

Determination 26 August to 4 September 2024 storm cost pass through

TasNetworks (Distribution)

October 2025

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Summary of our assessment

During the regulatory control period, TasNetworks (electricity distribution) can apply to pass through to its customers, in the form of higher or lower network charges, costs it incurs as a result of pre-defined exogenous events. These events are called cost pass through events.

On 28 February 2025, TasNetworks submitted a cost pass through application to the AER, seeking to recover costs it incurred as a result of the storm event that occurred in Tasmania from 26 August to 4 September 2024 (August-September 2024 storm). TasNetworks stated that this weather event caused significant damage to overhead power lines, with fallen trees and poles across all regions of Tasmania, leading to widespread power outages. In total, over 1,920 outages affected more than 221,000 customers, many of whom experienced multiple interruptions. Some remote and complex outages took up to 23 days to be restored.¹

TasNetworks submitted that it incurred an incremental increase in costs of \$9.3 million (\$nominal),² including capital and operating expenditure broken down as follows:³

- capital expenditure (\$7.03 million), including emergency response (\$6.9 million) and generator purchase (\$0.11 million).
- operating expenditure (\$2.31 million), including emergency response (\$0.92 million), generator hire (\$0.58 million), stand-down costs (\$0.55 million), post-incident review (\$0.23 million), and pass-through application response (\$0.04 million).

TasNetworks is seeking to recover \$4.61 million (\$nominal, smoothed),⁴ which it proposed to recover over the remaining three regulatory years of the 2024–29 regulatory period.

If the AER determines that a positive change event has occurred in respect of a cost pass through application, the AER is required to determine (within a specified timeframe):

- the approved pass through amount, and
- how much of that amount should be passed through to Distribution Network Users in the regulatory year, and each regulatory year after that in which the positive change event occurred,

taking into account the matters referred to in clause 6.6.1(j) of the NER.

This determination sets out our assessment of TasNetworks' application and addresses those requirements, as set out in clause 6.6.1 of the NER.

On 24 March 2025, we published TasNetworks' application on our website and invited stakeholder submissions for a period of 4 weeks. We received four submissions, which

¹ TasNetworks, *Cost Pass Through Application – Distribution August-September 2024 Storm Event*, 28 February 2025

² TasNetworks, *Response to AER information request*, 11 August 2025.

³ TasNetworks, *Cost Pass Through Application – Distribution August-September 2024 Storm Event*, 28 February 2025, p. 36.

⁴ Updated to reflect the return on debt updated WACC for 2025–26. TasNetworks' proposed incremental revenue is \$4.54 million, which was based on a placeholder WACC for 2025–26.

objected to TasNetworks' cost pass through application. We note that a number of issues raised in these submissions were beyond the scope of the factors the AER must have regard to in making a determination relating to a specific cost pass through application under the NER. We further discuss these submissions in section 4.4.3.

In making this determination, we have also had regard to the findings of the independent review into the network outage event commissioned by the Tasmanian Government.⁵

We are satisfied that the August-September 2024 storm event meets the definition of a natural disaster pass through event as set out in TasNetworks' 2024–29 revenue determination. Based on our consideration of the factors set out in clause 6.6.1(j) of the NER, we determine to allow the pass through of the majority of costs proposed by TasNetworks as set out in its updated cost pass through application. However, we have removed \$0.3 million of normal time labour costs, which we are not satisfied are incremental costs.

We are satisfied that the materiality threshold to constitute a positive change event has been met, and that the costs incurred by TasNetworks as a direct result of the August-September 2024 storm were prudent and efficient. Our decision is discussed in greater detail in sections 3 and 4 of this report.

Our determination is to approve a positive pass through amount of \$4.19 million (\$nominal, smoothed) to be recovered via the X-factor for each year of the last three years of the 2024–29 regulatory control period (2026–27, 2027–28, and 2028–29) as follows:

- \$1.06 million to be recovered in 2026–27
- \$1.73 million to be recovered in 2027–28
- \$1.40 million to be recovered in 2028–29.

We estimate that the approved cost pass through amount will add approximately \$3 to the average TasNetworks residential customer's bills and \$11 to the average small business's bills per year over 2026–27 to 2028–29.

⁵ *Network Outage Review – Final Report*, April 2025 – https://www.recfit.tas.gov.au/grants_programs/energy/2024-network-outage-review

1 Introduction

We received a cost pass through application from TasNetworks for additional expenditure related to restoring electricity supply and repairing damage to its network caused by the August-September 2024 storm in Tasmania.

TasNetworks' application proposed to recover \$4.61 million (\$nominal, smoothed)⁶ from electricity users through an increase in distribution prices via the X-factors over the last three years of the 2024–29 regulatory control period (2026–27, 2027–28, and 2028–29), as follows:

- \$1.19 million to be recovered in 2026–27
- \$1.88 million to be recovered in 2027–28
- \$1.54 million to be recovered in 2028–29.

This section sets out the AER's role in assessing cost pass through applications from electricity Distribution Network Service Providers (DNSPs), as well as information on TasNetworks' application.

1.1 Who we are and our role in this process

We, the AER, exist to ensure all Australian energy consumers are better off, now and in the future. Consumers are at the heart of our work, and we focus on ensuring a secure, reliable and affordable energy future for Australia. We are the economic regulator for electricity distribution and transmission services in the National Electricity Market (NEM). Our electricity-related powers and functions are set out in the National Electricity Law (NEL) and NER.

The AER regulates TasNetworks' revenues through five-year distribution revenue determinations. TasNetworks' current revenue determination for the 2024–29 regulatory control period runs from 1 July 2024 to 30 June 2029.

