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Our Ref: #17359196
Contact Officer: David Monk
Contact Phone: [REDACTED]

6 November 2024

Bec Malhotra
Manager, Regulation
ElectraNet
PO Box 7096
Adelaide SA 5000

Dear Ms Malhotra

Re: AER Determination – ElectraNet – 2023-24 network support cost pass through

I am writing to advise you of the AER's determination in relation to ElectraNet's negative network support cost pass through application submitted on 13 September 2024 in relation to network support payments made for inertia services in 2023-24.

In accordance with clause 6A.7.2(f) of the National Electricity Rules (NER), the AER has determined that a negative change event has occurred, and the required negative pass through amount is \$7,193,894 (\$Dec 2025). This amount should be reflected in ElectraNet's maximum allowed revenue for 2025-26.

The approved negative pass through amount is the same as ElectraNet's proposed amount.

Details of the AER's assessment against the relevant factors set out in the NER are set out in Attachment A. If you have any queries in relation to this matter, please contact David Monk at [REDACTED]

Yours sincerely

[REDACTED]

Arek Gulbenkogu
General Manager
Network Expenditure

Sent by email on: 06.11.2024

Attachment A: Requirements for determining a negative change event has occurred

Requirement of the NER	Our consideration
Is the pass through event a network support event? ¹	Yes. The pass through event is a network support event as defined in the NER, cl 6A.7.2.
What is the date on which the negative change event occurred?	We consider that the network support cost event occurred in the regulatory year concluding on 30 June 2024, as a result of ElectraNet's requirement for network support services from 1 July 2023 until the completion of Project EnergyConnect.
Did ElectraNet submit a written statement of its pass through application within 60 business days of the negative change event occurring? ²	Yes. ElectraNet made its pass-through application on 13 September 2024.
Did ElectraNet specify details of the negative change event, including the date on which the event occurred, in its written statement? ³	Yes. ElectraNet's written statement is available on our website.
Did ElectraNet specify in its written statement the eligible pass through amount, the proposed negative pass through amount, and the amounts proposed to be returned to customers in each regulatory year? ⁴	Yes. ElectraNet proposed an eligible negative pass through amount of \$7,193,894 (\$Dec 2025) to be returned to network users in 2025-26.
Did ElectraNet specify in its written statement evidence of the actual and likely increase in costs that occurred solely as a consequence of the positive change event? ⁵	Yes. ElectraNet's written statement included evidence of the costs it incurred in 2023-24 as a result of requirement for network support services from 1 July 2023 until the completion of Project EnergyConnect. ElectraNet also set out how it calculated its proposed pass through amount using the AER's template.
Was there a regulatory information instrument applicable to the pass through application? ⁶	No
We must take into account the matters and proposals set out by ElectraNet in its written application provided to the AER on 13 September 2024. ⁷	We have had regard to the matters set out by ElectraNet in its application in making our determination.
We must take into account the time cost of money. ⁸	To account for the time cost of money, WACC escalations are applied for a period of one and a half years when determining the pass through amount. Therefore, in our calculation we applied: <ul style="list-style-type: none"> 2024–25 nominal WACC of 5.63% over one year, which represents the year in which the connection charge cost pass through application is submitted and assessed by the AER

¹ NER cl. 6A.7.2(a)

² NER cl. 6A.7.2(c)

³ NER cl. 6A.7.2(c)(1)

⁴ NER cl. 6A.7.2(c)(2)

⁵ NER cl. 6A.7.2(c)(3)(ii)

⁶ NER cl. 6A.7.2(c)(4)

⁷ NER cl. 6A.7.2(i)(1)

⁸ NER cl. 6A.7.2(i)(4)

	<ul style="list-style-type: none"> a further 2025–26 nominal WACC of 5.76% for half a year, which represents the period where the pass through amount is passed through to customers.
We must take into account the need to ensure that the pass through amount reflects only the network support costs incurred solely as a consequence of the network support event. ⁹	We consider that the reduction in revenue allowance available to ElectraNet due to this negative pass-through event are solely attributable to network support payments in the 2023-24 regulatory year being lower than forecast in ElectraNet’s 2023–28 revenue determination for that year.
We must consider whether any other factors are relevant. ¹⁰	We do not consider any other matters to be relevant.

⁹ NER cl. 6A.7.2(i)(5)

¹⁰ NER cl. 6A.7.2(i)(6)