TasNetworks - Cost Pass Through Application - Distribution

August-September 2024 Storm Event

28 February 2025

Public

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TasNetworks acknowledges the palawa (Tasmanian Aboriginal community) as the original owners and custodians of lutruwita (Tasmania). TasNetworks, acknowledges the palawa have maintained their spiritual and cultural connection to the land and water. We pay respect to Elders past and present and all Aboriginal and Torres Strait Islander peoples.

Contents

1. Executive Summary

From 26 August to 4 September 2024, TasNetworks experienced a catastrophic storm event (the **storm event**) as four separate low fronts impacted the entire state. The storm event resulted in extended power and telecommunications outages. At the peak of the storm event there were 45,000 Tasmanians without power at the same time, or around 15 per cent of distribution customers. However, due to the extended nature of the storm event, in total there were over 1,920 outages that left 221,000 customers without power. Some more remote and complex outages took up to 23 days to restore. There was widespread damage to households, businesses and network infrastructure across all regions of Tasmania.

This application relates to a nominated pass through event under clause 6.6.1(a1)(5) of the National Electricity Rules (**NER**). The storm meets the definition of a natural disaster event as set out in the Australian Energy Regulator's (**AER**) regulatory determination for TasNetworks' 2024–2029 regulatory period.

TasNetworks incurred a material increase in incremental costs of $9.41 million in responding to the storm event, comprising $7.03 million of capital expenditure and $2.38 million of operating expenditure ($nominal). These costs exceed one per cent of our annual revenue requirement (**ARR**), being $3.35 million for 2024-25 ($nominal)[1], as defined in the NER. Accordingly, TasNetworks submits this pass through application to the AER for determination.

We are seeking approval to pass through revenue of $4.08 million ($nominal, unsmoothed) primarily driven by $2.38 million of emergency response costs incurred, including internal and external labour for inspection and repair of the network, stand down costs and generator costs.

In order to deliver sustainable electricity prices and minimise increases to distribution network charges (**network charges**) for customers we are seeking to smooth the recovery of this revenue over the final three years of our regulatory control period. Table 1 summarises the proposed recovery of pass through revenue until the end of the current regulatory control period ($nominal, smoothed).

Table 1: Proposed pass through revenue from storm event ($million nominal, smoothed)

$million nominal	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Building block revenue	-	-	$1.19	$1.88	$1.54	**$4.61**

TasNetworks has forecast the indicative increase in network charges over the three year recovery period. Our analysis shows network charges will increase by around $3 per annum for a typical residential customers and $10.7 per annum for small business customers over that period.

TasNetworks has informed customer advocates of this potential increase through our Customer Advisory Group (**CAG**) and Stakeholder Advisory Group (**SAG**). We first introduced the concept of a cost pass through at our CAG in December 2024 and we held a more detailed webinar with the CAG and SAG in February 2025. This session was aimed at educating members about the cost pass through framework and informed members of the costs included in the application and the likely increase in network charges.

[1] TasNetworks' annual revenue requirement for 2024-25 is $334.7 ($million nominal, unsmoothed).

2. Introduction

The cost pass through framework in the NER allows a distribution network service provider (**DNSP**) to apply to the AER to pass through costs to customers that were not forecast in its regulatory determination. For TasNetworks this includes costs resulting directly from a natural disaster, as this is a pass though event nominated in TasNetworks' 2024-2029 Regulatory Determination. The requirements of the pass through framework are set out in clause 6.6.1 of the NER and are discussed in detail in Section 5, Regulatory Framework, below.

This application seeks approval from the AER to pass through to customers the incremental costs incurred by TasNetworks in responding to and remedying the damage caused to its distribution network as a result of a storm event in August and September 2024.

2.1 Event and response summary

From 26 August to 4 September 2024, Tasmania experienced a catastrophic storm event, categorised as a natural disaster by both the State and Federal Governments. Weather fronts resulted in damaging winds, heavy rainfall and flooding across the state, with challenging weather conditions continuing until 16 September. The storm affected the entire State and resulted in extensive and extended power and telecommunications outages. There was widespread damage to households, businesses and network infrastructure across all regions of Tasmania.

Although categorised as one event for the purposes of this pass through application, the storm event actually consisted of a series of cold fronts each of which brought heavy rains, damaging winds, and contributed to flooding. Impacts overlapped due to the short intervals between storm fronts and while conditions eased somewhat during these intervals, they still remained dangerous and challenging for TasNetworks' crews and hampered restoration efforts.

Record wind gusts of 130 kilometres per hour were recorded at the Launceston Airport and gusts of over 125 kilometres per hour were recorded in a number of other locations around the state during the storm event. Parts of the state received 200-250 millimetres of rainfall within a five to seven day period. Flooding occurred in multiple locations across the state, especially along the Derwent River, where river levels exceeded 8.14 meters, which is defined as a major flood level and the highest peak since the monitoring site was installed in 1974 with construction of the Meadowbank Dam.

The extreme weather resulted in fallen trees and poles, as well as significant damage to overhead power lines. This, in turn, caused widespread power outages throughout our network. TasNetworks has 295,000 residential, business, commercial, and industrial customers. At the peak of the storms there were around 45,000 Tasmanians without electricity. However, due to the extended nature of the storm event, in total there were over 1,920 outages that left over 221,000 customers without power, with many customers experiencing multiple outages. Due to the remote nature of parts of TasNetworks' distribution network and challenges with access, some more complex restorations took up to 23 days.

The storm response involved extensive internal labour and overtime over and above business as usual (**BAU**) from Field Operations, Fault Centre, Control Room, Warehouse, Customer Service Centre and office-based staff. To assist with the storm response, TasNetworks utilised fifty-eight local and nineteen interstate contractors for Field Operations, as well as utilising the services of other local contractors who assisted with vegetation management, drone inspections, helicopter services, civil works, access track works, assistance with standing poles, digging pole holes and traffic management.

This was, by a number of measures, the most severe and extended storm that TasNetworks has ever experienced. Eight of the ten days during the pass through event met the threshold to be classified as major event days (**MED**). Figure 1 below shows the network system average interruption duration index (**SAIDI**) for all MEDs since 1 July 2019. It shows the significance of this storm event in comparison to other MEDs and another significant storm event in June 2022.

Figure 1: Network SAIDI on major event days from 1 July 2019 to 30 September 2024

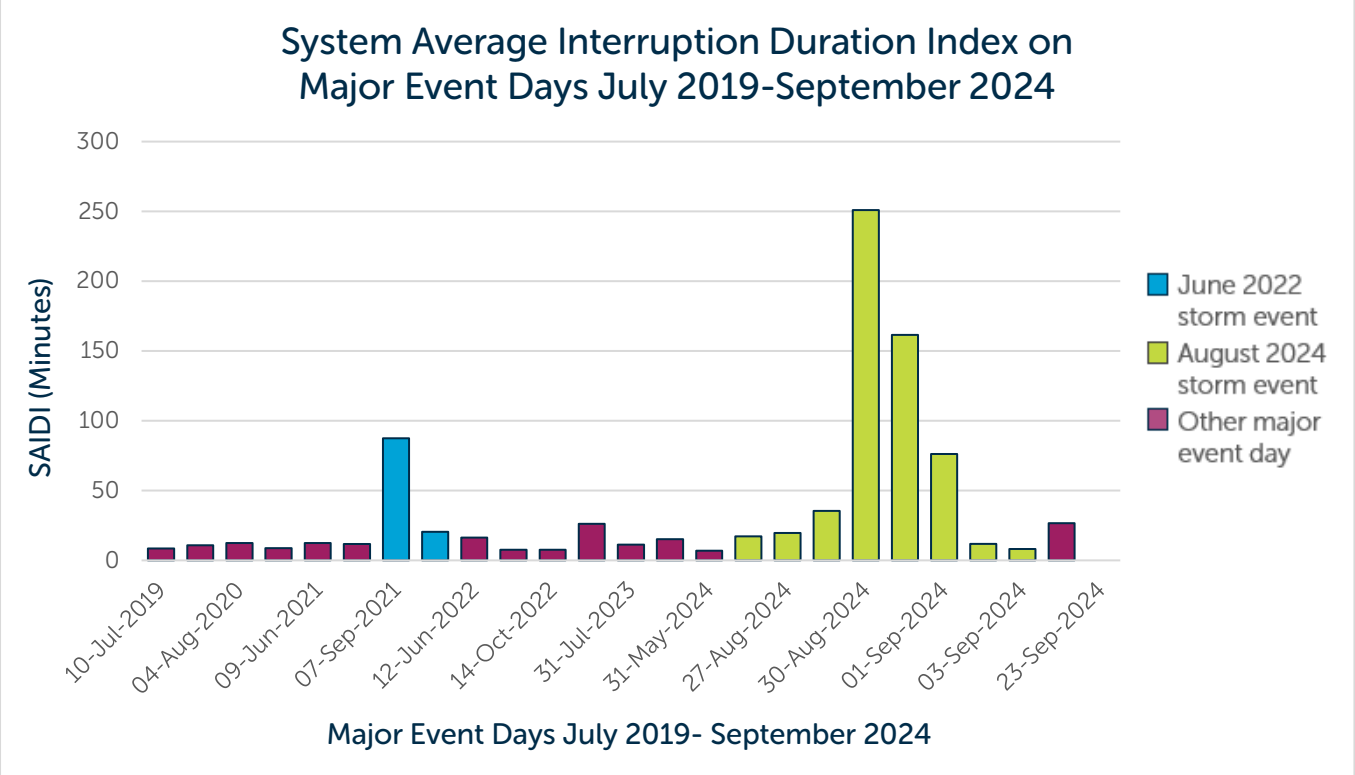
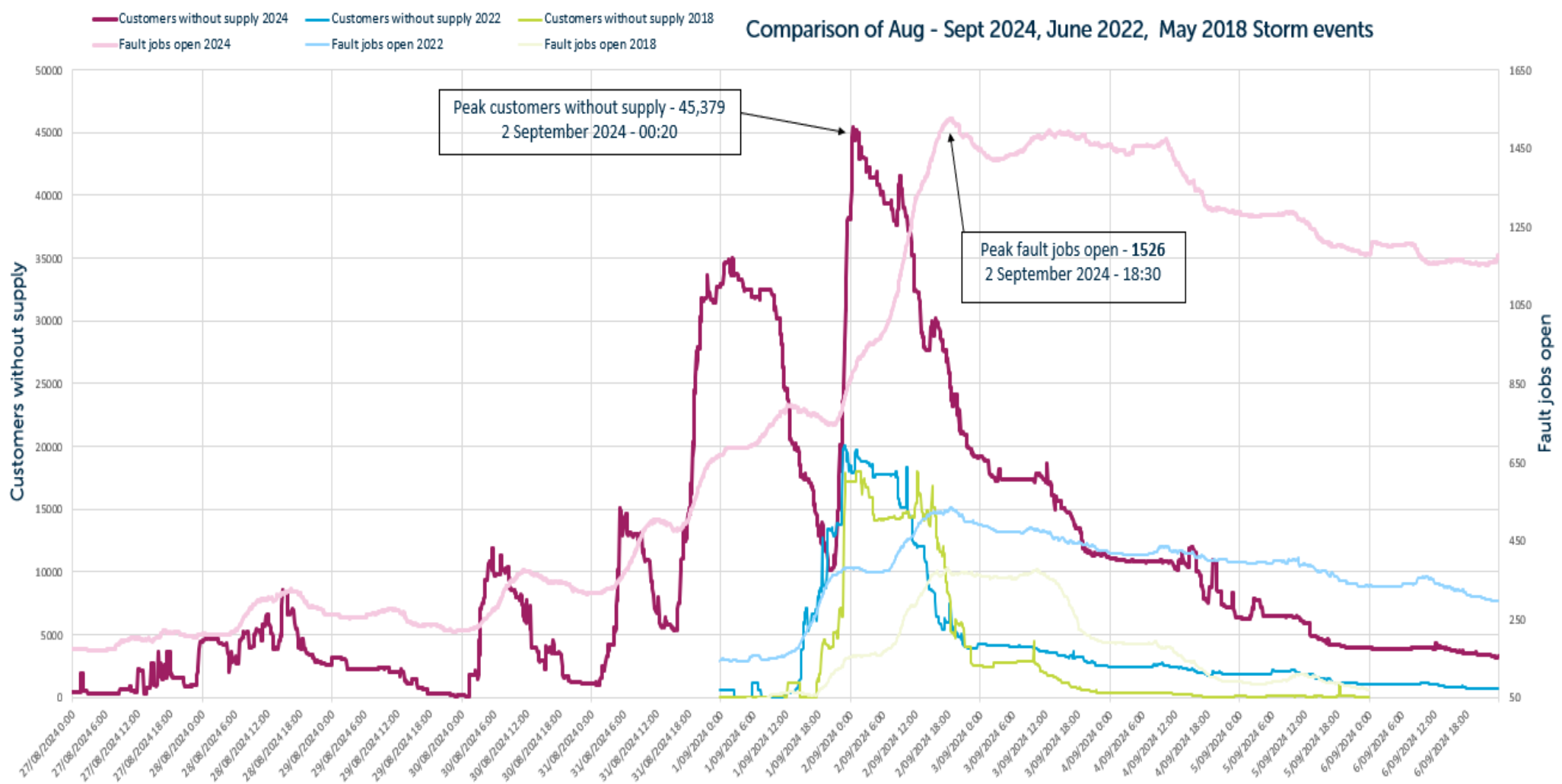


