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Contact Officer: David Monk
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29 April 2026

Alena Christmas
Manager Regulatory Affairs
Energy Queensland
GPO Box 1461
BRISBANE QLD 4001

By email: [REDACTED]

Dear Alena,

Re: AER Determination – Energex Tropical Cyclone Alfred cost pass through application

I am writing to advise you of the Australian Energy Regulator's (AER's) assessment of the cost pass through application submitted by Energex on 24 October 2025, in relation to the Tropical Cyclone Alfred natural disaster event that occurred in March 2025.

In accordance with clause 6.6.1(d) of the National Electricity Rules (NER), the AER has determined that a positive change event has occurred, and that Energex may recover total incremental revenue of \$66.1 million (\$nominal) from network users in 2026–27 and 2027–28. This amount is approximately \$6.5 million higher than Energex's proposal of \$59.6 million (\$nominal), with the difference reflecting corrections to modelling issues to ensure internal consistency across the Post Tax Revenue Model (PTRM), Roll Forward Model (RFM) and depreciation models; partially offset by a minor reduction to proposed pass through costs.

The approved pass through amount is estimated to result in an incremental annual increase in residential bills of about \$13 and in small business bills of about \$26 in 2026–27 and 2027–28.

Details of the AER's assessment against the relevant factors in the NER are set out in the following attachments. If you have any queries in relation to this matter, please contact David Monk at [REDACTED]

Yours sincerely

Ben Stonehouse
Acting General Manager
Network Expenditure

Sent by email on: 29.04.2026

Attachment A: Reasons for determination

1. Occurrence of a natural disaster pass through event

Energex's 2020–25 revenue determination defined a natural disaster pass through event as follows:^{1 2}

“Natural disaster event means 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.”

Energex's application describes a severe cyclone event occurring over the period from 1 to 16 March 2025, during which destructive winds and heavy rainfall impacted South East Queensland, causing riverine and flash flooding, significant damage and widespread outages across the region.³

The Bureau of Meteorology (BOM) issued consistent warnings from 21 February onwards, forecasting damaging winds and heavy rainfall. Wind gusts exceeded 100 km/h in multiple regions, with a peak of 120 km/h recorded at Cape Byron. Rainfall totals exceeded 250mm in parts of Queensland, leading to major flooding, including the highest daily rainfall Brisbane City has recorded since 26 January 1974 during Tropical Cyclone Wanda.⁴ The event was also declared a natural disaster by the Queensland and Australian Governments.⁵

On the basis of the above facts and considerations, we are satisfied that the Tropical Cyclone Alfred event meets the definition of a natural disaster pass through event and was not a consequence of any act or omission of Energex.

2. Positive change event

We are satisfied that Tropical Cyclone Alfred meets the definition of a “positive change event” under the NER as Energex has incurred materially⁶ higher costs in providing direct control services as a result of the event, as demonstrated in **Table 1**.

Table 1: AER – Materiality assessment (\$million, nominal)

Costs	2024–25	2025–26	2026–27	2027–28	2028–29	Total
Approved pass through opex	56.25	-	-	-	-	56.25
Approved pass through capex	0.51	3.51	-	-	-	4.02
Total costs	56.76	3.51	-	-	-	60.27
AER approved unsmoothed revenues	1,427.5	1,634.1	1,686.2	1,786.4	1,904.9	-
Materiality (%)	3.98%	0.21%	-	-	-	-

¹ Cl. 6.6.1(a1)(5) of the NER.

² [AER- Final Decision Attachment 14 – Pass through events – Energex Distribution Determination 2020 to 2025](#), p. 7.

³ Energex, *Cost pass through application – Tropical Cyclone Alfred in South East Queensland*, 24 October 2025, p. 3.

⁴ [BOM, Severe Tropical Cyclone Alfred 2025](#)

⁵ [QLD Tropical Cyclone Alfred and associated severe weather \(1 - 16 March 2025\)](#) (Australian Government reference number 1195); [2025 Tropical Cyclone Alfred - recovery operation](#)

⁶ As defined in Chapter 10 of the NER (Glossary).

3. Timing of Energex's application

The cyclone event occurred between 1 and 16 March 2025.⁷ Accordingly, Energex's cost pass through application was due within 90 business days after 16 March 2025.

On 10 April 2025, Energex sought an extension to the submission deadline under clause 6.6.1(k) of the NER, citing difficulties in assessing and quantifying the impact of the event. The AER granted an extension until 31 October 2025. Energex submitted its application on 24 October 2025.

