



Letter from Matthew C Brooks

7 August 2026

To: The Australian Energy Regulator (AER)

Submission on Endeavour Energy's NSW Emergency Backstop Mechanism (EBM) Cost Pass-Through Application (June 2026)

Introduction

I make this submission as an electricity consumer within the Endeavour Energy distribution area.

I hold tertiary qualifications in Engineering, Energy Planning and Policy, and Project Management from the University of Sydney, the University of Technology Sydney, and the University of New England. I also have more than 35 years of professional experience across a range of roles within the electricity supply industry.

This submission focuses on whether the proposed expenditure satisfies the requirements of the National Electricity Rules (NER), including whether the expenditure is prudent, efficient, and genuinely incremental to expenditure already funded through Endeavour Energy's existing regulatory allowances.

Executive Summary

Endeavour Energy seeks to recover approximately \$35.9 million associated with implementation of the NSW Emergency Backstop Mechanism (EBM).

While the EBM is a legitimate jurisdictional requirement arising from changes to NSW electricity network licence conditions, the existence of a new obligation does not automatically establish that all related expenditure should be recovered from consumers through a cost pass-through mechanism.

The AER is encouraged to examine the application in three key areas:

1. **Incrementality of expenditure** and the potential overlap with programs and capabilities already funded under the 2024-29 regulatory determination.
2. **Efficiency of proposed expenditure** having regard to the quality, reliability and maturity of the systems and data underpinning the proposed solution.
3. **Transparency and accountability** of both capital and operating expenditure forecasts, particularly where supporting information has been redacted from the public application.

The AER's assessment should ensure that consumers fund only those costs that are demonstrably incremental, prudent and efficient, and that expenditure does not duplicate capabilities for which funding has already been approved.

1. Incrementality and the Potential for Double Recovery

The principal regulatory issue is not whether the EBM requires new operational capabilities, but whether the expenditure proposed by Endeavour Energy is genuinely additional to capabilities already funded through the 2024-29 regulatory determination.

The application proposes approximately \$23.5 million of capital expenditure. In assessing this expenditure, the AER should apply a rigorous incrementality test to determine whether the proposed investments are:

- New capabilities required solely as a result of the EBM licence conditions; or
- Enhancements, accelerations or extensions of capabilities that were already expected to be delivered under existing regulatory allowances.

Particular attention should be given to the following areas:

Dynamic Operating Envelopes and Flexible Exports

Both existing Dynamic Operating Envelope (DOE) initiatives and EBM implementation rely upon improved network visibility, distributed energy resource communications, and operational control frameworks.

The AER should examine whether any proposed EBM expenditure supplements capabilities already funded through flexible export and DOE programs.

ADMS and DERMS Platforms

The application identifies Advanced Distribution Management System (ADMS) and Distributed Energy Resource Management System (DERMS) capabilities as important enablers of EBM implementation.

The AER should determine the extent to which proposed expenditure represents:

- New functionality required by the EBM; or
- Delivery of digital network management capabilities previously contemplated within Endeavour Energy's broader network transformation roadmap.

Recommended Regulatory Assessment

The key test should be whether the relevant capability would have been required and delivered under existing regulatory funding arrangements in the absence of the NSW licence condition changes.

Where overlap exists, pass-through treatment should be limited to the genuinely incremental component of expenditure.

2. Quality, Reliability and Maturity of Supporting Systems

NER Clause 6.5.6 and 6.5.7 requires consideration of matters relevant to the efficiency and prudence of expenditure proposals.

In assessing the application, the AER should consider whether the systems, processes and data that support the proposed EBM solution are sufficiently mature and reliable to justify the level of expenditure sought.

Data Quality and System Readiness

The EBM depends on accurate network models, asset information, operational data and control systems.

Accordingly, the quality of underlying asset and network data is directly relevant to the effectiveness and efficiency of the proposed expenditure.

The AER may wish to seek assurance that:

- Asset and network data used to support EBM functions are sufficiently complete and accurate;
- Underlying digital platforms are capable of delivering the intended operational outcomes; and
- Proposed expenditure is not primarily directed toward remediation of pre-existing data or system deficiencies.

Evidence from Public Regulatory Reporting

In its 2024/25 Energy Charter Disclosure Report, Endeavour Energy reported 35 breaches relating to life support customer obligations and identified system and process errors as contributing factors.

The report also states that an external audit was commissioned and that further work is continuing to improve performance.

The management of life support customer obligations requires aspects including accurate and timely records of premise, address, customer identification and contact details and records of equipment connected at the customer's premise. These data aspects are of a similar or simpler nature than that required for managing customer's energy resources at their premise. Endeavour Energy's Energy Charter breaches and the audit report into those breaches should be examined to determine any carry over impact on the proposed operation of the EBM including the management of customer energy resources at the customer's premise.

