

ElectraNet pass through application

October 2024 weather event

30 September 2026



COPYRIGHT AND DISCLAIMER

Copyright of this material is owned by or licensed to ElectraNet. Permission to publish, modify, commercialise or alter this material must be sought directly from ElectraNet. Reasonable endeavours have been used to ensure that the information contained in this document is accurate at the time of writing. However, ElectraNet gives no warranty and accepts no liability for any loss or damage incurred in reliance on this information.

Contents

Executive Summary	3
1 Structure of this application	4
2 Background	5
2.1 October 2024 Storm Event	5
2.2 Timeline of Events	9
3 Regulatory Requirements	11
3.2 Pass through amount	12
3.3 Information requirements for a pass through application	12
3.4 Framework for the AER assessment	13
4 Addressing the Rules requirement	15
4.1 Positive change event	15
4.2 Date on which the positive change event occurred	15
4.3 Eligible pass through amount	15
4.4 Proposed positive pass through amount	16
4.5 Evidence to support the pass through amount	16
4.6 Customer bill impact	17
5 Prudency and efficiency of our pass through costs	18
5.1 Emergency Response ‘Make safe’ activities	18
5.2 Supply Restoration	19
[REDACTED]	20
5.4 Insurance considerations	20
5.5 Costs solely as a consequence of the positive change event	21

List of Figures

Figure 1 – BOM Severe Weather Warning 17 October 2024 4:46 pm	5
Figure 2 – Impacted transmission lines	7
Figure 3 – Fallen tower from the October 2024 storm	8

List of Tables

Table 1: Expenditure (\$m nominal) incurred responding to the weather event	15
Table 2: Materiality of storm costs	16
Table 3: Eligible pass through amount (\$m real June 2023, unsmoothed)	16
Table 4: Compliance checklist	23

Appendices

Appendix A	Compliance checklist	23
------------	----------------------	----

Executive Summary

On 17 October 2024, South Australia experienced extreme weather which caused damage to infrastructure across the upper north of the state. The severe storm resulted in damage to 33 transmission structures across the South Australian transmission network. The extensive impact to transmission infrastructure makes the storm the most damaging in ElectraNet's history including the 2016 storm that caused the state-wide blackout.

This is an application under clause 6A.7.3.a1(5) of the National Electricity Rules (NER or the Rules) seeking approval from the Australian Energy Regulator (AER) to pass through the material additional costs ElectraNet has incurred as a result of the weather event on 17 October 2024.

A pass through event is one that occurs beyond the reasonable control of a network business and has not been accounted for in its current 5-year revenue determination. The NER defines several pass through events to apply to all transmission networks. In addition, events can be specified within a transmission determination. The October 2024 weather event classifies as a 'Natural Disaster' event as defined in the AER's final decision for our 2023–2028 Regulatory Control Period (RCP).

Our proposed pass through amount in relation to the October weather event is \$18.6m (\$nominal). The primary driver of the increase in costs is the capital costs of repairing the lines damaged by the storm.

ElectraNet believes that the impact on customer bills as a result of the cost pass through is likely to be small, approximately \$1.74 per annum for a typical residential customer in South Australia. The majority of the increase in costs relates to capital expenditure (capex) which will be recovered over the expected life of the assets. As such this has a more limited impact on ElectraNet's Maximum Allowed Revenue (MAR).

1 Structure of this application

This Application is structured as follows:

- Chapter 2 provides important background information to this Application, including details of the weather event;
- Chapter 3 describes the regulatory requirements that apply in relation to this Application and how they relate to our particular circumstances;
- Chapter 4 addresses the specific information requirements of the Rules, including the eligible positive pass through amount; and
- Chapter 5 demonstrates that our 2024-25 incremental costs are prudent and efficient and, therefore, that the AER should approve the proposed positive pass through amount.

Information on the apportionment of costs to prescribed transmission services is provided in Appendix A. A compliance checklist is included as Appendix B.

We also provide a report from ElectraNet's auditor, [REDACTED], which demonstrates that our actual costs are prudent, efficient, and only include incremental costs.

2 Background

2.1 October 2024 Storm Event

On Thursday 17 October 2024, a significant and extreme thunderstorm weather event occurred in the in the Mid-North and North of South Australia.

Severe Thunderstorm Warning

for DAMAGING, LOCALLY DESTRUCTIVE WINDS and LARGE HAILSTONES

For people in Eastern Eyre Peninsula, Flinders and parts of West Coast, Yorke Peninsula, Mid North, North West Pastoral and North East Pastoral districts.

Issued at 4:46 pm Thursday, 17 October 2024.

DESTRUCTIVE WINDS OCCURRING ACROSS THE NORTH WEST PASTORAL DISTRICT.

