



Ref: 20220328MC:CB

28 March 2022

Arek Gulbenkogl
General Manager, Network Expenditure (A/g)
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3000

Dear Arek

Request for extension of time – 2022 North Coast Floods cost pass-through application

Essential Energy is seeking an extension to the fixed time limit in the National Electricity Rules (NER) for the submission of a statement regarding the occurrence of a positive pass through event. In February and March 2022, Essential Energy's network in the North Coast of New South Wales was impacted by record breaking floods. Essential Energy considers that these floods have the potential to trigger a positive pass through event prescribed under clause 6.6.1(a1) of the NER, specifically a natural disaster event as specified in Essential Energy's 2019-24 Regulatory Determination.

Under clause 6.6.1(c), to seek the approval from the AER to pass through a positive pass through amount, Essential Energy is required to submit a statement to the AER within 90 business days of the positive change event occurring. The flooding experienced has the scope to give rise to a single natural disaster event for the purposes of a cost pass through, with the timeframe to submit a cost pass through application expected to begin from when the event ends.

A significant amount of work is required over the next few months for Essential Energy to evaluate the costs of the network restoration which are expected to take several years to complete. We have insurance in place for some large assets such as property, substations, and vehicles, and claims will be made in due course following a full assessment of the damage. There is also the potential for some State or Federal funding but any value is uncertain at this stage. Our intention is to exhaust all avenues for flood cost recovery before a pass through application is submitted. It may be that the shortfall in costs after insurance and government funding does not meet the materiality requirements for an application. Essential Energy is reluctant to pass through price rises to its customers, particularly given the forthcoming cost recovery for the 2019-20 bushfires and the critical infrastructure licence conditions.

The AER is required to extend the fixed time limit under clause 6.6.1(k) if it is satisfied that the difficulty of assessing or quantifying the effect of the pass through is justified.

Considering the above factors, Essential Energy is seeking an extension to 31 December 2022 for a pass through application triggered by these floods, and would appreciate written confirmation from the AER that this is acceptable. If you require any further detail or wish to discuss this matter, please contact our Network Regulation Manager, [REDACTED] on [REDACTED] or via email at [REDACTED].

Yours sincerely

[REDACTED]

Chantelle Bramley
Executive General Manager Corporate Affairs