
Cost pass through application – 2020 Summer Bushfires (PUBLIC VERSION)

27 May 2020



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1 Executive Summary

This is an application by AusNet Services pursuant to clause 6.6.1(a) of the National Electricity Rules (NER) to seek approval from the Australian Energy Regulator (AER) to pass through the additional costs incurred, and expected to be incurred, in the current regulatory control period in providing direct control distribution services, to remedy the damage to AusNet Services' distribution network from the widespread bushfires that devastated areas of Eastern Australia, including parts of Eastern Victoria, during the 2019 – 2020 summer fire season, which has become known as the Black Summer.

The severity, extensiveness and relentlessness of the bushfires this fire season is the relevant event upon which this pass through application is based. The fires caused widespread devastation across regional areas and heavily impacted upon AusNet Services' network.

Figure 1: Powerline passing through burnt out forested landscape



In total 1,000km of powerlines were affected, with 7,000 customers off supply as a result of the damage. The fires caused direct damage to these assets, and indirect damage from burning trees falling across power lines. AusNet Services did not have access to some of the affected network to restore customer supply until many weeks after initial damage due to on-going fire activity.

The impact of the fire season was unprecedented and resulted in the Victorian Government declaring a State of Disaster for much of the eastern half of the state, which is within AusNet Services' network area. Making assets safe, responding to customers impacted by loss of electricity supply, and restoring services as safely and as quickly as possible, required an

exceptional response effort from AusNet Services and its service delivery partners. The ongoing fire situation posed additional safety hazards throughout this period.

The importance of maintaining supply to communities and customers during the crisis, where safe to do so, was also crucial. Large mobile generators were installed and maintained at Mallacoota, Newmerella, Omeo and Corryong throughout January and February and a fleet of 100 small generators was deployed to support individual customers without power, many of them isolated and feeling particularly distressed and vulnerable.

In recognition of the hardship being experienced by the community, AusNet Services offered a range of concessions and other support arrangements to support its customers, including:

- waiving fees for premise reconnections, replacement metering and truck visits;
- suspending disconnections in bushfire affected communities requested for electricity retail contract breach, recognizing the criticality of supply during the bushfire period;
- providing an automatic payment for spoiled food to customers making such request where the outage duration would support this;
- establishing a regional customer support presence in affected communities, ensuring attendance at all relevant community events;
- waiving the network standing charge portion of customer bills; and
- accelerating GSL payments, and making the payment direct to customers rather than via billing cycle retailer arrangements.

AusNet Services has funded these customer support measures from its bottom line and will not be seeking cost recovery through this pass through application.

The response and restoration effort undertaken by AusNet Services as the bushfires progressed, and subsequently, has had a material impact on its cost of providing direct control services. AusNet Services has incurred \$21.50 million in additional costs as a result of the fires, which are not accounted for in its current distribution determination. Given the nature of the event and magnitude of the cost impact, AusNet Services considers it appropriate for these additional costs to be recovered via the cost pass through provisions set out in clause 6.6.1 of the NER.

AusNet Services considers that the AER should approve its proposed positive pass through amount, of \$14.71 million (June 2021 dollars), because:

- the 2019 – 2020 summer bushfire event meets the relevant requirements to qualify as a natural disaster pass through event (a nominated pass through event accepted by the AER in AusNet Services' 2016 – 2020 distribution determination);
- the costs incurred as a result of the bushfires amounts to 3.1% of AusNet Services annual revenue requirement for the 2020 regulatory year, thus comfortably satisfying the 1% materiality threshold in the NER for the pass through event to be a positive change event; and
- the application addresses each of the requirements outlined in clause 6.6.1(c) and has been submitted within the requisite 90 business days timeframe for making a pass through application.

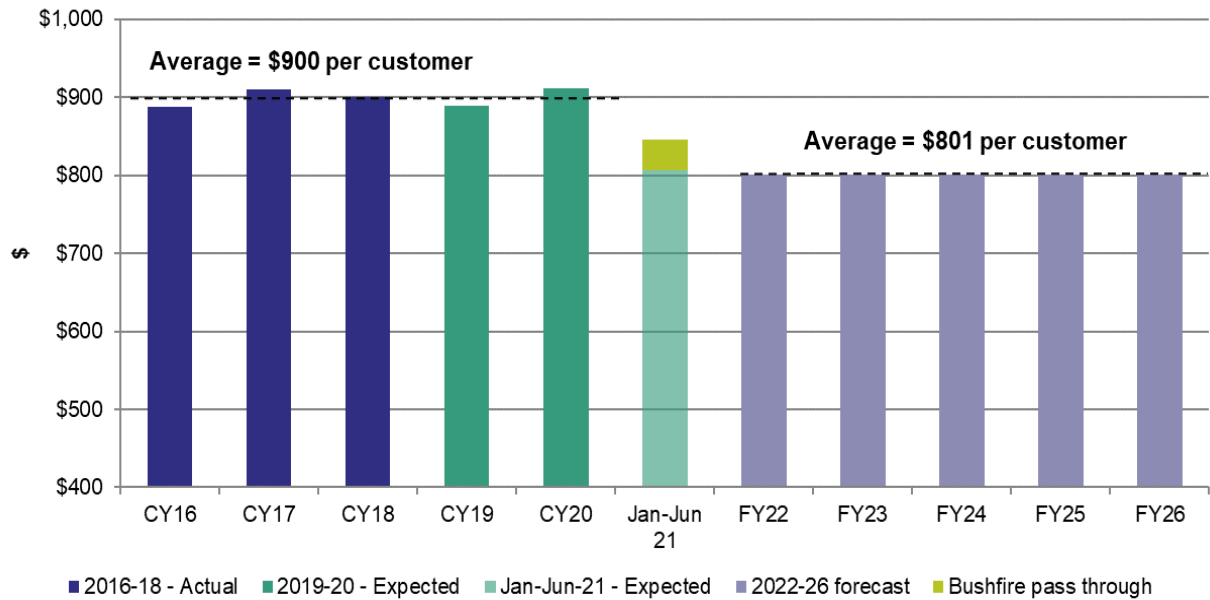
This application also addresses the matters listed in clause 6.6.1(j) that the AER must take into account in determining the approved pass through amounts. We consider this will enable the AER to satisfy itself that the amounts proposed by AusNet Services should be approved as a positive pass through amount.

AusNet Services is proposing that this positive pass through amount be recovered in the 6 month period from 1 January to 30 June 2021, which is an intended extension to the current

regulatory control period¹. Recovering the costs in this period, where we are forecasting a significant price reduction, will ensure that prices are smoothed.

As shown in Figure 1 below, the pass through application will contribute around \$19.44 to the average customer's bill during the first half of 2021. This is equivalent to \$11.22 for the average residential customer and \$97.71 for the average non-residential customers.

Figure 1: Revenue per Customer (real \$2021)



Note – the Jan-June 2021 revenues (including the bushfire pass through) have been doubled to more accurately reflect price movements customers will experience

AusNet Services considers that approving this pass through application is consistent with the revenue and pricing principles in the National Electricity Law (NEL); as such approval provides AusNet Services with a reasonable opportunity of recovering at least the efficient costs of providing direct control services².

¹ The current regulatory control period for Victorian DNSPs is to be extended by 6 months, to June 2021, transferring Victorian DNSPs to economic regulation on a financial year basis at the request of the Victorian government. Refer note on AER webpage for [AusNet Services Determination 2021 - 2026](#)

² National Electricity Law, s7(A)(2)(a) and (b).

2 Cost Pass Through Framework

The pass through provisions, contained in Chapter 6 of the NER, allow DNSPs to seek approval from the AER to recover (by passing through to customers) the increase in the costs of providing direct control services if the increase meets the relevant requirements in clause 6.6.1.

2.1 AusNet Services' written statement

To seek approval from the AER to pass through the increase in costs, the NER require a DNSP to submit a written statement to the AER within 90 business days of the relevant positive change event occurring. This statement must address the matters outlined in clause 6.6.1(c), namely:

- The details of the positive change event.
- The date on which the positive change event occurred.
- The eligible pass through amount in respect of the positive change event.
- The positive pass through amount AusNet Services is proposing in relation to the positive change event.
- The amount of the positive pass through amount that AusNet Services proposes should be passed through to Distribution Network Users in the regulatory year in which, and each regulatory year after that in which, the positive change event occurred.
- Evidence:³
 - of the actual and likely increase in costs referred to in clause 6.6.1(c)(3) of the Rules; and
 - that such costs occur solely as a consequence of the positive change event.
- Such other information as may be required under any relevant regulatory information instrument.

2.2 Framework for AER assessment

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

- the approved pass through amount; and
- the amount of the approved pass through amount that should be passed through to distribution network users in the regulatory year in which, and each regulatory year after that in which the positive change event occurred.

In making this decision, the AER must take into account the factors listed in clause 6.6.1(j) of the NER.

In addition, the NEL requires the AER, in exercising its economic regulatory functions and powers, to do so in a manner that will or is likely to contribute to the achievement of the National Electricity Objective (NEO).

³ We have not recited clause 6.6.1(c)(6)(iii) as it relates to a retailer insolvency event and is not applicable.

The NEL also specifies the revenue and pricing principles. Of relevance to this application is the principle that a regulated network service provider should be provided with a reasonable opportunity to recover at least the efficient costs the operator incurs in providing direct control services and complying with a regulatory obligation or requirement or making a regulatory payment.

3 Outline of AusNet Services' Written Statement

This application and accompanying attachments constitute a written statement pursuant to clause 6.6.1(c) of the NER, seeking the AER's approval to recover a positive pass through amounts totaling \$21.50 million. This written statement⁴ complies with the requirements under of clause 6.6.1(c) of the NER as it provides the relevant details to enable the AER to determine that a positive change event has occurred as well as details of the eligible pass through amount, the positive pass through amount and evidence of the increase in costs. This statement also focuses on addressing the matters that the AER must take into account in deciding the approved pass through amounts, being the matters listed in clause 6.6.1(j) of the NER.

We note clause 6.6.1(c)(7) requires AusNet Services to provide such other information as may be required under any relevant regulatory information instrument. No such instrument has been issued by the AER at the time of submitting this statement. However, clause 6.6.1(e1) provides scope for the AER to request from AusNet Services such additional information as the AER requires for the purpose of making a determination on this application and AusNet Services must comply with such request within the time specified by the AER. Accordingly, we would be pleased to respond to any requests for further information or consultation from the AER to assist its consideration of this Application.

For the purposes of the pass through determination process, the date on which this positive change occurred⁵ is 27 February 2020. This is the date that all significant fires burning in Victoria were declared by the Forest Fire Management Victoria and the Country Fire Authority to be contained⁶. The final fire to be contained, the Snowy Complex fire, was one of the bushfires impacting the network. Consequently, this written statement is required to be submitted to the AER by 7 July 2020, being 90 business days from 27 February 2020 (inclusive). Therefore, the requirement of in clause 6.6.1(c) in relation to the time for submitting the written statement has been satisfied.

AusNet Services' written statement is comprised of this document and accompanying attachments. This document addresses the requisite matters through the following sections:

- **Section 4: Positive change event** – demonstrates why the 2019 – 2020 summer bushfires satisfy the definition of a positive change event and is supported by evidence provided in Attachments 3, 4, and 5.
- **Section 5: Cost incurred** – outlines the costs AusNet Services has incurred as the result of the bushfires. These costs resulted from the activities we undertook to respond to the impact of the bushfires and to restore our network. Further evidence to support the costs that were incurred as a result of the bushfire event is provided in Attachment 7.
- **Section 6: Pass through amount** – specifies the eligible pass through amount and positive pass through amount in relation to the bushfires.

⁴ At times referred to in this document as 'statement' or 'application'. These terms should be read interchangeably and inclusive of all appendices and supporting attachments accompanying this application.

⁵ NER, CI 6.6.1(c)(2).

⁶ Announcement from Forest Fire Management Victoria, 2 March 2020, Final significant fire contained in Victoria, <https://www.ffm.vic.gov.au/media-releases/final-significant-fire-contained-in-victoria> (refer attachment 2)

We also have provided at Attachment 2 a compliance checklist that identifies the sections of AusNet Services' written statement that address the various NER requirements for a pass through application. We have also provided confidential and non-confidential versions of the written statement to facilitate public consultation and a confidentiality template (Attachment 1) in accordance with the AER's confidentiality guidelines.

4 Positive Change Event

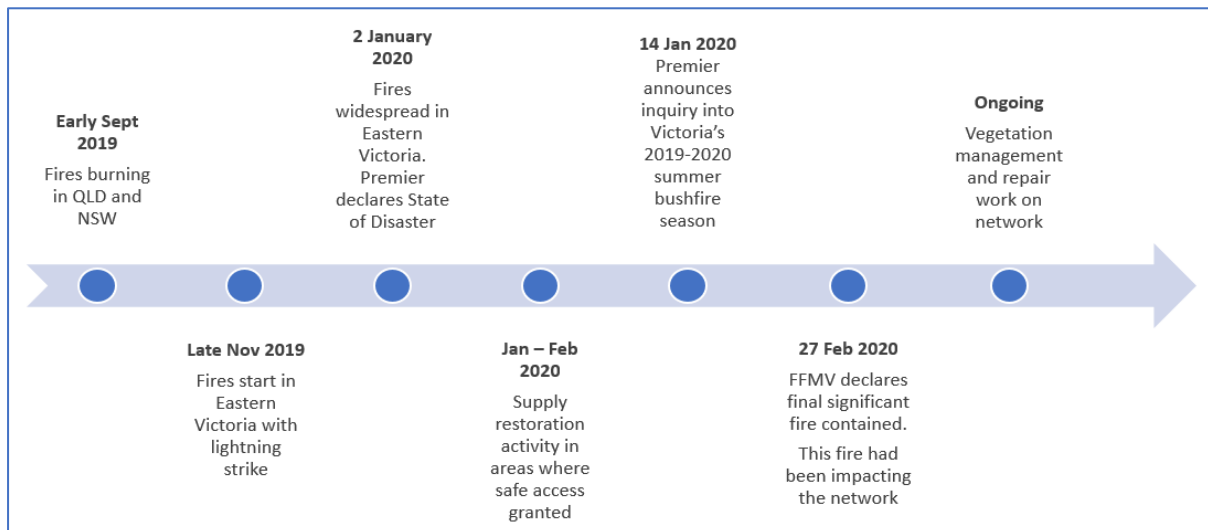
4.1 Qualification as a pass through event

In order to make a pass through application, AusNet Services must establish that a positive change event has occurred. A positive change event is defined in the NER as⁷ :

“a pass through event which entails the Distribution Network Service Provider incurring materially higher costs in providing direct control services than it would have incurred but for the event, but does not include a contingent project or an associated trigger event.”