We are responsible for assessing cost pass through applications.⁹ Under the NER, a distribution business may apply to us seeking the recovery of additional costs incurred during a regulatory control period, if predefined events occur as specified in either the NER or in its respective revenue determination.¹⁰

1.2 TasNetworks' application

On 28 February 2025, TasNetworks submitted a cost pass through application seeking to recover the costs it has incurred as a result of the August-September 2024 storm in Tasmania.⁷ TasNetworks submitted that this weather event caused significant damage to overhead power lines, with fallen trees and poles across all regions of Tasmania, leading to widespread power outages. At the peak of the storms around 45,000 Tasmanians were without electricity. Due to the extended nature of the storm event, there were over 1,920

⁶ Updated to reflect the 2025–26 return on debt updated WACC.

⁷ TasNetworks, *Cost Pass Through Application – Distribution August-September 2024 Storm Event*, 28 February 2025

outages in total affecting 221,000 customers, many of whom experienced multiple interruptions. Some remote and complex outages took up to 23 days to be restored.⁸

TasNetworks stated that this was the most impactful weather event in its history.

TasNetworks incurred \$9.3 million (\$nominal) in incremental costs as a result of the August-September 2024 storm, apportioned as follows:⁹

- emergency response (\$7.8 million), and
- other costs including standdown, post incident review, pass-through application response, generator purchases and generator hire (\$1.5 million).

TasNetworks also incurred \$9.4 million of costs related to guaranteed service level GSL payments but did not include these in the pass through amount it is seeking to recover. Table 1 shows a breakdown of the additional costs incurred by TasNetworks as a result of the August-September 2024 storm.

Table 1: Costs incurred by TasNetworks as a result of August-September 2024 storm

\$million, (nominal)	2024–25	2025–26	2026–27	2027–28	2028-29	Total
Capex	7.03	-	-	-	-	7.03
Incremental Opex	2.31	-	-	-	-	2.31
Total expenditure	9.33	-	-	-	-	9.33

Source: TasNetworks, *IR#02 Attachment B Updated Post Tax Revenue Model August-September 2024 Storm Event*, August 2025. Note: '0.0' and '-0.0' represent small nonzero number and '-' represents zero

TasNetworks submitted the revenue impact of the incremental costs incurred as a result of the event is \$4.61 million (\$nominal, smoothed).¹⁰

1.3 Structure of determination

This document sets out our assessment and determination, amongst other things, on whether a cost pass through event has occurred, the pass through amount, the time period for the recovery of the pass through amount, and our reasons for the determination. The decision is structured as follows.

- Section 2 sets out our determination on TasNetworks' cost pass through application.
- Section 3 outlines relevant regulatory requirements and our assessment approach. It also sets out our assessment of TasNetworks' cost pass through application against the NER requirements, including whether the materiality threshold is met.

⁸ TasNetworks, *Cost Pass Through Application – Distribution August-September 2024 Storm Event*, 28 February 2025, p. 5.

⁹ TasNetworks, *Cost Pass Through Application – Distribution August-September 2024 Storm Event*, 28 February 2025, p.36.

¹⁰ Updated to reflect the 2025–26 return on debt updated WACC.

- Section 4 sets out our reasons for the determination, including our assessment of the proposed positive pass through amount.

2 Determination

Based on our consideration of all the matters set out in this decision, we consider that TasNetworks' application establishes that a pass through event occurred in respect of the August–September 2024 storm, being a natural disaster pass through event as specified in TasNetworks' 2024–29 revenue determination.

Our assessment against the requirements of a positive change event is summarised in section 3 (Table 3). We are satisfied that the August–September 2024 storm constitutes a positive change event as defined under the NER. In particular, we are satisfied that TasNetworks incurred a material increase in the costs of providing direct control services in the 2024–25 regulatory year as a result of this pass through event.

Our determination is to approve a positive pass through amount of \$4.19 million (\$nominal, smoothed), to be recovered via the X-factor for each year of the last three regulatory years of the 2024–29 regulatory control period as follows:

- \$ 1.06 million (\$ nominal) to be recovered in 2026–27
- \$ 1.73 million (\$ nominal) to be recovered in 2027–28
- \$ 1.40 million (\$ nominal) to be recovered in 2028–29.

We have amended TasNetworks' cost build up to remove \$0.3 million in normal time labour costs, which we do not consider are incremental.

We consider allowing the positive pass through amount to be recovered over the last three regulatory years of the 2024–29 period will act to smooth the cost impact of this event on TasNetworks' customers. This is consistent with TasNetworks' proposed approach.

Sections 3 and 4 set out our assessment of TasNetworks' cost pass through application and the positive pass through amount.

3 Relevant regulatory requirements and assessment approach

The pass through mechanism recognises that an efficient revenue allowance cannot account for certain types of matters that are uncertain and outside the control of the business and which cannot be prevented or mitigated by prudent operational risk management. A cost pass through enables a network service provider to recover (or pass through) the costs of defined unpredictable, high-cost events that are not factored into our five-year revenue determination for the business.

Clause 6.6.1(a1) of the NER defines a pass through event as one of the following prescribed pass through events for all DNSPs:

- 1) a regulatory change event
- 2) a service standard event
- 3) a tax change event
- 4) a retailer insolvency event, and
- 5) any other event specified in a distribution determination as a pass through event for the determination (nominated pass through event).

The first step in our assessment is to determine whether a pass through event has occurred and examine timing matters, e.g. whether an application is submitted within the timeframe set out in the NER. Once we have determined that a pass through event has occurred, we determine whether it is a positive (or negative) change event.

The NER defines a positive change event for a DNSP as:

“a pass through event...which entails the DNSP incurring materially higher costs in providing direct control services than it would have incurred but for that event...”¹¹

We undertake this assessment with reference to the NER and the revenue determination applicable to TasNetworks when the August-September 2024 storm occurred, which is TasNetworks’ distribution determination for the 2024–29 regulatory control period.¹²

As part of this process, we examine whether TasNetworks’ application has addressed matters specified in clause 6.6.1(c) of the NER (see Table 2 and Table 3). We also determine the materiality of the proposed pass through amount.

