

18 September 2020

Mr Sebastian Roberts
General Manager
Transmission and Gas
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Sebastian

re: Network Support Pass Through Application for 2019-20

A network support allowance was approved in ElectraNet's revenue determination for the 2019-2023 regulatory control period based on the ongoing requirement for network support services at Port Lincoln on the Eyre Peninsula.

This allowance was based on the historic costs incurred under a network support services contract which expired in December 2018 and has subsequently been replaced with a new contract at prevailing market rates through a competitive procurement process.

The pass through of network support costs to Transmission Network Users is required under clause 6A.7.2 of the National Electricity Rules. The AER has established a Procedural Guideline for preparing a transmission network support pass through application to provide further direction on this process.

The following network support pass through application for the regulatory year ended 30 June 2020 has been prepared in accordance with these provisions and addresses the specific information requirements of the Guideline. The relevant calculations are contained in a separate spreadsheet model accompanying this application, in accordance with the reporting template accompanying the Guideline.

1. Network support allowance

The applicable regulatory allowance for network support is \$8,679,583 for 2019-20 (\$Jun 2020). This is equivalent to the allowance contained in the AER's final revenue determination for 2019-2023 of \$8,373,333 (\$Jun 2018).

2. Actual network support expenditure

A total amount of \$10,621,631 was expended on network support during 2019-20 (\$Jun 2020). This total represents direct costs incurred in the provision of network support services during the 2019-20 regulatory year, comprising contract payments and other costs directly incurred in providing the network support service.

3. Network support pass through amount (\$m) including time cost of money calculations

A positive network support event (i.e. under-recovery) therefore occurred in respect of 2019-20, totalling \$1,942,048 (\$Jun 2020). After the required time value of money adjustments, this positive pass through amount totals \$2,109,838.

This represents the amount that ElectraNet proposes to recover from Transmission Network Users as a revenue under-recovery in setting transmission prices for 2021-22, to be published by 15 March 2021.

4. Reasons for variation

The variation in expenditure compared with the allowance reflects:

- the full year impact of the charges payable under the new network support services contract which commenced in January 2019; and
- the commencement of charges under the contract in July 2019 for the new load bank facility which is required in order to maintain the reliability standard in the face of declining demand levels at Port Lincoln.

The load bank operates to absorb load when required at times of low system demand to enable the network support generator to operate in a stable manner at its minimum output level and maintain reliable supply under these conditions. The need for this load bank facility was not foreseen at the time the network support allowance was put in place.

The network support application for 2018-19 only included half a year of the network support charges under the new contract and no charges for the load bank facility, resulting in a correspondingly higher level of network support payments in 2019-20.

As detailed last year, the new network support services arrangement was put in place following a competitive tendering process, and the service costs are reflective of prevailing market rates.

There was one outage which required the use of the Port Lincoln network support service during the year. Periodic testing was also undertaken as required under the terms of the service arrangements, with the network support service tested seven times during 2019-20.

5. Verification of actual network support expenditure (audited regulatory accounts)

The information presented in this application is provided on the basis of audited statutory financial statements. The expenses incurred are also subject to the annual audit of ElectraNet's regulatory accounts, which will be submitted to the AER by end October 2020, as required.

6. Date network support pass through application is submitted to AER

The date of lodgement of this application is 18 September 2020.

7. In some cases, details on contractual arrangements

ElectraNet completed a detailed assessment of long-term electricity supply options for the Eyre Peninsula region through the Regulatory Investment Test for Transmission (RIT-T) which concluded in October 2018.

The assessment identified the replacement of the existing single circuit Cultana to Port Lincoln transmission line with a new double circuit line as the preferred option that maximises net economic benefits. The preferred option will also avoid the future need for network support services to meet the applicable reliability standard at Port Lincoln.

The AER confirmed the outcomes of this RIT-T assessment in a determination issued on 11 April 2019.

ElectraNet has subsequently submitted a contingent project application to the AER for the Eyre Peninsula Reinforcement, which is currently under review. The project is scheduled to be completed in December 2022, followed by a period of commissioning and testing. As a consequence, the network support service and network support allowance is no longer forecast to be required after April 2023.

As reported last year, ElectraNet undertook a competitive tender process in conjunction with the RIT-T assessment to secure ongoing network support services at Port Lincoln, which culminated in a new network support services agreement which took effect on 1 January 2019. The revised charges under the new contract commenced in January 2019, with the additional load bank facility charges commencing in July 2019 as detailed above.

8. TNSP decisions affecting the magnitude of the network support event

There were no network events that impacted on the network support amount incurred during the period.

I trust this information fully satisfies the requirements of the Guideline and relevant provisions of the Rules. Should you have any queries in relation to this letter, I can be contacted on [REDACTED]

Yours sincerely



Simon Appleby
Manager Regulation and Investment Planning

Encl. calculation spreadsheet