The positive change event that is the subject of this application is the occurrence of severe, extensive and relentless bushfires across the 2019 – 2020 summer, which were finally brought under control late in February. On 27 February 2020, Forest Fire Management Victoria (FFMV) and the Country Fire Authority declared all significant fires in Victoria to be contained. The final fire to be contained, the Snowy Complex fire, was one of the bushfires impacting the network. 27 February 2020 is identified for the pass through process as the date on which a positive change event occurred. Figure 2 summarises the course of events relating to the bushfires event and this application.

Figure 2: Timeline of Significant Events Relating to the Bushfires Event



The remainder of this section, in conjunction with the materiality assessment in section 5.3 demonstrates how the bushfire event meets the requirements of a positive change, namely that:

- 1) it is a pass through event;
- 2) the costs were incurred in providing direct control services;
- 3) the event is not a contingent project or an associated trigger event; and
- 4) the event resulted in materially higher costs.

A 'pass through event' means, for a distribution determination, an event specified in clause 6.6.1 (a1)⁸. The clause provides specifies that each of the following are a pass through event:

⁷ NER, Chapter 10 (definition of 'positive change event')

⁸ NER, cl 6.6.1(a1) and Chapter 10 (definition of 'pass through event').

- 1) a regulatory change event;
- 2) a service standard event;
- 3) a tax change event;
- 4) a retailer insolvency event⁹; and
- 5) any other event specified in a distribution determination as a pass-through event for the determination.

This application is in respect of a pass-through event provided for under clause 6.6.1 (a1) (5). The relevant distribution determination for the 2019 and 2020 regulatory years, during which the 2020 summer bushfires occurred, is AusNet Services' 2016-20 determination made by the AER. The AER's Final Decision on AusNet Services' distribution determination¹⁰ provides that a 'natural disaster event' will apply to direct control services provided by AusNet Services as a nominated pass through event for the 2016–20 regulatory control period. A 'natural disaster event' is defined by in the AER's final decision as:

...any natural disaster including but not limited to fire, flood or earthquake that occurs during the 2016-20 regulatory control period that increases the costs to AusNet Services in providing direct control services, provided the fire, flood or other event was not a consequence of the acts or omissions of the service provider¹¹.

The definition includes a note to the effect that in assessing a pass through application for a natural disaster event, the AER will have regard to, amongst other things, whether AusNet Services has insurance against the event and the level of insurance that an efficient and prudent NSP would obtain in respect of the event. These matters are addressed in this application.

This application demonstrates AusNet Services' eligibility to pass through the costs associated with the 2020 summer bushfire event to distribution network users by establishing that the occurrence of the bushfires is a positive change event. Specifically:

- section 4.2 demonstrates that the bushfires event meets the NER requirements to constitute a positive change event as the bushfire event was a 'natural disaster', in the normal meaning of the phrase, and not a consequence of the acts or omissions of AusNet Services. The event consisted of multiple fires, impacting communities across eastern Victoria at the same time.
- the event is not a contingent project or trigger event, for the reasons discussed in section 5.2; and
- the event resulted in AusNet Services incurring materially higher costs in providing direct control services for the reasons discussed in section 5.3.

4.2 Details of the event

4.2.1 Bushfires occurrence

The 2019 - 2020 summer saw one of the worst bushfire seasons in the nation's history. Major fires were burning in Queensland and New South Wales from early September 2019. Fires then ignited in other States, commencing in Victoria in late November, following lightning

⁹ This event definition is not applicable in Victoria as Victoria is not a NECF jurisdiction

¹⁰ AER, Final Decision, AusNet Services' distribution determination 2016 to 2020, Attachment 15 – Pass through events, May 2016

¹¹ *ibid*

strikes in East Gippsland¹². The extent and severity of the fires in Eastern Victoria grew uncontrollably, such that on 2 January 2020, the Victorian Premier declared a State of Disaster for much of the eastern half of the state, the first such declaration ever in the State¹³. Mr Andrews stated he wanted to send a very clear message by using the disaster declaration, which was a recommendation of the Royal Commission into the 2009 Black Saturday bushfires:

"Essentially this declaration is the first time these powers have been used because we face unprecedented risk to life and property in coming days. The fires are unprecedented in their size, their scale and the risk they pose to so many people right across affected communities."

On 9 January 2020, the Premier extended the declaration for a further 48 hours.

The disaster declaration covered a large portion of AusNet Services' distribution network footprint, shown in Figures 3 – 5 below.

Figure 3: AusNet Services' Distribution Network Region



Source: AusNet Services

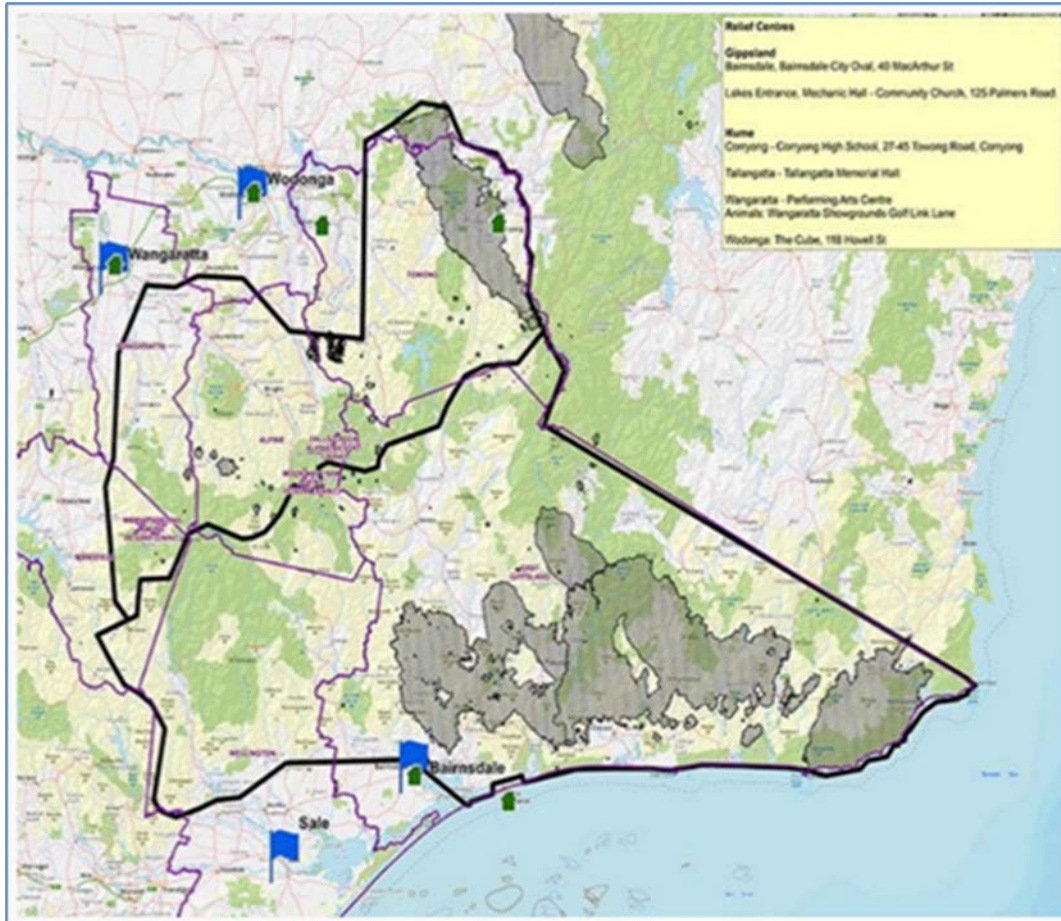
The area shaded green in Figure 3 is AusNet Services' electricity distribution network area.

¹² Department of parliamentary services, parliament of Victoria, 2019-20 Bushfires, Quick Guide, Research Note No.1, February 2020

¹³ ABC News on line, 3 January 2020, <https://www.abc.net.au/news/2020-01-02/bushfires-victoria-state-of-disaster-declared/11838290>, [refer attachment 4]

The geographic area subject to the State of Disaster declared by the Victorian government on 2 January 2020 shown in Figure 4. This diagram also shows the extent of the fires burning at this time, the area shaded grey.

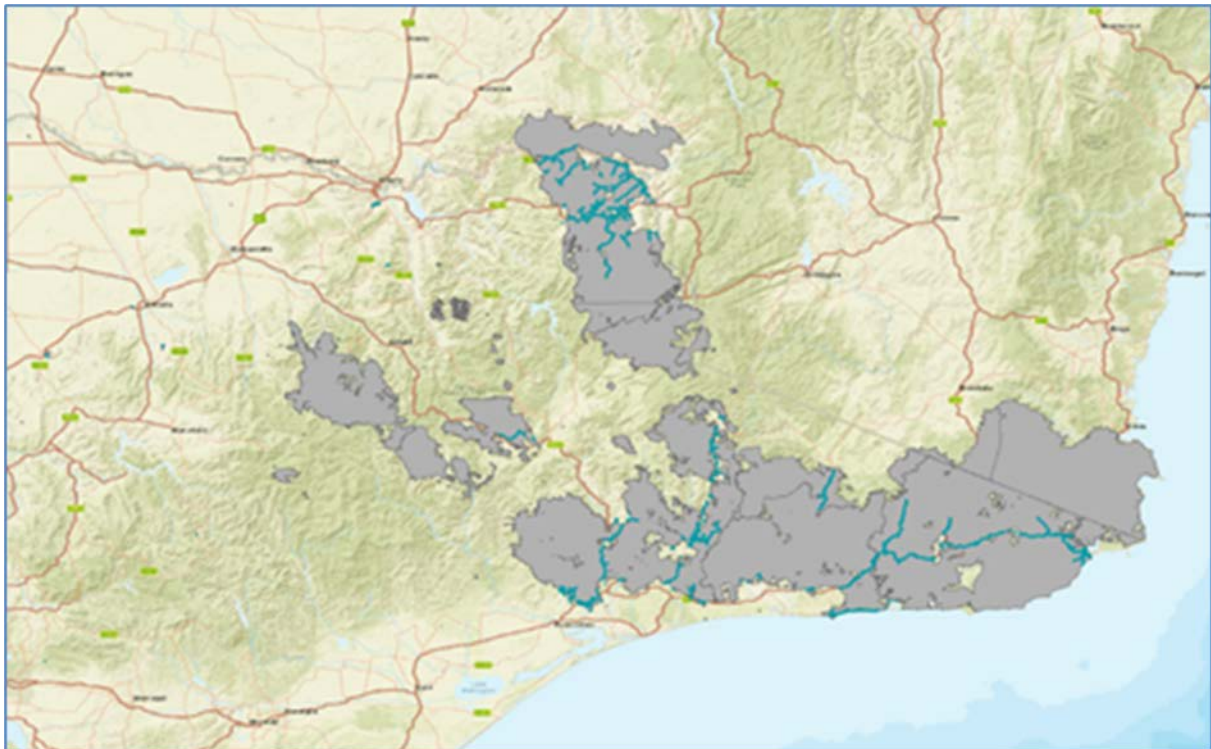
Figure 4: Area subject to Declared State of Disaster (2 January 2020)



Source: *Emergency Management Victoria*

By late February the area burnt by the fires had grown to the area shown in Figure 5. The figure also shows AusNet Services' distribution network in the fire affected area.

Figure 5: Area subject to bushfire devastation, late February 2020



Source: Emergency Management Victoria and AusNet Services

It was not until 27 February 2020 that all significant fires in Victoria were declared by Forest Fire Management Victoria and the Country Fire Authority to be contained¹⁴.

Victorians, the state's environment and its economy have been significantly impacted by the fires. The impact on AusNet Services' distribution network is one component of the overall impact and cost.

The Victorian Government's research paper places some dimensions on the devastation caused by the fires in Victoria¹⁵ (at the time of preparation of the research paper), as follows:

- Five lives were lost
- More than 300 homes were destroyed
- More than 1.2 million hectares burnt, making it the largest bushfire since 1939 (note – subsequently, by the time all fires were brought under control, this had risen to 1.5m ha)
- With vast swathes of natural habitat were destroyed. As the fires mostly occurred in areas with high biodiversity, many rare or threatened Victorian species have been impacted in the emergency. It is estimated that approximately 170 fauna or flora species were impacted, including 19 mammal species, 13 frog species, 10 reptile

¹⁴ Announcement from Fire Management Victoria, 2 March 2020, Final significant fire contained in Victoria, <https://www.ffm.vic.gov.au/media-releases/final-significant-fire-contained-in-victoria> (refer attachment 2)

¹⁵ The impacts of the bushfires noted are for Victoria only. Other states were also impacted by significant bushfires during the period

species, 9 bird species, 29 aquatic species and 38 plant species.

- Victoria experienced severe air quality issues.
- The economic cost of the fires is projected to be extremely high, including speculation that this will be Australia's costliest natural disaster.

