

13 November 2020

Mr Sebastian Roberts
General Manager, Transmission and Gas Branch
Australian Energy Regulator
Level 17, Casselden Place
2 Lonsdale Street
MELBOURNE VIC 3000

Email Sebastian.Roberts@aer.gov.au

Dear Mr Roberts

Re: Cost pass through application – 2019-20 NSW bushfires

As you know, the 2019-20 New South Wales (NSW) bushfire season was traumatic and devastating for the State and our transmission network. Our response and restoration effort to address these bushfires has materially impacted our costs of providing our prescribed transmission services.

We submit with this letter our pass through application (Application) in accordance with clause 6A.7.3(a) of the National Electricity Rules (NER) to recover the additional costs for providing prescribed transmission services arising from the 2019-20 NSW bushfire season. We are submitting this Application now, in accordance with the extended timeframe for making a pass through application approved by the AER¹.

Impact on our network and our response efforts

The 2019-20 NSW bushfire season caused unprecedented damage to our network assets, in particular to our transmission lines within the active bushfire impacted zones, including:

- > 999km of transmission line route length, comprising over 9,000km of conductors and earth wires, or 9 per cent of our transmission line route length, and
- > 2,681 transmission line structures comprising 1,822 steel lattice tower and pole structures, 596 wood poles structures and 263 concrete structures.

In the immediate aftermath of the fires, we undertook emergency works to make hazardous situations safe and restore assets which were rendered inoperable. Our emergency response has been followed by extensive condition assessment of bushfire damaged components of our network, and ongoing remedial works to ensure the continued safe operation of the network.

We have identified the network repair works necessary to continue to manage network safety risks to be below tolerance levels, or 'as low as reasonably practicable', consistent with our Electricity

¹ On 12 March 2020, the AER approved our request to extend the timeframe to submit our Application in relation to the 2019-20 bushfires until 13 November 2020

Network Safety Management System. These activities have been scheduled in accordance with our corrective maintenance process.

Our costs arising from the 2019-20 bushfires and pass through amount

Our response and restoration effort to address the 2019-20 bushfire season have materially impacted our costs of providing prescribed transmission services.

We have incurred \$10.6 million (Real 2017-18), and expect to incur a further \$39.2 million (Real 2017-18), in additional costs as a result of the 2019-20 bushfires which are not included in our 2018-23 Revenue Determination. These additional costs relate directly to the 2019-20 bushfires and would not be incurred if the bushfires did not occur.

We have calculated an eligible pass through amount of \$55.5 million (Nominal) based on the total incremental costs of \$49.8 million (Real 2017-18) arising from the 2019-20 bushfires. This amounts to 1.2 per cent, 1.7 per cent and 3.7 per cent of our Maximum Allowed Revenue (MAR) for the 2019-20, 2020-20 and 2021-22 regulatory years, and therefore exceeds the one per cent of MAR materiality threshold in the NER.²

Next steps

Please do not hesitate to contact Stephanie McDougall, our Head of Regulation at [REDACTED] or [REDACTED] if you would like to discuss the materials provided as part of our Application. We would be pleased to provide any further information that may be required by the AER to make its determination.

Yours sincerely

[REDACTED]

Jason Conroy
Chief Financial Officer

² The materiality threshold must be satisfied for the pass through event to be a positive change event