

30 November 2023

Mr Arek Gulbenkogl
General Manager, Network Expenditure
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3000

Via email: [REDACTED]

Dear Mr Gulbenkogl

Cost pass-through application – 2022 & 2023 River Murray Flooding

South Australia experienced a significant Flood Event of the River Murray between November 2022 and February 2023, resulting from heavy rain and flood events interstate. This Flood Event was the largest since 1956, and the third highest flood ever recorded in South Australia, with an unprecedented number of impacted homes, shacks, businesses and infrastructure.

This event was described by the South Australian Emergency Services Minister Joe Szakacs as 'economically the worst natural disaster in South Australian history'. The prolonged Flood Event caused extensive damage to townships on the river, destroyed or damaged hundreds of properties, with approximately 4,000 hectares of agricultural land and 3,500 private residences affected over the course of the event.

Further to our previous correspondence with the Australian Energy Regulator (AER), we submit our cost pass through application to recover the additional costs for the River Murray Flood Event (the Flood Event). This submission is in accordance with the provisions of Rule 6.6.1 of the National Electricity Rules, for review and determination by the AER.

The AER granted SA Power Networks an extension under clause 6.6.1(k) until 30 November 2023 to submit our pass through application.

Chapter 6 of the National Electricity Rules (NER) provides that Distribution Network Service Providers (DNSPs) may seek to pass through incremental, prudent and efficient costs relating to events that have materially increased the costs of providing direct control services. In these instances, the Australian Energy Regulator (AER) applies a materiality threshold of one percent of a DNSP's annual regulated revenue.

SA Power Networks considers that additional expenditure directly related to this Flood Event, which falls within the definition of a "natural disaster" set out in SA Power Network's 2020-2025 Regulatory Determination, exceeded the materiality threshold and meet the conditions prescribed under NER clause 6.6.1 (a1) to trigger a positive pass-through event.

The total costs SA Power Networks incurred as a result of the Flood Event were \$9.82m (\$June 2020) over the 2022 and 2023 calendar years. The costs of the Flood Event were 9.34m (\$June 2020) in the 2022-23 regulatory year exceeding the 1% materiality threshold for that year of \$7.19m (\$June 2020). Accordingly, please find attached SA Power Network's written statement seeking the AER's approval to recover the additional costs associated with the natural disaster event as a positive pass through amount.

If you require any further information or wish to discuss this matter in further detail, please contact Grant Cox on [REDACTED] or [REDACTED]

Yours sincerely



Patrick Makinson
CHIEF RISK OFFICER