4.2.2 Characterisation of bushfires event as a natural disaster

The AER has provided staff guidance to AusNet Services, in a letter dated 29 April 2020, on how it may consider whether the multiple fires that caused damage to AusNet Services' distribution network should be regarded as a single event. This section addresses the evidence sought by the AER. In particular, the AER wrote that it would need to be shown that the bushfires which impacted the network were sufficiently related, such that they:

- shared a similar underlying cause (such as extreme weather conditions), and
- occurred in relatively close proximity and time, as part of the same generally characterised 'black summer' season.

The fires that affected AusNet Services' electricity distribution network were burning at the same time, over the same period as fires burning in other parts of Australia, and with common underlying causation, in what has become known as the Black Summer. The impact of the fires collectively on AusNet Services' network comprises a natural disaster.

The fires first impacted AusNet Services' distribution area late in 2019, and the impact continued to develop through to late February 2020, when safe access to the final impacted areas of the network was granted. Communities across eastern Victoria were affected by the multiple fires burning over this period.

The overall response to the bushfires, from the fire-fighting effort, to community support, and including electricity supply assets inspection and restoration, required a significant coordinated response across the totality of the area of the fires. An example is the RAAF ferrying AusNet Services' line workers into the Corryong area in early January to restore electricity supply as there was no safe land access into the area. In the far east of Victoria, the RAN was evacuating people from Mallacoota, however it was not until 27 February that the final significant fire that had been impacting the network was contained. AusNet Services' coordinated response to the fires involved up to 400 people. These included operational leaders, resource management, asset inspectors, field crews, administrative and logistics staff.

The Victorian Government has treated the fires in Victoria collectively in declaring a State of Disaster, in its establishment of a dedicated agency, Bushfire Recovery Victoria, to guide bushfire recovery, and the terms of reference for Victoria's independent investigation into the bushfire season. In all respects the bushfires that occurred in east Victoria collectively are being treated within the context of a catastrophe, which, for the purposes of this pass through application, supports the case that the impact of the fires collectively comprises a natural disaster.

Common underlying causes

The underlying reasons for the bushfires have been canvassed in many commentaries. The CSIRO has prepared an 'explainer fact sheet'¹⁶ to provide some perspective on this very

¹⁶ <https://www.csiro.au/en/Research/Environment/Extreme-Events/Bushfire/preparing-for-climate-change/2019-20-bushfires-explainer> [refer attachment 5]

challenging question, which will undoubtedly be covered in more depth through the inquiries that have been established.

The CSIRO discusses the major roles of weather and vegetation in the severity of the 2020 summer bushfires. It notes that climate change doesn't cause fires directly, but that the impact of climate change has led to longer, more intense fire seasons and an increase in the average number of elevated fire weather days. The 'explainer fact sheet' notes that in addition to 2019 being the driest year since records began in 1900, it was Australia's warmest year. In 2019, the annual mean temperature was 1.52 °C above average.

As a result, the multiple fires burning in Eastern and North-Eastern Victoria, and indeed Eastern Australia over the 2019-2020 summer, were on an unprecedented scale. The CSIRO's explainer fact sheet explains how these fires were linked by several common factors.

Bushfire crisis inquiries

The Victorian and Commonwealth governments have announced investigations into the collective crisis of the bushfires, to facilitate preparation for forthcoming fire seasons. Consistent with the CSIRO view, the media release for the Commonwealth government initiated Royal Commission acknowledges climate change, the broader impact of our summers getting longer, drier and hotter¹⁷.

Key terms of reference for Victoria's 2019 -2020 bushfires inquiry to be conducted by the Inspector General for Emergency Management, announced by the Premier on 14 January 2020¹⁸, are consistent with this view of an increasingly severe bushfire risk. Terms of reference include¹⁹:

- *Consider all challenges and implications for bushfire preparedness arising from increasingly longer and more severe bushfire seasons as a result of climate change.*
- *Review of all opportunities and approaches to bushfire preparedness, including different methods of fuel and land management (for example 'cool burning', mechanical slashing, integrated forest management, traditional fire approaches) to protect life and property as well as ecological and cultural values.*

For the bushfires to qualify as a pass through event, the event must not to be an event that is a consequence of the acts or omissions of AusNet Services. Monthly fire reports prepared by AusNet Services confirm that its assets were not the cause of or a contributing factor in any of the major fires occurring during the 2019 - 2020 summer period.

The information provided in this section has established that the 2020 summer fires satisfy the meaning of a 'natural disaster event' as a nominated pass through event in accordance with the AERs final determination.

4.2.3 AusNet Services' response to the bushfires

The scale of the bushfires necessitated drastic government intervention. By 3 January, the Victorian Government was urging up to 100,000 people to leave their homes ahead of the worsening bushfire danger. Victorians depend on AusNet Services maintaining network services, and this is no less the case in times of stress and surrounding disaster.

Crisis Management

Used across emergency services organisations, the Strategic Plan for Integrated Response and Contingency System (SPIRACS) is a highly developed response system, that escalates

¹⁷ <https://www.pm.gov.au/media/national-royal-commission-black-summer-bushfires-established>

¹⁸ <https://www.premier.vic.gov.au/independent-investigation-into-fire-season/>

¹⁹ <https://www.igem.vic.gov.au/Fire-Season-Inquiry>

incidents to different layers of management according to severity. AusNet Services and delivery partner staff who participate in emergency response upon escalation from business as usual operations are trained in the escalation procedures and participate in trial scenarios so that roles and decision-making processes are well understood. This facilitates the effectiveness of response to the incident.

The fires were an abnormal event with a protracted highest Level 5 escalation that resulted in the Emergency Management Team (EMT) & Crisis Management Team (CMT) being established on the 3rd January 2020.

However, in anticipation, the whole of business was on high alert at Level 3 escalation leading into the State of Emergency Declaration and at Level 4/Level 3 escalation leading out of the crisis following the State of Disaster being rescinded. Business as Usual (BAU) was not announced until the last fire was put out.

Further information on the SPIRACS escalation process is included as Attachment 6.

Incident Response

As the fires spread across Eastern Victoria, it was essential for AusNet Services to remain continually alert to network elements at risk, and at the ready to conduct inspections of assets and service continuity as soon as it was safe to do so.

From the beginning AusNet Services implemented steps to keep customers affected or at risk informed on its activities. An extended hours 7 day per week support line was established and media services were engaged to facilitate broader communication.

Incident Response Teams were established in the North and East network operations areas for this purpose. In accordance with our incident response process, this devolved front line oversight was supported by executive management through the Emergency Management and Critical Management teams.

AusNet Services put into place additional capabilities that would facilitate response to the increasingly challenging circumstances. This included expert staff manning a restoration hub, a communications hub, a generator / alternate supplies hub, and a data and mapping hub. AusNet Services' personnel were embedded in a liaison capacity within the government command structure, at five incident control centres and at the State Control Centre. During the height of the fires AusNet Services posted daily updates on our website to inform customers about the progress of the power restoration effort.

AusNet Services set itself stringent targets to restore customers supply. Ninety-eight percent of customers were able to be restored within 2 weeks of being able to access the impacted areas. Safe access into fire affected areas was subject to authorization by fire control authorities. At Mallacoota, AusNet Services could not enter the area until 7 January, and then was forced to retreat several times throughout January due to the fire risk. Dense smoke haze hampered aerial assessment. Unimpeded access was not granted until the end of January when the fires in this area were under control, although they burned until late February.

Where network connection could not be reinstated due to the scale of damage or unsafe access, AusNet Services arranged for temporary supply by providing small generators. 100 small generators were acquired for this purpose and allocated to customers without power.

Larger community scale generators were established at locations where the local network remained able or could be readily made able to supply these communities. Generators were installed at Mallacoota, Newmerella, Omeo and Corryong.

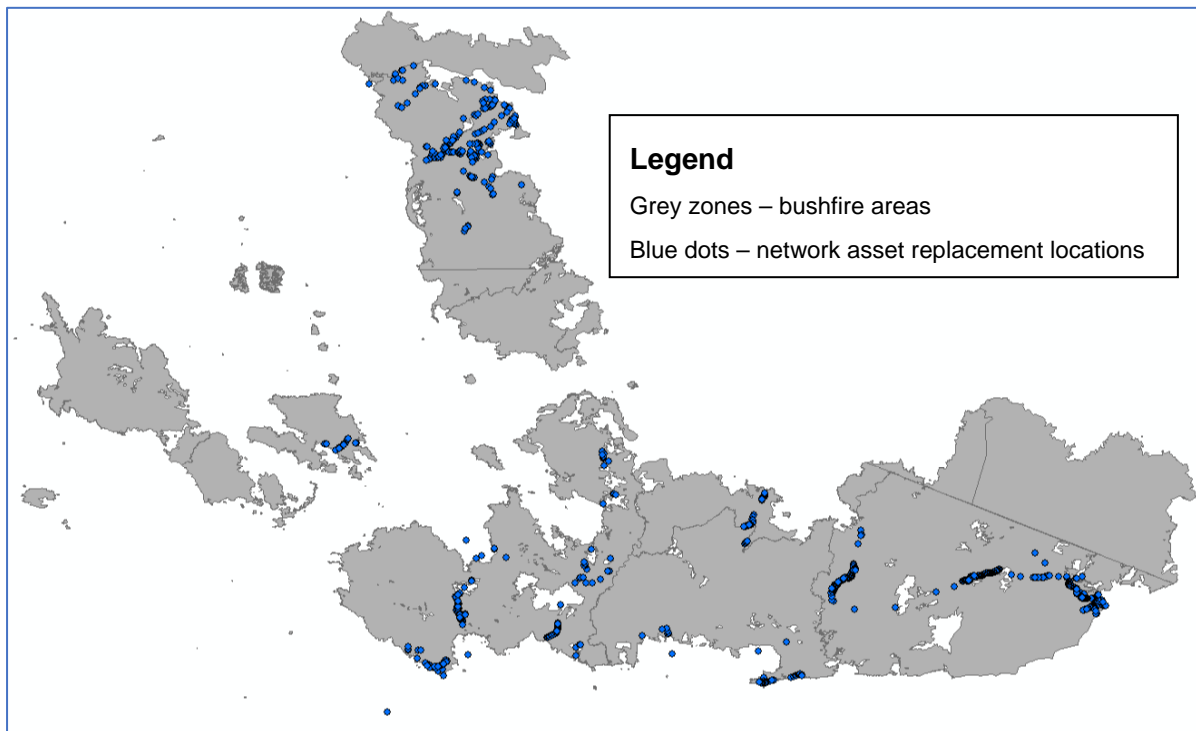
Figure 6: Temporary generators installed to restore customer supply at Corryong



A media release by Forest Fire Management Victoria on 2 March 2020 declared that all significant fires in Victoria were now contained.²⁰ The final significant fire to be contained was the Snowy Complex fire in East Gippsland, on 27 February. The map below replicates the fire mapping of the earlier figures, and shows the locations on AusNet Services' distribution network where asset replacements were required.

²⁰ Announcement from Fire Management Victoria, 2 March 2020, Final significant fire contained in Victoria, <https://www.ffm.vic.gov.au/media-releases/final-significant-fire-contained-in-victoria> (refer attachment 2)

Figure 7: Locations of network assets in fire complexes impacted by the bushfires



Feedback received from customers as AusNet Services responded to the bushfires showed an appreciation for its efforts. Examples of engagement from customers are provided in Attachment 10.

In recognition of the hardship being experienced by the community, AusNet Services offered a range of concessions and other support arrangements to support our customers, including:

- waiving fees for premise reconnections, replacement metering and truck visits;
- suspending disconnections in bushfire affected communities requested for electricity retail contract breach, recognizing the criticality of supply during the bushfire period;
- providing an automatic payment for spoiled food to customers making such request where the outage duration would support this. Over 150 claims have been lodged, with settlement totaling \$36,000 to date;
- establishing a regional customer support presence in affected communities, ensuring attendance at all relevant community events. AusNet Services attended almost all community meetings and drop in centers and this presence and participation was valued by government, the Regional Incident Control Centers and the affected community;
- waiving the network standing charge portion of customer bills. There are approximately 2,900 affected customers, and at the end of April over 90% of payments had been claimed; and
- accelerating GSL payments and making the payment direct to customers rather than via billing cycle retailer arrangements. This was processed via Australia Post vouchers. 7100 vouchers were issued. Some of these customers requested an alternative payment method.

AusNet Services has self-funded these customer support measures and will not be seeking cost recovery through this pass through application.

4.3 Exclusion of contingent projects and trigger events

The pass through event must not be a contingent project or an associated trigger event. This section establishes that this is not the case.

Contingent project and trigger event are defined in the NER, in turn, as:

In relation to a distribution determination, a proposed contingent project that is determined by the AER, in accordance with clause 6.6A1(b), to be a contingent project for the purposes of that determination.

For a distribution network service provider, in relation to a proposed contingent project or a contingent project, [a trigger event is] a specific condition or event described in clause 6.6A.1(c), the occurrence of which, during the relevant regulatory control period, may result in the amendment of a distribution determination under clause 6.6A.2

The AER's final determination for AusNet Services' 2016–2020 regulatory control period approved an unrelated contingent project program to provide for the installation of Rapid Earth Fault Current Limiters (REFCLs) and standards for asset construction and replacement in specified areas of the network (Declared Areas). The primary purpose of the contingent projects is to improve the safety of the distribution system.

The REFCLs are required to comply with a new regulatory obligation imposed by the Victorian Government. To achieve the requirements of the new obligation, the works program was scheduled to be conducted in three tranches, and the contingent project trigger events relate to AusNet Services readiness to commence the works for each tranche. The triggers for each tranche have been met, with AusNet Services submitting its Contingent Project application to the AER for the final tranche on 31 My 2019. The AER has made a determination in relation to each contingent project (tranche of work) and the works are well advanced.

Therefore, it is clear that the contingent projects are unrelated to AusNet Services' response to and the network restoration works arising from the 2020 summer bushfires. Accordingly, there is no implication for eligibility of the 2020 summer bushfires as a positive pass through event.