4. Assessment of the pass through amounts

In assessing Energex's pass through application, the NER requires the AER to consider a number of factors⁸ to determine whether the proposed level of costs is prudent and efficient. We reviewed the cost estimates submitted by Energex, along with the accompanying cost pass through documentation including the cost build-up model and the updated post-tax revenue model (PTRM), among others. To assist our review, we sought additional information from Energex, which Energex provided.

Our review identified the inclusion of approximately \$0.12 million in labour costs for supporting services in error, which Energex subsequently removed from its cost pass through amount and submitted an updated PTRM. Our review also identified modelling issues, including the application of inflation deflators inconsistent with the relevant final decisions, incorrect treatment of the time value of money, and inconsistent updating of capex, depreciation, RFM and tax impacts.

These modelling errors understated incremental revenue. Once corrected, they resulted in approximately \$6.5 million (around 11%) higher unsmoothed incremental revenue for the 2025–30 period, in nominal terms, compared to Energex's initial proposal. In response to an information request, Energex agreed to all our modelling corrections.

We scrutinised the inclusion of ordinary time and overtime labour costs and, following subsequent enquiries, Energex confirmed that all overtime included in the cost pass through application relates solely to Tropical Cyclone Alfred response and recovery activities, with no costs associated with business-as-usual (BAU) work recovery included. While BAU program delivery was affected during March–April 2025, Energex fully recovered the program by June 2025, with no planned works cancelled or deferred beyond this period. Energex considered it had adopted a conservative approach by using reallocated labour at ordinary time rates, rather than directly quantifying overtime costs, resulting in a lower incremental cost than would otherwise arise from applying higher overtime rates.

Based on the information provided by Energex and our review of the cost estimates, our assessment found that:

- the proposed pass through amount reflects only the incremental costs incurred as a consequence of the storm event, and not business-as-usual costs, or costs associated with increasing the scope of network services.
- Energex's decisions and actions in responding to the storm event were likely to be efficient, and the scope of works undertaken appears reasonable in the circumstances.
- Energex had not taken any action which had increased the magnitude of the pass through amount, or failed to take action that could reasonably have been taken to reduce the magnitude of the pass through amount.

⁷ [QLD Tropical Cyclone Alfred and associated severe weather \(1 - 16 March 2025\)](#)

⁸ Cl. 6.6.1(j) of the NER.

However, we note issues with Energex’s cost recording practices. While Energex appropriately raised a Work Request and generated parent Work Orders, the majority of costs were captured and reported at an aggregated level, reducing transparency and making it more difficult to assess cost efficiency and prudence. We encourage Energex to adopt more granular and transparent cost recording and reporting for future pass through events.

5. Approved pass through amount

Our determination is to approve total costs of \$62.15 million (\$2024–25) in capital and operating expenditure as shown in **Table 2**.

Table 2: Incremental expenditure for Tropical Cyclone Alfred (\$2024–25, \$million)

Costs	Energex application	AER determination
Operating expenditure (\$2024–25)	52.24	58.22
Capital expenditure (\$2024–25)	3.97	3.93
Total costs (\$2024–25)	56.21	62.15

Note: Numbers may not add due to rounding.

The incremental revenue associated with these costs (the approved pass through amount) is detailed in **Table 3**.

Table 3: AER approved incremental revenue resulting from Tropical Cyclone Alfred (\$million, nominal)

\$million (nominal)	2025-26	2026-27	2027-28	2028- 29	2029-30	Total
Return on capital	0.03	0.25	0.25	0.26	0.26	1.06
Return of capital (regulatory depreciation)	- 0.00	- 0.03	- 0.02	- 0.02	- 0.02	- 0.09
Operating expenditure	0.00	0.00	0.00	0.00	0.00	0.01
Revenue adjustments	59.68	-	-	-	-	59.68
Net tax allowance	- 0.00	- 0.01	- 0.01	- 0.01	- 0.01	- 0.03
Incremental annual revenue requirement (unsmoothed)	59.71	0.22	0.22	0.23	0.24	60.62

Note: Numbers may not add due to rounding.

After adjusting the incremental revenue from the cost pass through for time value of money, our determination is to approve a positive pass through amount of \$66.1 million (\$nominal), to be recovered over the second and third regulatory years of the 2025–30 regulatory control period (i.e. 2026–27 and 2027–28) as follows:⁹

- \$33.7 million (\$nominal) to be recovered in 2026–27
- \$32.4 million (\$nominal) to be recovered in 2027–28

These amounts reflect the incremental revenue in Table 3, adjusted for WACC to reflect the time value of money.

