

31 July 2020



Clare Savage
Chair
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

24-28 Campbell St
Sydney NSW 2000
All mail to
GPO Box 4009
Sydney NSW 2001
T +61 2 131 525
ausgrid.com.au

By email

Dear Ms Savage

Over the course of the 2019/20 storm season, Sydney and the surrounding area was hit by a sequence of storms, causing damage to network infrastructure and protracted periods without supply for a significant proportion of our customer base. The team at Ausgrid worked round the clock to safely restore power to affected customers, often only to find the network damaged again by a new or following storm front.

The cost of undertaking such a massive restoration effort was many times the expected annual cost of storm response. As such, Ausgrid seeks a pass through, consistent with clause 6.6.1(a) of the National Electricity Rules, of \$37.6 million in additional costs incurred in responding to the impacts of the 2019-20 storm season.

Responding to major events that impact our network, clearing safety hazards and restoring power are among the most important services we provide and so we must always seek to improve and importantly how we meet customers' increasing expectations for better information during significant storm events.

Impact of the 2019-20 storm season

The 2019-20 storm season caused widespread damage throughout parts of NSW and resulted in two natural disaster declarations by the NSW Government. At its peak, over 140 000 homes and businesses, or about 8% of our total customer base, were without power.

The storm season was not just significant in terms of wind and rainfall but importantly followed a period of drought, the most severe since Federation. Our analysis indicates that the severe drought is the single underlying cause of the severity of the storm season. A report from Professor Medlyn and Associate Professor Choat of Western Sydney University elaborates on this cause by explaining how the drought made vegetation across our network area more susceptible to tree and branch falls – the largest contributor to damage on our network during the 2019-20 storm season.

Least cost to customers

Our pass through application for the 2019-20 storm season is based on managing the risks associated with extreme weather at lowest possible cost to our customers. The pass through approach ensures the price customers pay for our network services will only incorporate the cost of extreme weather events after they occur.

As the risks associated with the rise in global mean temperatures increase, the current approach may need to be re-evaluated. It may be that, given the rise in severe weather events, further investment to improve the resilience of networks to reduce the impact of extreme weather events may be efficient. Such investment may deliver a lower total cost outcome and/or a preferable lived experience for our customers and the community. Significantly more work needs to be done in this area and we look forward to working with you and other key stakeholders in working through these developing challenges.

Customer Collaboration

We shared our pass through application with our Customer Consultative Committee prior to submitting it to the AER. The Committee recognised the significant impact of the 2019-20 storm season on our network and we have taken their feedback on board and we look forward to their input during your assessment of our application.

We thank the AER for its ongoing engagement regarding this matter and its letter dated 5 May 2020 providing an extension of time to submit this attached pass through application. If you have any questions about our application, please contact [REDACTED] on [REDACTED].

Regards,

[REDACTED]

Richard Gross
Chief Executive Officer