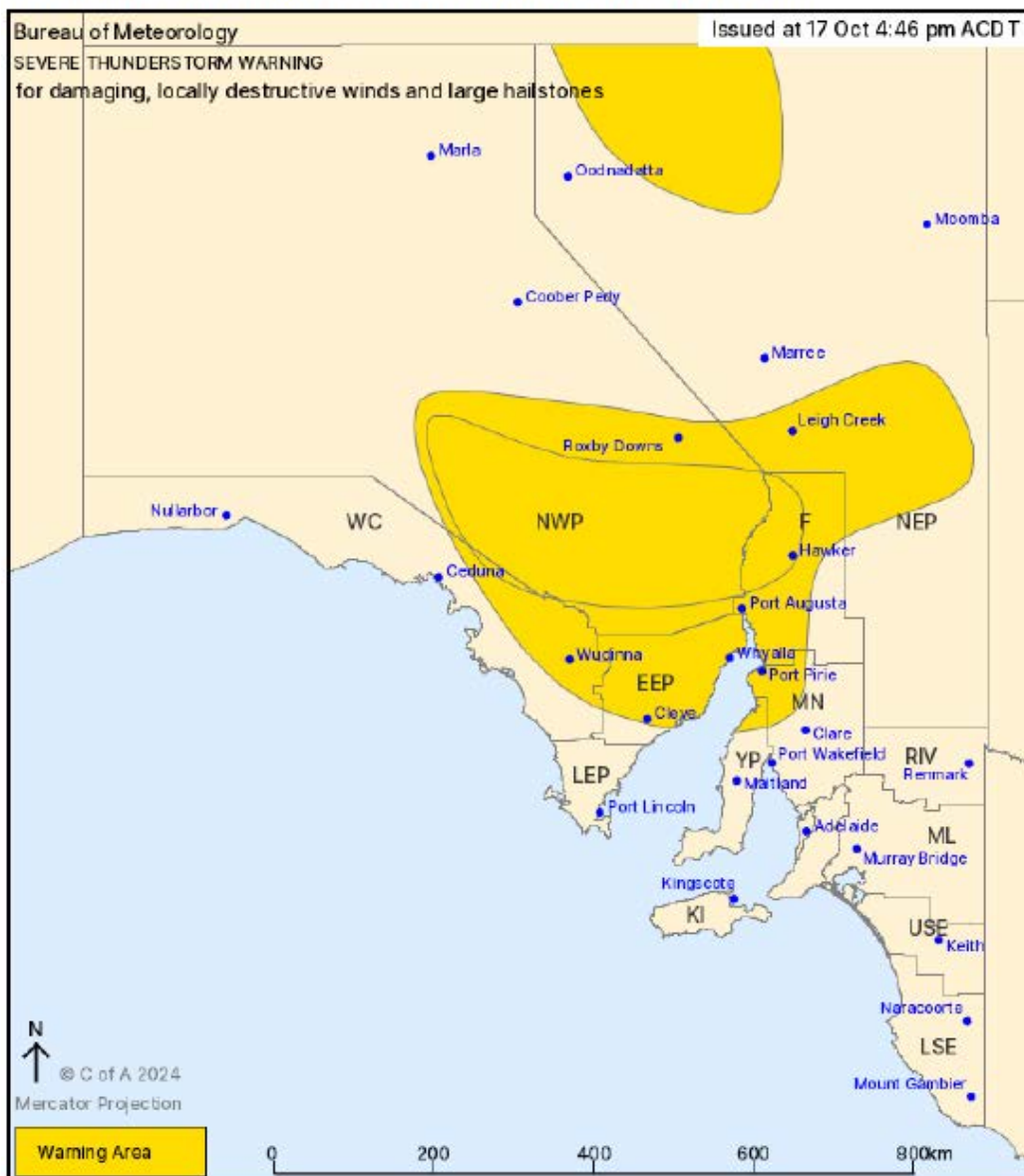


Figure 1 – BOM Severe Weather Warning 17 October 2024 4:46 pm

Across Wednesday 16 October and Thursday 17 October, being the day before and the day of the weather event, the Bureau of Meteorology (BOM) issued 17 Severe Weather warnings. These

warnings including notification that this very dangerous thunderstorm had the potential to bring damaging and locally destructive winds and large hailstones¹.

Weather observations from the BOM recorded wind speeds of more than 130km/hr²³ and around 250,000 lightning strikes in a 24-hour period.⁴

A total of 10 transmission lines suffered outages throughout the weather event. Whilst seven of the ten affected lines were able to be re-energised, the lightning and winds from the storm activity caused towers and conductor to fall on three of ElectraNet's transmission lines and caused power loss to four telecommunications sites and three substations.