Figure 2 below shows a comparison of the number of customers without supply and open fault jobs in the August-September 2024 storm with two major storm events in 2018 and 2022. Both customers off supply and number of open fault jobs during the 2024 storm event were over double that in the two previous events.

Figure 2: Peak customers without supply and fault jobs open. Comparison of 2018, 2022 and 2024 major storm events



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2.2 Additional costs incurred

In responding to the storm event TasNetworks incurred $9.41 million ($nominal) in incremental costs that were not already allowed for in TasNetworks' 2024-2029 Regulatory Determination (**Regulatory Determination**). This additional expenditure is material and has impacted on the cost of providing direct control services. TasNetworks, therefore, seeks recovery of these additional costs in accordance with the cost pass through provisions of the NER.

TasNetworks requests that the AER approve this positive pass through amount of $4.08 million ($nominal, unsmoothed) as:

- The August-September storm meets the requirement to qualify as a natural disaster pass through event, as an AER approved nominated pass through event in TasNetworks 2024-2029 Regulatory Determination.
- The incremental costs incurred as a result of the August-September storm event satisfy the one per cent materiality threshold in the NER for a pass through event to be a positive change event.
- This application specifies the information required by clause 6.6.1(c) of the NER and addresses the matters that the AER must take into account under clause 6.6.1(j) of the NER.
- This application is submitted on 28 February 2025, being the date of the extension of time granted by the AER on 7 November 2024 under clause 6.6.1(k) of the NER.

2.3 Proposed recovery of costs / Network charges

In order to deliver sustainable electricity prices and minimise the increase to network charges for customers we are seeking to smooth the recovery of this revenue over the final three years of our regulatory control period starting in 2026-27 and ending in 2028-29 using the smoothing approach consistent with our 2024-2029 Regulatory Determination.

This would result in TasNetworks recovering $1.19 million in 2026-27, $1.88 million in 2027-28 and $1.54 million in 2028-29 ($nominal, smoothed), as shown in Table 2 below.

Table 2: Proposed pass through revenue from storm event ($million nominal, smoothed)

$million nominal	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Building block revenue	-	-	$1.19	$1.88	$1.54	**$4.61**

This will result in network charges increasing by around $3 per annum for residential customers and $10.7 per annum for small business customers over that period, as shown in Table 3 and Table 4 below.

Table 3: Typical residential customer indicative network charges ($June 2024)

Annual Typical Residential Network Charges ($June 2024)	2024-25	2025-26	2026-27	2027-28	2028-29
2024-2029 Regulatory Determination	$834.6	$888.3	$962.9	$994.7	$978.9
Cost Pass Through Impact	-	-	$2.4	$3.7	$3.0
Updated Typical Annual Network Charge	$834.6	$888.3	$965.3	$998.4	$981.9

Table 4: Typical small business customer indicative network charges ($June 2024)

Annual Typical Small Business Customer Network Charges ($June 2024)	2024-25	2025-26	2026-27	2027-28	2028-29
2024-2029 Regulatory Determination	$2,987.3	$3,166.4	$3,417.8	$3,515.8	$3,444.8
Cost Pass Through Impact	-	-	$8.6	$13.1	$10.4
Updated Typical Annual Network Charge	$2,987.3	$3,166.4	$3,426.4	$3,528.9	$3,455.2

2.4 Document outline

This remainder of this pass through application is structured as follows:

- Section 3 - About TasNetworks and how we are regulated, provides background on TasNetworks and the regulatory framework that we operate within.
- Section 4 - Event details and response, provides an overview of the August-September 2024 storm event and response.
- Section 5 - Regulatory Framework, sets out the legislative basis for the application under the NER, including how this application meets the requirements of the NER.
- Section 6 - Costs incurred, provides details of the incremental costs incurred.
- Section 7 - Eligible and proposed pass through amount, sets out the eligible and proposed pass through amounts, the proposed costs recovery schedule and provides detail about the prudency and efficiency of the incremental costs incurred.
- Section 8 - Regulatory Compliance, contains a regulatory compliance checklist.
- Section 9 - Attachments / supporting documentation, lists the attachments and supporting documentation provided with this application.

2.5 Contact details

Any enquiries about this cost pass through application should be directed to our Regulation team via regulation@tasnetworks.com.au. In the subject field, please reference 'August-September Storm Cost Pass Through Application'.

3. About TasNetworks and how we are regulated

3.1 About TasNetworks

TasNetworks is Tasmania's state-owned electricity network company. We own, operate, and maintain the electricity transmission and distribution networks in Tasmania and are responsible for the transmission and distribution of electricity across the island. We have 295,000 residential, business, commercial, and industrial customers. The network consists of critical infrastructure, including substations, poles, and wires, ensuring reliable power supply to homes, businesses, and industries.