5 Costs incurred

One of the thresholds that must be satisfied in order for the AER to approve a positive pass through application is that the cost to the distributor of providing direct control services must increase “materially” as a result of the pass through event.

Chapter 10 of the NER states that the increase is material if the change in costs (as opposed to the revenue impact) that a DNSP has incurred, and is likely to incur, in any year of a regulatory control period, as a result of the event, exceeds 1 per cent of the annual revenue requirement for the DNSP for that regulatory year²¹.

5.1 Material change in the costs of providing direct control services

AusNet Services has incurred materially higher costs in providing direct control services as a result of the 2020 summer bushfires. Further costs are forecast. It is noted that a proportion of the costs are incurred directly by AusNet Services, whereas others are passed through by 3rd party contractors engaged to perform the work on AusNet Services' behalf.

Restoring powerlines in the bushfire areas and ensuring safe operation has resulted in a significant increase in costs to provide direct control services to customers in the regions affected by the bushfires. The majority of the costs relate to clearing burnt trees that fell across power lines, replacing burnt poles and damaged conductors, and the on-going management of burnt vegetation which remains hazardous for the power lines. The following sections demonstrate that the increase in the costs of carrying out these activities meets the materiality threshold.

Initial Inspection

The first activity in the recovery effort was to patrol the affected distribution lines to establish the extent of asset damage. This is a critical first step field response, and also enables an assessment of the relative difficulty in restoring customers electricity supply. This work was conducted as early as possible once safe access was granted, recognizing that for many affected residents, restoration of electricity supply was a high priority. Costs involved include timesheet costs for asset inspectors, living away from home expenses, helicopter hire for aerial inspections and fuel costs for vehicles. Timesheet costs included normal time worked, overtime and standby/on call costs. There were also costs for office-based activities such as project management and administration in coordinating the event response, procurement of materials and options analysis reconstruction solutions.

Tree clearing

The rural network traverses areas that are heavily treed and the vegetation burnt and damaged by the bushfires also impacted on the network by falling across the lines. There were also many burnt trees still standing, outside of the normal clearing space, which posed significant risk to the network from the likelihood of falling into the powerlines. Removing these hazardous trees to remove the risk of these trees to the network has been a high priority activity to restore services remove any further risks arising from this source.

Other fire-affected vegetation that has fallen across the power lines or overhangs the normal clearance area has similarly been treated to restore service.

Figures 8 and 9 show the proximity of tall burnt out trees to the powerlines, and removal of

²¹ Chapter 10 of the NER defines ‘materiality’ as the change in costs (as opposed to the revenue impact) that a distributor has incurred, and is likely to incur, in any year of a regulatory control period. The change in costs must exceed 1 per cent of the annual revenue requirement for the distributor for that regulatory year.

hazardous trees, and illustrating the significance of the task that must be performed. Treating the affected vegetation is a critical early activity, as it would not be safe to restore supplies whilst hazards from vegetation remained.

Figure 8: Burnt out forest adjacent to a powerline



Figure 9: Hazardous trees adjacent to the powerline being removed



Restoration of supply

Once safe access was obtained, temporary solutions were required to reestablish supply to isolated customers. This included the deployment of mobile generators to remote communities. In these cases it was not possible to restore supplies via the grid in timely manner due to the extent of damage and remaining access restrictions. Nevertheless, in the circumstances restoration electricity supplies was a very high priority for affected communities.

Power line reconstruction

Damaged assets required replacement including poles, crossarms, transformers, spiral vibration dampers, surge arrestors, conductors and conductor fittings. Figure 10 shows a powerline route traversing a forested area, with the line burnt to the ground.

As an alternative to reconstructing damaged lines, AusNet Services has been considering using stand-alone power systems (SAPS). However, given the time pressures to reestablish connections, the availability of resources and the limited access to residents and customers, pursuing this option was not viable.

Figure 10: Powerline reconductoring work at edge of burnt forest



Further inspection and vegetation management

Throughout the remainder of 2020, further inspections will be required to confirm all fire affected areas have been rebuilt correctly and no further vegetation issues exist as a result of fire affected trees.

5.2 Assessment of materiality

In previous cost pass through decisions, the AER has assessed the materiality of the cost pass through event on the basis that the adjustment required to annual revenue, as opposed to costs, exceeds 1% of Annual Allowed Revenues.

In some circumstances, the regulatory determinations of the relevant network specified the assessment of materiality should work in this way²².

However, in preparing this application AusNet Services has verified materiality applying a plain reading of the definition of 'materially' in Chapter 10 of the NER, which is the definition that should be applied by both the pass through applicant and the AER. This definition clearly states that it is 'the change in costs (as opposed to the revenue impact) that the *Distribution Network Service Provider* has incurred...' that should be taken into account when assessing

²² For example, in relation to *AusGrid's pass through for costs incurred from April 2015 storms*. https://www.aer.gov.au/system/files/AER%20statement%20on%20updates%20for%20NSW%20DNS%20distribution%20determination_1.pdf (page 14)

whether costs have materially increased, or decreased, for the purpose of the cost pass through NER provisions.

Since to the introduction of the Capital Expenditure Sharing Scheme (CESS) it is not appropriate to consider the return on and of the outlaid capital expenditure (i.e. revenue) when assessing the materiality of a cost pass through application. This is because this assessment does not consider the CESS penalty that will be incurred due to the unanticipated capital expenditure resulting from the cost pass through event. This penalty is equivalent to 30% of the capital expenditure incurred.

Looking exclusively at the revenue, rather than the expenditures, to assess materiality leaves networks with a much lower level of cost pass through protection in relation to capital costs than was the case before the CESS was introduced. Indeed, for long lived capex, using revenues in the materiality assessment could expose networks to CESS penalties in the tens of millions before a pass through application was deemed to be material. In addition, there would be a material imbalance in the level of pass through protection provided for capital and operating costs if the materiality of revenue, rather than expenditure, was considered.

For the reasons above, we consider that the materiality assessment should compare total expenditure incurred due to the event to the materiality threshold set out below. This is the only approach that is consistent with both the NER and the operation of the regulatory framework.

5.3 Materially higher costs

AusNet Services has incurred a material change in costs as a result of the 2020 bushfires.

The additional opex and capital expenditure (capex) arising from the bushfires are measured against the annual revenue requirement established in the PTRM from the AER's revenue determination. Table 1 shows the additional opex and capex costs in 2020 incurred by AusNet Services, and expected savings in the first half of 2021, arising from the bushfires.

Table 1: 2020 Summer bushfire incurred costs (net)

\$ Million (nominal)	2020	Jan-Jun 2021	Total
Opex	\$14.02	-\$0.05	\$13.97
Capex	\$7.55	-\$0.03	\$7.52
Total	\$21.58	-\$0.08	\$21.50

The net increase in costs that AusNet Services has or is likely to incur as a result of the 2020 summer bushfires are material when compared to the annual revenue requirements determined by the AER for AusNet Services' 2016-20 regulatory control period.

The annual revenue requirement and the change in AusNet Services' costs resulting from this pass through event in 2020 are set out in Table 2. The table shows that the change in costs exceeds the materiality threshold of 1 per cent of the Annual Revenue Requirement.

Table 2: Demonstrating material change in costs

\$ Million (nominal)	2020
Annual revenue requirement (ARR) (unsmoothed) ²³	\$693.10
Total costs	\$21.58
Materiality of pass through event	3.1%

5.4 Expected cost reductions in 2022 – 2026 regulatory control period

As well as creating new costs, some work that would have been required in future years and is part of the on-going cost of maintaining the network, has been avoided. Vegetation management required because of the bushfires has reduced the work required to maintain affected spans over the next 8 years. Similarly, some assets replaced due to the bushfires will have been due for end of life replacement in the near term, and so the work required now will reduce future asset replacement activity.

The reduction in future work will be reflected as reduced costs in AusNet Services' Revised Proposal to the AER for the 2022 – 2026 regulatory control period. The Revised Proposal is due to be submitted in late 2020, following the AERs draft determination. The forecast cost reductions for this future regulatory control period are shown in Table 3.

Table 3: Forecast cost reductions in 2022 – 2026 regulatory control period

Categories of work where cost reductions will occur	Forecast reduction \$'000 (\$2020)				
	2021-22	2022-23	2023-24	2024-25	2025-26
Vegetation management (opex)	100	100	100	100	100
Capital replacement works	65	96	76	121	35
General capex	15	5	15	5	15
Asset inspection (opex)	5	7			4
Total	185	208	190	225	154

²³ Build up of ARR provided in PTRM, refer Attachment 8

6 Eligible and proposed positive pass through amounts

6.1 Eligible pass through amount

Clause 6.6.1(c)(3) of the NER requires AusNet Services to specify the eligible pass through amount.

The 'eligible pass through amount' is relevantly defined in Chapter 10 as:

the increase in costs in the provision of *direct control services* that, as a result of that *positive change event*, the *Distribution 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 distribution 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.

The eligible pass through amount refers to the increase in costs in the provision of direct control services as a result of the pass through event. It covers all expenditure including the capex and opex incurred and likely to be incurred.

In determining the eligible pass through amount, only incremental costs are included to establish the total cost incurred and likely to be incurred on account of the bushfires. Costs which would have been incurred under a Business As Usual scenario have been excluded from the application, including:

- Employee wages – the component of bushfire-related costs attributable to normal working hours was estimated. This was sourced from the internal payroll system where employees had booked against “Normal Time”.
- Capex replacement works – the affected assets were compared to replacement programs proposed in the EDPR, regular incident rates requiring asset replacement, and pre-existing defects requiring action, to estimate the volume and cost of capex which would have incurred had the bushfires not occurred.
- Purchase of generators and tablets – equipment purchased in response to widespread outages can be used in annual outage responses. However, the volume of expenditure would not be as high as was incurred in response to the bushfires. An estimate of what equipment might ordinarily have been purchased was proposed.
- Vegetation management – rigorous tree clearing and trimming has reduced the expenditure required to maintain affected spans over the next 8 years.
- Ground inspections – the acceleration of ground-based pole inspections on affected lines resets the 5 or 6 year inspection cycle, removing the requirement of currently scheduled inspections.

The costs set out in tables 4 and 5 in section 6.2 comprise the eligible pass through amount.

Attachment 7 provides a buildup of the costs incurred to determine the eligible pass through amount. An assumptions page in the attachment explains how various costs have been treated. Costs already incurred are identified (these entries have been reviewed, based on agreed upon procedures by KPMG) and a forecast of the costs yet to be incurred.

The attachment also presents a forecast of costs expected to be incurred by AusNet Services, had the bushfire event not occurred, a BAU scenario. These costs have been subtracted from the total costs to obtain the eligible passthrough amount.

6.2 Evidence of the costs for the eligible pass through amount

Clause 6.6.1(c)(6)(i) of the NER requires AusNet Services to provide evidence of the actual and likely increase in costs included in the eligible pass through amount.

Table 4 and Table 5 provide a breakdown of the opex and capex included in the eligible pass through amount. The costs include both actual costs and forecast costs for on-going inspection and vegetation management during 2020. The expenditure is categorised by activity.

Table 4: Bushfire incurred opex (net), breakdown

\$ Millions (nominal)	2020	Jan-Jun 2021
Asset inspection	\$0.10	
Vegetation management	\$9.06	-\$0.05
Corrective works	\$4.87	
Total opex	\$14.02	-\$0.05

Table 5: Bushfire incurred capex (net), breakdown

\$ Millions (nominal)	2020	Jan-Jun 2021
Corrective works	\$7.31	-\$0.03
Small generators	\$0.21	
Vegetation management tablets	\$0.02	
Total capex	\$7.55	-\$0.03

Actual costs already incurred in Table 4 and Table 5 were extracted from AusNet Services' enterprise resource planning and accounting system (SAP). For on-going work, forecasts have been prepared. AusNet Services engaged KPMG to review its recording of costs to the bushfire response to provide confidence that the actual costs incurred were solely as a consequence of the positive change event. Their report is provided as Attachment 9 (confidential attachment).

The eligible pass through amount of \$14.71m is set out in Table 6 below.

Table 6: Eligible pass through amount

\$ Million (June \$2021)	2020	Jan-Jun 2021	Total
Return on capital		\$0.19	\$0.19
Return of capital		-\$0.09	-\$0.09
Operating expenditure	\$14.67	-\$0.05	\$14.63
Tax		-\$0.01	-\$0.01
Building block revenue	\$14.67	\$0.04	\$14.71

6.3 Costs included in eligible pass through amount are solely as a consequence of the positive change event

Clause 6.6.1(c)(6)(ii) of the NER requires AusNet Services to provide evidence that the actual and likely increase in costs included in the eligible pass through amount occurred solely as a consequence of the positive change event. Similarly, clause 6.6.1(j)(5) requires the AER, in determining the approved pass through amount and the amount to be passed through to users in each regulatory year, to take into account the need to ensure the DNSP only recovers any actual or likely increment in costs that is solely as a consequence of the positive change event.

In calculating the eligible pass through amount, AusNet Services included only the incremental costs for those activities that were incurred solely as a result of the positive change event.

AusNet Services captured expenditures which were for response to the bushfire impact in a manner consistent with its accounting framework. AusNet Services employed its accounting system to clearly record and track the costs incurred as a consequence of the positive change event by creating a specific project code in SAP.

The accounting structure allowed costs to be separated into pass through and non-pass through costs, and into capex and opex categories. Individual work orders, e.g. for an identified pole replacement activity, were tracked using SAP, to enable cost capturing at a detailed level across the bushfire response period.

To ensure confidence in the accuracy of the actual transactions recorded in our financial system, and as discussed in section 6.2, AusNet Services has had the actual financial records reviewed based on agreed upon procedures by KPMG (refer Attachment 9).