- 132kV line between Davenport and Pimba – 4 towers down
- 132kV line between Davenport, Neuroodla and Leigh Creek South – 18 towers down
- 132kV line between Brinkworth and Bungama – 6 stobie poles down (a further 5 severely compromised)

¹ Australian Government Bureau of Meteorology – Severe Thunderstorm Warning issued 17 October 2024 at 6:07 pm ACDT

² ABC News, *Broken Hill hit by 'possible tornado', as storms affect mining operations at Olympic Dam*, 18 October 2024, link: [Broken Hill hit by 'possible tornado', as storms affect mining operations at Olympic Dam](#)

³ Australian Government Bureau of Meteorology – Severe Thunderstorm Warning issued 17 October 2024 at 7:22 pm ACDT

⁴ The Advertiser, *Leigh Creek, Hawker schools closed with power still out following last week's wild storm*, 21 October 2024, link: [Leigh Creek, Hawker schools closed with power still out following last week's wild storm](#)

Figure 2 – Impacted transmission lines



In total, with 33 structures damaged across the state, the October storm was the most impactful event on the South Australian transmission network with more structures destroyed than in the 2016 statewide blackout.⁵ There were also significant impacts to the distribution network, operated by SA Power Networks (SAPN), with 39,000 customers losing power due to the ferocity of the storm.⁶

Figure 3 – Fallen tower from the October 2024 storm



The impacts on the transmission network resulted in multiple outages affecting remote communities in northern South Australia, many of which are supplied by long radial transmission lines.

In the aftermath of the storm, the South Australian Minister for Energy and Mining made the following statement and declaration⁷;

I, the Hon Tom Koutsantonis MP, Minister for Energy and Mining, having formed a view as a result of the extreme weather event on Thursday 17 October 2024 destroying 19

⁵ The Advertiser, *More power towers damaged than in 2016 statewide blackout*, 18 October 2024, link: [More power towers damaged than in 2016 statewide blackout](#)

⁶ The Advertiser, *SA hit with almost 250,000 lightning strikes while 39,000 lost power as wild storm lashed state*, 18 October 2024, link: [SA hit with almost 250,000 lightning strikes while 39,000 lost power as wild storm lashed state](#)

⁷ [Far North Power Updates](#), Department of Energy and Mining

transmission towers on the 132 kilo-Volt electricity transmission line from Davenport Substation to Leigh Creek and cutting on-grid power supply to residents in Hawker and Leigh Creek and surrounding areas, that it appears, on reasonable grounds, that the supply of electricity to part of the South Australian community is disrupted to a significant degree, or there is a real risk that it may be disrupted to a significant degree, declare an electricity supply emergency pursuant to section 27B(1) of the Emergency Management Act 2004

2.1.1 Restoration

ElectraNet worked closely with contractors, customers, landholders and Traditional Owners to restore electricity supply and remediate network damage as quickly as practicable.

The Brinkworth to Bungama line was initially restored via a backfeed on 19 October 2024. Permanent repairs were completed and the line was re-energised on 16 December 2024.

A backfeed supplying communities including Pimba and Woomera was established on 3 November 2024. The Davenport to Pimba line was subsequently restored to Mount Gunson, with permanent restoration and re-energisation completed on 17 December 2024.

Both permanent and temporary structures were installed to restore supply on the Davenport to Neuroodla line, and this was reenergised on 14 February 2025⁸.

2.2 Timeline of Events

Date/Time (ACDT)	Event
17 OCT 24 / 2:00PM	ElectraNet receives State Emergency Service (SES) weekly operational weather briefing with notification of the several storms for afternoon of 17 Oct.
17 OCT 24 / 4:00PM	Additional Transmission System Operator (TSO) rostered for evening shift in anticipation of potential storm impacts.
17 OCT 24 / 4:38:16 PM	Davenport - Pimba 132kV transmission line tripped. Auto-close failed as fault caused another trip.
17 OCT 24 / 5:37:26 PM	Davenport - Neuroodla - Leigh Creek South 132kV transmission line tripped. Auto-close failed as fault caused another trip.

⁸ ElectraNet is currently undertaking a RIT-T to determine how best to maintain reliable electricity supply to Leigh Creek and Neuroodla in the longer term.

Date/Time (ACDT)	Event
17 OCT 24 / 7:16:23 PM	Bungama – Brinkworth 132kV transmission line tripped. Auto-close failed as fault caused another trip.
18 OCT 24	Made required contacts to SES, Country Fire Service (CFS), SA Police, SA Health, SA Ambulance Services, Safework SA, Office of the Technical Regulator, Department Energy and Mining, and the Australian Energy Market Operator (AEMO).
18 OCT 24	Deployed generators to the communication sites and substations north of Davenport.
18 OCT 24	Engaged contractor to perform aerial survey on the Davenport – Leigh Creek line and Davenport – Pimba line. Ground Patrols inspected Bungama – Brinkworth.
19 OCT 24	Bungama – Brinkworth 132kV transmission line backfeed established.
3 NOV 24	Connection Point Disconnected (Woomera) backfeed established.
16 DEC 24	Bungama – Brinkworth 132kV transmission line re-energised.
17 DEC 24	Davenport – Pimba 132kV transmission line re-energised.
14 FEB 25	Davenport – Leigh Creek South 132kV transmission line re-energised.