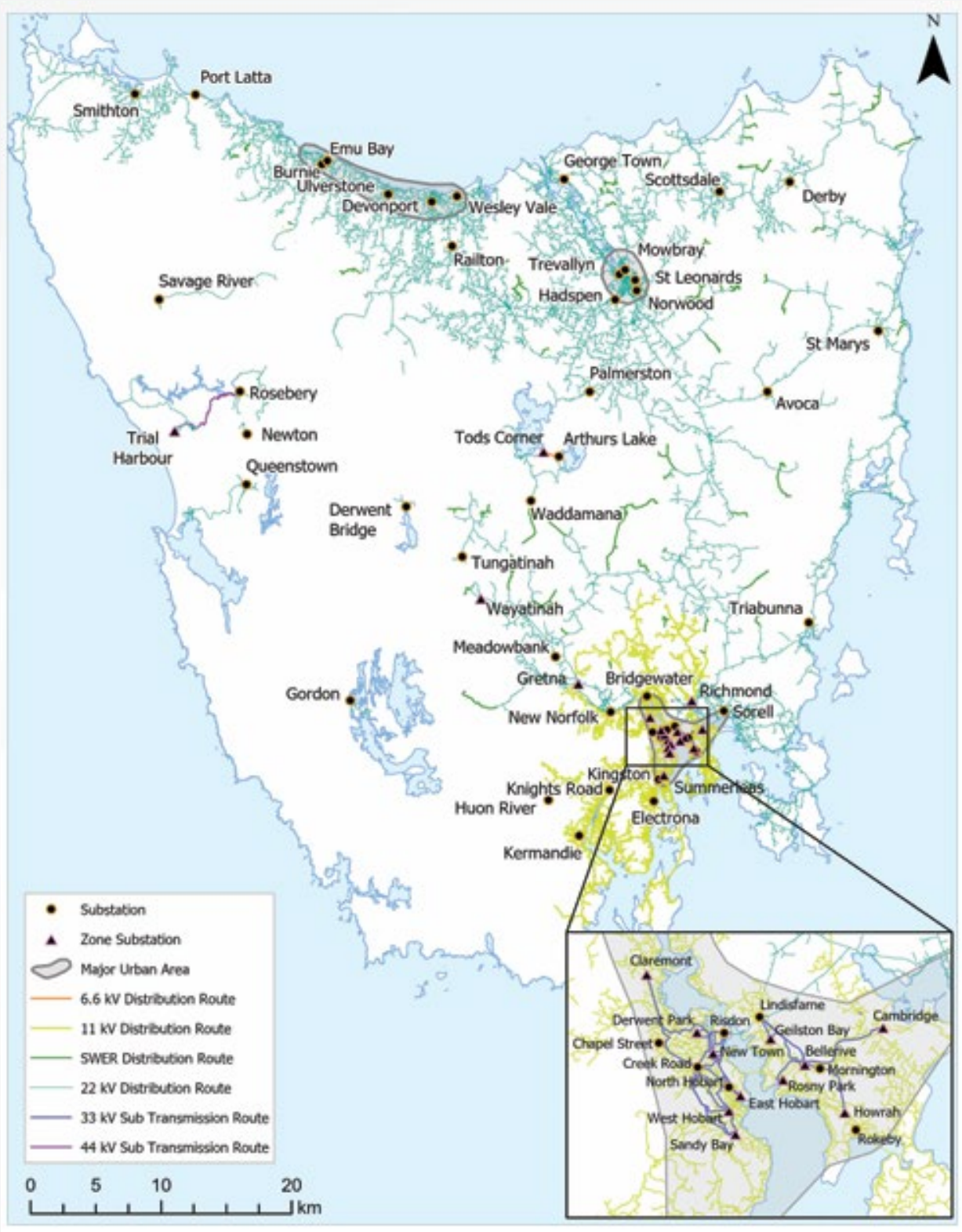
This involves, but is not limited to:

- keeping our people and our customers safe while operating the network on a day-to-day basis, including all power outage restorations;
- maintaining and replacing network infrastructure to ensure a safe and reliable service for our customers;
- serving as Tasmanian jurisdictional planner in the National Electricity Market;
- connecting new customers to the network, including small and large-scale generators;
- investing in the network to support capacity growth; and
- providing telecommunications, data centre, and information technology services to customers, including those in the Tasmanian electricity supply industry.

The transmission network transfers bulk power from generators, often in remote areas, to transmission distribution connection points (substations) near load centres throughout Tasmania, and to large customers directly connected to the transmission network. The distribution network distributes electricity to smaller industrial and commercial users, as well as irrigation and residential customers.

TasNetworks' distribution network covers a broad range of geography and customer segments from critical infrastructure, high-density commercial, urban and regional centres and high and low-density rural areas. Figure 3 below shows the extent of TasNetworks' distribution network. As can be seen, there are three major urban areas. Outside this, the network is diffuse with many radial lines that service, in many instances, a small number of remote customers. The diversity of the network and Tasmania's geography is important in the context of TasNetworks' response to this storm, particularly in terms of explaining why a small number of customers experienced prolonged outages.

Figure 3: TasNetworks' distribution voltage areas



Source: TasNetworks Annual Planning Report 2024

3.2 Economic regulation

Regulatory framework

TasNetworks operates under both state and national regulatory regimes. As a registered participant in the National Energy Market, TasNetworks is required to develop, operate and maintain the electricity supply system in accordance with the NER. In addition, there are local requirements we must comply with under the terms of our licences, including the Guaranteed Service Level (**GSL**) Scheme[2] that requires us to make GSL payments to customers that experience a lengthy power outage or multiple outages in a 12-month period.

TasNetworks' Regulatory Determination

As a monopoly provider of transmission and distribution network services, the revenue TasNetworks receives from its customers for the provision of prescribed transmission services and direct control distribution network services is determined by the AER. Revenue is capped based on efficient costs - which are forecast, benchmarked and scrutinised by the AER before each regulatory control period (usually five years). The regulatory determination process sets specific allowances for each network, including for capital expenditure (to build and repair the network) and operating expenditure (to operate and maintain the network). This includes some forecast expenditure for emergency and fault response related to weather events.

The AER takes a 'building block' approach to setting our revenue allowance which provides our business with enough revenue to cover our capital, operating, finance and other costs based on the information available to the AER at the time.

The regulatory determination process also allows TasNetworks to nominate events as 'pass through events', in addition to the pass through events specified in the NER. Pass through events are unforeseen events that result in substantial cost increases beyond the ability of TasNetworks to anticipate, prevent or mitigate at a reasonable cost, and that are not reflected in the revenue allowances approved by the AER.

If an event included as a pass through event in our Regulatory Determination occurs during the regulatory control period, we can apply to the AER to recover the incremental costs associated with that event. Like other network service providers, TasNetworks' included a 'natural disaster event' as a nominated pass through event in our regulatory proposal for its 2024-2029 Regulatory Determination.[3]

The most recent regulatory determinations for TasNetworks were made by the AER in April 2024 for the 2024–2029 regulatory control period,[4] in which the AER accepted the nomination of a natural disaster event as a pass through event for both the transmission and distribution networks operated by TasNetworks.

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[2] Office of the Tasmanian Economic Regulator, Guaranteed Service Level Guideline, Version 4, July 2024, Link: 24 1289 Guaranteed Service Level Scheme Guideline, Version 4, 1 July 2024.PDF

[3] TasNetworks Combined Proposal 2024-2029, page 44, Link: TasNetworks-Combined Proposal Overview-Jan 23-Public.pdf

[4] TasNetworks – Regulatory Determination 2024-29, 30 April 2024, Link: TasNetworks - Determination 2024–29 | Australian Energy Regulator (AER)

4. Event details and response

4.1 Detailed description of storm event

From 26 August to 4 September 2024, Tasmania experienced a catastrophic storm event when four cold fronts impacted the state in the ten day period, bringing with them damaging and destructive winds, heavy rainfall, and flooding. The storm, which affected the entire state of Tasmania, resulted in extensive and extended power and telecommunications outages, as well as widespread damage to households, businesses and network infrastructure in all regions of Tasmania.

Bureau of Meteorology warnings

Weather forecasts and warnings first came through from the Bureau of Meteorology (**Bureau**) at 12.57 pm on Friday 23 August 23, 2024[5]. The advice included forecasts of damaging winds and rain and anticipated that the impact would be felt on Monday 26 and Tuesday 27 August. Further, the forecast noted that damaging winds and rains would continue into the first week of September.

On Sunday 25 and Monday 26 August, the Bureau issued further warnings of an impending vigorous weather front with prolonged high winds statewide, with peak gusts of up to 110 kilometres per hour, and significant rain expected to arrive in the evening of Monday 26 August and persist for the next week and a half. Initial flood watches were also issued for the Tamar, Derwent, Huon, Forth, Mersey, and other northwestern rivers when heavy rains and a strong westerly front began to affect Tasmania's catchments, already saturated from previous rains. In response to these warnings, TasNetworks moved into a pre-incident contingency system (**ICS**) standing to allow us to commence preparations for the storm.

On Tuesday 27 August the Bureau issued a further severe weather warning for damaging, locally destructive winds covering the whole State. The Bureau's key messages noted to expect a week of intense west to northwesterly winds, leading to damaging winds, heavy rainfall in the west and high seas and thunderstorms, with wind gusts potentially reaching 100 kilometres per hour expected to develop after a weather front moved through on the Tuesday night and Wednesday morning, particularly affecting the western Tasmania and the North Coast. The Bureau also issued a flood watch for the Tamar, Derwent, Huon, Forth and Mersey Rivers, as well as parts of the North West Coast.

Accordingly, at 3:19 pm on 27 August TasNetworks moved to ICS for all regions of Tasmania.

Description of the storm event

Beginning in the evening of 27 August through to 4 September, four cold fronts impacted the state. From 27 to 28 August strong westerly to northwesterly winds hit coastal areas and elevated regions, with gusts reaching 90 to 100 kilometres per hour across northern and western Tasmania.

On 29 August the severe weather intensified, with strong, gusty winds affecting most of the state as another cold front crossed from the west. Gusts reached up to 110 kilometres per hour in exposed areas like the Central Plateau, Northwest Coast and mountain regions. Heavy rainfall associated with these fronts also began to raise concerns about river levels, with a flood warning put in place for the Huon and Styx Rivers and the previous flood watch extended to include parts of the coastal catchments in the north and south.

From 30 August to 1 September, the cold front maintained high winds into and throughout the weekend, especially along the northern and western coasts, with gusts around 110 to 125 kilometres per hour in exposed areas. Parts of northern and western Tasmania experienced destructive winds gusts

greater than 125 kilometres per hour overnight on 30 to 31 August, causing widespread damage and power outages. A 150 kilometres per hour wind gust was recorded at Low Rocky Point at 3:30 am on 31 August. With heavy rain across the State, additional flood watches and warnings were issued for rivers in the Meander, Huon, and Derwent catchments, where localised minor flooding was likely.

From 1 to 3 September another front brought continued strong winds and rainfall, particularly impacting the western coast and elevated areas like the Central Plateau. The Bureau's Key Messages noted a station-record wind gust of 130 kilometres per hour at Launceston Airport and destructive gusts of over 125 kilometres per hour at Mt Read, Kunanyi / Mt Wellington, Cape Grim, Luncheon Hill and Low Rocky Point.[5] Meanwhile, river levels remained high, with ongoing flood watches for the Mersey, Forth, and North Esk rivers.

