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Our Ref: #17359315
Contact Officer: David Monk
Contact Phone: [REDACTED]

6 November 2024

Michael Westenberg
Executive Finance and Regulation
TasNetworks
PO Box 606
Moonah TAS 7009

Dear Mr Westenberg

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

I am writing to advise you of the AER's assessment of TasNetworks' 2023-24 network support cost pass through application submitted on 7 August 2024, in relation to network support payments made for inertia and system strength services in 2023-24.

In accordance with clause 6A.7.2(e) of the National Electricity Rules (NER), the AER has determined that a positive change event has occurred, and the required positive pass through amount is \$417,440 (\$Dec 2025). This amount should be reflected in TasNetworks' maximum allowed revenue for 2025-26.

The approved positive pass through amount is the same as TasNetworks' 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 Gulbenkoglu
General Manager
Network Expenditure

Sent by email on: 06.11.2024

Attachment A: Requirements for determining a positive 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 positive change event occurred?	We consider that the network support event occurred in the regulatory year concluding on 30 June 2024, as a result of TasNetworks' response to AEMO's notice of Tasmania system strength and inertia shortfalls on 7 May 2021 for the ensuing 5 years.
Did TasNetworks submit a written statement of its pass through application within 60 business days of the positive change event occurring? ²	Yes. TasNetworks made its pass-through application on 7 August 2024.
Did TasNetworks specify details of the positive change event, including the date on which the event occurred, in its written statement? ³	Yes. TasNetworks' written statement is available on our website.
Did TasNetworks specify in its written statement the eligible pass through amount, the proposed positive pass through amount, and the amounts proposed to be recovered from customers in each regulatory year? ⁴	Yes. TasNetworks proposed an eligible positive pass through amount of \$417,440 (\$Dec 2025) to be recovered from network users in 2025-26.
Did TasNetworks 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. TasNetworks' written statement set out the costs it incurred in 2023-24 as a result of AEMO's 2021 notice of Tasmania system strength and inertia shortfalls for the ensuing 5 years, as well as how it calculated its proposed pass through amount.
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 TasNetworks in its written application provided to the AER on 7 August 2024 ⁷ .	We have had regard to the matters set out by TasNetworks in its application in making our determination.
In the case of a positive network support event, we must take into account the increase in costs in the provision of prescribed transmission services that TasNetworks has incurred in the preceding regulatory year as a result of the positive network support event. ⁸	We consider TasNetworks has incurred additional costs of \$417,440 (\$Dec 2025) as a result of the network support event in the 2023-24 regulatory year.
We must take into account the efficiency of TasNetworks' decisions and actions in relation to the	We consider that TasNetworks has likely operated efficiently in its decisions and actions relating to the

¹ NER cl. 6A.7.2(a)

² NER cl. 6A.7.2(c)

³ NER cl. 6A.7(c)(1)

⁴ NER cl. 6A.7(c)(2)

⁵ NER cl. 6A.7(c)(3)

⁶ NER cl. 6A.7(c)(4)

⁷ NER cl. 6A.7(i)(1)

⁸ NER cl. 6A.7(i)(2)

<p>risk of the event, including whether TasNetworks has failed to take any action that could reasonably be taken to reduce the magnitude of the positive network support event and whether TasNetworks has taken or omitted to take any action where such action or omission has increased the magnitude of the amount in respect of that event.⁹</p>	<p>risk of the positive change event occurring. This is due to:</p> <ul style="list-style-type: none"> • TasNetworks initiating and running a competitive EOI process before entering into any support services arrangements. in anticipation of the declared shortfall by AEMO, and • In conjunction with AEMO, TasNetworks designed and operationalised procedures and monitoring tools which, in addition to satisfying ongoing system security requirements, have the objective of minimising the utilisation of contracted services.
<p>We must take into account the time cost of money.¹⁰</p>	<p>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:</p> <ul style="list-style-type: none"> • 2024–25 nominal WACC of 5.84% over one year, which represents the year in which the connection charge cost pass through application is submitted and assessed by the AER • a further 2025–26 nominal WACC of 5.94% for half a year, which represents the period where the pass through amount is passed through to customers.
<p>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 AEMO’s 2021 notice of Tasmania system strength and inertia shortfalls for the ensuing 5 years.¹¹</p>	<p>We consider that the costs to be recovered by TasNetworks due to this pass-through event are solely attributable to the incremental costs associated with TasNetworks’ response to AEMO’s 2021 notice of Tasmania system strength and inertia shortfalls.</p>
<p>We must consider whether any other factors are relevant.¹²</p>	<p>We do not consider any other matters to be relevant</p>

⁹ NER cl. 6A.7(i)(3)

¹⁰ NER cl. 6A.7(i)(4)

¹¹ NER cl. 6A.7(i)(5)

¹² NER cl. 6A.7(i)(6)