

Essential Energy

8.03 Proposed Contingent Project – Bushfire Risk Reclassification

March 2024



Summary

- > Essential Energy is anticipating a material increase in costs during 2024-29 as a result of reclassification of bushfire risk, whereby different parts of our network are re-classed as higher risk. These costs are estimated to be in the order of \$70-\$80 million, depending on the still to be identified final solutions to mitigate the increased risk. This estimate is above the materiality threshold for proposed capital expenditure (**capex**) required to undertake a contingent project.
- > The key driver for the reclassification has been an update to the Phoenix Bushfire simulation model. This was spurred by questions raised as part of the Coronial Inquest into the 2019-20 New South Wales bushfire season and related deaths (**the NSW Bushfires Coronial Inquiry**)¹ around the adequacy of the modelling and the implications for Essential Energy's approach to managing bushfire risk on its network.
- > As a result of the reclassification of bushfire risk on Essential Energy's network, the business must now address the heightened risk rating in order to satisfy compliance requirements around its Bushfire Risk Management Plan and as a result will incur additional costs. Updating this plan is therefore identified as a trigger event for the proposed contingent project.
- > The program of work to address and mitigate the change in bushfire risk in new higher risk areas is still in development and requires:
 - analysing data from sample pilot reviews of impacted assets; and
 - engagement with affected communities,to inform the forecast implementation plan and costs.
- > The potential cost impact of the bushfire risk reclassification was unknown at the time of submitting Essential Energy's Regulatory Proposal in January 2023. Expected costs to address the change in risk, which were anticipated to be predominantly operating expenditure (**opex**), were not certain enough for an opex step change to be included in Essential Energy's Revised Proposal submitted in November 2023. Instead, a new nominated pass-through event (PTE) was proposed to specifically allow for revenue recovery of this almost certain increase in costs during 2024-29.
- > This proposal for a contingent project is submitted as an alternative mechanism for enabling (a) the AER to assess the prudence and efficiency of the program of works needed to address heightened bushfire risk on Essential Energy's network during 2024-29 and (b) Essential Energy to recover the costs related to this program of works during the next regulatory period.
- > Essential Energy submits this proposal for a contingent project on the basis that the AER will confirm that the costs related to the program of works can be treated as capital expenditure (**capex**) rather than opex because the works are to upgrade areas newly identified as having a higher bushfire risk, rather than for maintenance purposes.
- > In terms of customer affordability, being able to capitalise this program of works is also preferable as the immediate customer bill impact will be much lower.
- > Essential Energy requests that the AER approve this proposed contingent project as part of its Final Determination for 2024-29. Furthermore, Essential Energy views it as critical that the AER, in its Final Determination, provide a comprehensive discussion on the reason/s that the program of work can be capitalised – this will be needed for Essential Energy's auditors and certainty at the time when an application to remake the Essential Energy Determination in relation to the contingent project may be submitted. If this is not possible then Essential Energy requests that this matter be treated as a nominated pass through event.

Background and rationale for the contingent capital expenditure

Bushfire risk is one of Essential Energy's biggest risks and maintaining appropriate clearances around its powerlines, in line with legal obligations, is its single biggest operating expense. Its 2024-29 Regulatory Proposal included over \$1 billion of expenditure for vegetation management over five years based on a continuation of the

¹ [The NSW Coronial Inquiry hearings concluded on 10 August 2023 and has been adjourned for Findings and Recommendations to be delivered on a date to be determined. The Livestream of the hearings and can be accessed via this link: https://www.youtube.com/@coronerscourtofnewsouthwal5253/streams](https://www.youtube.com/@coronerscourtofnewsouthwal5253/streams)

current expenditure trends. Though Essential Energy did not propose any changes to its forecast expenditures in its Revised Proposal, this amount will not be sufficient to address increasing bushfire risks due to the reclassification, and heightening, of bushfire risk ratings for many parts of the Essential Energy network.