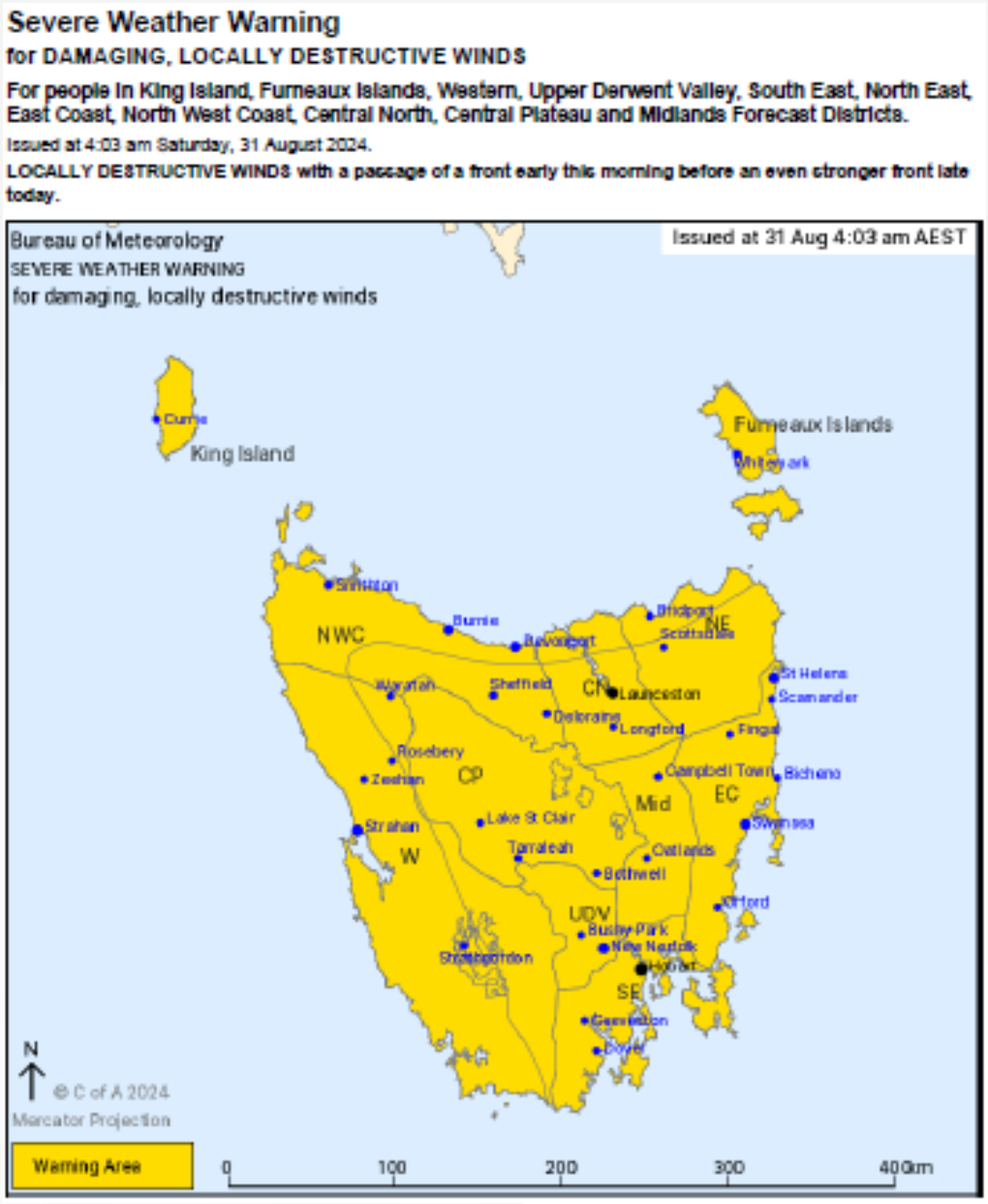
Accumulated rainfall totals over the five to seven days to 2 September in the west of the state were in excess of 200 mm, with some isolated locations recording over 250 mm over the multi-day period.[6] Rainfall during this period led to flooding, especially along the River Derwent, where levels exceeded 8.14 meters – defined as a major flood level and the highest peak recorded since the monitoring site was installed in 1974 with construction of the Meadowbank Dam. The Tasmanian State Emergency Service (**SES**) issued over 330 flood and evacuation warnings for regions including Meadowbank, Bushy Park and Macquarie Plains, where homes and roads were at risk of inundation.

On 4 September the severe weather began to ease, although residual warnings, including flood watches and warnings, remained in place due to the lingering impact on rivers and catchments.

Figure 4 below shows an example of a warning issued by the Bureau at 4:03 am on Saturday 31 August for damaging and locally destructive winds forecast to impact the entire state of Tasmania.

[5] Bureau of Meteorology Key Messages issued 11:06 am, Monday 2 September 2024.
[6] Bureau of Meteorology Key Messages issued 11:06 am, Monday 2 September 2024.

Figure 4: Bureau of Meteorology weather warning, 31 August 2024



Source: Bureau of Meteorology

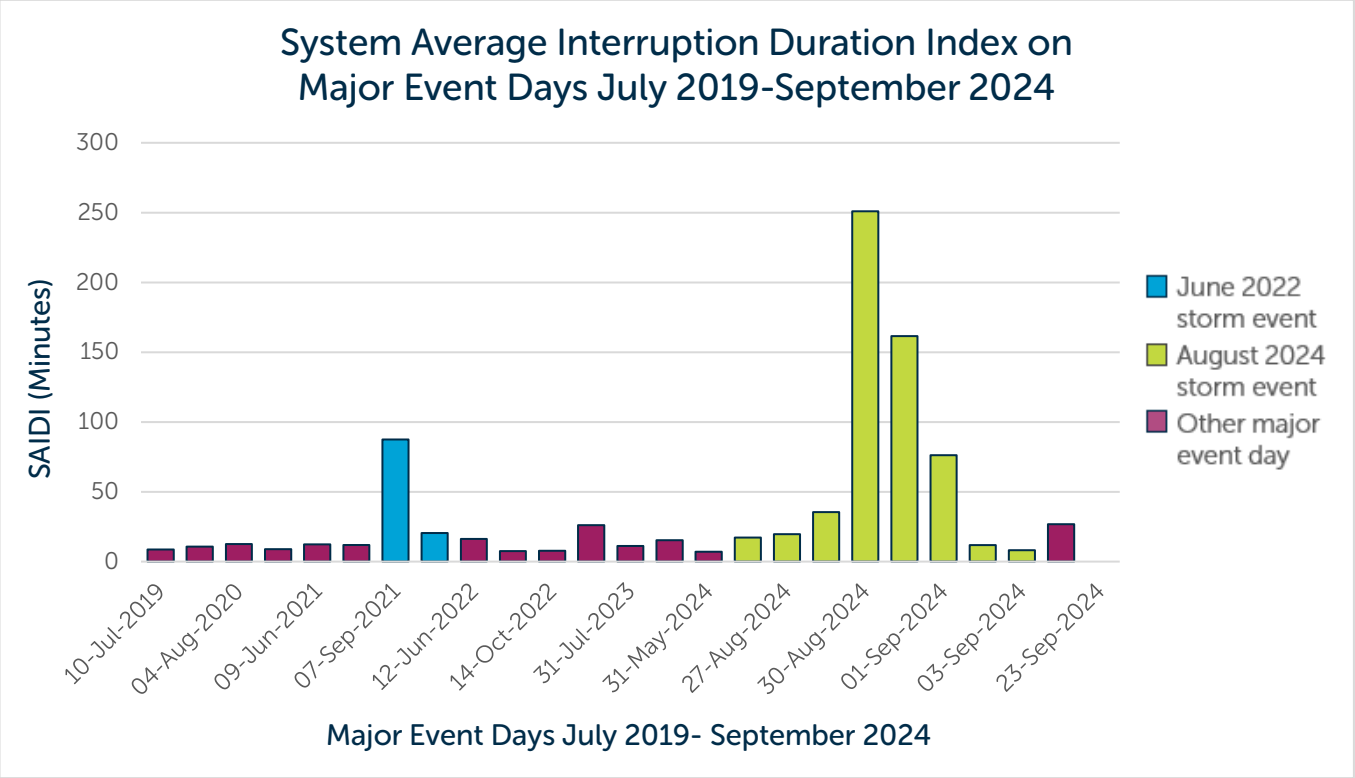
This was, by a number of measures, the most severe and extended storm that TasNetworks has ever experienced. Eight of the ten days during the pass through event met the threshold to be classified as major event days (**MED**).[7] To put this into context, Tasmania usually experiences three MEDs each year. On 31 August the system average interruption duration index (**SAIDI**)[8] was 251.60 minutes and on 1

[7] Electricity distribution network service providers, Service target performance incentive scheme Version 2.0, November 2018, page 39 "A major event day is defined in the Institute of Electrical and Electronics Engineers (IEEE) standard 1366-2003, IEEE Guide for Electric Power Distribution Reliability Indices. This standard was published in May 2004. The IEEE standard excludes natural events which are more than 2.5 standard deviations greater than the mean of the log normal distribution of five regulatory years' SAIDI data (the '2.5 beta method')."

[8] Electricity distribution network service providers, Service target performance incentive scheme Version 2.0, November 2018, page 25 "The sum of the duration of each unplanned sustained customer interruption (in

September it was 161.54 minutes. For further context, in 2023-24 TasNetworks experienced three MEDs with a total SAIDI of 52.55 minutes. In 2023-24 our total SAIDI for unplanned outages (excluding MEDs) was 181.46 minutes. The SAIDI for one single day of this storm event exceeded the combined total SAIDI for all MEDs and unplanned outages in 2023-24. Figure 5 below shows the network SAIDI for all MEDs since 1 July 2019. It shows the significance of this storm event in comparison to other MEDs and another significant storm event in June 2022.

Figure 5: Network SAIDI on major event days from 1 July 2019 to 30 September 2024



Post-storm event weather conditions

The ICS remained in place until 16 September and from 5 to 16 September conditions remained challenging, with Tasmania experiencing a prolonged period of strong west to north westerly winds, particularly along the north and west coasts. These winds, alongside heavy rainfall focused on the western regions, continued to hamper TasNetworks' restoration and clean-up efforts. During this period the Bureau issued a severe weather warnings for damaging winds, as gusts posed risks across much of Tasmania.[9]

Flood Watches also remained active during this period, especially for the Tamar, Derwent, Forth, Mersey, and north-west coastal rivers, with risks of minor to moderate flooding. As rainfall continued, the Bureau extended the Flood Watch area to cover additional northern and southern coastal catchments. Specific Flood Warnings were issued for the Huon River and the Derwent Catchment due to sustained elevated river levels.[10]

minutes) divided, by the Customer Base. Unplanned SAIDI excludes momentary interruptions (three minutes or less)."

