18 September 2025

[redacted]
General Manager
Network Expenditure
Australian Energy Regulator
Email: [redacted]

Dear Arek

**Re: ElectraNet - Network Support Pass Through Application for 2024/25**

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

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

The following network support pass through application for the regulatory year ended 30 June 2025 has been prepared in accordance with these provisions. It addresses the specific information requirements of the Guideline. The relevant calculations are contained in a separate spreadsheet model accompanying this application, in accordance with the Guideline.

### 1. Network support allowance

The applicable regulatory allowance in respect of 2024/25 for network support is $2,131,498 ($Jun 2025). This is equivalent to the allowance contained in the AER's final revenue determination for 2023-2028 of $8,153,000 ($Jun 2023)[2] less the negative cost pass through amount of $6,150,000 ($Jun 2023)[3] as determined by the AER in March 2024.

### 2. Actual network support expenditure

A total amount of $1,718,238 ($Jun 2025) was spent on network support during 2024/25. This total represents direct costs incurred in the provision of network support services during the 2024/25 regulatory year, comprising contract payments and other costs directly incurred in the provision of FFR, generator support and managing a system strength shortfall.

1. Actual network support expenditure on FFR

[1] AEMO – 2021 System Security Reports – 17 December 2021

[2] AER – ElectraNet 2023-28 – Final decision – PTRM – 2025-26 Return on debt update – March 2025

[3] AER – Determination - Letter to ElectraNet - 2024-25 inertia shortfall event - March 2024

An amount of $759,525 ($Jun 2025), after the required time value of money adjustments, was spent on providing inertia services during 2024/25. This total represents direct costs incurred in the provision of network support services during the 2024/25 regulatory year, unallocated prior year costs, and costs related to the closure of the FFR project.

2. Actual network support expenditure on generator support
   ElectraNet did not incur any charges related to generator support during the 2024/25 regulatory year.

3. Managing system strength shortfall
   An amount of $959,713 ($Jun 2025), after the required time value of money adjustments, was spent on managing system strength services during 2024/25. This total represents direct costs incurred in managing system strength during the 2024/25 regulatory year and prior year costs related to the capital Regulatory Investment Test – Transmission (RIT-T).

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

A negative network support event (i.e. over-recovery) totalling $413,260 ($Jun 2025) occurred in respect of 2024/25. After the required time value of money adjustments, this negative pass-through amount totals $449,454.

This represents the amount that ElectraNet proposes to return to Transmission Network Users as a revenue over-recovery in setting transmission prices for 2026/27, to be published by 15 March 2026.

### 4. Reasons for variation

The variation in expenditure compared to the original allowance relates to the following factors:

Fast Frequency Response

There were no FFR related events during the 2024/25 year. This was also borne out by the cessation in the inertia shortfall forecast by AEMO[4], which resulted in no further requirement for ElectraNet to procure raise FFR services.

ElectraNet proceeded to formally close the associated project. This closure triggered the crystallisation of certain costs in the system that had not been allocated to the network support cost pass through application in prior years.

These costs are directly attributable to the establishment and enablement of FFR services and include direct external and internal labour activities such as, development and drafting of the initial FFR tender proposal, contract negotiation and set-up with third party vendors as well as the provision of the FFR control scheme on the Dalrymple BESS.

[4] AEMO – 2024 System Strength Report – 28 February 2025

These costs are considered prudent, efficient and directly related to the provision of FFR network support services and therefore meet the criteria for inclusion under the cost-pass through provision in clause 6A.7.2 of the NER.

Managing system strength shortfall

National Electricity Rules (NER) Schedule 5.1.14 requires ElectraNet to provide sufficient system strength services to ensure the forecast efficient amount of new Inverter Based Resources (IBR) will remain stable in steady state conditions and remain synchronised following credible contingency events[5].

AEMO published a forecast of IBR for South Australia over the next decade in its 2022 System Strength Report[6] . Available Fault Level (AFL) is a proxy quantity that enables the required level of system strength to be expressed as a fault level. Based on AEMO's IBR forecast and using AEMO's guidelines and methodology, ElectraNet estimated the additional required AFL to provide the efficient level of system strength at system strength nodes in South Australia to be 1133 MVA at Robertstown, 537 MVA at Para and 66 MVA at Davenport from 2025-26.

ElectraNet subsequently undertook a RIT-T in relation to System Strength Requirements in South Australia. This RIT-T was in place to consider the installation of up to five additional synchronous condensers within South Australia at a cost of approximately $400m against the available non-network options[7].

After the publication of the Project Specification Consultation Report, AEMO released their 2023 System Strength Report which significantly reduced the amount of system strength required. ElectraNet wrote to the AER in December 2023 seeking guidance on the appropriate course of action in light of this reduction to prevent consumers from incurring unnecessary capital costs. In April 2024 the AER confirmed the appropriate course was to use the most up-to-date information when determining the level of system strength to be provided.

In light of this reduction, the outcome of the RIT-T in the Project Assessment Draft Report is that a non-network option is the preferred option to meet the identified need. As the preferred option is no longer a capital network solution, ElectraNet have transferred the project administration and consulting costs incurred to operating expenditure and expensed them in 2024/25.

These costs were unavoidable and directly incurred in the discharge of ElectraNet's obligations under Schedule 5.1.14. They enabled the identification, assessment, and transition to the most efficient means of maintaining system strength.

Accordingly, these costs constitute system security network support payments under clause 6A.7.2 of the NER. They fall squarely within the scope of network support events as interpreted by

[5] AEMC, Efficient management of system strength on the power system, rule determination – 21 October 2021

[6] AEMO – 2022 System Strength Report – 1 December 2022

[7] ElectraNet – Project Specification Consultation Report – System Strength Requirements in South Australia – Regulatory Investment Test – Transmission – November 2023

the AER, as they relate directly to the procurement of services to maintain system strength and security in lieu of a capital solution.

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

The information presented in this application is derived from audited statutory financial statements. The expenses incurred are also subject to the annual audit of ElectraNet's regulatory accounts, which will be submitted to the AER by end October 2025, as required.

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

The date of lodgement of this application is 18 September 2025.

### 7. In some cases, details on contractual arrangements

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

As the requirements for FFR have now ceased, ElectraNet has terminated the contracts with vendors.

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

The network support service was operated during the year as outlined above. ElectraNet made the decision to transfer the amounts relating to the management of the system strength shortfall from capital expenditure to operating expenditure. This had the effect of increasing the amount of the network support amount by the same value.

ElectraNet consider that this was in line with accounting standards as it had become clear that there would never be an asset to capitalise these amounts against. Additionally, as determined by the RIT-T, this was the preferred option with the least costs to consumers. ElectraNet also consider that this was the outcome of proactive engagement with the AER to ensure customers bear the least cost outcome of procuring the efficient level of system strength in the RIT-T outcome rather than incurring significant capital costs installing synchronous condensers which were not required.

ElectraNet have ensured that the contracts for FFR have been terminated in as timely manner as possible to ensure costs are not incurred to meet a shortfall which no longer applies.

I trust this information fully satisfies the requirements of the Guideline and relevant provisions of the Rules. Should you have any queries in relation to this letter, please contact [redacted] on [redacted] or [redacted].

Yours sincerely

[redacted]

Bec Malhotra
**Manager Regulation**

1. ENC Calculation Spreadsheet