3 Regulatory Requirements

The regulatory requirements for the submission and acceptance of a cost pass through application are contained in clause 6A.7.3 of the Rules⁹. In broad terms, the regulatory process is as follows:

- Establish that a positive change event has occurred;
- Quantify the pass through amount;
- Submit a pass through application in accordance with the Rules; and
- Determine the approved pass through amount.

We discuss each of these elements in turn.

3.1 Positive change pass through event

A *positive change event* is defined in the Rules as:

A pass through event which entails the Transmission Network Service Provider incurring materially higher costs in providing prescribed transmission services than it would have incurred but for that event, but does not include a contingent project or an associated trigger event.

Materially, for the purpose of a pass through event, is further defined within the Rules:

For the purposes of the application of clause 6A.7.3, an event (other than a network support event) results in a Transmission Network Service Provider incurring materially higher or materially lower costs if the change in costs (as opposed to the revenue impact) that the Transmission Network Service Provider has incurred and is likely to incur in any regulatory year of a regulatory control period, as a result of that event, exceeds 1% of the maximum allowed revenue for the Transmission Network Service Provider for that regulatory year.

Under the NER, clause 6A.7.3.(a1)¹⁰ specifies that the following are pass through events:

1. *a regulatory change event;*
2. *a service standard event;*
3. *a tax change event;*
4. *an insurance event;*
5. *any other event specified in a transmission determination as a pass through event for the determination.*

ElectraNet included a natural disaster event in its revenue proposal. This was then accepted by the AER in their final determination. The natural disaster event included in the 2023-28 final determination is defined as¹¹:

⁹ NER, cl 6A.7.3

¹⁰ NER, cl 6A.7.3 and Chapter 10 (definition of 'pass through event').

¹¹ ElectraNet transmission determination 2023-28 attachment 13 – cost pass through events – April 2023

Natural disaster event means any natural disaster including but not limited to cyclone, fire, flood or earthquake that occurs during the 2023–24 to 2027–28 regulatory control period that changes the costs to ElectraNet in providing prescribed transmission 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.*

3.2 Pass through amount

A positive pass through amount is defined in the Rules as:

For a Transmission Network Service Provider, an amount (not exceeding the eligible pass through amount) proposed by the provider under clause 6A.7.3(c).¹²

An eligible pass through amount is defined in the Rules as:

In respect of a positive change event for a Transmission Network Service Provider, the increase in costs in the provision of prescribed transmission services that, as a result of that positive change event, the Transmission Network Service Provider has incurred and is likely to incur (as opposed to the revenue impact of that event) until:

- a. unless paragraph (b) applies – the end of the regulatory control period in which the positive change event occurred; or*
- b. if the transmission determination for the regulatory control period following that in which the positive change event occurred does not make any allowance for the recovery of that increase in costs (whether or not in the forecast operating expenditure or forecast capital expenditure accepted or substituted by the AER for that regulatory control period) – the end of the regulatory control period following that in which the positive change event occurred.*

3.3 Information requirements for a pass through application

Clause 6A.7.3(c)¹³ of the Rules sets out the information that a TNSP must provide to the AER in a pass through application:

To seek the approval of the AER to pass through a positive pass through amount, a Transmission Network Service Provider must submit to the AER, within 90 business days of the relevant positive change event occurring, a written statement which specifies:

- 1. the details of the positive change event;*
- 2. the date on which the positive change event occurred;*

¹² NER, cl 6A.7.3

¹³ NER, cl 6A.7.3

3. *the eligible pass through amount in respect of that positive change event;*
4. *the positive pass through amount the Transmission Network Service Provider proposes in relation to the positive change event;*
5. *the amount of the positive pass through amount that the Transmission Network Service Provider proposes should be passed through to Transmission Network Users in the regulatory year in which, and each regulatory year after that in which, the positive change event occurred;*
6. *evidence:*
 - i. *of the actual and likely increase in costs referred to in subparagraph (3); and*
 - ii. *that such costs occur solely as a consequence of the positive change event; and*
7. *such other information as may be required pursuant to any relevant regulatory information instrument.*

These items are addressed in turn in Section 4 below. As explained in Section 1.2, a compliance checklist is also included in Appendix B to this Application to verify that each information requirement has been addressed.