Clause 6.6.1(d) of the NER provides that if the AER determines that a positive change event has occurred, the AER must determine the approved pass through amount, and the amount that should be passed through to distribution network users in the regulatory year, and each regulatory year after that, in which the positive change event occurred, taking into account the factors referred to in clause 6.6.1(j) of the NER.

¹¹ NER, chapter 10.

¹² [TasNetworks - Determination 2024–29 | Australian Energy Regulator \(AER\)](#)

3.1 Timing matters

To seek the approval of the AER to pass through a positive pass through amount, clause 6.6.1(c) of the NER requires a DNSP to submit to the AER a written statement specifying a range of details relating to the event within 90 business days of the relevant positive change event occurring.

The NER requires us to make a determination within the timeframe specified in clause 6.6.1(e). That is, within 40 business days from the later of the date the AER received TasNetworks' cost pass through application and the date it received any additional information required by it through a notice issued under clause 6.6.1(e1) of the NER.

Under the clause 6.6.1(k1) of the NER, TasNetworks applied for an extension of time on 1 November 2024, citing difficulties in assessing and quantifying the event's impact and the AER granted the extension till 28 February 2025. TasNetworks submitted the application on 28 February 2025.

We extended the time of our review in accordance with clause 6.6.1(e1) of the NER. We requested additional information from TasNetworks, which was provided by TasNetworks on 11 August 2025. We have made this determination within 40 business days from this date.

3.2 NER requirements

For a cost pass through to be determined, there must be a positive change event that results in an eligible pass through amount. TasNetworks can then submit a pass through application, that must address certain matters specified in the NER.¹³ We make a determination on TasNetworks' cost pass through application, and determine the approved pass through amount and the regulatory years in which that pass through amount is to be recovered.¹⁴

For the reasons set out in Table 2 below, we are satisfied that a positive change event has occurred, and that TasNetworks' application relating to the August-September 2024 storm event specifies the necessary matters required by the NER.

Table 2: Requirements for determining a positive change event has occurred

Requirement of the NER	Our consideration
Is the pass through event a regulatory change event, service standard event, tax change event, or retailer insolvency event? ¹⁵	No.
Is the pass through event a contingent project or a trigger event associated with a contingent project? ¹⁶	No.
Does the pass through relate to any other event specified in TasNetworks' 2024–29	Yes. We consider that the August-September 2024 storm event satisfies the natural disaster pass through event specified in TasNetworks' 2024–29 electricity distribution determination, which is defined as including

¹³ NER, cl. 6.6.1(c)

¹⁴ NER, cl. 6.6.1 (d)

¹⁵ NER, cl. 6.6.1(a1)(1) through 6.6.1(a1)(4); and chapter 10.

¹⁶ See the definition of "positive change event" in chapter 10 of the NER.

distribution determination as a pass through event for that determination? ¹⁷	cyclone, fire, flood, or other event, provided the event was not a consequence of the acts or omissions of the service provider. ¹⁸
Was the pass through event a consequence of acts or omissions of TasNetworks?	No. There is no evidence that TasNetworks' acts or omissions caused the storm event or materially contributed to the costs of the event.
Did the pass through event entail TasNetworks incurring materially higher costs in providing direct control services than it would have incurred but for the event? ¹⁹	Yes. As discussed in section 4.2, we consider the additional costs incurred by TasNetworks in providing direct control services as a result of the August-September 2024 storm event meet the materiality threshold. TasNetworks' annual revenue requirement (unsmoothed) for the 2024–25 regulatory year during which the storm occurred was \$334.7 million (\$ nominal), 1% of which is \$3.3 million. We consider that an efficient amount of opex and capex incurred as a result of the August-September 2024 storm event in that year (\$9.0 million, \$2023–24) exceeds this amount, and therefore the increase in costs incurred in providing direct control services as a result of the event exceeds the materiality threshold.
What is the date on which the positive change event occurred? ²⁰	For the purpose of complying with 6.6.1(c), TasNetworks submitted that the storm occurred from 26 August to 4 September 2024. ²¹ As discussed in section 4.1.1, we accept this identified date, noting the Tasmanian and Federal Governments recognised this period in providing assistance packages to affected individuals and communities. ²² Similarly, the Bureau of Meteorology (BOM) reported a succession of cold fronts associated with a slow-moving deep low-pressure system affecting Tasmania between 21 August and 10 September 2024. ²³
Did TasNetworks submit a written statement within 90 business days of the positive change event occurring? ²⁴	Yes. As discussed in section 4.3, TasNetworks submitted its written statement on 28 February 2025. We consider that TasNetworks submitted its written statement within the allowed timeframe.

¹⁷ NER, cl. 6.6.1(a1)(5).

¹⁸ AER, *Draft decision - TasNetworks distribution determination 2024–29 - Attachment 15 - Pass through events*, September 2023, p. 13.

¹⁹ That is, does it meet the definition of a “positive change event” as defined in chapter 10 of the Rules.

²⁰ NER, cl. 6.6.1(c)(2).

²¹ TasNetworks, *Cost Pass Through Application – Distribution August-September 2024 Storm Event*, 28 February 2025, p. 4.

²² <https://www.disasterassist.gov.au/Pages/disasters/tasmania/tasmania-severe-weather-26-August-2024.aspx>.

²³ BOM, *Tasmania in 2024*, <https://www.bom.gov.au/climate/current/annual/tas/archive/2024.summary.shtml>

²⁴ NER, cl. 6.6.1(c).