One of the largest and most serious bushfires of 2019–20² was in Darawank on the Mid North Coast of NSW. The fire destroyed approximately 3,000 hectares of vegetation and at least 16 buildings. The Darawank fire was one of the bushfires examined by the NSW Bushfires Coronial Inquiry. Hearings concluded in August 2023.

While the NSW Bushfires Coronial Inquiry's final report is not expected until later this year, the Inquiry questioned the adequacy of Essential Energy's bushfire risk classification system and, in particular, the Phoenix RapidFire bushfire simulation model, developed by the University of Melbourne (the **Phoenix model**) which underpins it.

Along with the NSW Rural Fire Service and other distribution networks, Essential Energy uses the Phoenix model to determine the risk rating for each of the 4,183 vegetation management areas in its network footprint. The areas with the highest risk are assigned a Priority 1 (P1) rating, and those with the lowest risk are assigned a Priority 4 (P4) rating. The risk rating dictates the vegetation clearance protocols that apply to each area. P1 areas must have 'clear to sky' clearances. P4 areas have the lowest required clearances.

The University of Melbourne has updated the modelling in its Phoenix system (**Updated Phoenix model**). This update was completed in 2022 and Essential Energy has since analysed the outcomes. The updated modelling means a significant increase in the number of P1 areas in its network footprint as well as an increase in previously lower rated areas being reclassified to a higher rating (other than a P1 rating). Community engagement will play a key role in determining the appropriate response in these new higher risk areas.

Subject to the outcomes of the community engagement, Essential Energy will determine a program of works and the costs of bringing the new higher risk areas up to required standards. It is expected that these costs will meet the materiality threshold specified in clause 6.6A.1(b)(2)(iii) of the National Electricity Rules (the **Rules**). Early indications are that the total cost of the program of works will be in the order of \$70-\$80 million, which is approximately 6.3% to 7.3% of Essential Energy's forecast Standard Control revenue for 2024/25.

Some vegetation areas that are currently classified as higher risk rating will be re-classified as lower to reflect the reduced risk in these areas. However, these areas will retain their previous clearances to avoid incurring additional costs in the event they revert to the higher risk classification in the future. This is consistent with other networks' practices. Moreover, communities in these areas expect the vegetation to be managed in this manner, particularly given that some areas have been subject to extreme fires over the past 5–10 years.

As a result of the Updated Phoenix model, Essential Energy must develop and implement a plan to meet and comply with the new bushfire risk classifications for the emerging and materially higher bushfire risk and remediation profile on its network in the 2024–29 regulatory period. This will necessarily inform, and result in changes to, Essential Energy's Bushfire Risk Management Plan (CEOP8022) (**Updated Bushfire Risk Management Plan**).

At the time of submitting its Proposal to the AER in January 2023, Essential Energy was not aware of the impact of the Updated Phoenix model. As such, no allowances were made for any additional costs related to this, either as an opex step change, a capex project, or a contingent (capex) project.

Essential Energy did not include this expenditure as an opex step change in its Revised Proposal in November 2023, as it is still in the process of developing the optimal implementation plans and associated costs. These will depend on the outcome of engagement with affected communities. Essential Energy also observed the clear preference in the AER's Draft Decision for no further step changes.

Essential Energy therefore nominated a new type of pass through event (PTE) in its Revised Proposal to cover the costs of addressing the new bushfire risk reclassifications, to enable a potential avenue for recovery of a predominantly opex program of works. Essential Energy understood at the time that there were no other alternative avenues to recover the expected but uncertain costs.

AER staff have indicated that the costs required to address the higher bushfire risk on parts of Essential Energy's network may be classified as capex, as opposed to Essential Energy's previous understanding that the costs could not be capitalised.

² The 2019–20 bushfires destroyed more than 3,200 poles and hundreds of kilometres of network infrastructure, resulting in significant unforeseen expenditure. Some of this expenditure was recovered through a Cost Pass Through Application (CPTA) that was approved by the AER in 2022.