3.4 Framework for the AER assessment

If the AER concludes that a positive change event has occurred, it must then determine:

1. *the approved pass through amount, and*
2. *the amount of that approved pass through amount that should be passed through to Transmission Network Users in the regulatory year in which, and each regulatory year after that in which, the positive change event occurred,*

In making its determination, the AER must take into account the factors listed in clause 6A.7.3(j) of the Rules. These include:

1. *the matters and proposals set out in any statement given to the AER by the TNSP;*
2. *the increase in costs in the provision of prescribed transmission services that, as a result of the positive change event, the TNSP has incurred and is likely to incur;*
3. *the efficiency of the provider's decisions and actions in relation to the risk of the positive change event, including whether the provider has failed to take any action that could reasonably be taken to reduce the magnitude of the eligible pass through amount in respect of that positive change event and whether the provider has taken or omitted to take any action where such action or omission has increased the magnitude of the amount in respect of that positive change event;*
4. *the time cost of money based on the allowed rate of return for the TNSP for the regulatory control period in which the pass through event occurred;*
5. *the need to ensure that the TNSP only recovers any actual or likely increment in costs to the extent that such increment is solely as a consequence of a pass through event;*
6. *whether the costs of the pass through event have already been factored into the calculation of the provider's maximum allowed revenues for the regulatory control period in which the*

- pass through event occurred or will be factored into the calculation of the provider's maximum allowed revenues for a subsequent regulatory control period;
7. the extent to which the costs that the TNSP has incurred and is likely to incur are the subject of a previous cost pass through determination made by the AER; and
 8. any other factors the AER considers relevant.

In addition to the above factors, the National Electricity Law (NEL) requires the AER to exercise its powers in a manner that will or is likely to contribute to the achievement of the National Electricity Objective (NEO). The NEL also specifies revenue and pricing principles.

Of relevance to this Application is the principle that a network service provider should be provided with a reasonable opportunity to recover at least the efficient costs it incurs in providing prescribed transmission services and complying with a regulatory obligation or requirement or making a regulatory payment. In this regard, it is noted that the pass through provisions relating to a natural disaster event enable a network service provider to recover material increases in costs associated with remediation and restoration of the network providing that the costs incurred are efficient.

4 Addressing the Rules requirement

This chapter sets out and addresses the information requirements specified in the Rules in relation to a cost pass through application.

4.1 Positive change event

A positive change event has occurred because the severe weather generated a combination of rain, gales, dust storms and severe thunderstorms in the upper north of South Australia causing widespread damage across the transmission network. This resulted in a material increase in costs to ElectraNet providing prescribed transmission services and constitutes a natural disaster event under the cost pass through provisions of the National Electricity Rules (NER), as approved in the prevailing revenue determination (2023–28).

Within the NER, materiality is defined as costs incurred in any regulatory year or regulatory control period, as a result of an event, exceeds 1% of the MAR for that regulatory year. The relevant cost information is provided in

Table 2 below.

4.2 Date on which the positive change event occurred

On 17 October 2024, South Australia's upper north experienced a catastrophic storm that caused damage to key infrastructure in the region. As referred to in section 2.1 above, the Bureau of Meteorology issued weather warnings on 17 October describing severe thunderstorms with damaging winds for parts of central and southern Australia. As referred to in section 2.1 above, at times wind gusts exceeded 130 km/h in areas of our transmission network and led to the collapse of 33 transmission line structures across 3 separate transmission lines, Mount Gunson – Pimba, Bungama – Brinkworth and Davenport – Neuroodla – Leigh Creek South.

4.3 Eligible pass through amount

Table 1 summarises the total costs incurred in response to the October 2024 weather event. It covers all capex and opex incurred and likely to be incurred. The table breaks down the costs between the drivers of capex and opex, which are described in this section. Most expenditure was incurred in regulatory year 2024/25.

In determining the eligible pass through amount, only incremental costs attributable to the October 2024 weather event have been included; no costs that would have been incurred under business as usual (BAU) form part of this application.

Table 1: Expenditure (\$m nominal) incurred responding to the weather event

Component	FY25	FY26	FY27	Total	Notes
Opex – Make safe	1.7	–	–	1.7	Emergency Response 'make safe' activities –contracted services and internal opex
Opex – Assurance	0.2	0.5	0.0	0.7	Incremental opex relating to assurance activities
Capex – Restoration	14.8	1.9	–	16.7	\$2.0m Mount Gunson – Pimba damaged section

					\$1.7m Bungama – Brinkworth damaged section \$13.0m Davenport – Neuroodla – Leigh Creek South damaged section
Excluded Opex	(0.6)	–	–	(0.6)	Non-incremental opex costs
Total	16.2	2.4	0.0	18.6	

Table 2: Materiality of storm costs

\$m nominal	
2024–25 Maximum Allowable Revenue	439.2
2024–25 Storm event costs	16.2
Materiality threshold (1%)	4.4
2024–25 Actual Materiality	3.7%

4.4 Proposed positive pass through amount

The proposed positive pass through amount is equal to the eligible pass through amount, as detailed in Section 4.5, which is \$3.80m (\$real2022–23) for the 2023–28 regulatory control period.

We have assumed that the positive pass through amount will be recovered during the 2027–28 regulatory control year as this is the final year of our regulatory control period.

4.5 Evidence to support the pass through amount

Clause 6A.7.3(c)(6)(i) of the NER requires us to provide evidence of the actual and likely increase in costs comprising the eligible pass through amount.

Table 3 below provides a breakdown of the return on and of capital attributed to the capex included in the eligible pass through amount along with the associated opex amounts.

