



Part of Energy Queensland

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25 June 2024

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

Dear Mr Tong

### **Amendments to Ergon Energy Network's 2025-30 Regulatory Proposal SCS Capex Model**

Ergon Energy Corporation Limited (Ergon Energy Network) 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. Revisions to Grid Communications/Grid Control Program entries to remove duplicated projects costs and address reconciliation variances.
- b. Updates to correct for a modelling error related to Cyber Security Operational Technology (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. Removal of several projects identified as no longer required following an internal review.

#### **2. Replacement expenditure (Repex):**

- a. A revision in the Repex requirements to rectify an identified calculation error which overstated the yearly capex requirements for the Return to Service program of work. The associated business case has also been revised to reflect these changes.
- b. Revisions to Grid Communications/Grid Control Program entries to remove duplicated projects costs and address reconciliation variances.
- c. Revision to Operational Technology Environment security replacement expenditure to reconcile with OT/Digital cyber security business case.

#### **3. 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	2,579.0	2,545.6
DER	62.7	63.0
Augmentation	788.6	763.4
Connections	406.1	406.1
Non Network Capex	737.6	737.6
Capitalised overheads	1,316.1	1,316.1
<b>TOTAL GROSS CAPEX (includes type 1 capcons)</b>	<b>5,890.2</b>	<b>5,831.8</b>
less capcons	84.8	84.8
less disposals	22.3	42.1
<b>TOTAL NET CAPEX</b>	<b>5,783.0</b>	<b>5,704.8</b>

For completeness, and in response to the Australian Energy Regulator's recent capex model information request (IR040), Ergon Energy Network 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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