Did TasNetworks specify details of the positive change event, including the date on which the event occurred, in its written statement? ²⁵	Yes. TasNetworks' application (written statement) included details of the positive change event, including the date on which the event occurred. ²⁶
Did TasNetworks specify in its written statement the eligible pass through amount, the proposed positive pass through amount, and the amounts proposed to be recovered from customers in each regulatory year? ²⁷	Yes. TasNetworks proposed a positive pass through amount of \$4.61 million (\$nominal, smoothed) to be recovered from consumers over the last three years of the 2024–29 regulatory control period (2026–27, 2027–28 and 2028–29). ²⁸
Did TasNetworks specify in its written statement evidence of the actual and likely increase in costs that occurred solely as a consequence of the positive change event? ²⁹	Yes. TasNetworks' pass through application sets out the costs incurred as a result of the storm event, as well as how it calculated its proposed pass through amount. TasNetworks also provided further clarification in response to our request for additional information.
Was there a regulatory information instrument applicable to the pass through application? ³⁰	No.
Is the pass through amount, in whole or in part, in respect of expenditure for a restricted asset? ³¹	No.

In making our determination on TasNetworks' proposed pass through amount, we must take into account certain matters specified in the NER (see Table 3). After having regard to all the matters in Table 3 below and throughout this decision, we make the determination set out in section 2 above.

Table 3: Factors that the AER is to consider under the NER when determining a positive pass through amount

Relevant factors under cl. 6.6.1(j)	AER consideration
In making the pass through determination we must take into account the matters and proposals set out in TasNetworks' written statement. ³²	This decision sets out how we have taken into account the matters and proposals set out in TasNetworks' pass through application (written statement).

²⁵ NER, cl. 6.6.1(c)(1) and 6.6.1(c)(2).

²⁶ TasNetworks, *Cost Pass Through Application – Distribution August-September 2024 Storm Event*, 28 February 2025, p. 4. This application is available on our website: <https://www.aer.gov.au/industry/networks/cost-pass-throughs/tasnetworks-distribution-cost-pass-through-application-august-september-2024-storm>

²⁷ NER, cl. 6.6.1(c)(3), 6.6.1(c)(4), and 6.6.1(c)(5).

²⁸ TasNetworks, *Cost Pass Through Application – Distribution August-September 2024 Storm Event*, 28 February 2025, p. 4; Updated to reflect 2025–26 return on debt updated WACC.

²⁹ NER, cl. 6.6.1(c)(6).

³⁰ 6.6.1(c)(7).

³¹ NER, cl. 6.6.1(c1) and (d2).

³² NER, cl. 6.6.1(j)(1).

Relevant factors under cl. 6.6.1(j)	AER consideration
We must take into account the incremental increase in costs in providing direct control services resulting from the pass through event. ³³	In section 4.4 below we set out our assessment of the costs incurred by TasNetworks due to the August-September 2024 storm event. We have considered the costs that TasNetworks incurred as a result of the event as well as the likely cost savings to TasNetworks' business-as-usual activities as a result of its expenditure related to the August-September 2024 storm event.
We must take into account the efficiency of TasNetworks' decisions and actions in relation to the risk of the event. ³⁴	In making this determination, we must take into account the efficiency of TasNetworks' decisions and actions in relation to the risk of the positive change event, including whether TasNetworks has failed to take any action that could reasonably be taken to reduce the magnitude of the eligible pass through amount, or omitted to take any action where such action has increased the magnitude of the amount. Based on our review of the information available, we did not find evidence suggesting that TasNetworks' decisions and actions in relation to the risk of the positive change events were inefficient. There does not appear to be any action that TasNetworks has failed to take, that it could reasonably have taken, to materially reduce the magnitude of the storm repair costs, or that it took or omitted to take which has increased the magnitude of these payments. Therefore, we do not consider that TasNetworks' actions increased the magnitude of the pass through amount.
We must take into account the time cost of money. ³⁵	In making this determination, we must take into account the time cost of money based on the allowed rate of return for TasNetworks for the years in which the pass through amount is to be recovered. To account for the recovery of the pass through amount over three years commencing from 2025–26, we have used the nominal weighted average cost of capital, as determined in TasNetworks' 2024–29 distribution determination, incorporating the annual update on return on debt for 2025–26, as well as a forecast inflation of 2.66% to calculate the approved pass through amount in nominal terms.
We must take into account the need to ensure that the pass through amount reflects only costs incurred solely as a consequence of the event. ³⁶	We have examined the costs proposed by TasNetworks in its initial application and issued two notices requesting additional information. In response, TasNetworks identified costs which were not incurred as a result of the event and submitted an updated costs built up model, which excluded these costs. In addition, as discussed in section 4.4.2, we have adjusted TasNetworks' proposed pass through amount by removing costs associated with normal time labour for a range of staff, which we do not consider are incremental as a result of the August-September 2024 storm event.

³³ NER, cl. 6.6.1(j)(2).

³⁴ NER, cl. 6.6.1(j)(3).

³⁵ NER, cl. 6.6.1(j)(4).

³⁶ NER, cl. 6.6.1 (j)(5).

