

2 February 2024

Arek Gulbenkogl
General Manager, Network Expenditure
Australian Energy Regulator (AER)
GPO Box 520
Melbourne VIC 3001

Locked Bag 14051
Melbourne City Mail Centre
Victoria 8001 Australia
T: 1300 360 795
www.ausnetservices.com.au

Dear Arek

RE: Cost Pass Through Application – Victoria Emergency Backstop Mechanism

The Victoria Government has recently amended AusNet's electricity distribution licence to introduce a Victorian Emergency Backstop Mechanism (**VEBM**) through two Ministerial Orders (**Orders**). This requires us to be able to remotely curtail or interrupt new solar embedded generating units up to 30MVA when directed by the Australian Energy Market Operator (**AEMO**) in a minimum system load emergency, to protect system security of the Victorian network.

The licence amendments require us to invest in new capabilities; specifically, an uplift to AusNet's ICT capabilities, people and process to ensure all new solar units are connected to a network utility server and capable of remote interruption or curtailment and that we comply with the compliance, customer procedure and reporting licence conditions in the Orders.

The Orders drive additional costs for which AusNet is not funded in the current regulatory period. Accordingly, the attached written statement / cost pass through application is submitted in accordance with Clause 6.6.1 of the National Electricity Rules (**NER**). This application seeks recovery of an additional \$16.1 million of revenue (\$2021, smoothed). We are proposing this amount be recovered in equal amounts (in nominal terms) over a 2-year period starting 1 July 2024. This will ensure prices are smoothed over the longest possible period for the remainder of the current regulatory period, providing greater price stability for our customers.

Importantly, the expenditure associated with the Orders will deliver foundational capabilities for smart inverter management, such as Flexible Export services at scale. Flexible Exports will allow solar customers to export more of their excess solar into the grid, rather than face a fixed constraint. The investment driven by the Orders brings forward future expenditure and ensures customers can benefit from Flexible Exports sooner than they otherwise would have been able to. In addition, we have excluded costs related to Flexible Exports from the application as this is not directly attributable to the Orders.

If the AER requires any additional information on this cost pass through application, we would be happy to provide it.

Please contact me if the AER would like to discuss any aspect of this cost pass through application.

Sincerely,



Charlotte Eddy
General Manager, Regulation and Policy (Distribution)
AusNet Services