The activities undertaken are discussed in more detail in Section 5.

We have provided evidence of the costs to be incurred in our 'Cost build up – 17 October Storm' model (Attachment 1.1). Due to the difficulty and length of time to determine some aspects of the costs and obligations with regards to this event, all costs have been incurred and are presented on an audited 'actual' basis.

Table 3: Eligible pass through amount (\$m real June 2023, unsmoothed)

\$2022–23	FY25	FY26	FY27	FY28	Total
-----------	------	------	------	------	-------

Return on capital	-	0.79	0.89	0.90	2.58
Return of capital	-	(0.15)	(0.16)	(0.15)	(0.45)
Operating expenditure	1.26	0.48	0.05	0.01	1.80
Revenue adjustments	-	-	-	-	-
Tax	-	-	(0.09)	(0.04)	(0.13)
Building Block Revenue	1.26	1.13	0.69	0.72	3.80

4.6 Customer bill impact

While it is not a regulatory requirement in the Rules to explain how the approval of the cost pass through amount will affect transmission network charges, we consider it appropriate to include this information.

While approval of the proposed pass through amount will result in an increase in ElectraNet's regulated revenue, the impact on customers is expected to be modest. The majority of the expenditure relates to capital works required to restore damaged transmission infrastructure. Consistent with the building block framework, these costs are recovered over the economic life of the assets rather than in a single year, significantly reducing the annual impact on network charges.

ElectraNet estimates that the indicative impact on a typical residential electricity bill is approximately \$1.74 or 0.01% per annum. In ElectraNet's view, this represents a reasonable outcome for consumers, given the scale of infrastructure damage, the importance of restoring reliable supply to affected communities, and the prudent and efficient nature of the expenditure incurred in response to the storm event.

5 Prudency and efficiency of our pass through costs

Section 4 of this Application has addressed the information requirements specified by clause 6A.7.3(c)(7) of the Rules.

In addition to meeting these information requirements, this Application has had regard to the factors that the AER is required to consider in determining the approved pass through amount, in accordance with clause 6A.7.3(j) of the Rules.

Restoration and reenergisation of damaged lines from the October 2024 storm have resulted in a material increase in the costs of providing prescribed transmission services to customers. The following sections demonstrate how these increases in costs have arisen, that they are material, and that they are prudent and efficient.

The proposed cost pass through amount reflects the prudent and efficient costs associated with the temporary restoration and permanent tower rebuild in response to the storm event.

Our primary response to any event on our network is the safety of ElectraNet employees, contractors and the public. Once this has been established, we then undertake an assessment of the most efficient way to ensure ElectraNet meets obligations under the SA Electricity Transmission Code and restore reliability on affected lines and substations at the least possible cost.

The assets affected by the October 2024 storm event were not scheduled for replacement or major refurbishment as part of ElectraNet's approved capital expenditure program for the 2023–28 regulatory control period. Likewise, the emergency response, restoration and assurance activities were not contemplated within approved operating expenditure forecasts. Accordingly, the costs included in this application represent incremental expenditure arising solely from the natural disaster event and do not duplicate expenditure already funded through ElectraNet's current revenue allowance. We consider we have taken all appropriate steps to minimise the magnitude of the pass through amount.

Only those costs which are incremental and solely in relation to the positive change event have been included within this application. BAU, non-incremental, costs have been reported against the activities and then removed for transparency.

In summary, we consider that the information provided supports the recovery of the proposed pass through amount in our network charges.

5.1 Emergency Response 'Make safe' activities

During the storm on 17 October 2024, ElectraNet stood up an Incident Management Team (IMT) to coordinate the response to the incident. This response included oversight of the communication with various external bodies, including various departments within the South Australian State Government. The IMT also oversaw the dispatch of crews to locations where lines had tripped to determine the cause and whether they could be safely reenergised. These inspections included assessments utilising aerial assets as well as ground patrols. These assessments allow engineers to understand and assess the scope of the damage and develop restoration plans including make safe and risk mitigation.

The costs included in this section relate to the response and make-safe activities undertaken by our contractors following the transmission line failures. These works involved the safe isolation and earthing of the affected sections of line, removal and disposal of damaged structures, conductor and line hardware, and the clean-up of impacted areas to eliminate any ongoing risk to people, property or the environment. All activities were carried out with due consideration and proper management of environmental and cultural heritage obligations. For the Davenport–Neuroodla–Leigh Creek line, the remote location and extent of the damage necessitated the removal of damaged towers and conductor using specialised aerial methods, including the deployment of a heavy-lift helicopter. The costs also include Cultural Heritage monitoring services to ensure ElectraNet met its obligations pursuant to the Aboriginal Heritage Act.

These costs are reasonable, prudent, efficient and necessary to safely manage the risk of dropped conductor and mitigating the risks associated with reenergising damaged lines.