Upgrading the newly identified higher risk areas to the required standards is developing or enhancing Essential Energy's distribution network and the program of works to be undertaken (as detailed in the 'Possible Program of Works' section below) would be on a scale and of significance beyond usual vegetation management. If the AER agrees that this expenditure can be capitalised and included in the Regulatory Asset Base the program of works will be classed by Essential Energy as capex. In the event the AER confirms this, Essential Energy needs to have proposed a contingent project for the recovery of this forecast capex, for the AER to assess for their Final Determination.

This contingent project proposal has been prepared in accordance with the Rules to enable the AER to assess the expenditure Essential Energy has identified as being reasonably required to address heightened bushfire risk on its network and allow it an avenue for cost recovery during the 2024-29 regulatory period, as an alternative to a nominated PTE.

The Proposed Contingent Project

Under 6.6A.1 of the Rules, Essential Energy may include proposed contingent capex which it considers is reasonably required for the purposes of undertaking a proposed contingent project.

On an indicative basis, and in response to discussions with the AER on Essential Energy's Revised Regulatory Proposal, Essential Energy estimates that it will require at least \$70-\$80 million in capex over the next regulatory period (as **Proposed Contingent Capex**) to respond to:

- the heightened bushfire risk profile of its network under the Updated Phoenix model; and
- accordingly, implement the Updated Bushfire Risk Management Plan (once finalised and taking into account any other compliance approaches or improvements communicated by stakeholders within NSW Government),

(the **Bushfire Risk Reclassification Project**).

The Proposed Contingent Capex can be characterised as capex because most of the expenditure is likely to be in relation to upgrading the vegetation clearances around assets in newly identified higher risk areas, so that they meet clearance standards (this is in addition to some other potential solutions which are already capital in nature, but likely to be a relatively minor portion of costs). It can be considered that this initial increase in clearances is developing the asset and therefore capital in nature. This contrasts with normal vegetation clearance costs, which are about maintaining the vegetation clearance and therefore opex in nature.

The factors determining whether the AER can be satisfied that Essential Energy's Bushfire Risk Reclassification Project can be a "contingent project" are set out at 6.6A.1(b) of the Rules. Relevantly:

- The Bushfire Risk Reclassification Project is necessary for achieving each of the following capex objectives:
 - compliance with applicable regulatory obligations or requirements associated with the provision of standard control services (rule 6.5.7(a)(2));
 - maintaining the quality, reliability and security of supply of standard control services and/or maintaining the reliability and security of the distribution system through the supply of standard control services (rule 6.5.7 (a)(3)); and/or
 - maintaining the safety of the distribution system through the supply of standard control services (rule 6.5.7(a)(4)).

Each of these capex objectives are closely related to, and acted on through, Essential Energy's Bushfire Risk Management Plan. Essential Energy must comply with the NSW Electricity Supply (Safety and Network Management) Regulation 2014 requiring the development of a Safety Management System in accordance with AS5577 Electricity Network Safety Management Systems (ENSMS). This Safety Management System, in addition to other risks, requires addressing the management of bushfire risk from electricity lines and other electrical assets. Under AS5577 Essential Energy is required to identify risks and manage those risks to a level of 'as low as reasonably practicable' (ALARP). The Formal Safety Assessments for each network risk follow that, with the Bushfire Risk Management Plan outlining how

these risks are managed in practice for bushfire risk to prevent issues with the supply of standard control services.