9 Bureau of Meteorology Severe Weather Warning issued 4:55 am on Sunday 8 September 2024y

10 Bureau of Meteorology Flood Watch issued 1:19 pm, Saturday 7 September 2024.

4.2 TasNetworks' Response to the Storm

TasNetworks' emergency management procedures

During the storm event TasNetworks followed its internal policies and procedures in relation to incident management, fatigue management and ICS, as well as the Tasmanian Emergency Management Arrangements (**TEMA**). The ICS provides Command and Control internal to TasNetworks, while Statewide Command and Control of emergencies is guided by the TEMA.

The TEMA facilitate the orderly coordination and collaboration with State Government agencies, Local Government and Non-Government Organisations as required. The TEMA assigns responsibility to TasNetworks (along with Hydro Tasmania) as the Management Authority for an energy infrastructure incident and the Management Authority for electricity for a Space Weather event.

Discharging the responsibilities of our role as the Management Authority for Energy (Electricity) Infrastructure requires frequent interaction with other agencies such as Councils, Ambulance Tasmania and Tasmania Police, by way of escalations for safety, community needs, critical electricity supply issues and situation awareness.

During the storm event, in accordance with the TEMA, Statewide Command and Control was facilitated by regular coordination meetings of the three Regional Emergency Management Committees (**REMC**). For example, response priorities were determined in collaboration with all agencies, community relief and information arrangements were coordinated and facilitated with the assistance of Councils. The REMC meetings are chaired by the Regional Police Commander with the SES Executive Officer. Situation awareness was maintained through regular reporting and information sharing with all agencies at these meetings, enhanced with out of session conversations and tasking for urgent matters as they arose.

Transmission network impacts are reported to State Government via the Jurisdictional System Security Coordinator (**JSSC**) of Renewables, Climate and Future Industries Tasmania. For example, the customer impact of the loss of the Tungatinah to New Norfolk 110 kV line was reported to the JSSC so that the Energy Minister was also aware of transmission scale impacts of the storm. Note that TasNetworks' Real-time Operations routinely appraise and report transmission network risks to the Australian Energy Market Operator.

ICS Procedure

TasNetworks also followed its ICS procedure. The TasNetworks ICS Procedure provides a framework for the emergency management of any significant incident pertaining to a significant interruption to supply, damage or risk to TasNetworks' distribution assets and infrastructure. The TasNetworks ICS Procedure is triggered by events such as severe weather, bushfire, or disaster recovery due to critical system or asset failure. It ensures a uniform approach in which depots operate independently to maintain the network, dispatch field crews, and work towards efficient restoration of supply.

Practically, the ICS devolves responsibility for prioritisation and dispatch from the centralised Fault Dispatch centre to regional depots. Rationale for this ICS procedure includes:

- Regional teams have a more intimate knowledge of the network, customers and services attached, local geographic features and matters likely to influence or hinder our response capability; and
- The centralised Fault Dispatch centre has a limited roster of nine skilled and experienced resources, on a rotation where two operators are onsite at any time. The sheer volume of incidents, when combined with a working knowledge of the local area, positions the local teams

as being more adept at a more dynamic process for prioritisation and dispatch, given the current limited telemetry in distribution systems visibility for Fault Dispatchers.

The ICS Procedure sets out key responsibilities, including the Incident Controller, Emergency Response Co-ordinators in each of the three major regional depots (Rocherlea, Cambridge and Devonport), the ICS Operations Co-ordinator, Customer Service Centre Team Leader and the Incident Management Team.

The ICS Procedure further sets out other operating procedures and matters relating to communications, escalation, governance and learning.

Preparation for the storm event

In response to the warnings issued by the Bureau leading up to and on 25 August, TasNetworks moved into a pre-ICS standing to allow us to commence preparations for the storm. This phase involves the close monitoring of available resources and weather conditions and preparation to activate ICS centres if necessary.

At that time members of the Communications Electrical and Plumbing Union (**CEPU**) were engaging in protected industrial action as part of an ongoing Enterprise Agreement negotiation. On 25 August, TasNetworks' Chief Executive Officer (**CEO**) directed CEPU members to suspend industrial action from 4 pm under safety provisions allowing them to conduct emergency work in response to the storm.

The Incident Management Team (**IMT**) was already partially in place dealing with the impact of the industrial action. When the industrial action was suspended, the same team remained in place but switched focus to the impending storm event, with additional staff brought on board to fill specific roles.

Preparations included assessing staff availability, preparing and stocking fleet vehicles and trailers, assessing planned work and routine maintenance, checking the availability of contractors (including interstate contractors), assessing resources for field staff, customer communications, fault centre and control room staffing and Information Technology (**IT**) support.

Following the suspension of the industrial action, TasNetworks also focused on restoring supply to customers who were without power as a result of the industrial action, prior to the arrival of the first storm front.

Response to the storm event

Weather conditions worsened overnight on 26 August and were forecast to deteriorate further into the afternoon and early evening of 27 August. Accordingly, at 3:19 pm on 27 August, TasNetworks moved to an ICS and level three under its Emergency Management Plan (the highest level) for all regions of Tasmania.

When the ICS was called the following actions were undertaken:

- The Field Operations Team Leaders were advised of the ICS status and Leaders were assigned to regions and support roles.
- Once daily the TasNetworks Executive Leadership Team attended a level three IMT meeting.
- Twice daily ICS meetings were held, with updates provided in between meetings as required, as well as daily morning meetings between Field Team Leaders.
- Planned works within the State were reviewed and cancelled for the coming week (this was later extended to 16 September).
- Resourcing levels for stakeholder engagement and communications were assessed and readied to respond to increased media and social media interest.

- TasNetworks continued to promote outage safety and preparation messages to the public through external communication channels.
- Fault Centre and Control Room resourcing levels were assessed, and teams were placed on standby to respond.
- We ensured that there was heightened IT support for Fault Centre applications and reviewed IT maintenance on systems.
- All planned telecommunications work and network outages were assessed, including TasNetworks, Telstra, Tasmanian Government Radio Network (**TasGRN**), Trunk Mobile Radio Network (**TMRN**) and National Broadband Network (**NBN**) for potential impacts and planned work cancelled where possible.
- From the morning on 28 August regional dispatch procedures (as per the ICS Procedure) were initiated. Regional dispatch is used as it allows better management of the volume of incidents and, when combined with a working knowledge of the local area, positions the local teams as being more adept at a more dynamic process for prioritisation and dispatch.

During the week of Monday 26 to Friday 30 August, as multiple cold fronts impacted the State the number of customers without supply grew from approximately 400 to over 11,900. The number of customers without supply fluctuated throughout this period, with crews working to stay on top of outages as multiple storm fronts impacted the State.

With continued severe weather forecast leading into the weekend, increasing demand from the outages and lower forecast internal crew availability, on 30 August TasNetworks decided to call in additional resources, in the form of third-party crews. These crews were directed primarily to support restoration activities in the North and North West regions. Tasmanian-based contractors assisted in the North and North West of the State over the weekend and from 5 September additional crews were brought in from New South Wales to further assist with the restoration effort. These crews were directed at less complicated tasks, enabling TasNetworks' crews to focus on the more complex restoration activities.

Over the weekend and continuing into the following week, Tasmania experienced another significant storm front across the entirety of the State with the worst effects experienced in the North and North West. Restoration efforts were complicated during this period by flooding, high winds, wet terrain and the danger of falling trees. Telecommunications outages in a number of areas meant that the TasGRN needed to be utilised.

With dangerous and challenging conditions impacting on crews' ability to restore supply, on Saturday 31 August the number of customers without power grew to over 30,000 customers during the night, peaking at 45,379 customers off supply just after midnight on Monday 2 September.

Four cold fronts passed the state in the ten day period, making the storm response and restoration efforts significantly more challenging than is usually the case with a single weather event. When responding to a storm event the first priority is to assess outages and make safe, followed by restoration efforts, which are prioritised based on impacts on critical infrastructure (and other key infrastructure like hospitals, care facilities, emergency services facilities, water treatment and other utilities and schools) and the number of customers impacted.

In response to the storm, the workforce was split up to ensure we were restoring as many customers as quickly as possible, as well as maintaining a safe network that was not going to put the public in danger. Crews assigned to our BAU fault roster were assigned the task of restoring supply to the faults with the highest number of customers affected, whilst the other crews were tasked with attending each and

every fault to ensure it had been made safe. If the supply was a highly sensitive customer,[11] these crews would restore supply, otherwise they would fill out a scope sheet of what was required to rectify the fault and provide this back to the local ICS team. In this event it was difficult to progress restoration efforts as by the time damage was assessed and made safe, another storm front would often have arrived.

Complicating the storm response was the state-wide nature of the event that included a number of storm fronts that impacted different parts of the state at varying times. Originally, the damage was concentrated in the North West and the South of the state, but then the next front hit the North West and the North of the state. This made the response more difficult to resource and meant that at various points crews needed to travel to different parts of the State. Decision making about how to best utilise the workforce, based on their current location, their base location, the number of outages and customers impacted, was complicated.

The weather had started to ease by Wednesday 4 September, allowing TasNetworks to begin to get on top of outages. However, conditions on the ground remained challenging with wet conditions, flooding and communications blackspots still noted. At 5 pm on 4 September there were still around 11,000 customers without power.

Restoration and cleanup efforts following the storm event

At 7 am on 5 September there were still around 6,500 customers impacted, as well as the Tungatinah to New Norfolk 110 kV transmission line. At this point, crews from New South Wales were enlisted to assist restoration efforts. Staff from the South of the State were also deployed to the North to assist with ongoing restoration efforts and external crews also continued to assist with restoration.