5.2 Supply Restoration

Once the lines had been inspected, ElectraNet reenergised lines where possible, and made restoration plans for damaged lines incapable of immediate re-energisation.

In the early stages, this involved temporary arrangements such as back-feeding supply from meshed areas of the network. Once initial re-energisation had occurred, this then included working with customers, contractors, landholders and Traditional Owners to rebuild sections of the network.

When assessing the appropriate response to each of the lines ElectraNet considered three options;

- Permanent 'like-for-like'
- Temporary restoration
- Non-network/alternative supply arrangements

The outcome of this assessment was that two of the lines were rebuilt with permanent solutions whilst the third line, Davenport – Neuroodla – Leigh Creek South, was rebuilt using both permanent and temporary structures. This is discussed in more detail below.

Costs in this section are primarily capital in nature, representing the costs of materials as well as the internal labour and contractors' costs to design, rebuild or construct new assets which can be capitalised against the projects.

These costs are prudent and efficient as they are vital to restoring permanent supply to various communities and operating a safe and secure network.

5.2.1 Davenport to Neuroodla to Leigh Creek South

The Davenport–Neuroodla–Leigh Creek South 132 kV transmission line is a very long radial transmission line that is the only means of supply for communities surrounding Neuroodla and Leigh Creek. The line was built in circa 1960 to design standards that were appropriate at the time but did not contemplate the increasing prevalence of extreme weather events.

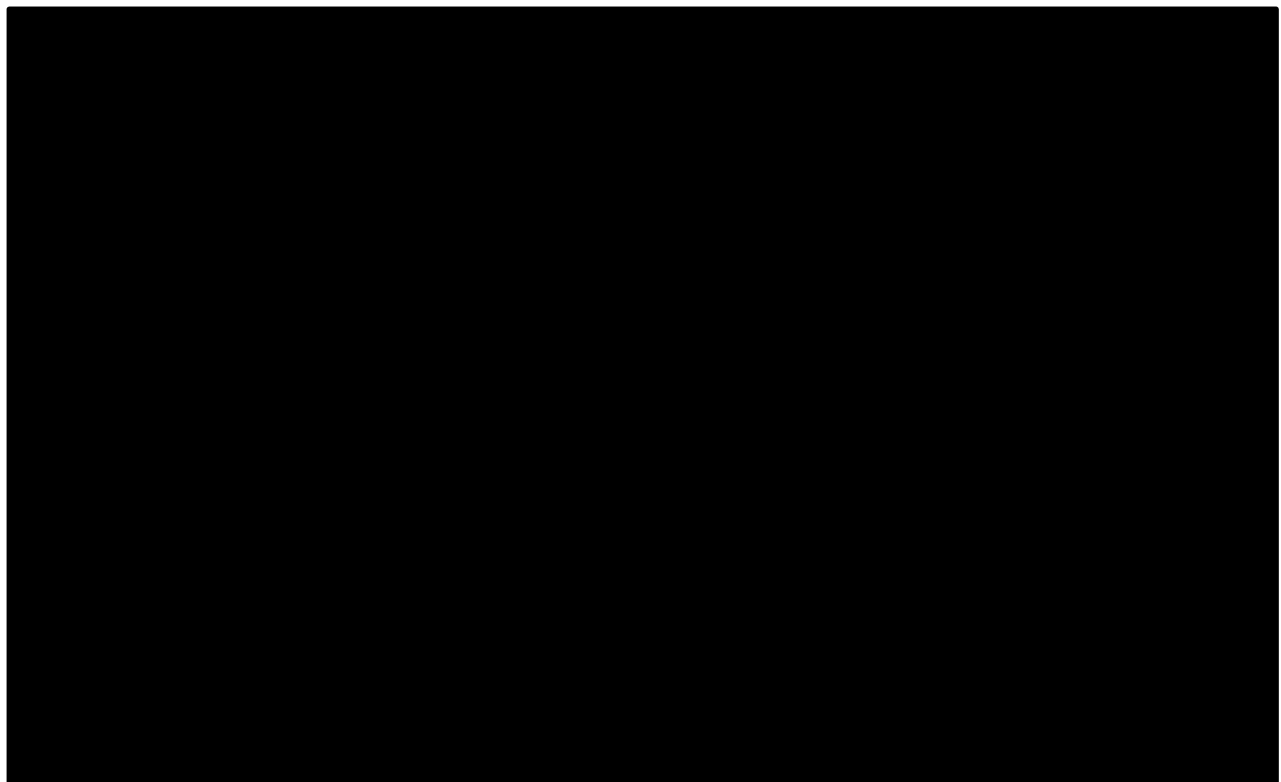
Furthermore, the route of the line presents ongoing maintenance and construction access challenges arising from both terrain and cultural heritage considerations.

Condition assessment of this transmission line, supported by recent operational experience, has determined that the transmission line is approaching the end of both its technical and economic service life. Replacement is required by 2033 to mitigate the elevated risks associated with safe operation and involuntary load shedding.