Clause 6.6.1(c)(c1) of the NER requires that the positive pass through amount proposed by AusNet Services not include any expenditure for a restricted asset, unless in conjunction with a request for asset exemption. Although it is not clear whether the replacement of a restricted asset would require exemption to be included in the positive pass through amount, AusNet Services has investigated whether any asset that would be classified as a restricted may have been subject to network restoration works arising from the bushfire event and has not identified any applicable assets. There is no evidence to suggest that this is the case.

6.4 Efficiency of eligible pass through amount

Clause 6.6.1(j)(3) of the NER requires the AER, in determining the approved pass through amount and the amount to be passed through to users in each regulatory year, to take into account the efficiency of AusNet Services' decisions and actions in relation to the risk of the positive change event. This includes whether AusNet Services' actions minimised the magnitude of the eligible pass through amount.

AusNet Services' preparedness for major incidents affecting the network and its actions to restore services after the impact of the bushfires this summer together ensured an efficient response.

In the circumstances of this pass through event, being a disaster recovery response, the needs of communities severely impacted by the bushfires and customer safety are necessarily high priorities in the response. AusNet Services is well prepared to respond effectively and efficiently to incidents of all kinds that may impact the network. In its response to the bushfires, AusNet Services has applied methods and restoration contractual arrangements already in place and established for regular network management activities and for rapid response to incidents such as for network restoration when storms impact the network and in preparation for fire events. Planning of network construction also takes account of local environmental risks. For example, where cost effective, concrete poles may be used to minimise future costs.

AusNet Services has established, well documented, and proven strategies and plans to be able to respond to incidents of varying causes and scale that may impact the network and AusNet Services' customers. These strategies include the regional Incident Response Teams, which for response to the bushfire crisis were established in the North and East network operations areas. In accordance with our incident response process, this devolved front line oversight was supported by executive management through Emergency Management and Critical Management teams.

AusNet Services' incident response processes provide for it to establish hubs of additional support capability that will facilitate response depending on the circumstances. To meet the increasingly challenging circumstances of the bushfire crisis this included expert staff manning a restoration hub, a communications hub, a generator / alternate supplies hub, and a data and mapping hub. AusNet Services' personnel were embedded in a liaison capacity within the government command structure at five incident control centres and at the state control centre. AusNet Services' effort was well managed and was coordinated internally and with fire management agencies.

The field response utilized AusNet Services' internal resources and its contracted field works contractors. The contractual arrangements make provision for incident response, and so the efficiency of these arrangements is ascertained in negotiating the contracts, and not during a period of crisis. This ensures efficiency in unit costs and through being properly prepared for rapid and efficient response. The approach has applied in each of the main works areas of inspection, line reconstruction and vegetation management, and has proven to be very effective during the bushfire response.

Insurance considerations

In accepting a 'natural disaster event' as a nominated pass through event in AusNet Services' distribution determination for the 2016-2020 regulatory control period the AER's final decision notes that²⁴:

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

(i) whether AusNet Services has insurance against the event

(ii) the level of insurance that an efficient and prudent NSP would obtain in respect of the event.

AusNet Services does not hold insurance cover for damage caused to the 'poles and wires' of the network by a natural disaster. The cost of holding this insurance is assessed when AusNet Services routinely reviews its insurance needs and renegotiates insurance arrangements.

Through these reviews and by keeping abreast of trends in insurability, AusNet Services can confirm that insurance cover for poles and wires is not an efficient approach to managing the risk of damage to or loss of these assets. There are several contributing reasons:

- The insurance cap available is extremely low in comparison to the value of the assets, and the value that may be impacted by one natural disaster event. The value (merit) is incomparable to the value of insuring assets located within AusNet Services' properties;
- The premium for including this risk is a significant proportion of the payout cap, as is the deductible; and
- If a claim was made under such cover, it is expected that the premium would be increased by as much as 50%. This reflects the insurer's assessment of the likelihood of this risk being realised. With an apparent increase in wildfires impacting in environments around the world, it is not clear that such insurance cover would currently even be available.

Insurance cover for the poles and wires is not readily available at economic rates which was confirmed by AusNet Services' insurance broker, who detailed that none of their utility clients within Australia hold this form of cover. The broker explained that underwriters attempting to write this form of cover experience re-insurance issues as reinsurers do not have appetite for this risk. It is understood their concern stems from loss scenarios as a result of catastrophic weather events (fire, storm and cyclone) which may result in large insurance payouts. Thus, the few underwriters who have previously quoted this form of cover provide small aggregate limits with prohibitively expensive premiums. Payback periods calculated by underwriters are in the range of 5 years, thus a \$10m limit in cover would attract a \$2m premium. This quantum was confirmed by a previous review of this risk in March of 2017.

Other DNSPs face similar whole of network insurance considerations, even though the nature of the local environment for some networks will have a lower likelihood of being impacted by bushfire than AusNet Services' network, which is located in one of the most fire prone regions of Australia. AusNet Services has checked the current approaches of peer network operators and this confirms AusNet Services' practice of not insuring this risk, is consistent with those operators contacted.

Finally, to put the expensive cost of this cover in perspective, AusNet Services' current property insurance is based on a return period in excess of 1 in 100 years, whilst the poles

²⁴ AER, Final Decision, AusNet Services' distribution determination 2016 to 2020, Attachment 15 – Pass through events, May 2016

and wire cover is based on a return period of 1 in 5. Thus, poles and wires cover is 20 times more expensive than traditional property cover.

6.5 Positive pass through amount

Clause 6.6.1(c)(4) of the NER requires AusNet Services to specify the positive pass through amount that it proposes in relation to the positive change event. The positive pass through amount is defined as an amount not exceeding the eligible pass through amount.

AusNet Services proposes a positive pass through amount of \$14.71 million (June \$2021 dollars).

AusNet Services has calculated the proposed positive pass amount as the change in its required revenues for the 2016-20 regulatory control period as a result of the positive change event. That is, AusNet Services' proposed positive pass through amount incorporates the opex and return on capital and return of capital for the 2016-20 regulatory control period arising from the incremental power line re-construction capex arising from the 2019 – 2020 summer bushfires, as well as the impact of the incremental costs on the cost of corporate income tax building block.

AusNet Services has provided the PTRM used to calculate the pass through amount with this application as Attachment 8.

6.6 Pass through amount in each regulatory year

Clause 6.6.1(c)(5) of the NER requires AusNet Services to specify the amount that AusNet Services proposes to pass through to customers in the year, and each regulatory year after that, in which the positive change event occurred.

AusNet Services proposes to recover the proposed positive pass through amount of \$14.71 million (June 2021 dollars) in the 2021 stub period (January – June).

The Victorian Government intends to introduce legislation to deem the first half of 2021 an extension of AusNet Services' 2016-20 regulatory control period, and that the 2018 Rate of Return Instrument should be applied by the AER to set revenues. This means that revenues are expected to fall in the first half of 2021. Recovering the bushfire pass through revenues during this period will shield customers from a price increase in future years.

AusNet Services notes that the AER's proposed price control formula for this 6 month period did not allow cost pass through costs to be incorporated into prices. This was due to perceived administrative complexity. However, we do not believe that recovering pass through costs in this period would add more complexity to either the assessment of the pass through application, or the annual pricing process, and will benefit customers by smoothing prices, as described above. AusNet Services' 2022-26 Revenue Proposal also makes these points.

7 Attachments List

Attachment 1 – Confidentiality template

Attachment 2 – Compliance checklist

Attachment 3 – Forest Fire Management Victoria notification of fires being contained

Attachment 4 – Declaration of state of disaster by Premier of Victoria

Attachment 5 – 2019 – 2020 Bushfires: CSIRO Explainer Fact Sheet

Attachment 6 – AusNet Services' incident management governance [CONFIDENTIAL]

Attachment 7 – Buildup of Costs Incurred [separate spreadsheet] [CONFIDENTIAL in part]

Attachment 8 – Post Tax Revenue Models (PTRM) and Roll Forward Model [separate spreadsheets]

Attachment 9 – KPMG review of AusNet Services' costs [CONFIDENTIAL]

Attachment 10 – Customer sentiment towards AusNet Services' bushfire response

Attachment 1

Confidentiality template

Attachment 1 - Confidentiality template

Title, page and paragraph number of document containing the confidential information	Description of the confidential information.	Topic the confidential information relates to (e.g. capex, opex, the rate of return etc.)	Identify the recognised confidentiality category that the confidential information falls within.	Provide a brief explanation of why the confidential information falls into the selected category. If information falls within 'other' please provide further details on why the information should be treated as confidential.	Specify reasons supporting how and why detriment would be caused from disclosing the confidential information.	Provide any reasons supporting why the identified detriment is not outweighed by the public benefit (especially public benefits such as the effect on the long term interests of consumers).
Attachment 6 AusNet Services' incident management governance	Incident response processes	Opex and Capex	Information affecting security of the network	The incident response system is confidential	Public release of processes could affect effectiveness of processes in the case of an intentional harm situation	AusNet Services is obligated to maintain the safety and security of supply. There is no public benefit from compromising security.
Attachment 7 Build up of costs incurred	Service provider information	Opex and Capex	Market sensitive cost inputs	The name of equipment manufacturer / brand is considered sensitive and confidential The cost information may affect AusNet Services' ability to obtain a competitive price in future infrastructure transactions such as tender processes for this project	Provision of this information will compromise competitive tender processes and negotiating position.	It is in consumers' interest to deliver network services at the lowest cost attainable. Provision of provider and cost information compromises AusNet Services' ability to source these services competitively.

<p>Attachment 9 KPMG report on AusNet Services' costs</p>	<p>The Agreed Upon Procedures report by KMPG is released to the AER on the basis that it is kept confidential, as outlined in the transmittal letter.</p>	<p>Capex and opex incurred</p>	<p>Other</p>	<p>Confidentiality of the report was a condition on which the audit was conducted. Due to the tight timelines in which to lodge this cost pass through application, it was not possible to seek an alternative arrangement during this time.</p>	<p>Publishing this report will breach the terms on which it has been shared.</p>	<p>This report is intended to provide the AER with additional confidence in the accuracy of the actual transactions recorded in our financial system that resulted from the bushfire event. The AER will publish its conclusions in its determination on this matter – this is not an area that will, or can, benefit from public debate.</p> <p>The costs incurred have been made publicly available in the application. The report does not contain any additional relevant information that would assist stakeholder review of the application.</p>
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Attachment 2 - Proportion of confidential material

Submission Title	Number of pages of submission that include information subject to a claim of confidentiality	Number of pages of submission that do not include information subject to a claim of confidentiality	Total number of pages of submission	Percentage of pages of submission that include information subject to a claim of confidentiality	Percentage of pages of submission that do not include information subject to a claim of confidentiality
Cost pass through application – 2020 summer bushfires	12	30	42 (not including other attachments)	29%	71%

Attachment 2 Compliance checklist

This report provides a reference on the compliance of AusNet Services' application for pass through with the NER pass through provisions, set out in CI 6.6.1, and to the location of relevant information in the application.

NER CI	Requirement	Information provided	Section
6.6.1(a1)	<p>Identification as a pass through event</p> <p>An event allowing for pass through of costs may be specified in the distribution determination (sub 5)</p>	The application confirms that the 2019 – 2020 summer bushfires meet the 'natural disaster' event specified in AusNet Services' distribution determination	4.2.2
6.6.1 (a)	<p>A DNSP may seek AER approval for the pass through for a positive change event</p> <p>To qualify as a positive change event the DNSP must have incurred materially higher costs (NER defined) in providing direct control services</p>	The application confirms that AusNet Services incurred materially higher costs in providing direct control services, and accordingly the event qualifies as a positive pass through event	5.3
6.6.1 (c)	A DNSP must submit a statement (interchangeable term being application) within 90 business days of the relevant positive change event occurring	<p>The application provides evidence on the period of the bushfires and date agreed with the AER as the date of occurrence for the purposes of the pass through application.</p> <p>The closing date for the application is 7 July 2020</p>	3
(c) (1)	<p>The statement must specify:</p> <ul style="list-style-type: none"> The details of the positive change event 	The details of the positive change event, being the scale and impact of the natural disaster (being the bushfires) is set out in the application	4.2
(c) (2)	<ul style="list-style-type: none"> The date on which the positive change event occurred 	As referenced above (see row 6.6.1 (c)) this date and its rationale is provided	3, 4.1
(c) (3)	<ul style="list-style-type: none"> The eligible pass through amount, being the increase costs in the provision of direct control services as a result of the positive change event 	The application provides detail on the sources of cost increases and the cost attributed for each, which constitutes the eligible pass through amount	6.1, 6.2

NER CI	Requirement	Information provided	Section
(c) (4)	<ul style="list-style-type: none"> The positive pass-through amount proposed 	The application proposes a positive pass through amount	6.5
(c) (5)	<ul style="list-style-type: none"> The amount proposed to be passed through in the regulatory year in which the event occurred in in subsequent regulatory years 	The application proposes amounts to be passed through in the final (stub) year of the current regulatory control period and over the years of the next regulatory control period	6.6
(c) (6) (i)	<p>Evidence of:</p> <ul style="list-style-type: none"> the actual and likely increases 	Records from AusNet Services' SAP system as presented in the cost build up, and KPMG report	Att 7 and Att 9
(6) (ii)	<ul style="list-style-type: none"> that the costs occur solely as a consequence of the positive change event 	<p>The application describes the data sources and processes to determine the costs solely occurring as a consequence of the positive change event.</p> <p>A review based on agreed upon procedures by KPMG is also provided</p>	6.3 and Att 9
(6) (iii)	<ul style="list-style-type: none"> relates to the circumstances where the cause of costs is a retailer insolvency event 	Not applicable. Noted in the application	2.1
(c) (7)	<ul style="list-style-type: none"> other information as required under any relevant regulatory instrument - The AERs final decision on AusNet Services' distribution determination 2016 – 2020 notes that in assessing a natural disaster pass through application, it will have regard to the insurance held and whether that is efficient amount a prudent 	The application discusses insurance considerations for natural disaster events such as the 2019-2020 summer bushfires.	6.4

NER CI	Requirement	Information provided	Section
	NSP would hold ²⁵		
(6) (c1)	<ul style="list-style-type: none"> relates to the pass through amount including expenditure for a restricted asset 	AusNet Services has explored this, noted in the application.	6.3

²⁵ AER, Final decision, AusNet Services' distribution determination 2016 – 2020, Attachment 15 – Pass through events, May 2016, page 15-7

Attachment 3

**Forest Fire Management Victoria
notification of fires being contained**



Final significant fire contained in victoria

Share this page

2 March 2020

Following a long and challenging fire season that saw more than 1.5 million hectares burnt across the state, all significant fires in Victoria have now been contained. The Snowy Complex fire was declared contained yesterday, 27 February 2020.