⁹ These amounts will be recovered through the 'C-Factor' in Energex’s revenue cap control mechanism formula.

6. Timing of cost pass through recovery

Energex proposed to recover the incremental revenue arising from its cost pass through application in 2026-27 and 2027-28, being the second and third years of the current regulatory control period (2025-30).

Our determination on the timing of recovery is consistent with Energex's proposal and approves a positive pass through amount of \$66.1 million (\$nominal), to be recovered over two years in 2026-27 and 2027-28. We are satisfied that this approach will allow Energex to recover its efficient costs in a timely manner, without materially increasing volatility in the revenue recovered from consumers.

This is estimated to result in an incremental increase of approximately \$13 to the annual bill for residential customers and \$26 for small business customers in 2026-27 and 2027-28.

7. Submissions

We received two submissions from David Prins, Mark Henley and Robyn Robinson (members of the AER's Consumer Challenge Panel, sub-panel CCP32) and Jennifer Brownie on behalf of the consumer advocacy group Queensland Electricity Users Network (QEUN), in response to the public consultation on the cost pass through applications. While the submissions did not specifically oppose Energex's application relating to this event, both raised broader concerns about consumer impacts, engagement, and consistency across the cost pass through and revenue determination frameworks.

The submissions highlighted that cost pass through applications can impose material costs on consumers through electricity bills, but can receive limited and inconsistent stakeholder engagement compared to broader regulatory processes. They also raised concerns about insufficient consumer scrutiny, cumulative bill impacts, and potential substitution of insurance with cost pass through claims, and suggested businesses and the AER strengthen and review engagement approaches for these applications.¹⁰

We acknowledge the concerns and suggestions raised in these submissions, and note that we are actively considering these issues in continuing to develop the cost pass through assessment function, processes and framework.

¹⁰ [David Prins, Mark Henley, Robyn Robinson - Submission to the AER - Cost pass through applications - 23 Jan 2026](#) ; [QEUN - Submission on network cost pass through applications, 27 January 2026.](#)

Attachment B: Requirements for determining a positive change event has occurred

#	Requirement of the NER	Our consideration
1.	Is the pass through event a regulatory change event, service standard event, tax change event, or retailer insolvency event? ¹¹	No.
2.	Does the pass through relate to any other event specified in Energex's 2020–25 distribution determination as a pass through event for that determination? ¹²	Yes. We consider that the occurrence of Tropical Cyclone Alfred in March 2025 is a natural disaster pass through event as specified in Energex's 2020–25 distribution determination. ¹³
3.	Was the pass through event a consequence of acts or omissions of Energex?	No. There is no evidence that Energex's acts or omissions caused the cyclone event or materially contributed to the costs of the event.
4.	Did the pass through event entail Energex incurring materially higher costs in providing direct control services than it would have incurred but for the event? ¹⁴	Yes. The additional costs incurred by Energex as a result of the cyclone event were material. The cost of responding to the cyclone event in 2024–25 was \$56.8 million (\$nominal) or 4% of Energex's approved \$1,428 million revenue for that year.
5.	What is the date on which the positive change event occurred? ¹⁵	1–16 March 2025, which is the Australian Government Disaster Recovery Payment (AGDRP) activation period for Tropical Cyclone Alfred (AGRN 1195), ¹⁶ consistent with Energex's application.
6.	Did Energex submit a written statement within 90 business days of the positive change event occurring? ¹⁷	Yes. Energex requested an extension on 10 April 2025 to submit a cost pass through application within 90 business days of the event under clause 6.6.1(k) of the NER. The AER granted an extension until 31 October 2025, and Energex submitted its application ahead of that deadline, on 24 October 2025.
7.	Did Energex specify details of the positive change event, including the date on which the event occurred, in its written statement? ¹⁸	Yes. Energex's application (written statement) included details of the positive change event, including the date on which the event occurred.
8.	Did Energex 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? ¹⁹	Yes. Energex in its written statement, identified incremental costs of \$60.4 million (nominal), and proposed a positive pass through amount of \$59.6 million (\$nominal) to be recovered from consumers in 2026-27 and 2027–28, the second and third years of the current regulatory control period (2025–30).
9.	Did Energex 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? ²⁰	Yes. Energex's pass through application sets out the costs incurred as a result of the cyclone event, as well as how it calculated its proposed pass through amount. ²¹

¹¹ NER, cl. 6.6.1(a1)(1) through 6.6.1(a1)(4); and chapter 10.