Relevant factors under cl. 6.6.1(j)	AER consideration
The AER will have regard to whether TasNetworks has insurance against the event, and whether it is the level of insurance that an efficient and prudent network operator would obtain? ³⁷	TasNetworks submitted that none of the costs in its application is related to insured structures. TasNetworks also submitted that it did not have insurance covering poles and wires of its network, and the insurance was limited to structures such as substations and buildings. TasNetworks stated that not insuring poles and wires is consistent with the practice of other network businesses. It explained that obtaining this insurance product is difficult and expensive as few insurers are willing to provide this high-risk product. The associated premiums would consequently result in consistently high network charges for customers.³⁸ We note that this approach to managing this risk is generally consistent with comparable peer NEM networks including those also impacted by other natural disasters (e.g., bushfires). As such, we are satisfied that it was prudent and efficient for TasNetworks to not hold insurance cover for its poles and wires assets.
We must take into account whether the costs of the pass through event have already been factored into the calculation of the Distribution Network Service Provider's annual revenue requirement for the regulatory control period in which the pass through event occurred or will be factored into the calculation of the Distribution Network Service Provider's annual revenue requirement for a subsequent regulatory control period ³⁹	As stated above and in section 4.4.2, we have assessed TasNetworks' cost built up model and identified normal-time labour costs we do not consider are incremental. These costs relate to roles such as distribution operator, distribution control operator, supervisor, and technical staff involved in the emergency response to the storm event. In our view, these costs are already funded through base revenue allowance. TasNetworks' cost pass through application did not include cost relating to guaranteed service level (GSL) payments despite it stating that TasNetworks incurred \$9.5 million of GSL payment costs. We include forecast GSL payments in annual revenue allowances when determining total opex forecast as part our distribution revenue determinations. Under the Electricity Services Industry Act, the GSL scheme provides an economic incentive for TasNetworks to achieve reliability requirements. The scheme requires TasNetworks to make payments to customers affected by outages when the frequency or duration of outages experienced exceeds prescribed thresholds.⁴⁰
We must take into account the extent to which TasNetworks' costs have already been funded by previous pass through determinations. ⁴¹	TasNetworks submitted that it undertook temporary solutions to re-establish supply to some customers. This included deploying mobile generators and working directly with local councils to set up community hubs in some areas.⁴² There is no evidence to suggest that costs included TasNetworks' application have already been funded by previous pass through determinations.

³⁷ AER, *Draft decision TasNetworks distribution determination - Attachment 15 - Pass through events* – September 2023, pp. 11-12.

³⁸ TasNetworks, *Cost Pass Through Application – Distribution August-September 2024 Storm Event*, 28 February 2025, p. 31.

³⁹ NER, cl. 6.6.1(j)(7).

⁴⁰ Office of the Tasmanian Economic Regulator, *Guaranteed Service Level Guideline*, Version 4, July 2024, makes provision for TasNetworks to apply to the Tasmanian Regulator for an outage to be exempted from the obligation to pay GSL payments.

⁴¹ NER, cl. 6.6.1(j)(7A).

⁴² AusNet Services, *September 2024 storm cost pass through application*, December 2024, p. 15.

Relevant factors under cl. 6.6.1(j)	AER consideration
We must take into account any other factors that we consider relevant. ⁴³	The other factors we took into account in our assessment of TasNetworks' application are set out below. The AER must exercise its power in a manner that will or is likely to contribute to the achievement of the National Electricity Objective. The AER may take into account the revenue and pricing principles set out in section 7A of the NEL.⁴⁴ In this matter, the principle that a regulated network service provider should be provided with a reasonable opportunity to recover efficient costs is applicable. In this regard, we have allowed the costs associated with a post-incident review (PIR) following the storm event, which TasNetworks included in its costs pass through application. While these costs are not directly incremental, we consider they reflect good industry practice and were precipitated by the August-September 2024 storm event. As part of our assessment, we took into account the four submissions we received as part of our consultation process relating to this cost pass through application See section 4.4.3 for further details. We also considered the findings of TasNetworks' independent post-incident review⁴⁵ and the Tasmanian Government's independent Network Outage Review,⁴⁶ as discussed in section 4.4.3.

Source: AER analysis.

⁴³ NER, cl. 6.6.1(j)(8).

⁴⁴ NEL, s. 16(2)(b).

⁴⁵ Mike Swanston, *Independent assessment of the August 2024 Severe Weather Post-Incident Review by TasNetworks*

⁴⁶ Network Outage Review [Final Report](#), April 2025, pp. 12-17, 41.

4 Reasons for determination

The sections below set out the reasons for our determination.

4.1 Occurrence of a natural disaster

This determination relates to a nominated pass through event, being a natural disaster event as specified in TasNetworks' 2024–29 revenue determination.

A natural disaster event is defined in TasNetworks' 2024–29 revenue determination as:⁴⁷

Natural disaster event means any natural disaster including but not limited to cyclone, fire, flood or earthquake that occurs during the 2021–26 regulatory control period that changes the costs to TasNetworks in providing direct control services, provided the cyclone, fire, flood, earthquake or other event was:

(a) 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

(b) 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:

(1) whether TasNetworks has insurance against the event;

(2) the level of insurance that an efficient and prudent NSP would obtain in respect of the event.

4.1.1 Natural disaster event

We consider the August-September 2024 storm satisfies the definition of a natural disaster pass through event as specified in TasNetworks' determination.

TasNetworks' application describes a severe storm event occurring over the period from 26 August to 4 September 2024, during which four cold fronts impacted Tasmania causing widespread damage, flooding, and extended outages across the state of Tasmania.⁴⁸

In circumstances, where the dates of a cost pass through event span multiple days, we assess whether the event constitutes a single natural disaster or a series of separate events. This ensures compliance with the definition of a positive change event under the NER, which requires materially higher costs to result from a single event, rather than an aggregation of

⁴⁷ AER, *Draft decision TasNetworks distribution determination - Attachment 15 - Pass through events* – September 2023, p. 13.