Over the period from 5 to 16 September, when the ICS was stood down, restoration efforts continued with the exception of 12 to 13 September when a safety pause was implemented. Weather conditions had eased somewhat but conditions remained wet and windy with a severe weather warning in place for damaging winds on 8 September.

The remoteness of infrastructure and radial lines servicing small numbers of customers in remote regions meant that restoration in some areas was incredibly challenging and some customers experienced prolonged outages of up to 23 days. However, the majority of customers had power restored by 16 September. Only 35 customers remained off at 5 pm on 16 September, with the majority being single or smaller outages in the north of the State. Clean up continued beyond this in the north and north west of the State until the end of September, with another MED being experienced on 23 September.

Vegetation management

Our network traverses areas that are heavily treed and the combination of high rainfall and significant wind that impacted the State across the period of the storm meant that over 60 per cent of outages experienced during the storm event were as a result of vegetation damage to network assets.

In many areas the damage was extensive, with trees uprooted and large branches failing and becoming airborne in the extreme conditions. Much of the damage to the network was caused by wind-borne debris, predominantly tree branches, coming from some distance away from the overhead lines themselves. This also had a significant impact on TasNetworks' ability to respond to faults, with fallen trees and limbs also making access more difficult.

[11] Including life support customers, hospitals, schools or colleges, child care centres and community centres.

During the storm response Councils and the SES assisted by removing debris and clearing roads to enable access to sites and make safe. However, for trees in contact with a powerlines TasNetworks initially responded to ensure the line was not live and made safe (earthed) prior to any vegetation removal.

Use of drones and helicopters

TasNetworks used drones to assess the extent of the damage to network infrastructure in remote and inaccessible areas. The widespread rain and high winds made field conditions challenging and often unsafe for crews working at heights. Using drones helped TasNetworks to safely inspect damaged powerlines and other critical assets in affected areas without exposing field workers to the hazardous conditions. These services were provided by external contractors.

We also utilised helicopters to reconductor long spans of power lines across valleys in remote areas that are inaccessible by other means. In the storm event helicopters were used on three instances for powerlines supplying residences and farms in Huonville, Pipers River and Weegena. In one instance a helicopter was used to patrol lines. These services were provided by an external contractors.

Internal labour

ICS team and support staff

For the storm event TasNetworks put in place an ICS team, consisting of internal staff carrying out various roles and responsibilities as specified in our ICS Policy. This team was partially in place prior to 26 August but from 4 pm on 26 August shifted its focus from responding to industrial action to the storm response when the industrial action ceased. Additional staff were brought on board to fill roles specifically required for the storm response.

Field operations

In terms of the BAU fault response, in any given week TasNetworks has 32 team members rostered on call across the state. In each region of the State, we have 24/7 coverage for each team or depot, and our team members are on call for a week every three to six weeks (depending on location). For the storm response we mobilised all available Field Operations staff. The response involved 235 staff across the course of the storm event and cleanup.

Control Room

The Control Room operates 24 hours a day and is ordinarily staffed by two Distribution System Coordinators during the day (Monday-Friday) and one Distribution System Coordinator at all other times. At the peak of the storm event, we had up to seven Distribution System Coordinators working through the day and two Distribution System Coordinators overnight on shift dealing with the unplanned outages caused by the storms. Planned works were cancelled for the duration of the storm and up to five Distribution System Coordinators (day workers and shift staff) who would ordinarily be focused on planned works were deployed to support the storm response. The Distribution System Coordinators completed 863 hours of overtime to deal with the volume of work.

Fault Centre

TasNetworks' Fault Centre is a core part of TasNetworks' management of faults and emergencies across its network in Tasmania. The Fault Centre operates 24 hours per day and is staffed by Fault Dispatchers with specialised skills and experience to respond to network faults and emergencies throughout the State. Fault Dispatchers usually work a rotating roster with two operators per shift, on two shifts per day.

For faults that occur during regular business hours, the Customer Service Centre is primarily responsible for receiving calls from the general public. They triage reports where possible, and send information to

the Fault Centre for further investigation. Outside of regular business, the Fault Centre take calls directly from the public.

The Fault Dispatchers review the information and based on the severity of the fault decide the priority, the appropriate response and the next steps. If a Fault Dispatcher determines that an on-site response is necessary, the details are provided to Field Crews to respond. The Fault Dispatcher will also liaise with Network Operations as required.

In emergencies, the Fault Centre is directly linked with Tasmania Police, Fire and Ambulance Radio Dispatch Services, to allow a collaborative approach that prioritises community safety and enables direct notification of incidents involving network assets to be received.

Throughout the storm event, extra resourcing was required to ensure the immediate safety of the Tasmanian community was prioritised. This included utilising a third dispatcher in the Fault Centre at peak times to respond to emergency services and customer-initiated fault calls throughout the State.

Customer Service Centre

To maintain suitable coverage, extra call-takers were utilised in the Customer Service Centre throughout the storm event to receive customer-initiated calls regarding faults and log jobs for triage by the Fault Centre. Their role also included providing restoration timeframes to customers and providing reassurance and advice where required. Due to the sheer volume of customer calls being received, extra staffing was critical to ensure community safety was prioritised.

The Customer Service Centre ordinarily operates with six Customer Service Representatives who receive and triage customer calls from Monday to Friday from 9 am through to 5 pm.

During the storm event extra call takers were added to Customer Service Centre. During business hours, an extra five to six call takers were added in addition to ordinary staffing levels. The Customer Service Centre also remained open outside its ordinary hours of operation, operating from 5 to 11 pm Monday to Friday and 7 am to 11 pm on weekends with an average of five to six call takers.

Warehouse staff

In order to meet increased demand during the storm response, warehouse staff worked longer hours as well as working on weekends. Warehouse staff did approximately 190 hours of overtime during the storm response.

Third party contractors

As discussed in the response summary, TasNetworks utilised the services of third-party contractors in a number of areas during the storm response. In particular, TasNetworks utilised the services of:

- Fifty-eight third party contractors from Tasmania, who provided assistance to field staff in inspection and restoration of supply for the period from 30 August onwards.
- Nineteen sub-contractors from New South Wales, who provided assistance to field staff in inspection and restoration of supply and brought with them 12 utility vehicles, one trailer and four trucks.
- Two contractors that we had existing relationships with, who provided additional resources in relation to vegetation management.
- Two contractors who provided drone services that assisted with inspections in remote areas.
- Two contractors who provided helicopter services in remote areas to assess damage and reinstate power lines.

- A contractor who dispatched and hooked up mobile generation units to provide emergency power supply for some critical customers experiencing extended outages.
- Additional external contractors, who assisted with civil works, access track works, assistance with standing poles, digging pole holes and traffic management.

4.3 Impact on Network and Customers

Impact on the network

During the August storm event, significant damage to the network was experienced, with a total of 1,920 outages that left over 221,000 customers without power, many experiencing multiple outages. At the peak of the storm there were 4,467 fault jobs open. Over 60 per cent of outages experienced during the storm event were as a result of vegetation damage to network assets.

As an indicator of scale, TasNetworks' materials used in the response effort included:

Figure 6 below shows some examples of the extent of damage to the network.

Figure 6: Examples of the extent of damage to the network

Customer impact

Tasmania has a population of 575,000 people,[12] with TasNetworks servicing 295,000 residential, business, commercial and industrial customers. During this period a record number of customers were impacted by power outages. At the peak of the storm there were 45,400 customers without power, and additionally in some instances, telecommunications. Through the storm response period, over 221,000 customer connections were restored and, given the multiple storm waves, some customers were impacted multiple times. The majority of customers were restored by 16 September but, some more remote customers experienced outages for up to 23 days.

As indicated in Figure 7 below, the weather cell resulted in widespread damage across the entire north of the State, as well as damage to communities in the South.