- The Proposed Contingent Capex:
 - is not otherwise provided for in Essential Energy's forecast capex of \$2,655 million (excluding metering) for the 2024-29 regulatory period. The impact of the Updated Phoenix model was unknown at the point that its Proposal was submitted in January 2023. The solutions to addressing the increased bushfire risk still need to be worked through and impacted communities engaged with, so the costs could not be forecast with sufficient certainty at that stage. Furthermore, there were expectations that this expenditure program would primarily require opex solutions and would therefore not be eligible to be considered as a proposed capex forecast related to a contingent project;
 - reasonably reflects the capex criteria at rule 6.5.7(c)(1). Essential Energy would not be acting in a responsible and prudent manner or in line with its legal obligations if it did not respond to the heightened bushfire risk profile of its network and incur associated capital costs. Essential Energy will also demonstrate in the Bushfire Risk Reclassification business case once further data analysis and community engagement is undertaken that the proposed expenditure:
 - reflects the efficient cost of achieving compliance with its bushfire risk management obligations; and
 - is realistic (noting there will be no impact on demand forecasts); and
 - is material, with a current estimate of expenditure in the order of \$70 - \$80 million being required to mitigate the increased bushfire risk identified from the Updated Phoenix model. The materiality threshold in respect of capex required for a contingent project is that capex exceed the larger of either \$30 million or 5% of the value of the annual revenue requirement for Essential Energy for the first year of the next regulatory control period. In respect of the latter amount, in Essential Energy's case this is approximately \$55 million for 2024-25. The expected costs of the Bushfire Risk Reclassification Project are higher than this threshold; closer to 6.3% - 7.3%.
- The trigger events for the Bushfire Risk Reclassification Project are appropriate for the reasons set out in the section below.

Trigger Events

Essential Energy proposes the following trigger events for the Bushfire Risk Reclassification Project:

1.
 1. Based on the findings of the 2022 Updated Phoenix model, Essential Energy completes a review of its Bushfire Risk Management Plan (CEOP8022) that reclassifies one or more bushfire areas of a lower rating (i.e. P2, P3, or P4 areas) to a higher rating compared to the bushfire areas defined in the 2023 fire risk prioritisation zones map contained in CEOP8022, and therefore identifies works required to comply with "ISSC3 (2016) Guide for the Management of Vegetation in the Vicinity of Electricity Assets;" and
 2. Essential Energy updates its Bushfire Risk Management Plan (CEOP8022) to reflect the findings of trigger one (1) above and includes the updated plan in its Energy Network Safety Management System (ENSMS) in accordance with the requirements of the Electricity Supply (Safety and Network Management) Regulation 2014; and
 3. A regulatory change event or service standard event in respect of Essential Energy being required to amend its Bushfire Risk Management Plan (CEOP8022) has not occurred prior to Essential Energy lodging an application with the AER to amend its distribution determination for the Bushfire Risk Reclassification contingent project; and
 4. The AER is satisfied that Essential Energy has successfully completed a RIT-D, including an assessment of credible options, that complies with the RIT-D framework under the National Electricity Rules (NER); and
 5. Essential Energy provides the AER with written confirmation from a senior manager that the Essential Energy Board has committed to proceed with and complete the Bushfire Risk Reclassification project.

Essential Energy's existing bushfire area classifications are shown on the fire risk prioritisation zones map, contained within the current Bushfire Risk Management Plan (CEOP8022).

Essential Energy considers that the above "trigger events" meet the requirements that the AER must have regard to when determining the appropriateness of trigger events under rule 6.6A.1(c), specifically:

