

28 October 2024



Dr Kris Funston
Executive General Manager, Network Regulation
Australian Energy Regulator
GPO Box 3131
CANBERRA ACT 2601

By email: AERinquiry@ aer.gov.au

Dear Dr Funston

Cost pass through application - Severe Storms and Rainfall in South East Queensland

During the period 24 December 2023 to 3 January 2024, South East Queensland was impacted by a series of severe storms which produced dangerous winds and intense rainfall, and caused significant and widespread damage throughout the entire region. This severe weather event critically impacted Energex Limited's (Energex's) electricity distribution network and resulted in significant expenditure beyond that budgeted for in our distribution determination for the 2020 to 2025 regulatory control period.

Chapter 6 of the National Electricity Rules (NER) provides that Distribution Network Service Providers may seek to pass through incremental, prudent and efficient costs relating to events that have materially increased the costs of providing direct control services. Energex considers that the severe storms and rainfall event meets the definition of a *natural disaster* nominated pass through event in Energex's 2020-2025 Regulatory Determination and the conditions prescribed under NER clause 6.6.1(a1) to trigger a positive pass through event.

The incremental costs incurred by Energex as a result of this severe weather event were significant at \$28.54 million (\$2023-24) and exceed the required AER pass through materiality threshold for Energex of \$12.74 million (\$nominal, smoothed). Accordingly, please find attached Energex's written statement seeking the AER's approval to recover the incremental costs associated with the natural disaster event as a positive pass through amount of \$11.13 million (\$nominal, smoothed).

Should Energex's application for a positive cost pass-through be approved by the AER, it is proposed that the full amount will be recovered in regulatory year commencing 1 July 2025. It is expected that recovery of the pass through amount of \$11.13 million (\$nominal, smoothed) will not significantly impact customers' electricity bills, with the increase to an average residential customer's and average small business customer's network charge estimated to be approximately \$3.93 and \$10.60, respectively.

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If the AER requires any further information on this cost pass through application or wishes to discuss this matter in further detail, please contact Alena Christmas, Manager Regulatory Affairs on [REDACTED]

Yours sincerely

[REDACTED]

Trudy Fraser
Acting Executive General Manager Regulation

Telephone: [REDACTED]
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cc. Mr Arek Gulbenkogl
General Manager, Network Expenditure