

Ref: MC:JC 20241202

6 December 2024

Clare Savage
Chair
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Ms Savage

Contingent Project Application – Bushfire Risk Reclassification

Please find attached a contingent project application for the Bushfire Risk Reclassification project, submitted to the Australian Energy Regulator (“AER”) in accordance with clause 6.6A.2(a) of the National Electricity Rules (“the Rules”).

This project will reduce the risk of network initiated firestarts, in newly identified higher bushfire risk areas. The project involves undertaking clear-to-sky vegetation management activities supplemented with the installation of stand-alone power systems in certain locations. We expect that the incremental capital costs of this work over the project life (approx. 8-9 years) will be in the order of \$90.0M (real \$FY25), plus a further \$8.7M in operating costs.

The costs of this project were not included in our revenue determination for the 2024-29 regulatory period, and will result in a shortfall in the revenue that we need to run our business. We forecast that this is equivalent to a revenue shortfall of \$4.4M (nominal) for the balance of this regulatory period. If this revenue recovery is approved by the AER, over the next four years it will mean an average annual electricity bill increase of \$1 for a typical residential customer, and \$2 for a small business customer.

Essential Energy considers that the approved trigger event for the contingent project has now occurred, and is submitting the contingent project to enable the recovery of a forecast shortfall in revenue for 2024-29, due to the commencement of this program of work.

Essential Energy undertook regular meetings with AER staff as this contingent project application was being developed, and shared copies of relevant documents in advance. Importantly, we have consulted with our customers and stakeholders to co-design a community engagement program to ensure we have the appropriate social licence as we undertake this program.

We are progressing with the delivery of this critical program of work and look forward to working with the AER through the formal assessment of the contingent project costs.

If there are any queries in relation to this application, please contact our Head of Network Regulation Mary-Clare Crowley on [REDACTED]

Yours sincerely

[REDACTED]

John Cleland
Chief Executive Officer



ABN 37 428 185 226
PO Box 5730
Port Macquarie NSW 2444

General Enquiries 13 23 91
Interpreter Services 13 14 50
essentialenergy.com.au