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20 November 2023

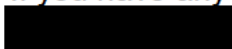
Renee Anderson  
Acting Executive Finance  
TasNetworks  
PO Box 606  
Moonah TAS 7009

Dear Ms Anderson

**Re: AER Determination – TasNetworks’ 2022-23 network support cost pass through application**

I am writing to advise you of the AER’s assessment of TasNetworks’ 2022-23 network support cost pass through application submitted on 12 July 2023.

In accordance with clause 6A.7.2(e) of the National Electricity Rules (NER), the AER is taken to have determined that the amount of \$431,696 (\$Dec 2024) as proposed in TasNetworks’ application is the network support pass through amount 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 NER are set out in the table at Attachment A. If you have any queries in relation to this matter, please contact Matthew Thomas on 

Yours sincerely



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? <sup>1</sup>	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 TasNetworks' response to AEMO's notice of Tasmania system strength and inertia shortfalls on 7 May 2021 for the ensuing 5 years.
Did TasNetworks submit a written statement of its pass through application within 60 business days of the positive change event occurring? <sup>2</sup>	Yes. TasNetworks made its pass-through application on 12 July 2023.
Did TasNetworks specify details of the positive change event, including the date on which the event occurred, in its written statement? <sup>3</sup>	Yes. TasNetworks' written statement is available on our website.
Did TasNetworks 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? <sup>4</sup>	Yes. TasNetworks proposed an eligible positive pass through amount of \$431,696 (\$Dec 2024) to be recovered from network users in 2024-25.
Did TasNetworks 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? <sup>5</sup>	Yes. TasNetworks' written statement set out the costs it incurred in 2022-23 as a result of AEMO's 2021 notice of Tasmania system strength and inertia shortfalls for the ensuing 5 years, as well as how it calculated its proposed pass through amount.
Was there a regulatory information instrument applicable to the pass through application? <sup>6</sup>	No
We must take into account the matters and proposals set out by TasNetworks in its written application provided to the AER on 12 July 2023 <sup>7</sup> .	We have had regard to the matters set out by TasNetworks 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 TasNetworks has incurred in the preceding regulatory year as a result of the positive network support event. <sup>8</sup>	We consider TasNetworks has incurred additional costs of \$431,696 (\$Dec 2024) as a result of the network support event in the 2022-23 regulatory year.

<sup>1</sup> NER cl. 6A.7.2(a)

<sup>2</sup> NER cl. 6A.7.2(c)

<sup>3</sup> NER cl. 6A.7(c)(1)

<sup>4</sup> NER cl. 6A.7(c)(2)

<sup>5</sup> NER cl. 6A.7(c)(3)

<sup>6</sup> NER cl. 6A.7(c)(4)

<sup>7</sup> NER cl. 6A.7(i)(1)

<sup>8</sup> NER cl. 6A.7(i)(2)

<p>We must take into account the efficiency of TasNetworks' decisions and actions in relation to the risk of the event, including whether TasNetworks has failed to take any action that could reasonably be taken to reduce the magnitude of the positive network support event and whether TasNetworks 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.<sup>9</sup></p>	<p>We consider that TasNetworks has likely operated efficiently in its decisions and actions relating to the risk of the positive change event occurring. This is due to:</p> <ul style="list-style-type: none"> <li>• TasNetworks initiating and running a competitive EOI process before entering into any support services arrangements. in anticipation of the declared shortfall by AEMO, and</li> <li>• In conjunction with AEMO, TasNetworks designed and operationalised procedures and monitoring tools which, in addition to satisfying ongoing system security requirements, have the objective of minimising the utilisation of contracted services.</li> </ul>
<p>We must take into account the time cost of money.<sup>10</sup></p>	<p>The time cost of money has been factored into TasNetworks' 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 AEMO's 2021 notice of Tasmania system strength and inertia shortfalls for the ensuing 5 years.<sup>11</sup></p>	<p>We consider that the costs to be recovered by TasNetworks due to this pass-through event are solely attributable to the incremental costs associated with TasNetworks' response to AEMO's 2021 notice of Tasmania system strength and inertia shortfalls.</p>
<p>We must consider whether any other factors are relevant.<sup>12</sup></p>	<p>We do not consider any other matters to be relevant</p>

<sup>9</sup> NER cl. 6A.7(i)(3)

<sup>10</sup> NER cl. 6A.7(i)(4)

<sup>11</sup> NER cl. 6A.7(i)(5)

<sup>12</sup> NER cl. 6A.7(i)(6)