For 98 days, firefighters, including staff and volunteers, from Forest Fire Management Victoria (FFMVic) and CFA and all emergency management personnel have been working hard to manage more than 3500 fires that have burned across the state since 1 November 2019.

More than 1,200 FFMVic staff, thousands of CFA staff and volunteers, more than 450 contractors, 408 international fire fighters from the US, Canada and NZ have been deployed this season supported by the Australian Defence force and defence forces from Papua New Guinea and Fiji.

"The hard work, professionalism and dedication of the FFMVic teams and the whole of the emergency services this fire season has been outstanding," says FFMVic Chief Fire Officer Chris Hardman.

"They have suffered the loss of colleagues and spent considerable time away from families to help protect the state. I am proud of the work that has been done and that these fires are now contained, and I thank them for their commitment.

“While Victoria remains in the Fire Danger Period, our FFMVic teams are now working towards recovery and preparedness.”

CFA Chief Officer Steve Warrington agreed it was a relief to see the final significant campaign fire contained after several months of fire activity.

“I am extremely proud, not just of the amazing work by thousands of CFA firefighters and support members, but of the entire emergency services sector as well as the community, which has pulled together to support one another.” he said.

“Now, I want them to be aware that despite recent milder conditions, parts of Victoria are still very dry and in warm and windy conditions, Victorians are still at risk of bushfire and fast-running scrub and grass fires and fire restrictions remain in place across all municipalities. Stay alert and keep informed.”

Emergency Management Commissioner Andrew Crisp said this was a great result for firefighters and all emergency management personnel who played a part in managing the fires and keeping communities safe.

“This is a testament to the commitment, bravery, innovation and determination of our people and I am proud of what was achieved under very challenging circumstances,” he said.

“My thoughts are with the communities impacted by the fires and we will continue to do all we can to support you through the long tail of recovery.”

A spokesperson for the Bureau of Meteorology said “In terms of the weather conditions before and during the fires, spring and early summer rainfall was very much below average across much of Victoria.

“Parts of East Gippsland recorded its lowest rainfall on record for this period, contributing to extremely dry forest fuels. Lightning strikes from several thunderstorm events in December initiated numerous fires, many in difficult and remote terrain about the northeast and eastern parts of the Dividing Range.

Fortunately, the weather became humid and rainfall totals between 50-100mm fell across the fire grounds during February.”

The outlook for March favours wetter than average conditions across Victoria (apart from central and eastern parts of Gippsland which have no significant likelihood of either wetter or drier conditions), and maximum temperatures will tend towards average across most of the state.

For more information:

- [Get notified of planned burns](#)
- [Emergency Victoria](#)
- [Plan & Prepare for Fires](#)
- [Rainfall and temperature outlooks](#)

Search news and media

Search

Categories

Bushfires

DELWP general enquiries: **136 186**

VicEmergency Hotline: **1800 226 226**

Local Government Switchboard: **136 186**

Deaf, hearing or speech impaired? Please contact the National Relay Service on **133 677** or **www.relayservice.gov.au**

We acknowledge and respect Victorian Traditional Owners as the original custodians of Victoria's land and waters, their unique ability to care for Country and deep spiritual connection to it. We honour Elders past and present whose knowledge and wisdom has ensured the continuation of culture and traditional practices.

We are committed to genuinely partner, and meaningfully engage, with Victoria's Traditional Owners and Aboriginal communities to support the protection of Country, the maintenance of spiritual and cultural practices and their broader aspirations in the 21st century and beyond.



Attachment 4

**Declaration of state of disaster by Premier
of Victoria**

Statement

The Hon Dan Andrews MP
Premier



Thursday, 2 January 2020

VICTORIAN GOVERNMENT DECLARES A STATE OF DISASTER

Premier Daniel Andrews has declared a State of Disaster for six Local Government Areas and the Alpine Resorts, after considering advice from the Minister for Police and Emergency Services and the Emergency Management Commissioner.

The Premier is satisfied there is an emergency that constitutes, or is likely to constitute, a significant and widespread danger to life or property in the following part of Victoria:

- East Gippsland Shire
- Mansfield Shire
- Wellington Shire
- Wangaratta Rural Shire
- Towong Shire
- Alpine Shire
- Mount Buller
- Mount Hotham
- Mount Stirling Alpine Resorts
- Falls Creek

Conditions are expected to deteriorate from tomorrow and the Government's priority is the safety of Victorians.

A state of disaster:

- May be declared to exist in the whole, or parts, of Victoria
- Exists immediately upon the making of the declaration and remains in force for seven days (unless another declaration is made)
- Can be revoked or varied by the Premier at any time.

The declaration gives the Government, through the Minister for Emergency Services, the powers and resources it needs to keep Victorians safe.

Examples of the Minister's broad power to direct and allocate government resources include:

- Directing any government agency to do, or refrain from doing, any function, power, duty, or responsibility
- Declaring that the operation of an Act or subordinate instrument is suspended, if compliance by a government agency with that legislation would inhibit response to or recovery from the disaster
- Take possession and make use of any person's property to respond to the disaster
- Controlling movement in and out of the disaster area and
- Compelling the evacuation of persons from the disaster area or any part of it.

This is the first time the Victorian Government has used these powers since they were included in the *Emergency Management Act 1986* following the devastating Victorian Bushfires in 2009.

Dealing with the immediate aftermath of the fires while many fires continue to burn across the state is a significant challenge that involves all levels of government.

Media contact: Stephanie Anderson 0422 031 125 | stephanie.anderson@minstaff.vic.gov.au

Statement

The Hon Dan Andrews MP
Premier



The Government has already established a Bushfire Response and Recovery Taskforce to support communities and help them rebuild from the devastating fires still burning in the east of the state.

WINE NEWS

Bushfires prompt Victorian Premier Daniel Andrews to declare state of disaster as blazes bring 'unprecedented risk'

By Brad Ryan and staff

Updated Fri 3 Jan 2020, 5:34pm

Up to 100,000 Victorians have been urged to leave their homes ahead of worsening bushfire danger as the number of people missing in fire-affected areas rises to 28.

Fires in East Gippsland and the north-east of the state have burned through 800,000 hectares, or about 3.5 per cent of the state's area.

"We literally have hundreds and hundreds of kilometres of active edge, uncontained fire," said Victoria's Emergency Management Commissioner, Andrew Crisp.

"We've got a long, long way to go when it comes to fire danger in this state."

Mr Crisp said there were fears that a wind change tomorrow could cause fires that started in the High Country in recent days to merge with fires burning in East Gippsland.

CFA chief officer Steve Warrington said strike teams of five trucks each were being placed into communities that could be impacted by fire tomorrow in hot and windy conditions.

RELATED STORY: Towns told 'we need to evacuate' before fire risk intensifies in Gippsland

RELATED STORY: NSW Premier declares state of emergency ahead of 'horrible' fire conditions

RELATED STORY: Locals confront PM in town where father and son perished in bushfire

Key points:

- Six shires and four Alpine resorts will be covered by the state of disaster for a week
 - The Premier said two people had died and 28 were missing
 - For the latest information, visit the Vic Emergency website
-



PHOTO: Fires have burned through about 3.5 per cent of Victoria's area. (Facebook: DELWP Gippsland)

The preparations follow Victorian Premier Daniel Andrews's late-night declaration of a state of disaster for much of the eastern half of the state, the first such declaration ever in the state.

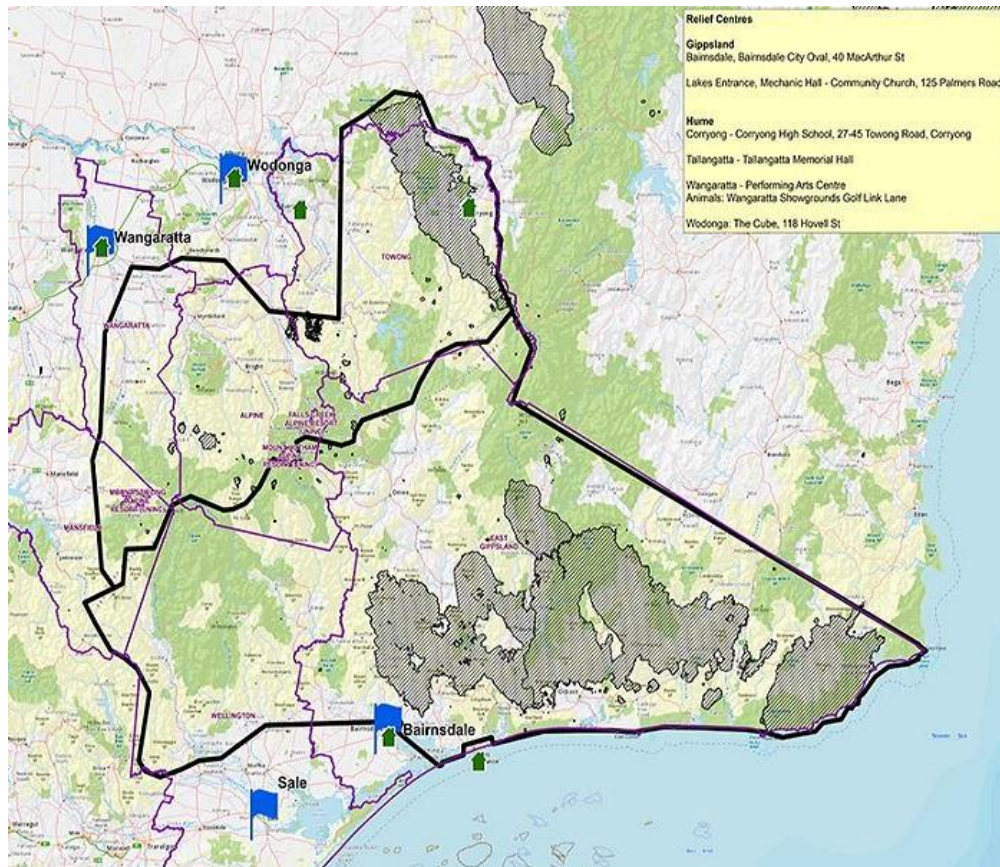
The Premier said the declaration provided "for formal evacuations of townships and areas" and sent a clear message that "if you can leave, you must leave", and would stay in place for a week.

The declaration gives the Government powers to take possession of private property to respond to the fires, control movement in and out of the disaster area and direct any of its agencies to perform or stop performing "any function, power, duty or responsibility".

Mr Andrews announced the declaration at a late-night media conference in Melbourne, after receiving an updated weather outlook on Thursday evening warning conditions would be even worse than earlier feared.

Follow our live blog for updates on bushfires and the evacuations.

It covers a huge part of the state's eastern half, including parts of the East Gippsland shire, Mansfield shire, Wellington shire, Wangaratta rural shire, Towong shire, Alpine shire and the Mount Buller, Mount Hotham, Mount Stirling and Falls Creek Alpine resorts.



INFOGRAPHIC: The state of disaster will remain in place for seven days over much of eastern Victoria. (Supplied: Emergency Management Victoria)

A similar state of emergency declaration has also been made in New South Wales.

State Control Centre spokesperson James Todd there were "potentially 100,000 people across East Gippsland and the north-east that we'd like to get out of the area, out of the potential impact zone".

On Friday afternoon, Victoria Police Assistant Commissioner Michael Grainger said traffic on the roads out of fire-affected areas showed people were listening to the calls to leave.

"We certainly have very clear evidence that people have heeded the warning and we congratulate Victorians for doing that," he said.

As easterly winds blew smoke from fires in the state's east to Melbourne, the EPA's chief environmental scientist Andrea Hinwood urged people who were sensitive to air pollution to take precautions.

"Now is the time to put in place your treatment plan and, where possible, reduce your exposure to the smoke so that you protect yourself," Dr Hinwood said.

Earlier, Mr Andrews also revealed a second person had died in the crisis, but said it was too early to reveal details about their identity or the circumstances of their death.

He said on Friday morning the number of people unaccounted for in the East Gippsland region had grown from 17 to 28.

"I can confirm today that as at 9:30, there are 28 people that we cannot locate, and we are very concerned about their wellbeing," he said.

He said a number of those among the original 17 reported missing had been located yesterday.

Fifty fires burn across Victoria

Victorian fire crews are currently tackling 50 ongoing fires, mostly in East Gippsland and the state's north-east.



PHOTO: More than 780,000 hectares in Victoria have burnt so far. (ABC News: Ben Jaensch)

Mr Andrews said he wanted to send a very clear message by using the disaster declaration, which was a recommendation of the royal commission into the 2009 Black Saturday bushfires.

"Essentially this declaration is the first time these powers have been used because we face unprecedented risk to life and property in coming days," Mr Andrews said.

"The fires are unprecedented in their size, their scale and the risk they pose to so many people right across affected communities.

"If you can leave, you must leave — if you don't we simply cannot guarantee your safety.

