

31 March 2017

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Mr Chris Pattas
General Manager
Networks (Investment and Pricing)
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Chris,

Contingent Project Application – Bushfire Mitigation Project 1

The AERs Final Decision on AusNet Services Distribution Determination 2016 to 2020, issued in May 2016 provides for three bushfire mitigation contingent projects. The new or changed regulatory obligations that lead to activation of these contingent projects have occurred, and accordingly AusNet Services is submitting its application for approval of the incremental capital and operating expenditure for Bushfire Mitigation Project 1.

Whilst the project scopes for each contingent project identified in the AER's Final Decision provide for both capital works relating to earth fault standards (installation of REFCL's) and/or standards for asset construction and replacement in a prescribed area of the state (installation of insulated covered or underground conductor), our Project 1 is contained only to works relating to earth fault standards.

To meet the new earth fault standards the only solution available to AusNet Services is the establishment of Reduced Earth Fault Current Limiters at zone substations designated in the relevant regulations. Bushfire Mitigation Project 1 aligns to the first tranche of substations in our work program. We also advise that AusNet Services will subsequently submit contingent project applications for Bushfire Mitigation Projects 2 and 3.

In conjunction with the development of our application we have also considered the applicability of the Regulatory Investment Test for Distribution, and in this regard have prepared a Notice of Determination under clause 5.17.4(c) of the National Electricity Rules. This has been published on AusNet Services website. A copy of the notice is attached for your information.

Together with the contingent project application we also provide the following supporting documents:

- A suite of 7 strategy documents, identified in section 8 of the application:
 1. Network Balancing Strategy
 2. Compatible Equipment - Line Voltage Regulator Strategy
 3. Compatible Equipment - Automatic Circuit Recloser Strategy
 4. Compatible Equipment - Line Hardening Strategy
 5. REFCL Equipment Building Block Functional Description

6. Cost estimating, Unit Rates & Program Delivery

7. Operational Requirements

- Bushfire Mitigation Plan approved by ESV, including letter of approval; and
- The PTRM.

Finally, there is information in the application that we believe should be maintained confidential, and accordingly we also provide a version of the application that can be made public. We would be pleased to discuss the need for confidentiality with you.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tom Hallam', written in a cursive style.

Tom Hallam

General Manager Regulation & Network Strategy