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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 Kirrily in North Queensland**

Tropical Cyclone Kirrily crossed the Queensland coast as a category three system just north of Townsville on 25 January 2024 causing widespread power outages and localised floodwaters throughout the greater Townsville area. Ergon Energy Corporation Limited's (Ergon Energy's) electricity distribution network sustained significant damage as a result of this tropical cyclone event resulting in 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 Kirrily 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 by Ergon Energy as a result of Tropical Cyclone Kirrily were significant at \$13.69 million (\$2023-24) and exceed the required pass through materiality threshold for Ergon Energy of \$12.12 million (\$nominal, smoothed). Accordingly, please find attached Ergon Energy's written statement seeking the Australian Energy Regulator's (AER's) approval to recover the incremental costs associated with the natural disaster event as a positive pass through amount of \$13.61 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 regulatory year commencing 1 July 2025. It is expected that recovery of the pass through amount of \$13.61 million (\$2025-26) will not significantly impact customers' electricity bills, with the increase to an average residential

customer's network charge and an average small business customer's network charge estimated to be approximately \$7.96 and \$17.03 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