"Others may be put into harm's way in trying to protect you and you may well find yourself isolated and cut-off for an extended period of time following fire activity that will almost certainly occur tomorrow [Friday], Saturday and potentially into Sunday."

Emergency Management Commissioner Andrew Crisp said the coming days would bring unusually low humidity of under 10 per cent.

"What that means is that fires will travel at night," Mr Crisp said.

"People talk about fires five years ago, and that was not the case — generally fires overnight would settle down and you could, I guess, rest and regroup, but that's not what we're seeing.

"We've had examples of that over the last few weeks — the Marthavale fire ran 24 kilometres in one night, the Corryong fire nearly 30 kilometres."

Police and Emergency Services Minister Lisa Neville said the powers allowed for arrests if people refused to evacuate or follow other police orders, but authorities were not intending to penalise people.

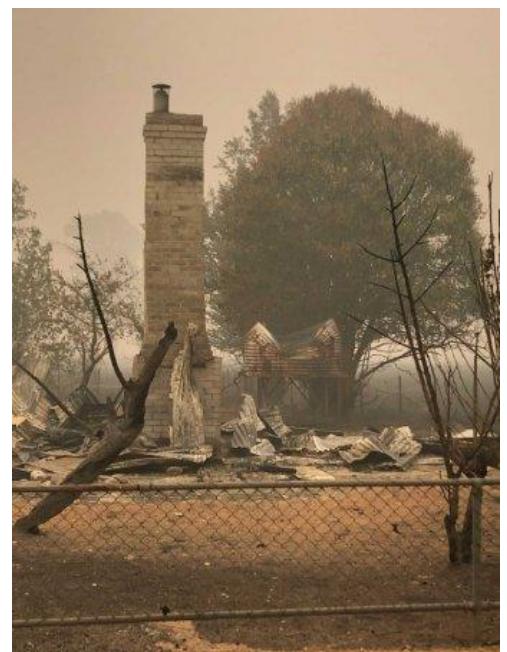


PHOTO: A chimney was all that remained of a house destroyed in a bushfire at Cudgewa. (ABC News: Matthew Doran)

Yesterday, Prime Minister Scott Morrison was confronted by angry protesters in the bushfire-hit town of Cobargo, in south-east NSW.

Read the Premier's declaration:

To print the document, click the "Original Document" link to open the original PDF. At this time it is not possible to print the document with annotations.

Stay across our bushfire coverage:

- Bushfire smoke plume expected to lap the globe, NASA predicts
- Government pledges \$50m for fire-affected wildlife as koalas may become endangered
- First all-Indigenous NSW firefighting crews protecting sacred sites, remote communities
- Australia fires photos show startling transformation before and after destruction
- We crunched the numbers on bushfires and arson — the results might surprise you
- Analysis: As Australia burns, Scott Morrison is rattling off an alibi
- Wildlife experts say over a billion animals now dead in NSW bushfires

Follow this story to get email or text alerts from **ABC News** when there is a future article following this storyline.

Topics: bushfire, disasters-and-accidents, vic, australia

First posted Thu 2 Jan 2020, 11:06pm

Attachment 5

**2019 – 2020 Bushfires: CSIRO Explainer
Fact Sheet**



The 2019-20 bushfires: a CSIRO explainer

February 2020

The bushfires experienced in the 2019-20 season have so far burned more than 10 million hectares of land in southern Australia, greater than the combined area burned in the Black Saturday 2009 and Ash Wednesday 1983 bushfires. But what causes these bushfires and why has this bushfire season been so significant? The CSIRO has been undertaking bushfire research for almost 70 years. This factsheet, with advice from other specialist organisations, provides some insights.

Bushfires in Australia

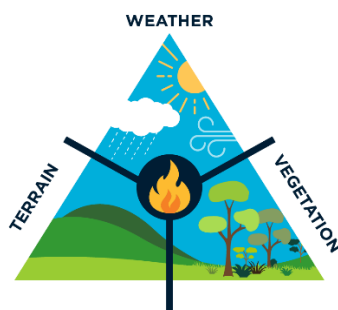
Bushfires are a natural part of the Australian landscape. Many of our plants need bushfires to regenerate, and many have adapted to the harsh conditions our climate delivers. With such a vast country, just as the landscape changes from place to place, so too does the bushfire risk and the timing of the bushfire seasons.

What causes bushfires?

Bushfires are the result of a combination of weather and vegetation (which acts as a fuel for the fire), together with a way for the fire to begin – most commonly due to a lightning strike and sometimes human-influences (mostly accidental such as the use of machinery which produces a spark). Depending on weather conditions, embers can be transported by wind from one location to another, causing new fires or spotting.

When they are large enough, bushfires can generate local weather impacts such as lightning, tornadoes and fire-storms which, in turn, can impact on fire behaviour.

The terrain of an area (or the landscape) contributes to the spread and management of a bushfire. Fires burn faster uphill and can build in intensity and speed. Fires that start in remote, rough or hilly terrain can be difficult to fight.



The three factors that contribute to fire behaviour

These factors of weather, vegetation and terrain vary widely across Australia due to its large size and distinct regional climates, requiring different fire management and firefighting techniques.

Why has this fire season been so significant?

Of the three factors that contribute to fire behaviour, two have played a major role in this bushfire season for the eastern and southern states of Australia: weather and vegetation.

Weather: Weather relates to conditions over short periods of time. The risk of bushfires starting or advancing out of control is highest when there is 'fire weather' – a combination of strong winds, low humidity and high temperatures. In 2019, southern and eastern Australia experienced record low rainfall and record high temperatures which have contributed to increased frequency of fire weather days.



Australians are familiar with the Forest Fire Danger Index (FFDI) sign on roadsides across the country that show the level of fire danger on a given day. The index combines a measure of vegetation dryness with the weather factors characterising 'fire weather' - air temperature, wind speed and humidity. If you add up the FFDI values for every day over a year, you get what's called the 'annual accumulated FFDI'.

Vegetation: Vegetation including trees, grasses, bushes and leaves act as fuel for a bushfire. The more abundant and drier the fuel, the more intense the fire will burn. Nationally-averaged rainfall was 40 per cent below average for the year, making 2019 Australia's driest year since records began in 1900. Many parts of southern and eastern Australia are in drought and have been for multiple years which can impact both the rate of vegetation growth and its dryness. Fuel management including hazard reduction burns can reduce likelihood of ignition and initial rates of spread in high risk areas if carried out in an appropriately targeted manner.

The role of climate change

Climate change doesn't cause fires directly but has caused an increase in the occurrence of extreme fire weather and in the length of the fire season across large parts of Australia since the 1950s. In addition to 2019 being the driest year since records began in 1900, it was Australia's warmest year. In 2019 the annual mean temperature was 1.52 °C above average.¹

The impact of climate change has led to longer, more intense fire seasons and an increase in the average number of elevated fire weather days, as measured by the Forest Fire Danger Index (FFDI). Last year saw the highest annual accumulated FFDI on record.

Living with bushfires and the role of science

Despite the fact that bushfires are a natural part of life in Australia, each season, preparing for and managing bushfires is critical to minimise the risk and potential damage of bushfires. Fire prevention measures include:

- Fuel management (including hazard reduction burns) before the fire season
- Ignition prevention (including total fire bans) before the onset of a bad fire day
- Use of fire suppression tools when a bushfire breaks out, including active fire-fighting with water and fire retardants, back burning and land clearing for fire breaks.

In the medium to longer term, where and the way we live and organise our communities, and how and where we build our houses also play an important part in how we prepare and respond to bushfire threats.

Our national science effort remains focussed on providing the information necessary to improve our overall bushfire understanding and preparation.

Australian researchers produce some of the world's best climate, weather, fire and disaster research; and work closely with operational agencies, governments and communities to better prepare for, respond and recover from these events.

To help Australia navigate through the challenges bushfires present, CSIRO and the science community draw on a wide range of expertise, including: fire prediction; fire behaviour; fire monitoring; fire suppression; fire testing; bushfire modelling tools; understanding the link between bushfires and greenhouse gas emissions; air quality; fire impacts and recovery planning; post fire-season review and field work that informs building codes; disaster management; Indigenous fire knowledge; risk and resilience science; environmental rehabilitation; and climate research.

CSIRO will also provide recommendations to Australian Governments on how we can better prepare for and manage bushfires when they occur, including new tools driven by science and technology.

This information aims to explain in simple terms our scientific understanding of bushfires in Australia in context of those experienced in recent months. Much research is yet to be done to fully understand the complex interplay of factors that led to the 2019-20 bushfires across Australia. CSIRO has produced this information with input from attendees of the Bushfire Science Roundtable held on Wednesday 15 January 2020.

¹ Data sources: Bureau of Meteorology Annual Climate Statement 2019; CSIRO-BoM 2018 State of the Climate report

Attachment 6

**AusNet Services' incident management
governance**

[confidential attachment]

Attachment 7 Buildup of costs incurred

[attachment confidential in part]

This attachment comprises a separate spreadsheet

Attachment 8 Post Tax Revenue Models and Roll Forward Model

This attachment comprises separate spreadsheets

Explanatory Note

As the period for the pass through covers 2 regulatory control periods, including the 2021 stub period, the revenue calculations were done by comparing a 'base case' to a set of PTRMs that include the additional costs incurred by the bushfires event. The pass through revenue requirement is the difference in revenue requirement between the 2 sets of models.

The files which calculate the revenue requirement consist of:

- AusNet Bushfire PT Cost 30th April. – This is the cost build up file **provided in Attachment 7**. It includes functionality that links these inputs into the PTRM & RFM models.
- AusNet Bushfire PT Outputs 20200527 – This is the output file that calculates the revenue numbers. It compares the base case (revenue requirement before bushfires event pass through) to a PTRM that contains the costs incurred due to the bushfires event. The difference between these 2 sets of outputs is the additional revenue requirement for the bushfires event.
- Base Case folder – This is used to generate the base case. It contains 3 files:
 - AusNet RAB RFM 2016-20 – Bushfire PT Base Case
 - AusNet Distribution PTRM 2020 debt update (inc REFCL T3) – Bushfire PT Base Case
 - AusNet Distribution PTRM 2021 Stub period – Bushfire PT Base Case
- Pass Through folder – used to generate revenues including the costs incurred due to the bushfires event. This Contains 4 files:
 - AusNet RAB RFM 2016-20 – Bushfire PT
 - AusNet RAB RFM 2016-21 – Bushfire PT
 - AusNet Distribution PTRM 2020 debt update (inc REFCL T3) – Bushfire PT
 - AusNet Distribution PTRM 2021 Stub period – Bushfire PT

Attachment 9 KPMG report on AusNet Services' costs

[confidential attachment]

Attachment 10

**Customer sentiment towards AusNet
Services' bushfire response**



Bushfire response



Proactive engagement



Power measures taken

AnsNet Services has announced measures to support customers in East Gippsland who have been affected by the recent bushfires.

Many customers in these areas have already experienced lengthy power outages. For a small number of customers, the severity of the damage to the electricity network and the ongoing fire and safety conditions mean it will be some weeks before their power is fully restored.

AnsNet Services says in priority is safely reconnecting customers to main supply as soon as possible.

"We are also working on putting in place special assistance measures for those customers that have been impacted," AnsNet Services managing director, Tony Narvaez, said.

* Fast tracking payments under the Victorian Guaranteed Service Level (GSL) scheme. Most customers whose supply has been impacted by the bushfires will be eligible for a payment of up to \$500 under this scheme. Normally it can take several months for the payments to be made so AnsNet will work to ensure that eligible customers have access to them promptly and in a convenient form.

* Waiving the Network Standing charge for all customers (between \$18-\$30 depending on the customer type) who have been without power for more than seven consecutive days.

AnsNet will either do this directly with customers or work through electricity retailers, whichever provides the best outcome.

* AnsNet Services will waive fees and charges that would normally be applied to standard reconnection (on a like for like basis).

"As communities start to rebuild many customers will be faced with extensive damage to their electricity meters and to electrical infrastructure on their property," Mr Narvaez said.

"We also understand the difficulties and frustration for those customers who are currently without power and whose restoration date is likely to be at least three weeks from when access is gained. We will contact these customers individually to discuss their situation and possible means of assistance.

"This assistance may include small household grant items which can power a limited number of electrical items such as refrigerators, lights, computers and mobile phones. This will hopefully provide some comfort for the duration of time these customers remain off power."

AnsNet Services has established a Victorian Bushfires Workplace Giving Appeal and made an initial company donation of \$100,000. It will match all donations made by our employees to this appeal.

"On behalf of all of us at AnsNet Services, I want to extend our heartfelt condolences to the families of those who have lost their lives in these fires and all of the communities that have experienced their devastating impact," Mr Narvaez said.

"We know that customers have lost their homes or had extensive damage and inconvenience. AnsNet Services will do what we can to ease the financial burden on customers as communities begin to rebuild and recover."



Bushfires

▶ **Customer Bushfire Support Line**

- › Dedicated line for customers with extended hours seven days

▶ **Local advertising during bushfires**

- › Inform communities of the restoration updates

▶ **Local TV, radio and print interviews**

- › to provide restoration updates as well as fly journalists into key restoration zones to capture scenes

▶ **Support package**

- › Fast track GSL payments and waived standard connection fees
- › <https://www.ausnetservices.com.au/en/Misc-Pages/Bushfire-Support>

▶ **Community townhall meetings**

- › Provide support around restoration updates and customer questions

Bushfires



POWER RESTORATION DATES FOR CUSTOMERS AFFECTED BY THE VICTORIAN BUSHFIRES

We know that some of our customers are still without power and we are working hard to restore power as soon as it is safe to do so.

We want to give all customers an approximate date for when their power will be back on as we understand how important this information is for them. Please note however that these are estimated dates only and are dependent on fire, weather and other conditions.