Broader Transformation Activities

Available information indicates that Endeavour Energy has undertaken internal initiatives focused on improving systems, processes and data quality.

The existence of such programs does not imply that EBM expenditure is inappropriate. However, it does raise a relevant regulatory question regarding the boundary between:

- Costs attributable to EBM implementation; and
- Costs associated with broader organisational or digital transformation activities.

The AER should satisfy itself that costs proposed for pass-through treatment are directly attributable to EBM obligations and are not recovering expenditure that would otherwise have occurred through existing business improvement programs.

Recommended Regulatory Assessment

Given the central role that digital platforms, data and operational systems play in EBM delivery, the AER should consider independent verification of the readiness, capability and efficiency of the proposed solution architecture. In an Appendix to my submission, I have listed some relevant questions.

3. Operating Expenditure Efficiency and Transparency

A significant portion of the detailed financial information in the application has been redacted on confidentiality grounds.

While confidentiality may be justified in some circumstances, extensive redactions limit the ability of consumers and interested parties to independently assess the prudence and efficiency of proposed expenditure.

The AER should therefore subject both capital and operating expenditure forecasts to particularly careful scrutiny.

Proposed Operating Expenditure

The application proposes the ongoing addition of seven full-time equivalent positions to support EBM operations.

As these costs may ultimately contribute to future expenditure baselines, the AER should require clear evidence that:

- The proposed staffing levels are necessary;
- Alternative delivery models have been considered;
- The operating model reflects efficient industry practice; and
- The forecast costs represent the lowest sustainable cost of meeting the licence obligation.

Consumer Interest Considerations

The central consideration should be whether consumers receive measurable additional benefits from the proposed expenditure and whether those benefits are delivered at an efficient cost.

Where expenditure relates to capabilities that consumers have already funded through existing regulatory allowances, further recovery should not occur unless a clear incremental benefit can be demonstrated.

Relief Sought

To assist in assessing compliance with NER Clauses 6.5.6 and 6.5.7, I respectfully request that the AER:

- **Require an Incrementality and Overlap Register** mapping each EBM cost item against previously approved funding sources, programs and capabilities.
- **Disallow overlapping expenditure** where Endeavour Energy cannot demonstrate that the expenditure is incremental to existing allowances associated with DOE, flexible export, ADMS, DERMS or related initiatives.
- **Commission an independent technical review** of the proposed EBM solution architecture and supporting systems to assess whether the expenditure is prudent, efficient and directly attributable to EBM implementation.

- **Benchmark proposed operating costs** against comparable Australian and international distribution businesses to ensure that staffing levels and ongoing support costs are efficient.
- **Disallow any expenditure that cannot be demonstrated to be prudent, efficient and incremental**, consistent with the requirements of the National Electricity Rules.

Conclusion

The NSW Emergency Backstop Mechanism represents an important jurisdictional initiative intended to support the secure operation of an increasingly distributed electricity system.

However, consumers should only bear costs that are demonstrably incremental, efficient and necessary to satisfy the new licence obligations.

Accordingly, the AER should apply a rigorous assessment of expenditure overlap, system maturity and operating cost efficiency before determining the extent to which the proposed costs should be eligible for pass-through recovery.

I would be pleased to provide any further clarification that may assist the AER in its determination.

Yours sincerely,

[Redacted Signature]

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Appendix A

Endeavour Energy 2024/25 Energy Charter Disclosure Report

"...we self-reported 35 life support customer breaches to the regulator citing system and process errors. We commissioned an external audit of the system and met with the AER to account for our actions to address breaches. Work continues to improve performance to reach our target of 0 in FY26."

Appendix B

Quality, Reliability and Maturity of Supporting Systems

Questions for Endeavour Energy.

Question 1.

Are there recent staff engagement survey results indicating staff concerns about the quality and reliability of Endeavour Energy's systems, processes and data?

To what extent should those staff survey results, in relation to systems and processes, influence the AER's determination of the application under the NER clause 6.5.6 and 6.5.7?

Question 2.

Can Endeavour Energy provide an assurance that the system and process errors causing breaches to the Customer Energy Charter have been fixed and that there are no carry-over impacts on the elements of the EBM and that funding under the pass-through application is not for fixing existing systems and process defects impacting the Energy Charter?

Question 3.

Has Endeavour Energy conducted any business transformation programs of work (maybe facilitated by tier 1 consultants) that have identified existing business system, process and data errors that would adversely affect the proposed implementation of the EBM and would any of the funding sought under the EBM pass through application be used to address those errors (under "business transformation")?

Question 4.

With regards to Endeavour's ADMS system and its contribution towards fulfilling the requirements of the EBM, is Endeavour Energy aware of any data quality issues from their SAP system in providing transformer and line rating data to determine the operating capacity of the network? In general, are there any existing data quality issues that would adversely affect the intended operation of the EBM under the application?

END.