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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](mailto:AERinquiry@aer.gov.au)

Dear Dr Funston

### **Cost pass through application - Tropical Cyclone Jasper in North Queensland**

Tropical Cyclone Jasper crossed the far north Queensland coast as a category two system on 13 December 2023, causing extensive flooding and widespread power outages. Ergon Energy Corporation Limited's (Ergon Energy's) electricity distribution network sustained significant damage during and in the wake of Tropical Cyclone Jasper which resulted in considerable expenditure beyond that budgeted for in our 2020-2025 distribution determination.

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. Ergon Energy considers that Tropical Cyclone Jasper meets the definition of a *natural disaster* nominated pass through event in Ergon Energy's 2020-2025 distribution determination and the conditions prescribed under NER clause 6.6.1(a1) to trigger a positive pass through event.

The incremental costs incurred as a result of Tropical Cyclone Jasper were significant at \$23.20 million (\$2023-24) and exceed the required pass through materiality threshold for Ergon Energy of \$12.12 million (\$nominal). Accordingly, please find attached Ergon Energy's application seeking the Australian Energy Regulator's (AER) approval to recover the incremental costs associated with the natural disaster event as a positive pass through amount of \$22.08 million (\$nominal, smoothed).

Should Ergon Energy's application for a positive cost pass through be approved by the AER, it is proposed that the full amount will be recovered in the regulatory year commencing on 1 July 2025. It is expected that recovery of the positive pass through amount of \$22.08 million (\$nominal, smoothed) will not significantly impact customers' electricity bills, with the increase to

an average residential customer's and an average small business customer's network charge estimated to be approximately \$12.91 and \$27.62, respectively.

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

**A/Executive General Manager Regulation**

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cc. Mr Arek Gulbenkoglu, General Manager Network Expenditure