COMMUNITY	ESTIMATED RESTORATION DATE	COMMENTS	WHAT TO DO
BUCHAN, BUTCHERS RIDGE, CLIFTON CREEK, GELANTIPY, JARRAJIMOND, MURRINDAL, SALSFIELD, W TREE, WULGULMERANG, WULGULMERANG EAST	Current estimate is that power will be restored to the bulk of these communities by Sunday 19th January .	We currently have access to this area and we have conducted a damage assessment. Restoration work is underway.	Monitor www.outagetracker.com.au or call our customer bushfire support line for further updates.
CORUNGRA, MALLACOTTA, MOUNT HOTHAM	Current estimate is that power will be restored to the bulk of these communities between 20th and 30th January .	We have limited access to these areas and reconstruction has not yet commenced.	Monitor www.outagetracker.com.au or call our customer bushfire support line for further updates.
BONANG, CLUB TERRACE, COMBIENBAR, GENOA, GIPSY POINT, GOONGERAIL, MALLACOTTA (SURROUNDS), NOORINBEE	Current estimate is that it may take up to 3 weeks for power to be restored from when access is possible .	We currently have extremely limited access to these communities due to fire and safety risk.	An AusNet Services customer service representative will contact you within three working days* with further details.

*If you have not heard from us within 3 working days please contact our customer bushfire support line on the number below.

The safety of our employees and the community is our number one priority and this may impact work to restore power.

Visit our outage tracker at www.outagetracker.com.au for up to date information on power restorations.

We now have a dedicated phone line for our customers impacted by bushfires. Please reach out to our team if you have any queries.



CUSTOMER BUSHFIRE SUPPORT LINE

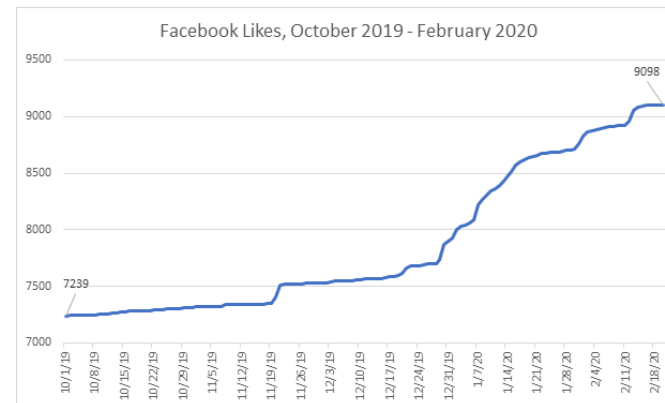
1300 561 171

8am to 8pm Monday to Sunday AEDT

Social media performance



- Across our eight power prepared videos we had 26,827 views
- Top performing video:
 - “have you factored in loss of power in your bushfire plans?”followed by
 - “planning for prolonged power outages”
- Facebook page followers increased from 7K to 9K due to paid advertising campaign as well as geotargeting our power prepared videos and providing extensive updates during major outage events.



Power prepared videos



Total Fire Ban Days



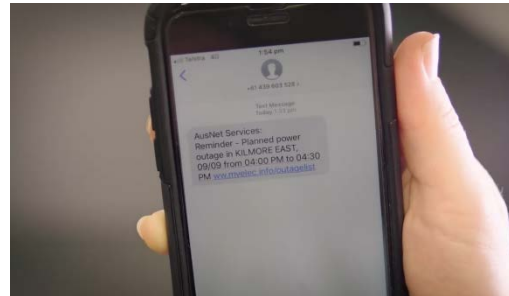
Bushfire Plans



Garage & Gates



Electronic Access



Register Mobiles



Charge Phones/Power banks



Contingency Plans



Prolonged Power Outages

These can be viewed on our website

Customer feedback – example 1

AusNet Services
Published by Aus Net (1) · 18 January · 🌐

Today crews managed to replace the poles between W Tree, Gelantipy and Wulgulmerang, restoring power to customers in those areas.
Here's some footage that shows scenes from around the Sarsfield area.



51,818
People reached


11,521
Engagements

Boost Post

👍👎👏 287

41 comments · 335 shares

Like Comment Share



51,818
People reached

11,521
Engagements

Boost Post

👍👎👏 287

41 comments · 335 shares

Like Comment Share

Most relevant ▾

Write a comment...

Press Enter to post.

Donna Donchi Thankyou so much!! A few of us in The Jarrahmond area had ours restored today after 18 days. 🙌

Like Reply · 15w

Mark Gypsy Glover Wow great perspective on what you do well done 🙌

Like Reply · 15w

Cheryl Windsor Great work everyone, Amazing footage 🙌🔥

Like Reply · 15w

Mandy Amanda Rowe Maglaras Brilliant work AusNet team

Like Reply · 15w

Customer feedback – example 2

AusNet Services
Published by Aus Net 17h · 2 January · 🌐

Our crews are hard at work wiring in emergency generators in Corryong. We are hoping, where it is safe to do so, to restore power to most of the township and surrounds this evening.

Unfortunately the thick smoke over Mallacoota prevented our teams from getting in there via helicopter this morning. We will try again this afternoon after a wind change, but it may still be several days before we can safely bring the power back on given the expected damage to the local network.

It continues to be hot in the north, and we are going to see more dangerous weather across Victoria on Saturday - please be careful, and monitor emergency services.

We are doing everything we can to get the power back on. Our thanks go out to our crews in the field and the extraordinary efforts of emergency service personnel and volunteers.

To everyone impacted, thank you for your resilience, patience and understanding.



- Michelle A Morrison** Great work ausnet 🙌🙌 what an enormous job you have
Like · Reply · 17w
- Neighbourhood Safety Gippsland** Keep up the good work Ausnet. You have an enormous task in front of you. Stay Safe.
Like · Reply · 18w
- Grainne O'Kelly** So sorry to see that devastation in Victoria. Stay safe all. My thanks and admiration for the wonderful selfless work of all firefighters.
Like · Reply · 17w
- Robert Weeks** Ohh, as an ex- linesman, I just thought about how big a job your crews have ahead of them, big job, stay safe
Like · Reply · 17w
1 reply
- David Peck** Great job Ausnet team. God be with you.
Like · Reply · 17w
- Will Holmes** Thanks for all your hard work Ausnet your guys and girls do an amazing job inside and out. Stay safe out there.
Like · Reply · 17w
- Vicki Agius** Cudos to AusNet Services for their swift response to these devastating scenarios. Stay safe everyone.
Like · Reply · 17w
- Donna Solomon** Great work, thank you! Stay safe ❤️
Like · Reply · 17w
- Lisa Ross** Thanks and keep safe!
Like · Reply · 18w
- Steven Barry** We done to all the Ausnet crews working hard under very stressful conditions. Stay safe all.
Like · Reply · 17w
- Debra van Rijn** Good on you guys such an essential service.
Like · Reply · 18w
- Vivienne Heaven Cant** thank you people out there anth for all the wonderful work in those conditions
Like · Reply · 17w
- Lisa Scott** Keep up the good work guys and stay safe 🙌
Like · Reply · 17w
- Josie Cornish** Great work.
Like · Reply · 17w
- Rie Short** Good work fella's 🙌
Like · Reply · 18w
- Kathy Voyer** Stay safe everyone and keep up the great work your doing

Customer feedback – example 3


AusNet Services
Published by Aus Net (11) · 15 January · 🌐



As the road to Mallacoota remains closed from Orbost, construction crews left Melbourne yesterday, staying overnight in Canberra and continuing their journey to Eden this morning, where they joined a police escort into Mallacoota via NSW.

Here they are in Eden earlier today, waiting for the police escort. After a long journey, the construction crews and their vehicles arrived in Mallacoota at 4pm. Having construction trucks in the area is a key step in being able to commence work on rebuilding the lines in Mallacoota and the broader areas of Genoa and Gipsy Point.



11,605 People reached 3,310 Engagements [Boost again](#)

-  David Peck Back in the day there were TV ads showing a linesman restoring power in a storm and telling us that we had a "friend at the SECY". Great to see AusNet crews being such good friends!
Like · Reply · 10w · 1
-  Liza Newby Agree. I am amazed and awed that AusNet was on the job restoring power to so many, and repairing downed line so quickly in such a remote and out of place as Mallacoota now is!
Like · Reply · 10w · Edited · 5
-  Andy McCarthy Outstanding work by AusNet in difficult circumstances. Appreciate your hard work and commitment to helping the community.
Like · Reply · 10w · 11
-  Angela Langford To everyone that's gone in to work, Thank you and Stay Safe, for locals, may your power get back on quickly so life can start to try and get back to normality.
Like · Reply · 10w · 1
-  Bobbi McKibbin Love ya work guys. The whole country is behind you xix
Like · Reply · 10w · 5
-  Lisa Scott Doing great job guys . Stay safe 🙏❤️
Like · Reply · 10w · 1
-  Tim Lloyd Great work guys. A huge trip Melbourne to Canberra and back to Eden and then Mallacoota.
Like · Reply · 10w · 2
-  Jane Sullivan You have done an awesome job
Like · Reply · 10w · 3
-  Andrew Elliott Well done guys
Like · Reply · 10w · 1
-  Byron Hales Go Downer 🙌
Like · Reply · 10w · 5

👇 3 replies
-  Lily Hayes Hurray, we're the unlucky 15% not to get our power back yet, with the AusNet crew in town, perhaps we might get it back sooner than the antipated date of 'end of the month'. 🙏🙏🙏
Like · Reply · 10w · 5
-  Cherie Anderson Mariene Nugent these are the poles I sent over to Mallacoota overnight. Looks like it all went smoothly
Like · Reply · 10w · 1
-  Liz McKay Brilliant 🙌
Like · Reply · 10w · 1

Customer feedback – example 4

AusNet Services
Published by Aus Net (1) · 11 January · 🌐

Today we flew in nine people into Mallacoota to continue with restoration efforts within the township and expand the area supplied by the generator located at the golf club.

Crews will continue working over the weekend and Monday, hopeful to restore electricity supply to an additional 400 customers.

Customers in Mirrabooka Rd are currently progressively being restored to supply.

An AusNet Services representative will be in attendance at the community meeting this afternoon to answer any queries from residents.

Customers are reminded to keep their solar inverters turned off whilst being supplied by the generator.



12,549 People reached · 3,683 Engagements · [Boost Post](#)

Dean Gamble Fantastic job grateful for all your hard work! 🙌
Like · Reply · 15w · 1

Tim Leech I'm not a power industry worker. If the sun comes out from the clouds, and all the solar systems in Mallacoota go from producing 1kW to lets say 100kW (20x the 5kW max Ausnet allows), the poor generators are only 4MW units instead of the entire grid of... See more
Like · Reply · 15w

View 2 more replies

Author
AusNet Services If you have solar and you live in a town currently being supplied by one of our generators, you don't need to worry about inverter damage or switching off your solar.
We're looking at each township with a generator to determine if there are any solar systems that need to be switched off and will reach out to anyone who is required to have their solar systems switched off.
Like · Reply · Commented on by Aus Net (1) · 15w · 3

"Most relevant" is selected, so some replies may have been filtered out.

Stewart Rankin Thank you for your great work.
Like · Reply · 15w · 1

Kellianne Simmons Well done for giving up ur weekend to help other
Like · Reply · 15w · 1

Vicki Morrison Thank you
Like · Reply · 15w · 1

Scott Ess Could AusNet Services please explain the issue of turning off solar inverters whilst under generator power. A resident in Mallacoota was told by AusNet people on the ground there that it was not necessary to turn the inverters off. I have a house there but I'm not in town. Is my inverter going to burn out ???
Like · Reply · 15w · Edited

"Most relevant" is selected, so some replies may have been filtered out.

Author
AusNet Services If you have solar and you live in a town currently being supplied by one of our generators, you don't need to worry about inverter damage or switching off your solar.
We're looking at each township where we have a generator to determine if there are any solar systems that need to be switched off and will reach out to anyone who is required to have their solar systems switched off.
Like · Reply · Commented on by Aus Net (1) · 15w

View 1 more reply

Tim Lloyd Well done for getting another 300+ customers back on supply.
Like · Reply · 15w · Edited · 3

Customer feedback – example 5



- Ben DePellegrini Well done AusNET, going above and beyond for the community, and doing it safely. Like · Reply · 12w
- Anne Star Well done Ausnet.. poor people on generators all that time.. you have had a busy summer restoring power to fire regions far and wide something we take for granted..thankyou kindly... Like · Reply · 12w
- Fiona Pfeill Well done Ausnet and contractors. Very well done!!!! Like · Reply · 12w
- Colin Snowden Great work to all involved, hard times with cool heads, well done! Like · Reply · 12w
- Robert Allan Thank you, will the generators be kept as a stand-by unit? Like · Reply · 12w
- Janis Anne Sebbes Thank you Ausnet for all your hard work 🙏🙏🙏🙏🙏🙏🙏🙏🙏🙏🙏🙏🙏🙏🙏🙏🙏🙏🙏🙏🙏🙏🙏🙏 Like · Reply · 12w
- Eric Seegers That's good news. Sadly I know that Ausnet will push the cost of this back onto customers like they always do. They're all about maintaining profits than maintaining the networks. Gotta love privatisation! 🙄 Like · Reply · 12w
- Andrea Hill A huge congratulations to all! Like · Reply · 12w
- Michelle Sartorio Staying safe working together with the community, thankyou to all staff. 🙏🙏🙏🙏 Like · Reply · 12w
- Kate Nolan Huge task Well done to all involved Like · Reply · 12w
- Jason Cartwright Nice work on keeping the power on. Do you have an idea how much diesel they chewed thru during the process? Like · Reply · 12w
- 2 replies
- Jean Hansen Good Job Congratulations 🙏🙏 Like · Reply · 12w
- Faith Symons Well done AusNet ! Like · Reply · 12w
- Heather Dearing Well done everyone! 🙏 Like · Reply · 12w
- Terry Blundell Congratulations one and all. Like · Reply · 12w