⁴⁸ TasNetworks, *Cost Pass Through Application – Distribution August-September 2024 Storm Event*, 28 February 2025, p. 13.

multiple immaterial ones. In line with previous AER determinations,⁴⁹ we consider the following criteria:

- common underlying cause: the BOM reported a succession of cold fronts associated with a slow-moving deep low-pressure system affecting Tasmania between 21 August and 10 September 2024.⁵⁰
- temporal and factual linkage: the event spanned ten consecutive days, with eight major event days—well above TasNetworks’ typical annual average of three. The damage and outages were continuous and interrelated.
- government recognition: the event was declared a natural disaster by both the Tasmanian and Australian Governments.⁵¹

The BOM issued consistent warnings from 23 August onwards, forecasting damaging winds and heavy rainfall. Wind gusts exceeded 125 km/h in multiple regions, with a peak of 150 km/h recorded at Low Rocky Point. Rainfall totals exceeded 250 mm in parts of western Tasmania, leading to major flooding, including the highest recorded level on the River Derwent since 1974.⁵²

TasNetworks reported that this was the most severe and extended storm event it has experienced, with System Average Interruption Duration Index (SAIDI) values on 31 August and 1 September exceeding the combined total for all major event days and unplanned outages in 2023–24.⁵³

Based on the above facts and considerations, we are satisfied that it is reasonable, in the circumstances, to treat the storm event from 26 August to 4 September 2024, as described by TasNetworks in its application, as a natural disaster event for cost pass through purposes.

The August-September 2024 storm increased the costs to TasNetworks in providing direct control services and the event was not a consequence of an act or omission of TasNetworks – it was outside of TasNetworks’ control, and it was unforeseeable in terms of its specific nature and impact. Section 4.4.2 sets out further details of our assessment.

⁴⁹ AER, *Determination Cost pass through Essential Energy’s 2019–20 bushfire natural disaster events*, March 2022, pp. 8-11.

⁵⁰ BOM, *Tasmania in 2024*, <http://www.bom.gov.au/climate/current/annual/tas/archive/2024.summary.shtml>

⁵¹ <https://www.disasterassist.gov.au/Pages/disasters/tasmania/tasmania-severe-weather-26-August-2024.aspx> (Australian Government reference number 1144)

⁵² BOM, *Tasmania in 2024*, <http://www.bom.gov.au/climate/current/annual/tas/archive/2024.summary.shtml> accessed on 24 July 2025. We note that the [Final report](#) of the independent review into TasNetworks’ response to this event – commissioned by the Minister for Energy and Renewables the Hon. Nick Duigan MLC – made a reference to ‘two events’ when considering the storm event, including a storm event and an electrical outages event. However, for the purpose of this cost pass through application we consider it was one storm event, which extended into several days. For more details on the findings of this independent review, please see: [Network Outage Review Final Report - An independent review into the response of TasNetworks to the August 2024 storm events](#), April 2025, pp. 25-33.

⁵³ TasNetworks, *Cost Pass Through Application – Distribution August-September 2024 Storm Event*, 28 February 2025, pp. 15-16.

4.2 Positive change event

If we are satisfied that a pass through event has occurred, we must determine whether the pass through event qualifies as a “positive change event”. That is, whether TasNetworks incurred materially higher costs in providing direct control services than it would have incurred but for the pass through event.

The NER defines “materially” as:

For the purposes of the application of clause 6.6.1, an event results in a DNSP incurring materially higher or materially lower costs if the change in costs (as opposed to the revenue impact) that the DNSP 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 DNSP for that regulatory year.

As is evidenced in Table 4 below, we consider the additional costs incurred by TasNetworks in providing direct control services as a result of the August-September 2024 storm meet the materiality threshold.

Table 4: AER – Materiality assessment of the August-September 2024 storm event (\$million, nominal)

Costs (\$nominal)	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Opex	2.06	-	-	-	-	2.06
Capex	7.20	-	-	-	-	7.20
Total	9.26	-	-	-	-	9.26
Annual revenue requirement (ARR)	334.68	353.75	377.75	386.07	390.61	-
% of ARR	2.77%	-	-	-	-	-

Source: AER analysis.

4.3 Timing of TasNetworks’ application

Clause 6.6.1(c) of the NER requires a DNSP to submit a pass through application to us within 90 business days of the positive change event occurring.

We consider the storm event as defined to have occurred from 26 August to 4 September 2024. We also consider that TasNetworks submitted its cost pass through application within the required timeframe under the NER. We received TasNetworks’ pass through application on 28 February 2025, after granting an extension to TasNetworks up until this date.

Following our initial assessment of TasNetworks’ application, we issued a notice on 28 April 2025 requesting additional information under clause 6.6.1(e1) of the NER by 16 May 2025, to which TasNetworks responded on time. We issued another notice on 9 July 2025 requesting a response by 24 July 2025. However, TasNetworks requested an extension to respond on 11 August 2025, which we granted. Clause 6.6.1(e1) of the NER provides that the 40 business day period in which the AER must assess a cost pass through application does not

commence until the AER receives the requested information. TasNetworks provided the requested additional information on 11 August 2025.

4.4 Assessment of the pass through amount

In assessing a pass through application, the NER requires us to take into account a range of relevant factors,⁵⁴ including the need to ensure that TasNetworks only recovers any actual or likely increment in costs to the extent that such an increment is solely as a consequence of the pass through event,⁵⁵ and that TasNetworks does not recover costs that have or will be factored into TasNetworks' annual revenue requirement.⁵⁶

We approach this assessment by ensuring, amongst other factors, that:

- the pass through amount reflects only those costs incurred as a result of the August-September 2024 storm, and not costs incurred as a result of other positive change events, business-as-usual costs, or costs of increasing the scope of network services provided by TasNetworks
- the costs incurred are prudent and efficient costs required to rectify the damage caused by the storm;
- the pass through amount reflects only the incremental cost of the August-September 2024 storm, taking into account deductions for actual and expected cost savings that will occur as a result of works undertaken to address the storm damage. For example, the replacement of older assets damaged by the storm with new assets may result in lower future inspection and maintenance costs, which should be deducted from the costs to be passed through;
- any issues raised by stakeholders in submissions we receive as part of our consultation processes are considered and addressed.

