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Our Ref: #15946678
Contact Officer: Matthew Thomas
Contact Phone: [REDACTED]

20 November 2023

Jeremy Tustin
Manger, Regulation
ElectraNet
52-55 East Terrace
Adelaide SA 5000

Dear Mr Tustin

Re: AER Determination – ElectraNet’s 2022-23 network support cost pass through application

I am writing to advise you of the AER’s determination in relation to ElectraNet’s 2022-23 network support cost pass through application submitted on 19 September 2023.

The AER has approved ElectraNet’s cost pass through application, and determined a positive pass through amount of \$10,064,425 (\$Dec 2024) to be passed through to network users in the 2024-25 regulatory year.

Details of the AER’s assessment against the relevant factors set out in the National Electricity Rules are set out in the table at Attachment A. If you have any queries in relation to this matter, please contact Matthew Thomas on [REDACTED]

Yours sincerely

[REDACTED]

Arek Gulbenkoglu
General Manager
Network Expenditure

Sent by email on: 20.11.2023

Attachment A: Requirements for determining a positive change event has occurred

Requirement of the NER	Our consideration
Is the pass through event a network support event? ¹	Yes. The pass through event is a network support event as defined in the NER, cl 6A.7.2.
What is the date on which the positive change event occurred?	We consider that the network support cost event occurred in the regulatory year concluding on 30 June 2023, as a result of ElectraNet's ongoing requirement for network support services at Port Lincoln on the Eyre Peninsula and inertia shortfall services as required by AEMO.
Did ElectraNet submit a written statement of its pass through application within 60 business days of the positive change event occurring? ²	Yes. ElectraNet made its pass-through application on 19 September 2023.
Did ElectraNet specify details of the positive change event, including the date on which the event occurred, in its written statement? ³	Yes. ElectraNet's written statement is available on our website.
Did ElectraNet specify in its written statement the eligible pass through amount, the proposed positive pass through amount, and the amounts proposed to be recovered from customers in each regulatory year? ⁴	Yes. ElectraNet proposed an eligible positive pass through amount of \$8,278,037 (\$Dec 2024) to be recovered from network users in 2024-25. After updating the WACC and allowance values used by ElectraNet (which were outdated), we have determined a pass through amount of \$10,064,425 (\$Dec 2024).
Did ElectraNet specify in its written statement evidence of the actual and likely increase in costs that occurred solely as a consequence of the positive change event? ⁵	Yes. ElectraNet's written statement included evidence of the costs it incurred in 2022-23 as a result of its ongoing requirement for network support services at Port Lincoln on the Eyre Peninsula and inertia shortfall services as required by AEMO (in its enclosed Excel Workbook). ElectraNet also set out how it calculated its proposed pass through amount using the AER's template.
Was there a regulatory information instrument applicable to the pass through application? ⁶	No
We must take into account the matters and proposals set out by ElectraNet in its written application provided to the AER on 20 September 2023 ⁷ .	We have had regard to the matters set out by ElectraNet in its application in making our determination.
In the case of a positive network support event, we must take into account the increase in costs in the provision of prescribed transmission services that ElectraNet has incurred in the preceding regulatory year as a result of the positive network support event. ⁸	We consider ElectraNet has incurred additional costs of \$10,064,425 (\$Dec 2024) as a result of the network support event in the 2022-23 regulatory year.

¹ NER cl. 6A.7.2(a)

² NER cl. 6A.7.2(c)

³ NER cl. 6A.7.2(c)(1)

⁴ NER cl. 6A.7.2(c)(2)

⁵ NER cl. 6A.7.2(c)(3)(ii)

⁶ NER cl. 6A.7.2(c)(4)

⁷ NER cl. 6A.7.2(i)(1)

⁸ NER cl. 6A.7.2(i)(2)

<p>We must take into account the efficiency of ElectraNet's decisions and actions in relation to the risk of the event, including whether ElectraNet has failed to take any action that could reasonably be taken to reduce the magnitude of the positive network support event and whether ElectraNet has taken or omitted to take any action where such action or omission has increased the magnitude of the amount in respect of that event.⁹</p>	<p>We consider that ElectraNet's actions and decisions in relation to the risk of the event are likely to be efficient, noting the network support costs included in this application:</p> <ul style="list-style-type: none"> • are consistent with existing network support services contract costs for providing generator support to Port Lincoln • reflect the outcomes of ElectraNet's competitive process to procure and contract for the provision of inertia network services in 2022-23 to address an inertia shortfall declared by AEMO. <p>We also note that ElectraNet has now completed the Eyre Peninsula Link network augmentation project, and therefore the network support service for Port Lincoln has not been required since April 2023. This is consistent with the preferred option which maximises net economic benefits identified through the Regulatory Investment Test for Transmission.</p>
<p>We must take into account the time cost of money.¹⁰</p>	<p>The time cost of money has been factored into ElectraNet's network support cost pass through calculation. We have confirmed the accuracy of this calculation.</p>
<p>We must take into account the need to ensure that the pass through amount reflects only the network support costs incurred solely as a consequence of the network support event.¹¹</p>	<p>We consider that the costs to be recovered by ElectraNet due to this pass-through event are solely attributable to network support payments in the 2022-23 regulatory year that exceed its regulatory allowance.</p>
<p>We must consider whether any other factors are relevant.¹²</p>	<p>We do not consider any other matters to be relevant.</p>

⁹ NER cl. 6A.7.2(i)(3)

¹⁰ NER cl. 6A.7.2(i)(4)

¹¹ NER cl. 6A.7.2(i)(5)

¹² NER cl. 6A.7.2(i)(6)