

5 February 2024

Mr Arek Gulbenkoglou
General Manager Expenditure
Australian Energy Regulator

Email: [REDACTED]

Dear Arek

re: Inertia shortfall event pass through application 2024-25

Please find enclosed a cost pass through application in relation to an inertia shortfall event submitted under clause 6A.7.3 of the National Electricity Rules (Rules).

In December 2021¹, AEMO declared an inertia shortfall equivalent to 360 MW of raise Fast Frequency Response (FFR) from 1 July 2023 until the expected completion of Project EnergyConnect. The Australian Energy Regulator (AER) subsequently approved a network support allowance of \$8.15m (\$FY23) per annum in 2023-24 and 2024-25 to fund the provision of this service.

In December 2023, AEMO gave ElectraNet notice that it had revised the inertia shortfall for 2024-25. The shortfall has now been revised downwards by approximately 86% to 50 MW raise FFR. In large part the revision is due to the establishment of a 1 second Frequency Control Ancillary Services market.

This revision is likely to constitute a *negative pass through event* as described in clause 6A.7.3(f) of the Rules. As such, ElectraNet hereby reports the event to the AER in accordance with clause 6A.7.3(f) of the Rules.

ElectraNet's transmission charges for 2024-25 must be published on or before 15 March 2024. Therefore, there is an opportunity to amend ElectraNet's network support pass through allowance *before* transmission charges are set. One way or another, customers will be reimbursed for the difference in the network support allowance and the actual cost of providing inertia network services in 2024-25 through the network support pass through mechanism. However, this takes two years.

Having regard to the current climate of high electricity prices ElectraNet considers it appropriate to move quickly and reduce the 2024-25 network support pass through allowance that would otherwise be included in 2024-25 transmission charges. This avoids charging customers for a service now considered unnecessary in the first place, rather than to charge now and reimburse later.

¹ AEMO, [2021 System Security Reports](#), 17 December 2021.

In light of the above we propose that the AER approve a reduction in the existing network support pass through allowance to reflect the likely savings that arise from AEMO's reduction in the inertia shortfall.

In doing this, I emphasise that we currently have only an estimate of the likely cost of providing inertia network services in 2024-25 and that, under clause 6A.7.2 of the Rules, customers will be 'trued up' for the actual cost through the network support pass through process. The benefit of our proposed approach is to avoid collecting revenue to fund services that AEMO has now determined to be surplus to its requirements.

We look forward to working with the AER through the assessment of this application. Please direct any queries to me on [REDACTED]

Yours sincerely

[REDACTED]

Jeremy Tustin
Manager, Regulation

CC: David Monk

ATTACHMENT 1

Confidentiality Template

TITLE, PAGE AND PARAGRAPH NUMBER OF DOCUMENT CONTAINING THE CONFIDENTIAL INFORMATION	DESCRIPTION OF THE CONFIDENTIAL INFORMATION.	TOPIC THE CONFIDENTIAL INFORMATION RELATES TO (E.G. CAPEX, OPEX, THE RATE OF RETURN ETC.)	IDENTIFY THE RECOGNISED CONFIDENTIALITY CATEGORY THAT THE CONFIDENTIAL INFORMATION FALLS WITHIN.	PROVIDE A BRIEF EXPLANATION OF WHY THE CONFIDENTIAL INFORMATION FALLS INTO THE SELECTED CATEGORY. IF INFORMATION FALLS WITHIN 'OTHER' PLEASE PROVIDE FURTHER DETAILS ON WHY THE INFORMATION SHOULD BE TREATED AS CONFIDENTIAL.	SPECIFY REASONS SUPPORTING HOW AND WHY DETRIMENT WOULD BE CAUSED FROM DISCLOSING THE CONFIDENTIAL INFORMATION.	PROVIDE ANY REASONS SUPPORTING WHY THE IDENTIFIED DETRIMENT IS NOT OUTWEIGHED BY THE PUBLIC BENEFIT (ESPECIALLY PUBLIC BENEFITS SUCH AS THE EFFECT ON THE LONG-TERM INTERESTS OF CONSUMERS).
PASS THROUGH APPLICATION (CONFIDENTIAL VERSION)	Commercially sensitive information relating to ongoing contract negotiations	Contract negotiations re FFR Service provision	Commercially sensitive information	The application includes information that would affect ElectraNet's ability to obtain competitive prices in future transactions.	If this information is disclosed, it would adversely affect ElectraNet's ability to negotiate competitive inertia services costs in the future.	If published this information will compromise ElectraNet's ability to deliver the lowest possible costs, detrimental to customer interests.

**A public version of this material is not available given the nature of the information it contains*

Proportion of Confidential Material

DOCUMENT TITLE	NUMBER OF PAGES OF SUBMISSION THAT INCLUDE INFORMATION SUBJECT TO A CLAIM OF CONFIDENTIALITY	NUMBER OF PAGES OF SUBMISSION THAT DO NOT INCLUDE INFORMATION SUBJECT TO A CLAIM OF CONFIDENTIALITY	TOTAL NUMBER OF PAGES OF SUBMISSION	PERCENTAGE OF PAGES OF SUBMISSION THAT INCLUDE INFORMATION SUBJECT TO A CLAIM OF CONFIDENTIALITY	PERCENTAGE OF PAGES OF SUBMISSION THAT DO NOT INCLUDE INFORMATION SUBJECT TO A CLAIM OF CONFIDENTIALITY
PASS-THROUGH APPLICATION AND ATTACHMENTS	2	12	14	15%	85%