1. The trigger events are reasonably specific and capable of objective verification.
2. The first of the trigger events requires updating the bushfire risk classification process under the Bushfire Risk Management Plan. This initiates regulatory obligations to mitigate the increased bushfire risk identified. These obligations are for safety purposes (bushfires causing harm), reliability purposes (preventing outages caused by vegetation), and security purposes (ensuring that Essential Energy's network is not the cause of bushfire ignition) – as such, they are necessary to address the specific capex objectives explained in 'The Proposed Contingent Project' section above. The Bushfire Risk Reclassification Project will implement necessary solutions in new higher bushfire risk areas to minimise risks and address specified regulatory obligations.
3. The trigger events will generate costs in relation to specific locations (the newly classified higher risk areas) on Essential Energy's network and, while these areas span across Essential Energy's network footprint, the costs to remediate them to the standard required for the updated bushfire risk classification, will not affect its network as a whole.
4. The occurrence of the trigger events is all that would be required for Essential Energy's distribution determination to be remade to account for the Proposed Contingent Capex necessary for the Bushfire Risk Reclassification Project, under rule 6.6A.2.
5. These trigger events occurring is highly likely during the 2024-29 regulatory period, but the inclusion of the Proposed Contingent Capex in the forecast capex for the period is not appropriate because the costs and timing associated with the event are not sufficiently certain at this time, for the reasons outlined in the 'Background and rationale for the contingent capex' section above.

Potential Program of Works

The optimal solutions for addressing bushfire risk in the new higher rated areas on Essential Energy's network (which are at various locations) have not yet been determined, or subject to a regulatory investment test for distribution (RIT-D) (applicable to any material capex), such that the scope of any required program of works remains unknown. However, the following alternatives are expected to be considered and may form part of the program of works for remediating higher risk areas:

Base Case – Maintain existing bushfire classifications and clearances

This option has been rejected as it does not address the increased bushfire risk in the areas recently identified areas requiring P1 classification.

Option 1 - Clear to Sky Vegetation

Clear to sky vegetation hazard reduction measures are an accepted strategy in high bushfire risk areas to manage the risks associated with vegetation overhanging exposed powerlines

Option 2 - Covered Conductor Thick

Covered Conductor Thick (CCT) is a type of overhead conductor where individual phases are insulated. Being insulated, the potential for ignition is reduced compared to bare overhead conductor. CCT has other benefits such as reduced faults from both vegetation and non-vegetation clashes. CCT is an alternative to clear to sky practices with a much lower requirement for vegetation management within close proximity.

Option 3 – REFCL

Rapid Earth Fault Current Limiter (REFCL) is an advanced fault detection system that rapidly operates; reducing the energy experienced during a network fault and thus reducing the risk of ignition. This technology has been widely deployed in Victoria through the Victorian Government's Powerline Bushfire Safety Program which followed local regulatory changes in response to the 2009 Victorian bushfires.

In addition to the installation at the Zone Substation, implementation of REFCL requires network augmentation, line hardening and asset replacements to ensure compatibility and operability with the REFCL system.

Option 4 – SAPS

Stand Alone Power Systems (SAPs) are a non-network solution that in recent years has become a viable alternative to traditional poles and wires construction. Generally these systems employ the use of solar panels, batteries and backup generators, however, Essential Energy is technologically agnostic and are also exploring other technologies such as hydrogen.

Essential Energy has for the 2024-29 regulatory period included a program for the roll out of up to 400 SAPS in high cost to serve areas for individual customers.

Utilisation of SAPs as an option to fully replace portions of the network changing to P1 would generally be unfeasible due to the number of customers being supplied, however, in a small number of cases feasibility may exist.

Option 5 – Line relocation

Line relocation utilises like-for-like overhead asset installation along alternative routes or if alternative supply options exist upgrading existing network to allow for removal of impacted segments.

In the majority of cases, relocation is not a viable solution due to:

- No alternative routes available
- Cost of new construction
- Community backlash

Option 6 - Undergrounding

Undergrounding the network involves removal of all overhead assets (i.e. poles, conductors) and installing underground cables and infrastructure along similar routes and locations to the original line. It is effective in reducing bushfire risks and outages as any faults will occur underground mitigating ignition risk.

Next steps

If the AER accepts the Bushfire Risk Reclassification Project in its Final Determination and the trigger events occur, Essential Energy will submit a business case to the AER, as part of its application to have its distribution determination remade in relation to this contingent project (which will be informed by any RIT-D process Essential Energy will have undertaken).