¹² NER, cl. 6.6.1(a1)(5).

¹³ [Final decision - Energex distribution determination 2020-25 - Attachment 14 - Pass through events - June 2020](#)

¹⁴ That is, does it meet the definition of a "positive change event" as defined in chapter 10 of the Rules.

¹⁵ NER, cl. 6.6.1(c)(2).

¹⁶ [AGDRP: QLD Tropical Cyclone Alfred and associated severe weather \(1 - 16 March 2025\)](#)

¹⁷ NER, cl. 6.6.1(c).

¹⁸ NER, cl. 6.6.1(c)(1) and 6.6.1(c)(2).

¹⁹ NER, cl. 6.6.1(c)(3), 6.6.1(c)(4), and 6.6.1(c)(5).

²⁰ NER, cl. 6.6.1(c)(6).

²¹ Energex, Cost build-up model; 2020–25 cost pass through PTRM; 2025–30 cost pass through PTRM : [Attachment 4; Attachment 5a; Attachment 5b](#)

#	Requirement of the NER	Our consideration
10.	Is the pass through amount, in whole or in part, in respect of expenditure for a restricted asset? ²²	No.

²² NER, cl. 6.6.1(c1) and (d2).

Attachment C: Relevant factors under cl. 6.6.1(j)

#	Requirement of the NER	Our consideration
1.	We must take into account the matters and proposals set out in Energex's written statement. ²³	This decision sets out how we have considered the matters and proposals in Energex's pass through application (written statement).
2.	We must take into account the increase in costs in providing direct control services resulting from the pass through event. ²⁴	We are satisfied that the expenses incurred by Energex in providing direct control services in response to the Tropical Cyclone Alfred event were incremental to existing costs, with the exception of approximately \$0.12 million of labour costs that was erroneously included for supporting services.
3.	We must take into account the efficiency of Energex's decisions and actions in relation to the risk of the event. ²⁵	We are satisfied the decisions and actions taken in responding to the event were efficient, and the scope of works undertaken is reasonable in the circumstances. There does not appear to be any action that Energex has failed to take to reduce the magnitude of the costs, or that it took or omitted to take which has increased the magnitude of these costs.
4.	We must take into account the time cost of money. ²⁶	We have had regard to the time cost of money in calculating the recovery of the pass through amount in 2026-27 and 2027-28.
5.	We must take into account the need to ensure that the pass through amount reflects only costs incurred solely as a consequence of the cyclone event. ²⁷	We are satisfied the costs included in our approved pass through amount were solely incurred due to the event. Energex has taken a reasonable approach to identify cyclone related costs and exclude non-incremental costs from its application.
6.	The AER will have regard to whether Energex has insurance against the event, and whether it is the level of insurance that an efficient and prudent network operator would obtain? ²⁸	Energex does not hold insurance for its poles and wires network assets against damage arising from natural disaster events. The premiums required to eliminate risks to poles and wires would result in higher customer charges inconsistent with efficient network operation. We are satisfied it was prudent and efficient for Energex to not obtain insurance for its poles and wire assets. This approach is generally consistent with comparable peer networks including those impacted by other natural disasters.
7.	We must take into account whether the costs of the event have already been factored into Energex's annual revenue requirement for the current regulatory control period or will be factored into annual revenue for the next regulatory control period. ²⁹	We do not consider that the costs Energex is proposing to recover have been included in its annual revenue requirement for either the current or the following regulatory control periods.
8.	We must take into account the extent to which Energex's costs have already been funded by previous pass through determinations. ³⁰	We do not consider that any of the proposed costs have been the subject of a previous pass through determination.

²³ NER, cl. 6.6.1(j)(1).

²⁴ NER, cl. 6.6.1(j)(2).

²⁵ NER, cl. 6.6.1(j)(3).

²⁶ NER, cl. 6.6.1(j)(4).

²⁷ NER, cl. 6.6.1(j)(5).

²⁸ [Final decision - Energex distribution determination 2020-25 - Attachment 14 - Pass through events - June 2020](#)

²⁹ NER, cl. 6.6.1(j)(7).

³⁰ NER, cl. 6.6.1(j)(7A).