

22 November 2023

Mr Arek Gulbenkogu
General Manager
Expenditure
Australian Energy Regulator

Email: [REDACTED]

Dear Arek

Re: ElectraNet - Network Support Pass Through Application for 2022-23

A network support allowance was approved in ElectraNet's revenue determination for the 2019-2023 regulatory control period based on the ongoing requirement for network support services at Port Lincoln on the Eyre Peninsula.

This allowance was based on the historic costs incurred under a network support services contract which expired in December 2018 and was subsequently replaced with a new contract at prevailing market rates through a competitive procurement process.

Furthermore, in its 2020 System Strength and Inertia Report, the Australian Energy Market Operator (AEMO) concluded that there was an inertia shortfall in South Australia in 2022-23. This required ElectraNet to make inertia network services available under clause 5.20B.4 of the National Electricity Rules (Rules). This constitutes an inertia shortfall event, which in turn is a cost pass through event under clause 6A.7.3(a1)(6) of the Rules.

The pass through of network support costs to Transmission Network Users is required under clause 6A.7.2 of the Rules. The AER has established a Procedural Guideline for preparing a transmission network support pass through application to provide further direction on this process.

The following network support pass through application for the regulatory year ended 30 June 2023 has been prepared in accordance with these provisions. It addresses the specific information requirements of the Guideline. The relevant calculations are contained in a separate spreadsheet model accompanying this application, in accordance with the Guideline.

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ElectraNet - Network Support Pass Through Application for 2022-23

1. Network support allowance

The applicable regulatory allowance in respect of 2022-23 for network support is \$9,770,133 (\$Jun 2023). This is equivalent to the allowance contained in the AER's final revenue determination for 2019-2023 of \$8,373,333 (\$Jun 2018) as reflected in the currently approved PTRM (as amended for approved contingent projects and updated annually by the AER for the cost of debt).

2. Actual network support expenditure

A total amount of \$17,418,741 (\$Jun 2023) was expended on network support during 2022-23. This total represents direct costs incurred in the provision of network support services during the 2022-23 regulatory year, comprising contract payments and other costs directly incurred in providing the network support service, including the provision of both Fast Frequency Response (FFR) and generator support for Port Lincoln.

a. Actual network support expenditure on FFR

An amount of \$ [REDACTED] (\$Jun 2023), after the required time value of money adjustments, was expended on providing inertia services during 2022-23. This total represents direct costs incurred in the provision of network support services during the 2022-23 regulatory year.

b. Actual network support expenditure on generator support

An amount of \$ [REDACTED] (\$Jun 2023) after the required time value of money adjustments was expended on generation support during 2022-23. This total represents direct costs incurred in the provision of network support services during the 2022-23 regulatory year.

3. Network support pass through amount (\$m) including time cost of money calculations

Therefore, a positive network support event (i.e. under-recovery) totalling \$7,648,608 (\$Jun 2023) occurred in respect of 2022-23. After the required time value of money adjustments, this positive pass-through amount totals \$8,278,037.

This represents the amount that ElectraNet proposes to recover from Transmission Network Users as a revenue under-recovery in setting transmission prices for 2024-25, to be published by 15 March 2024.

4. Reasons for variation

The variation in expenditure compared with the original allowance, is consistent with that experienced in previous years. It reflects:

- the impact of the charges payable under the updated network support services contract which commenced in January 2019;
- the impact of charges to provide generator support for Port Lincoln; and
- the impact of the charges payable to provide inertia services payment during the multiple tripping of transmission lines event as directed by AEMO in order to maintain the reliability standard in the face of Identified islands formed as a result of this contingency event - SA and Eastern NEM in November 2022.

In particular

- 4.1 The South Australian region was electrically islanded from the eastern regions of the NEM caused by severe weather. AEMO classified the event as multiple tripping of transmission lines in Electricity Notice 103067. AEMO's decision to issue the notice triggers an inertia shortfall event.
- 4.2 There was one outage that required the use of the Port Lincoln generation support service during the year. The generation ran to support the Port Lincoln load during planned outages of the line to facilitate the changeover to the new lines as the final part of the Eyre Peninsula capital works program.

5. Verification of actual network support expenditure (audited regulatory accounts)

The information presented in this application is derived from audited statutory financial statements. The expenses incurred are also subject to the annual audit of ElectraNet's regulatory accounts, which will be submitted to the AER by end October 2023, as required.

6. Date network support pass through application is submitted to AER

The date of lodgement of this application is 20 September 2023.

7. In some cases, details on contractual arrangements

ElectraNet completed a detailed assessment of long-term electricity supply options for the Eyre Peninsula region through the Regulatory Investment Test for Transmission (RIT-T) which concluded in October 2018.

The assessment identified the replacement of the existing single circuit Cultana to Port Lincoln transmission line with a new double circuit line as the preferred option that maximises net economic benefits. The preferred option will also avoid the future need for network support services to meet the applicable reliability standard at Port Lincoln.

The AER confirmed the outcomes of this RIT-T assessment in April 2019 and approved a contingent project application for this project in September 2020.

The project, known as Eyre Peninsula Link (EP Link), was completed in February 2023, followed by a period of commissioning and testing. As a consequence, the network support service for Port Lincoln has not been required since April 2023.

On 30 June 2022, the AER issued a decision in relation to a cost pass through application for inertia network services required to be provided by ElectraNet in 2022-23 to address an inertia shortfall declared by AEMO. The allowance was not approved due to timing issues. However, the AER concluded that that ElectraNet's process to procure and contract for the provision of inertia network services in 2022-23. The AER also noted that, under the requirements of clause 6A.7.2 of the NER, ElectraNet can recover costs efficiently incurred to provide inertia network services in 2022-23 under the network support cost pass through arrangements.

8. TNSP decisions affecting the magnitude of the network support event

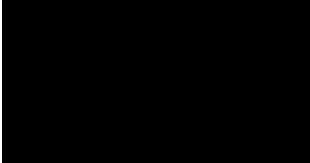
The network support service was operated during the year as outlined above. There were no decisions taken by ElectraNet that impacted on the network support amount incurred during the period.

ElectraNet - Network Support Pass Through Application for 2022-23

I trust this information fully satisfies the requirements of the Guideline and relevant provisions of the Rules. Should you have any queries in relation to this letter, please contact Jadson Lima on

[REDACTED] or [REDACTED].

Yours sincerely

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Jeremy Tustin

Manager Regulation

ENC calculation spreadsheet