



21 August 2015

Trevor Armstrong
Deputy Chief Executive Officer

Ms Paula Conboy
Chair
Australian Energy Regulator
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Via email to: Jacqui.Burns@aer.gov.au

Dear Ms Conboy *Paula,*

In accordance with clause 6.6.1(a) of the National Electricity Rules (NER), Ausgrid seeks the Australian Energy Regulator's (AER) approval to pass through a positive change amount associated with the costs of responding to the significant network and customer impacts caused by the severe weather conditions in April. The impact of this event (referred to in our attached application as the "April storm event") resulted in Ausgrid incurring a material increase in the cost of providing direct control services as a result of having to undertake significant repair work to restore over 369,000 customers (or approximately 22% of Ausgrid's total customer base) who experienced supply outages as a result of this event.

The severity of the storms generated by the April East Coast Low on 20 April 2015 is the relevant event which Ausgrid's pass through application is based. The storms caused widespread damage throughout parts of New South Wales (NSW) and had significant impact on Ausgrid's network, with 16 local government areas within Ausgrid's network area being declared natural disaster areas. Ausgrid has incurred \$39.8 million increases in costs as a result of the April storms, which represents a material cost increase not accounted for in its 2014-15 transitional distribution determination or in the current 2015-19 distribution determination. Given the nature of the event and magnitude of the cost impacts Ausgrid considers it appropriate for these additional costs to be recovered via the cost pass through provisions set out in section 6.6.1 of the NER.

Ausgrid considers that the AER should approve its proposed positive pass through amount as:

- the storm meets the relevant requirements to qualify as a 'general nominated pass through event;'
- the costs incurred as a result of the storm amounts to a 1.6% increase in Ausgrid's annual revenue requirement for the 2014-15 regulatory year, thus satisfying the materiality requirement in the NER for the pass through event to be a positive change event; and

- the application addresses 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.

Our attached application, which is supported by accompanying appendices and attachments, constitutes Ausgrid's written statement pursuant to clause 6.6.1(c) of the NER. This written statement complies with the requirements under 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. It also details the eligible pass through amounts, positive pass through amounts and evidence of increase in costs including the process applied to capture these costs.

The statement addresses the matters that the AER must take into account in deciding on the approved pass through amounts, being the matters listed in clause 6.6.1(j) of the NER.

In accordance with our obligations under the Confidentiality Guideline, we have also attached a completed confidentiality template indicating the material in our written statement which should be kept confidential and protected from public disclosure. In doing so, Ausgrid has submitted public and confidential versions of our written statement. Appendix 1 to this letter, lists the documents which comprise Ausgrid's written statement.

Clause 6.6.1(c)(7) of the NER that requires Ausgrid to provide such other information as may be required under any relevant regulatory information instrument, we note that at the time of submitting this application no such instrument was issued by the AER. However, we note that clause 6.6.1(e1) provides scope for the AER to request from Ausgrid such additional information as the AER requires for the purpose of making a determination on this application and Ausgrid must comply with such request within the time specified by the AER. Accordingly, we would welcome any further information requests from the AER in the course of considering this application.

This pass through application, if approved by the AER, would result in a one off increase of \$10 to the average residential customer bill in 2016-17. However, Ausgrid notes that its merit review application is currently before the Australian Competition Tribunal, the outcomes of which are not yet known. To enable the proper consideration of future potential price changes resulting from the merits review as well as from the outcome of this application, Ausgrid seeks to consult with the AER on the final price path for the remaining years of the current period before a final determination is made in relation to this application.

If you have any queries or wish to discuss this application further (including any other relevant factors the AER may take into account under clause 6.6.1(j)(8) of the Rules) please contact Joe Pizzinga, Chief Financial Officer at Ausgrid on (02) 9269 2121 or via email at jpizzinga@ausgrid.com.au

Yours sincerely



TREVOR ARMSTRONG
Acting Chief Executive Officer