



Ref: 30092021MC:JC

24 September 2021

Mr Sebastian Roberts
General Manager, Expenditure
Australian Energy Regulator (AER)
GPO Box 3131
Canberra ACT 2601

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

Dear Mr Roberts

Cost Pass Through Applications

Further to our previous correspondence and discussions with the AER, we submit our cost pass through applications (written statements) to recover the additional costs of the Critical Infrastructure Licence Condition changes and the 2019-20 Bushfires. These submissions are in accordance with the provisions of Clause 6.6.1 of the National Electricity Rules, for review and determination by the AER.

Essential Energy's 2019-24 regulatory proposal did not include any expenditure forecasts for these two unforeseen events. Whilst networks generally absorb increases in costs from external events, the impact of these events and the scale of the costs, means that Essential Energy is seeking an increase in regulated revenue to cover the shortfall. We have ensured that only costs that are efficient and incremental are included in this submission, and sought feedback from customers on the costs and how they should be recovered from customers' bills. That engagement led to a refinement of costs as well as a customer preference to recover the costs over a two year period, from July 2022 to June 2024.

Critical Infrastructure Licence Conditions

The changes to the Distributor Licence Conditions, mean that Essential Energy is required to strengthen its cyber and physical security. This has implications for the way the business procures, services and maintains the network and physical assets – including how we store and manage important data. We worked with the Independent Pricing and Regulatory Tribunal (IPART) to develop a plan to achieve full compliance with changed licence conditions by 30 June 2024. Essential Energy expects to spend an extra \$39.7 million over this regulatory period to comply.

2019-20 Bushfires

The multiple bushfires over 2019-20 were unprecedented, and the severity and impact meant that parts of our electricity network across the east coast sustained significant damage. Essential Energy anticipates that the damage from these bushfires will cost an extra \$75.2M to repair and restore the network. The majority of this amount has already been spent but some future expenditure is also required.

We have estimated that the combined impact and the cost recovery from both these events, is an extra \$24 a year for a typical residential customer, or \$91 for each of the two years, for a small business customer.

If you would like to discuss these submissions, or require any further information, please contact me on [REDACTED] or alternatively, [REDACTED], Network Regulation Manager, via [REDACTED].

Yours sincerely



John Cleland
Chief Executive Officer