 below.

Table 7.2: Positive pass through amount

$ million (nominal, smoothed)	2020-21	2021-22	2022-23	2023-24	2024-25	Total
Return on Capital	0.00	0.00	0.00	0.00	0.87	0.87
Return of Capital (regulatory depreciation)	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenditure	0.00	0.00	0.00	9.46	0.00	9.46
Revenue Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
Net Tax Allowance	0.00	0.00	0.00	0.00	0.00	0.00
Annual Revenue Requirement	0.00	0.00	0.00	9.46	0.87	10.33

Table 7.3: Positive pass through amount

$ million (nominal, smoothed)	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Return on Capital	0.00	0.00	0.00	0.00	0.00	0.00
Return of Capital (regulatory depreciation)	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenditure	0.00	0.00	0.00	0.00	0.00	0.00
Revenue Adjustments	11.13	0.00	0.00	0.00	0.00	11.13
Net Tax Allowance	0.00	0.00	0.00	0.00	0.00	0.00
Annual Revenue Requirement	11.13	0.00	0.00	0.00	0.00	11.13

The proposed positive pass through amount has been calculated as the change in our required revenues for the 2025-26 regulatory year due to the positive change event. That is, our proposed positive pass through amount incorporates the operating expenditure and return on capital and return of capital for the 2020-25 regulatory control period arising from the incremental expenditure from the Severe Weather Event. The Post Tax Revenue Models used to calculate the pass through amount for this application are provided as Attachment 5a and Attachment 5b.

7.5 Pass through amount in each regulatory year

Clause 6.6.1(c)(5) of the NER requires that we specify the amount that we propose to pass through to customers in the year, and each regulatory year after that, in which the positive change event occurred. We propose to recover the positive pass through amount of $11.13 million ($nominal, smoothed) in 2025-26, the first year of the next regulatory control period.

We estimate the cost pass through amount will add approximately $3.93 to the average residential customer's network charges and $10.60 to the average small business customer's annual network charges.