

31 August 2020

Mr Sebastian Roberts
General Manager – Transmission and Gas Branch
Australian Energy Regulator (AER)
GPO Box 520
Melbourne, VIC, 3001

By email: sebastian.roberts@acc.gov.au

Dear Mr Roberts

COST PASS THROUGH APPLICATION – 2019-20 SUMMER BUSHFIRES

As advised in our letter to the AER on 21 April 2020 and subsequent meeting 24 August 2020 the 'black summer' bushfires caused significant damage to parts of the Endeavour Energy distribution network and the communities we serve.

We submit with this letter our pass through application in respect of the increase in costs in accordance with the provisions of Clause 6.6.1 of the National Electricity Rules (NER) for review and determination by the AER.

Impacts of the 2019-20 Bushfire season

The 2019-20 bushfire season was the most devastating in NSW history¹. The bushfires impacted 44% of Endeavour Energy's network area, caused significant damage to parts of the network and interrupted supply to over 55,000 customers.

Our priority during the bushfire event was to restore electricity supply to affected communities as quickly as possible whilst preserving the safety of customers and workers. This involved significant effort across our entire organisation with 92 per cent of field staff working to restore supply within a challenging environment of fire activity. Our emergency restoration and subsequent response involved:

- Replacing 999 damaged poles;
- Inspecting almost 17,000 spans of conductor to identify damage and clear vegetation; and
- Deployment of 95 portable diesel generators to provide temporary supply to customers facing lengthy delays in having their grid supply restored.

These efforts, which include activities performed during and after the bushfire event, have had a material impact to our cost of providing direct control services. The nature of the costs is subject to the cost pass through provisions in the NER and the AER's final decision on Endeavour Energy's distribution determination 2019-24, as a natural disaster pass through event.

Customer support

In responding to the bushfires, we established a Customer Management Working Group and Bushfire Customer Liaison Roles to keep our customers safe and informed and to assist in coordinating internal and external customer response activities. Our customers were kept informed through our Contact Centre, website and social media pages.

We also developed a bushfire assistance package which involved waiving reconnection fees, free electrical inspections, energy advice and gift vouchers as well as participated in an Energy Charter working group of retailers and networks to share customer data, simplify communication and help coordinate the reconnection of customers. The costs associated with these activities are excluded from this pass through application.

¹ Media release from the NSW Rural Fire Service, Fire season comes to a close in NSW, 31 March 2020

Managing price impacts on customers

The total pass through revenue sought is \$31.1 million. In determining this amount, we have sought to include only the efficient costs of responding to the bushfires and exclude any costs which may have already been provided for in our 2019-24 decision.

We propose to recover the positive pass through amount in each of the remaining three years of the current regulatory control period in order to minimise price variability and maintain a revenue profile that will result in real price reductions over the remainder of the period.

Currently, the distribution portion of electricity bills for the average residential and small business customer will reduce by \$30 and \$52 (real, 2020-21) respectively over the remaining three years of the current regulatory control period. If approved, this pass through will still see real reductions for residential and small business customers over the next three years of \$25 and \$43 (real, 2020-21) respectively.

This means we will continue to deliver real price reductions on some of the lowest network charges in the National Electricity Market and the lowest electricity distribution charges in NSW.

Stakeholder engagement

As part of this submission, we have engaged with our Customer Consultative Committee and several stakeholder groups prior to submission of this application to the AER in order to provide details on our response to the bushfires and the resulting pass through amount. Some key themes to emerge from this engagement are:

- only costs that are efficient and incremental should be included in a pass through;
- the pricing impact, particularly in the near term during the COVID-19 pandemic, should be minimised;
- with an increasing frequency of natural disaster events due to climate change:
 - insurance coverage, network resilience and bushfire mitigation asset management strategies are becoming increasingly important;
 - there may need to be broader consideration of whether the pass through mechanism remains the best means by which to account for the costs of managing these events.

We have sought to address these themes in our pass through application and look forward to engaging further with the AER and stakeholders during the assessment of our application.

If you have any queries or wish to discuss our submission further please contact [REDACTED] Manager Network Regulation at Endeavour Energy on [REDACTED] or via email at [REDACTED]

Yours sincerely

[REDACTED]

Rod Howard
Deputy Chief Executive Officer