ElectraNet is proactively consulting on options available for ongoing reliable electricity supply to Leigh Creek and Neuroodla. Early assessment indicates that a credible option may be the installation of a Distribution-led Stand-alone Power System (SAPS).

ElectraNet considers the use of both permanent and temporary structures prudent and in the long term interests of consumers as this preserves optionality in the prudent and efficient solution for this line in the longer term where significant investments in new towers and conductor in response to this storm may have otherwise influenced the long term prudent solution.

5.3



5.4 Insurance considerations

In accepting a 'natural disaster event' as a nominated pass through event in our transmission determination for the 2023–2028 regulatory control period, the AER's final decision notes that¹⁴;

¹⁴ [AER – ElectraNet 2023–28 – Final Decision – Attachment 13 – Cost Pass through events – April 2023](#)

Note: In assessing a natural disaster event pass through application, the AER will have regard to, amongst other things:

- i. whether ElectraNet has insurance against the event;
- ii. the level of insurance that an efficient and prudent NSP would obtain in respect of the event.

ElectraNet regularly reviews the level of cover sought from insurers and evaluates the appropriate asset classes to be covered. Whenever ElectraNet has evaluated the possibility of acquiring cover for damage caused to Towers and Lines it has not been deemed efficient due to:

- a) the difficulty in finding a party willing to underwrite the policy,
- b) the exorbitant nature of the premiums required due to the underwriters' risk appetites, and
- c) the expected premium increases expected should a claim be made.

Accordingly, ElectraNet does not hold insurance cover for this class of assets. We have benchmarked this approach with peer TNSPs (and DNSPs) who report similar challenges with acquiring cover for Towers and Lines and also do not acquire this type of insurance cover.

Therefore, ElectraNet considers that this is the appropriate level of cover that an efficient and prudent TNSP would acquire. As noted in Marsh's Insurance cost forecasts on our most recent revenue proposal in January 2022:¹⁵

- *Towers and Lines – consistent with industry practice, and reflecting the lack of availability of commercial cover, ElectraNet does not commercially insure transmission towers or lines.*

Marsh goes on further to say:

Marsh has reviewed ElectraNet's insurance program and considers ElectraNet's approach to risk management to be prudent and to reflect good industry practice.

ElectraNet confirms that there have been no changes in our insurance cover since Marsh made this assessment.

5.5 Costs solely as a consequence of the positive change event

ElectraNet captured all expenditure incurred in response to the 17 October 2024 storm event through its established accounting and governance framework. To ensure costs attributable to the positive change event were accurately identified and segregated from business-as-usual expenditure, ElectraNet established dedicated project codes within its Enterprise Resource Planning (SAP) system for each restoration and recovery workstream. All labour, contractor, materials and associated costs were allocated to the relevant project code as activities were undertaken.

¹⁵ [ENET027 – ElectraNet – Marsh – Insurance cost forecasts 2024–28 – 31 January 2022](#)

ElectraNet subsequently extracted the costs recorded against these project codes and consolidated them within the *Cost Build-up – 17 October Storm Event* supporting model. This process ensured that only costs directly attributable to the storm event were included in the application and enabled the exclusion of costs associated with routine operations, maintenance activities, or existing capital programs.

To provide independent assurance over the costs, ElectraNet engaged [REDACTED] to review the SAP cost extracts and the associated cost compilation process. EY's review was undertaken to provide assurance that the actual costs included in this application were appropriately supported by ElectraNet's financial records and were incurred solely as a consequence of the positive change event.

As this application relates exclusively to actual expenditure already incurred, and does not include any forecast costs, ElectraNet considers the submitted cost schedule to represent a complete and reliable record of the incremental costs arising from the event.

Appendix A Compliance checklist

The purpose of this table is to demonstrate compliance with the cost pass through information requirements specified in clause 6A.7.3(c)(1) to (7) of the Rules.

Table 4: Compliance checklist

Rules clause	Requirement of Rules provision	Relevant Section of this application
6A.7.3(c)(1)	the details of the positive change event;	Section 4.1
6A.7.3(c)(2)	the date on which the positive change event occurred;	Section 4.2
6A.7.3(c)(3)	the eligible pass through amount in respect of that positive change event;	Section 4.3
6A.7.3(c)(4)	the positive pass through amount the Transmission Network Service Provider proposes in relation to the positive change event;	Section 4.4
6A.7.3(c)(5)	the amount of the positive pass through amount that the Transmission Network Service Provider proposes should be passed through to Transmission Network Users in the regulatory year in which, and each regulatory year after that in which, the positive change event occurred;	Section 4.5
6A.7.3(c)(6)	Evidence: i. of the actual and likely increase in costs referred to in subparagraph (3); and ii. that such costs occur solely as a consequence of the positive change event	Section 4.5 Section 5
6A.7.3(c)(7)	such other information as may be required pursuant to any relevant regulatory information instrument	Not applicable