Appendix 1 - National Electricity Rule Requirements

Section 6.6.A.1 of the National Electricity Rules sets out the requirements for a contingent project.

6.6A.1	Contingent Projects	Essential Energy Response
(a)	Subject to paragraph (a1), a <i>regulatory proposal</i> may include <i>proposed contingent capital expenditure</i> , which the <i>Distribution Network Service Provider</i> considers is reasonably required for the purpose of undertaking a <i>proposed contingent project</i> .	Essential Energy is permitted to include proposed contingent capital expenditure which it considers is reasonably required for the purposes of undertaking a proposed contingent project. The Proposed Contingent Capex is required for the purposes of undertaking the Bushfire Risk Reclassification Project, being to address heightened bushfire risk on Essential Energy’s network identified by the Updated Phoenix Model.

<p>(a1)</p>	<p><i>Proposed contingent capital expenditure</i> that is included in a <i>regulatory proposal</i> of a <i>Distribution Network Service Provider</i> must not include <i>expenditure for a restricted asset</i>, unless that <i>Distribution Network Service Provider</i> has submitted an <i>exemption application</i> with the <i>regulatory proposal</i>, which requests an <i>asset exemption</i> under clause 6.4B.1(a)(2) in respect of that asset or class of asset for the <i>contingent project</i>.</p>	<p>The Proposed Contingent Capex is to address increased bushfire risk around some standard control assets and does not relate to a restricted asset.</p>
<p>(b)</p>	<p>Subject to paragraph (b1), the AER must determine that a <i>proposed contingent project</i> is a <i>contingent project</i> if the AER is satisfied that:</p> <p>(1) the <i>proposed contingent project</i> is reasonably required to be undertaken in order to achieve any of the <i>capital expenditure objectives</i>;</p> <p>(2) the <i>proposed contingent capital expenditure</i>:</p> <p>(i) is not otherwise provided for (either in part or in whole) in the total of the forecast capital expenditure for the relevant <i>regulatory control period</i> which is accepted in accordance with clause 6.5.7(c) or substituted in accordance with clause 6.12.1(3)(ii) (as the case may be);</p> <p>(ii) reasonably reflects the <i>capital expenditure criteria</i>, taking into account the <i>capital expenditure factors</i>, in the context of the <i>proposed contingent project</i> as described in the <i>regulatory proposal</i>; and</p> <p>(iii) exceeds either \$30 million or 5% of the value of the <i>annual revenue requirement</i> for the relevant <i>Distribution Network Service Provider</i> for the first year of the relevant <i>regulatory control period</i>, whichever is the larger amount;</p> <p>(3) the <i>proposed contingent project</i> and the <i>proposed contingent capital expenditure</i>, as described or set out in the <i>regulatory proposal</i>, and the information provided in relation to these matters, complies with the relevant requirements of any relevant <i>regulatory information instrument</i>; and</p> <p>(4) the <i>trigger events</i> in relation to the <i>proposed contingent project</i> which are</p>	<p>(1) The Bushfire Risk Reclassification Project is reasonably required to meet the following capital objectives:</p> <ul style="list-style-type: none"> • 6.5.7(a)(2) to comply with all applicable regulatory obligations or requirements associated with the provision of standard control services; • 6.5.7 (a)(3)(ii) to the extent that there is no applicable regulatory obligation or requirement in relation to the reliability or security of the distribution system through the supply of standard control services, to the relevant extent: <ul style="list-style-type: none"> ▪ (iii) maintain the quality, reliability and security of supply of standard control services; and ▪ (iv) maintain the reliability and security of the distribution system through the supply of standard control services; and • 6.5.7(a)(4) maintain the safety of the distribution system through the supply of standard control services <p>(2)(i) The Proposed Contingent Capex is not otherwise provided for in the forecast capex included in the 2024-29 Regulatory Proposal.</p> <p>(2)(ii) The Proposed Contingent Capex will reasonably reflect the capital expenditure criteria as, Essential Energy:</p> <ul style="list-style-type: none"> • will demonstrate in the Bushfire Risk Reclassification business case that the proposed expenditure reflects the efficient cost of complying with its bushfire risk management obligations. • would not be acting in a responsible and prudent manner if it did not respond to updated bushfire risk classifications on its network and incur associated capex in responding; and • while there will be no impact on demand forecasts, will satisfy the AER, in its business case, that the projected capex for responding to heightened bushfire risk profiles is realistic.

