

21 June 2024

Mr Albert Tong
Australian Energy Regulator
By email: [REDACTED]



Dear Mr Tong

Amendments to Energex's 2025-30 Regulatory Proposal SCS Capex Model

Energex Limited (Energex) proposes the following amendments to our proposed standard control services (SCS) capex model for the regulatory control period commencing 1 July 2025:

1. Augmentation expenditure (Augex):

- a. Re-categorisation of Operation Technology (OT) Cyber Security Replacement from Augex to replacement expenditure (Repex).
- b. Updates to correct for a modelling error related to Cyber Security OT capex which resulted in the incorrect amount of capex being reported and an incorrect allocation of OT capex for each year over the regulatory control period. The financial values were correctly stated in the related business case and, as such, there are no corresponding changes required to that document as a result of this modelling revision.
- c. A reduction in Digital Enablement expenditure.
- d. Revision of the expenditure and the location of several protection projects.
- e. Removal of a number of projects identified as no longer required following an internal review.

2. Distributed Energy Resources (DER):

- a. Re-categorisation of Electric Vehicle Charge Management System from DER to Augex.

3. Replacement expenditure (Repex):

- a. A revision of Operational Technology Environment (OTE) infrastructure replacements to rectify a duplication on the expenditure and the original project is now split into three separate projects.

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- b. Re-categorisation of OT Cyber Security Replacement from Augex to Repex including a revision of the corresponding expenditure.
- c. Revisions of the expenditure on a Grid Communication project.

4. Connection:

- a. Revision of forecasts to exclude some alternative control services expenditure from the historical trends.

5. Fleet:

- a. Revised asset disposals forecast due to the identification of a modelling error in the calculation of fleet disposals. The gross sales value has now been incorporated, instead of the net disposal forecast.

The financial impacts of the above changes are illustrated in the table below:

Category	Initial Regulatory Proposal	Amended Regulatory Proposal
Replacement	914.1	920.9
DER	55.9	54.1
Augmentation	610.3	595.3
Connections	381.6	340.6
Non Network Capex	641.7	641.7
Capitalised overheads	838.1	838.1
TOTAL GROSS CAPEX (includes type 1 capcons)	3,441.7	3,390.8
less capcons	19.5	19.6
less disposals	14.0	30.1
TOTAL NET CAPEX	3,408.3	3,341.1

For completeness, and in response to the Australian Energy Regulator's recent capex model information request (IR040), Energex confirms that type two capital contributions have not been included our capex model.

If you require any additional information in relation to these proposed amendments please contact Guy Mutasa, Manager Economic Regulation on [REDACTED].

Yours sincerely

[REDACTED]

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