4.4.1 Incremental revenue and pass through amount calculations

We are satisfied that TasNetworks' revised estimates of the increase in capex costs due to the August-September 2024 storm, accounting for the identified avoided costs, are prudent and efficient. However, we have reduced TasNetworks' revised opex costs by \$0.3 million, to exclude normal time labour costs which we do not consider are incremental. Our reasons for this are discussed below. Our determination of the approved incremental revenue for the August-September 2024 storm event is \$4.19 million (\$nominal, smoothed). Table 5 sets out our determination on the incremental revenue.

⁵⁴ NER, cl. 6.6.1(j).

⁵⁵ NER, cl. 6.6.1(j)(5).

⁵⁶ NER, cl. 6.6.1(j)(7).

Table 5: AER approved incremental revenue for the August-September 2024 storm event (\$million, nominal)

	2024–25	2025–26	2026–27	2027–28	2028–29	Total
Return on capital	-	0.43	0.44	0.44	0.45	1.76
Return of capital (regulatory depreciation)	-	-0.01	-0.01	-0.00	0.00	-0.01
Operating expenditure	2.06	-	-	-	-	2.06
Net tax amount	-	-0.02	-0.02	-0.02	-0.01	-0.08
Incremental annual revenue requirement (unsmoothed)	2.06	0.40	0.41	0.42	0.44	3.74
Incremental annual expected revenue (smoothed)	-	-	1.06	1.73	1.40	4.19^a

Source: AER analysis.

a) The total incremental revenue to be recovered over three regulatory years (2026–27 to 2028–29) is \$4.19 million (\$nominal).

Note: '0.00' and '-0.00' represent small non-zero values and '-' represents a zero value.

We approve a total incremental expenditure of \$9.02 million (\$June 2024) to ensure that the efficient costs required as a result of the September 2024 storm cost pass through are recovered, as shown in Table 6 below.

Table 6: AER approved incremental capex and opex expenditure for the August-September 2024 storm cost pass through (\$million, June 2024)

	2024–25	2025–26	2026–27	2027–28	2028–29	Total
Proposed cost pass through totex	9.39	-	-	-	-	9.39
Approved cost pass through totex	9.02	-	-	-	-	9.02
Difference	-0.37	-	-	-	-	-0.37

Source: AER analysis.

4.4.2 Costs reflect only incremental August-September 2024 storm-related costs and not business-as-usual costs

In assessing the costs TasNetworks included in its cost pass through application against the requirements of the NER, we found that the majority of the costs are of a type consistent with the storm event. However, we identified two errors in TasNetworks' cost build-up and PTRM models, which are related to costs incurred prior to the storm event and the inclusion of bank charges, which are not eligible for cost pass through. Following a formal information request,

TasNetworks corrected these errors by removing the relevant costs (\$75,700) and submitted an updated cost build-up.

TasNetworks' application also accounted for expected savings in the 2024–29 regulatory period from avoided works that would have been required in future years but were brought forward and carried out as part of the storm restoration activities. TasNetworks demonstrated the exclusion of such savings (\$0.2 million) in its cost build up model.⁵⁷

Our assessment of the updated cost built-up model identified that TasNetworks included normal-time labour cost items in the proposed pass through amounts. These cost items relate to roles such as distribution operator, distribution control operator, supervisor, and technical staff involved in the emergency response to the storm event. We issued a notice requesting additional information to understand why TasNetworks included these cost items in its cost pass through application. In response, TasNetworks confirmed that the staff involved in the above roles were redeployed during the storm response but were not backfilled.⁵⁸ It added that it used "bucket orders" rather than storm-specific job numbers during the restoration period. Specifically, TasNetworks stated that *"due to the high volume of fault jobs and the inconsistent quality of data entry during the storm restoration period, a decision was made to temporarily suspend the single job-review methodology previously used to assess fault-related capitalisation. ... resulting in a majority of materials, contractor costs, and labour hours being booked against bucket orders rather than individual fault orders."*⁵⁹

To confirm the incremental nature of the emergency response costs, TasNetworks undertook an assessment of incremental costs against its inferred regulatory allowances as included in the base year (2021-22) of its 2024-2029 regulatory determination. TasNetworks then compared the costs that have been treated as incremental against inferred regulatory allowances from its 2021–22 base year as evidence to support the incremental nature of these costs.⁶⁰

In our view, the normal-time labour cost items relating to the roles stated above are already funded through base revenue allowance. While overtime costs associated with these roles may be considered incremental, normal-time costs are not incremental in the absence of backfilling or additional labour hire. Therefore, we have excluded the normal-time labour costs for these roles, totalling \$0.3 million (June 2024 dollars), from the approved pass through amount.

Regarding the approach of 'bucket orders' to calculate incremental cost resulting from the storm event, we are concerned that TasNetworks' approach is not appropriate for identifying

⁵⁷ TasNetworks, *Cost Pass Through Application – Distribution August-September 2024 Storm Event*, 28 February 2025, p. 38.

⁵⁸ TasNetworks, *Response to AER response to the Australian Energy Regulator's Information Request #2 - Notice under clause 6.6.1(e) of the NER in relation to the August-September 2024 storm cost pass through application submitted on 28 February 2025*, 11 August 2025, Question 4.

⁵⁹ TasNetworks, *Response to AER response to the Australian Energy Regulator's Information Request #2 - Notice under clause 6.6.1(e) of the NER in relation to the August-September 2024 storm cost pass through application submitted on 28 February 2025*, 11 August 2025, Question 3.