	<p>proposed by the <i>Distribution Network Service Provider</i> in its <i>regulatory proposal</i> are appropriate.</p>	<p>(2)(iii) Current estimates of the Proposed Contingent Capex is \$70 - \$80 million which is 6.3% - 7.3% of Essential Energy's forecast 2024/25 Standard Control revenues, and therefore exceeds the larger materiality threshold of 5% of the value of the annual revenue requirement for Essential Energy for the first year of the next regulatory control period (\$55.8 million) (all \$FY24). This will be refined in the business case.</p> <p>(3) Not applicable</p> <p>(4) The trigger events outlined in the '<i>Trigger Event</i>' section are appropriate for the reasons outlined below in 6.6A.1(c).</p>
(b1)	<p>The <i>AER</i> must not determine that a <i>proposed contingent project</i> is a <i>contingent project</i> if the <i>proposed contingent capital expenditure</i> for that <i>proposed contingent project</i> includes <i>expenditure for a restricted asset</i>, unless:</p> <p>(1) the relevant <i>Distribution Network Service Provider</i> has requested an <i>asset exemption</i> under paragraph (a1) in respect of that asset or that class of asset; and</p> <p>(2) the <i>AER</i> has granted that <i>asset exemption</i>.</p>	Not applicable
(c)	<p>In determining whether a <i>trigger event</i> in relation to a <i>proposed contingent project</i> is appropriate for the purposes of subparagraph (b)(4), the <i>AER</i> must have regard to the need for a <i>trigger event</i>:</p> <p>(1) to be reasonably specific and capable of objective verification;</p> <p>(2) to be a condition or event, which, if it occurs, makes the undertaking of the <i>proposed contingent project</i> reasonably necessary in order to achieve any of the <i>capital expenditure objectives</i>;</p> <p>(3) to be a condition or event that generates increased costs or categories of costs that relate to a specific location rather than a condition or event that affects the <i>distribution network</i> as a whole;</p> <p>(4) to be described in such terms that the occurrence of that event or condition is all that is required for the distribution determination to be</p>	<ol style="list-style-type: none"> 1. The trigger events are specific and the <i>AER</i> can objectively verify if, and when, each occurs (including by being provided with evidence). 2. If the trigger events occur it means the expenditure is necessary to achieve the capex objectives – the trigger events will result in a bushfire risk being reclassified in respect to an area on Essential Energy's network, which will feed through to compliance and safety obligations for standard control systems to mitigate bushfire risk via solutions that incur additional costs. 3. The trigger events occurring will result in increased costs in areas reclassified from a lower bushfire risk rating to a higher bushfire risk rating 4. The trigger events are all that is needed to amend Essential Energy's distribution determination. 5. The trigger events are highly likely but could not be included in Essential Energy's forecast capex as the costs are not yet sufficiently certain.

	<p>amended under clause 6.6A.2; and</p> <p>(5) to be an event or condition, the occurrence of which is probable during the <i>regulatory control period</i>, but the inclusion of capital expenditure in relation to it under clause 6.5.7 is not appropriate because:</p> <p>(i) it is not sufficiently certain that the event or condition will occur during the <i>regulatory control period</i> or if it may occur after that <i>regulatory control period</i> or not at all; or</p> <p>(ii) subject to the requirement to satisfy subparagraph (b)(2)(iii), the costs associated with the event or condition are not sufficiently certain.</p>	
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