



Record No: D2018/137641
Container No: F2017/2903

Ms Paula Conboy
Chair
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3000

Dear Ms Conboy

Request for extension of time in which to submit pass through application

The purpose of this letter is to seek a 90 business day extension of the period in which to submit an application for a *positive pass through amount*, pursuant to clause 3.1.8(a) of our 2014 Utilities Commission 2014 Network Price Determination¹ (the **Network Price Determination**), now administered by the Australian Energy Regulator (**AER**).

This request is made due to difficulties in assessing and quantifying the effect of the relevant *pass through event* at this time. As outlined below, those difficulties are beyond our control.

Background – *natural disaster event*

On 17 March 2018, Tropical Cyclone Marcus passed over Darwin as a Category 2 system with sustained winds near the centre of 95km/hr and wind gusts to 130km/hr as it moved southwest through the Northern Territory. The cyclone resulted in approximately 26,750 customers losing power for more than twenty hours, and extensive damage to Power and Water Corporation's overhead network, caused primarily by falling vegetation.

As described by the Bureau of Meteorology,²

The system passed over Darwin as a Category 2 system with sustained winds near the centre of 95km/hr and wind gusts to 130km/hr as it moves southwest. It will continue to bring heavy rainfall and higher than normal tides through the area, which could produce some minor flooding of low-lying areas...

Tropical Cyclone Marcus will also be bringing some heavy rainfall with it over much of the northwest Top End today and extending into northern and western Kimberley tomorrow. With daily totals of 100-150mm possible through some areas. Flood watches are current for northwest coastal rivers of NT and catchments north of Derby in the north and west Kimberley Districts.

We have attached for your further information a copy of the Tropical Cyclone Marcus fact sheet that we recently prepared for our stakeholders. This summarises the extent of the impacts experienced by our customers and network, and our restoration efforts.

¹ Utilities Commission, *2014 Network Price Determination – Final Determination, Part B – Network Price Determination*, April 2014

² See <http://media.bom.gov.au/releases/463/weather-update-fourth-update-on-tropical-cyclone-marcus/>

Pass through provisions under 2014 network price determination

Cyclone Marcus falls within the definition of a *natural disaster event* under the Network Price Determination. It is clear that the event is a *positive change event* under the Network Price Determination, for which we can seek the approval of the AER to pass through to *network users* a *positive pass through amount* under clause 3.1.2(a).

Clause 3.1.2(b) requires us to submit a written statement to the AER within 90 business days of the event occurring, detailing the matters listed in that clause, which include the *positive pass through amount* we propose (clause 3.1.2(b)(iv)).

Pursuant to clause 3.1.8(a) of the Network Price Determination, the AER can extend the 90 day time limit fixed by clause 3.1.2(b) to submit an application for approval of a positive pass through amount, if the AER is satisfied that the difficulty in assessing and quantifying the effect of the relevant *pass through event* justifies an extension.

Reasons for difficulty in assessing and quantifying the effect

There are two key reasons for difficulty in assessment and quantification, that we believe justify an extension. They are:

1. The full extent of the scope and cost of remedial works is not yet clear and will not be known for some time.
2. There is uncertainty regarding the costs, if any, that may be recovered through a national disaster recovery fund in relation to this event, and therefore the quantum of the positive pass through amount required.

An application will be made through the joint Australian Government-State Natural Disaster Relief and Recovery Arrangements (NDRRA)³ for assistance to alleviate the financial burden on the Northern Territory in relation to Cyclone Marcus. Where the NDRRA is activated, the Australian Government may fund up to 75 per cent of the assistance available to individuals and communities, delivered through measures including the restoration or replacement of essential public assets; as well as clean-up and recovery grants.

Until the NDRRA process is completed, we are unable to state with any confidence the final amount that we will seek to pass through to network users.

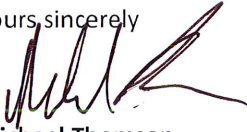
Duration of extension requested

We therefore request an extension of 90 business days, that is from 27 July 2018 (being 90 business days from the event occurrence on 17 March 2018) to 3 December 2018.

If you require any further detail regarding this request, please contact Jodi Triggs (Senior Executive Manager Network Regulation and Commercial) on (08) 8985 8456.

³ See details at <https://www.disasterassist.gov.au/Pages/related-links/Natural-Disaster-Relief-and-Recovery-Arrangements.aspx>

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Michael Thomson', with a stylized flourish at the end.

Michael Thomson
Chief Executive

 April 2018