⁶⁰ TasNetworks, *Cost Pass Through Application – Distribution August-September 2024 Storm Event*, 28 February 2025, p. 40.

incremental costs. In our view, this ‘bucket orders’ practice limits the transparency of costs attribution. It obscures transparent recording of costs relating to pass through events and it complicates post event identification of the relevant incremental costs. This is because it may conflate storm-related costs with other cost variations rather than exclusively capturing the actual incremental costs incurred due to the event. We consider that this ‘bucket orders’ practice does not accord with good industry practice. We have not relied on this analysis (TasNetworks’ approach) in making our determination. We do not encourage NSPs to attempt to use such methods to determine incremental costs incurred for the purposes of a cost pass through.

Based on the above we consider that the pass through amount approved in this determination includes only incremental costs and not business-as-usual costs of operating the distribution network.

4.4.3 Submissions from stakeholders

We received four submissions raising objections to TasNetworks’ cost pass through application. These submissions expressed concerns regarding the eligibility of the storm event, the efficiency of TasNetworks’ response, and the fairness of cost recovery from consumers, as outlined below:

- Lynette LaBlack submitted that the storm was foreseeable and argued that TasNetworks’ failure to invest in resilient infrastructure constituted operational negligence. On this basis, the event should not qualify as a pass through under the NER.⁶¹
- Nekon Pty Ltd, represented by Charles Scarafiotti, contended that municipal councils were responsible for vegetation and stormwater management failures that contributed to infrastructure damage. The submission proposed that councils, not consumers, should bear the cost burden.⁶²
- Carol-Ann Fletcher referred to the GenCost report as the basis for her objection. However, the report relates to Net Zero 2050 policy and National Electricity Market (NEM) costs, which fall outside the scope of the cost pass through provisions under the NER.⁶³
- Rainforest Reserves Australia, via Dr Anne S. Smith, raised concerns about TasNetworks’ lack of climate adaptation, insurance transparency, and the equity implications of passing costs to vulnerable communities. The submission called for the application to be rejected, or the pass through amount significantly reduced. However,

⁶¹ [Lynette LaBlack, Submission on TasNetworks August-September 2024 storm cost pass through, 22 April 2025.](#)

⁶² [Nekon Pty Ltd - Submission on TasNetworks August-September 2024 storm cost pass through - 31 March 2025.](#)

⁶³ [Carol-Ann Fletcher - Submission on TasNetworks August-September 2024 storm cost pass through - 22 April 2025.](#)

the submission refers to a cost pass through amount of \$42.7 million, which is substantially higher than TasNetworks' proposed amount of \$9.3 million.⁶⁴

We recognise the concerns raised in relation to the pass through of additional costs to consumers as a result of events such as the August–September 2024 storm which occurred in Tasmania. However, we consider that the objections and issues raised do not demonstrate that the costs incurred by TasNetworks were inefficient or avoidable, or would not be eligible for recovery in accordance with the NER cost pass through framework.

In our assessment, we also considered the findings of TasNetworks' independent post-incident review,⁶⁵ and the Tasmanian Government's independent Network Outage Review,⁶⁶ which concluded that:

- the damage was primarily caused by wind-borne debris from outside vegetation clearance areas coming into contact with equipment, resulting in short circuits and pole or wire failures
- only 4% of vegetation-related outages were suspected to be caused by vegetation within the clearance zone
- the review did not find evidence of under resourcing of response capabilities arising from regulatory arrangements
- the resilience of TasNetworks' distribution network was consistent with good industry practice
- the design, maintenance, and vegetation management practices of TasNetworks were consistent with good industry practice
- there was no evidence that TasNetworks' asset management strategy contributed to excessive outages or extended restoration times
- TasNetworks' arrangements relating to the prioritisation of restoration for all classes of customers are well established and considered to be an appropriate approach to the identification, prioritisation and support of these customers. This includes the prioritisation of life support customers.

4.4.4 The August-September 2024 storm-related costs reflect the prudent and efficient costs required as a result of the event

We have examined the scope of actions and works TasNetworks undertook in response to the August-September 2024 storm event. We are satisfied the type and level of remaining costs TasNetworks incurred as a result of the August-September 2024 storm reasonably reflect efficient costs.

⁶⁴ [Rainforest Reserves Australia - Submission on TasNetworks August-September 2024 storm cost pass through - 22 April 2025](#).

⁶⁵ Mike Swanston, *Independent assessment of the August 2024 Severe Weather Post-Incident Review by TasNetworks*

⁶⁶ Network Outage Review [Final Report](#) - An independent review into the response of TasNetworks to the August 2024 storm events, April 2025, pp. 12-17, 41.

We consider the decisions and actions of TasNetworks in response to the event were efficient, and that the August-September 2024 storm event could not reasonably have been prevented or mitigated through prudent operational risk management.

We also note the findings of the final report of the independent [Network Outage Review](#) relating to the August-September 2024 storm; in particular that TasNetworks' integration into emergency management arrangements is effective, and the resourcing of TasNetworks, in conjunction with state-based third party contractors, internal surge capacity arrangements and access to crews and materials from interstate is appropriate to respond to severe storm events.

4.5 Timing of cost pass through recovery

In its application, TasNetworks proposed to recover the incremental revenue arising from its cost pass through application over the final three years (2026–27 to 2028–29) of the 2024–29 regulatory control period.

Given the timing of this determination, we accept TasNetworks' proposal to recover the cost pass through amount over this three-year period (2026–27 to 2028–29). We are satisfied that this approach will minimise volatility in TasNetworks' revenues and prices, while still allowing it to recover its efficient costs in a timely way.

We estimate that our approved cost pass through amount will add approximately \$3 to the average residential customer's bills and \$11 to the average small business's bills per year over 2026–27 to 2028–29.

Glossary

Term	Definition
AER	Australian Energy Regulator
Capex	Capital Expenditure
DNSP	Distribution Network Service Provider
GSL	Guaranteed Service Level
NEL	National Electricity Law
NEM	National Electricity Market
NER	National Electricity Rules
Opex	Operating Expenditure