[12] Australian Bureau of Statistics, www.abs.gov.au

Figure 7: Outage map

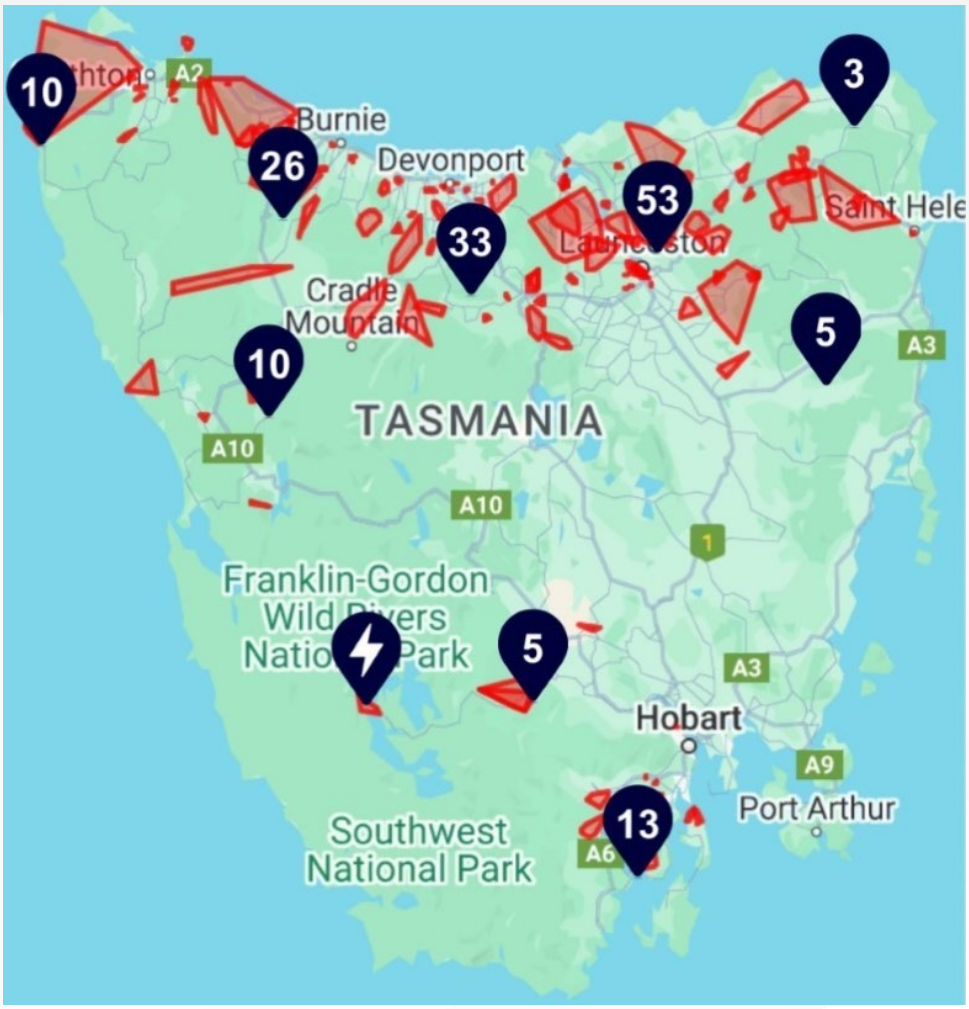
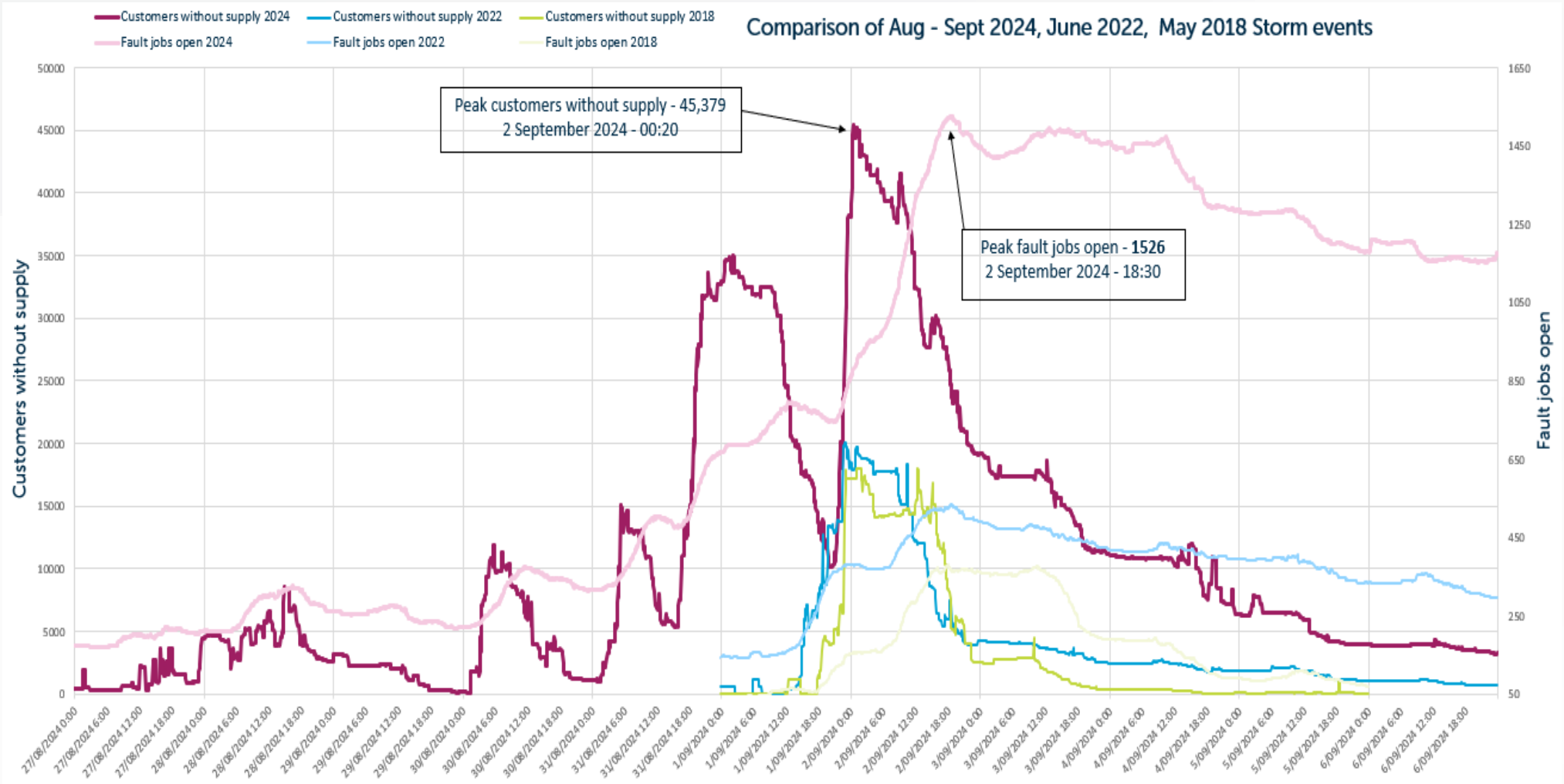


Figure 8 below shows a comparison of the number of customers without supply and open fault jobs in the storm event with two major storm events in 2018 and 2022. Both customers off supply and number of open fault jobs were over double that in the two previous major storm events.

Figure 8: Peak customers without supply and fault jobs open. Comparison of 2018, 2022 and 2024 major storm events



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4.4 Customer engagement and support

Customer communications

In the lead up to and during the storm event, TasNetworks maintained ongoing communication with customers, providing regular warnings about the severity and expected duration of outages. We shared safety and outage preparedness messaging, encouraging customers to ensure their phones and electronic devices were fully charged and to gather essential items like torches and spare batteries.

TasNetworks utilised multiple communication channels, including our website and social media, to update affected customers on the estimated times for restoration.[13] TasNetworks personnel did media interviews across print, television and radio to promote outage information. The public was also informed about the mobilisation of additional crews from interstate and the redeployment of southern Tasmanian teams to assist in the hardest-hit northern and northwestern areas.[14] Additionally, TasNetworks' messaging highlighted the complex and time-consuming nature of restoring isolated areas with heavy vegetation damage, to explain why some customers might experience longer outages than others.

Throughout the duration of the storm customers were kept informed through a range of mechanisms, including but not limited to:

- 41,000 incoming calls to the contact centre;
- 150,800 SMS messages sent to customers; and
- 169,600 visits to the TasNetworks website between 29 August and 3 September.

In order to respond to the increased volumes of calls, extra staff were required for the Customer Service Centre and Fault Centre. The Customer Service Centre operated for extended hours on weekdays and on weekends to prioritise community needs and safety.

Customer support measures

During the storm event, TasNetworks provided information to local councils about the expected duration and impact of outages to facilitate the establishment of community support hubs where most needed. These support hubs provided services such as phone charging, showers and a safe, warm space to go. TasNetworks promoted the facilities available through our website, SMS and social media channels.

The Tasmanian Government made a number of grants available to customers experiencing prolonged outages including:

- Emergency Food Grants of $350 available to people without power for longer than 72 hours; and
- Temporary Living Support Grants of $2,000 for each household that was without power for greater than seven days.[15]

[13] TasNetworks Media Release, Friday 30 August 2024, Link: Power-outage-update.pdf
[14] TasNetworks Media Release, Saturday 7 September 2024, Link: TasNetworks-Final-Storm-Outages-release.pdf
[15] Tasmanian Government, Additional Disaster Assistance for Tasmanian storm and flood affected families | Premier of Tasmania, accessed 31 October 2024.

Unique to this storm event was the provision of our customer data to assist the Department of Premier and Cabinet (**DPAC**) in managing these State Government emergency relief grants. TasNetworks' Market Systems data specialists extracted uncleansed customer interruption information for DPAC to use in their suite of validation checks for grant applications. This effort was resource intensive and significant.

Guaranteed Service Level payments

Under the GSL Scheme[16] in Tasmania, TasNetworks is required to make GSL payments to customers who experience a lengthy power outage or multiple outages in a 12-month period. Under the GSL scheme, TasNetworks is required to make the following payments:

- $80 Frequency of Outages GSL Payment if in a rolling 12 month period the number of outages (excluding exempted outages) exceeds between 10 to 16 (depending on customer geographic segment).
- $80 Single Duration GSL Payment if the duration of a single outage (excluding exempted outages) exceeds 8 to 12 hours (depending on customer geographic segment).
- $160 Single Duration GSL Payment if the duration of a single outage (excluding exempted outages) exceeds 16 to 24 hours (depending on customer geographic segment).

TasNetworks made $9.46 million in GSL payments to customers for outages that occurred from 26 August to 4 September, mainly single duration outage payments.[17]

4.5 Customer engagement on costs

TasNetworks first introduced the concept of a cost pass through in relation to the storm at our CAG forum in December 2024, at the same time as we consulted with the group about the post incident review commissioned by TasNetworks. Our CAG consists of 12 members representing the diversity of TasNetworks' residential and small business customer base and aims to:

- provide the perspectives and lived experiences of TasNetworks' customers and Tasmanian electricity users on strategic and operational TasNetworks issues that are in their best interests; and
- help ensure TasNetworks places the evolving needs and expectations of its customers at the centre of business decision making.

TasNetworks also has a SAG with up to 18 members representative of the diversity of our stakeholders. The purpose of the SAG is to:

- provide the collective perspectives of given communities, membership groups and organisations on strategic and operational energy issues that are in the best interests of Tasmanian electricity users; and
- help ensure TasNetworks places the evolving needs and expectations of its customers and stakeholders at the centre of business decision making.

TasNetworks held a combined CAG and SAG webinar on 13 February 2025 aimed at educating members about the cost pass through framework and at that time informed members of the costs to be included in the pass through application and the likely increase in network charges that would result.

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[16] Office of the Tasmanian Economic Regulator, Guaranteed Service Level Guideline, Version 4, July 2024, Link: 24 1289 Guaranteed Service Level Scheme Guideline, Version 4, 1 July 2024.PDF

[17] $110,000 of these payments were Frequency of Outages GSL Payments.

In the session members acknowledged that the increases to network charges are relatively small but expressed concerns that even a small increase for certain residential or small business customers could be difficult to manage, especially with potential future increases.

The discussions also included broader topics such as how TasNetworks intends to assess the need to pass through storm costs in the future and our approach to resilience expenditure, considering the likely increase in extreme weather events due to climate change.

4.6 Post incident review

TasNetworks commissioned a Post Incident Review (**PIR**) conducted by independent consultants into the Storm event in late September 2024, at the direction of TasNetworks' CEO and Board. The PIR was commissioned to understand the impacts on TasNetworks' operations and identify potential improvements to processes and systems to improve customer response performance and better support Tasmanian communities during prolonged emergency events.

To inform the PIR, we also commissioned a Post Incident Customer Experience Review (**Customer Experience Review**) by an independent research agency. This research aimed to understand customer and stakeholder experiences, and their perceptions of TasNetworks' communications performance during the storm event and throughout the recovery process. This involved qualitative research, including small group discussions with customers and Subject Matter Experts (**SMEs**) within TasNetworks, and one-on-one interviews with vulnerable customers, stakeholders and large businesses. In total, 86 customers, 9 major businesses and 12 stakeholders provided feedback to inform the Customer Experience Review.

We also commissioned a third-party independent assessment of the PIR to provide confidence that the study shone a light into the appropriate corners, and presented fair, reasonable, informed and actionable recommendations.

The PIR made extensive findings in relation to TasNetworks response to the 2024 storm event including:

- Historically, the ICS procedure has been used to manage major incidents such as storm events. This contingency procedure has been in place for over a decade and has served TasNetworks well, given its historical lack of standardised process and modern IT systems. However, due to the unprecedented severity and duration of this storm event, every aspect of TasNetworks' response capability was tested simultaneously.
- TasNetworks has plans in place to improve on its preparedness for extreme weather events, such as further storms or bushfires. Aspects of preparedness, such as network resilience planning, are under development.
- TasNetworks field response (including third party crews) performed well under adverse conditions.

The independent review of the PIR supported the PIR as a "fair and actionable review of TasNetworks' performance in the severe weather event". It also noted that:

- "The consecutive significant weather fronts presented a rare weather event that would have challenged an effective response from most electricity utilities in Australia."
- "There is little evidence of endemic shortcomings in TasNetworks' asset management, vegetation management, material availability or ICT capability that may have contributed materially to the extent of the damage to the power network, or the duration of the power interruptions".
- The use of remote (contractor and interstate) field resources was timely and appropriate.

The PIR was finalised in December 2024 and TasNetworks is working towards assessing and implementing the recommendations including reviews of the ICS Procedure, Fault Dispatch Procedure, customer communications, network resilience and vegetation management strategies. TasNetworks is in the process of setting up a project team to implement the recommendations of the PIR.

5. Regulatory Framework

5.1 Pass through event

Clause 6.6.1(a1) of the NER defines pass through events for a distribution determination. This includes events 'specified in a distribution determination as a pass through event for the determination'.[18]

The relevant distribution determination for the purposes of the storm event is TasNetworks' 2024-2029 Regulatory Determination. In our regulatory proposal TasNetworks nominated[19] and the AER's Final Decision confirmed[20] that a 'natural disaster event' will apply to TasNetworks as a nominated pass through event for the 2024–2029 regulatory control period.

5.2 Natural disaster event definition

A natural disaster event is defined in TasNetworks 2024-2029 Regulatory Determination[21] as:

> *"Natural disaster event means any natural disaster including but not limited to cyclone, fire, flood or earthquake that occurs during the 2024–29 regulatory control period that changes the costs to TasNetworks in providing direct control services, provided the cyclone, fire, flood, earthquake or other event was:*
>
> *a) a consequence of an act or omission that was necessary for the service provider to comply with a regulatory obligation or requirement or with an applicable regulatory instrument; or*
>
> *b) not a consequence of any other act or omission of the service provider*
>
> *Note: In assessing a natural disaster event pass through application, the AER will have regard to, amongst other things:*
>
> *i) whether TasNetworks has insurance against the event;*
>
> *ii) the level of insurance that an efficient and prudent NSP would obtain in respect of the event."*

We consider that the storm event satisfies the definition of a natural disaster pass through event as specified in TasNetworks' Regulatory Determination. In particular the storm event was:

- declared to be a natural disaster by State and Federal Governments;[22]
- an extreme, sudden event caused by environmental factors and included significant flood events, damaging winds and periods of high rainfall.

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18 NER, clause 6.6.1(a1)(5) and Chapter 10 (definition of '*pass through event*')

19 TasNetworks Combined Proposal 2024-2029, page 44, Link: TasNetworks-Combined Proposal Overview-Jan 23-Public.pdf

20 AER – Final Decision – Overview – TasNetworks – 2024-29 Distribution and Transmission revenue proposal – April 2024, page 46, Link: Final decision | Australian Energy Regulator (AER)

21 AER- Draft Decision Attachment 15 – Pass through events – TasNetworks – 2024-29 Distribution revenue proposal – September 2023 ,page 13, Link: Draft decision | Australian Energy Regulator (AER)

22 Australia Government Reference Number 1144 and Australian Government, Department of Home Affairs, Tasmania severe weather event: commencing 26 August 2024, viewed 29 October 2024. TasAlert website, Severe Weather September 2024 - TasALERT, accessed 29 October 2024

The Australian Government made extraordinary assistance measures available under disaster recovery funding arrangements for primary producer recovery grants and small business and non-profit organisation recovery grants.[23]

The Tasmanian Government made a number of grants available including:

- Recovery and restoration grants to provide assistance to meet needs in the medium to longer term for people who, because of an eligible natural disaster have incurred substantial property damage and/or substantial loss of personal household items essential for daily living and/or are unable to reside in their principal place of residence due to damage incurred;[24]
- Emergency Food Grants of $350 available for people without power for longer than 72 hours; and
- Temporary Living Support Grants payments of $2,000 for each household that was without power for greater than seven days.[25]

The storm event increased the costs to TasNetworks in providing direct control services and the event was not a consequence of an act or omission of TasNetworks – it was outside of our control, and it was not foreseeable.

5.3 Occurrence of a positive change event

Clause 6.6.1(a) of the NER provides that if a 'positive change event' occurs a DNSP may seek the approval of the AER to pass through to Distribution Network Users a positive pass through amount.

For a DNSP, a positive change event is a pass through event which entails a DNSP incurring materially higher costs in providing direct control services than it would have incurred but for that event, but does not include a contingent project or an associated trigger event.[26]

Positive pass through amount

Clause 6.6.1(c)(4) of the NER requires us to specify the positive pass through amount that we propose in relation to the positive change event. The positive pass through amount is defined in Chapter 10 of the NER as an amount not exceeding the eligible pass through amount.

The total positive pass through amount is $4.08 million ($nominal, unsmoothed) as set out in more detail in section 7.3.

Eligible pass through amount

Clause 6.6.1(c)(3) of the NER requires us to specify an eligible pass through amount. An eligible pass through amount in relation to a positive change event is the increase in costs in the provision of direct control services that a DNSP has incurred or is likely to incur as a result of that positive change event.[27]

The eligible pass through amount is $9.41 million ($nominal) as set out in more detail in section 7.1.

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[23] Tasmania severe weather event: commencing 26 August 2024

[24] Tasmanian Government, Recovery and Restoration Grants Severe Weather Event August/September 2024, Link: Department of Premier and Cabinet - Recovery and Restoration Grants Severe Weather Event August/September 2024, accessed 31 October 2024

[25] Tasmanian Government, Additional Disaster Assistance for Tasmanian storm and flood affected families | Premier of Tasmania, accessed 31 October 2024.

[26] NER, Chapter 10

[27] NER, Chapter 10

In determining the eligible pass through amount, we confirm that only incremental costs attributable to the storm event have been included. No costs that would have been incurred under BAU scenario have been included in this application.

Materiality of costs

Materially is defined in Chapter 10 of the NER as where the change in costs (as opposed to the revenue impact) that a DNSP has incurred, and is likely to incur, in any year of a regulatory control period, as a result of the event, exceeds one per cent of the annual revenue requirement (**ARR**) for that regulatory year.

One per cent of TasNetworks' 2024-25 ARR (unsmoothed) is $3.35 million.[28] The total increase in costs that TasNetworks has incurred as a result of the positive change event is $9.41 million ($nominal) which is approximately 2.8 per cent of our ARR as shown in Table 5 below.

Table 5: Materiality of change in costs ($million nominal)

$million nominal	
Annual revenue requirement (ARR) (unsmoothed)	$334.7
Total costs	$9.410
Materiality of cost pass through	2.8%

Does not include a contingent project or an associated trigger event

A pass through event must not be a contingent project or an associated trigger event. TasNetworks did not propose any contingent projects for the distribution network in our 2024-2029 regulatory proposal. As such there are no contingent projects for capital expenditure of the kind required by the storm event.

Clause 6.6.1(c1) of the NER requires that the positive pass through amount proposed not include any expenditure for a restricted asset,[29] unless in conjunction with a request for asset exemption. TasNetworks has not included any capital expenditure for a restricted asset in the positive pass through amount included in this application.

5.4 Date on which the positive change event occurred

Clause 6.6.1(c)(2) requires us to specify the date on which the positive change event occurred. TasNetworks has defined the dates of the positive change event as between 26 August 2024 to 4 September 2024. While there were multiple cold fronts that impacted the state during this period, these were for the most part continuous with only temporary easing of weather conditions and,

[28] TasNetworks' annual revenue requirement for 2024-25 is $334.7 ($million nominal, unsmoothed).

[29] NER, Chapter 10 defines expenditure for a restricted asset as "Capital expenditure for a restricted asset, excluding capital expenditure for the refurbishment of that asset" and a restricted asset as "An item of equipment that is electrically connected to a retail customer's connection point at a location that is on the same side of that connection point as the metering point..."

therefore, should be treated as one event. This period is consistent with the Government's classification of the natural disaster event.[30]

5.5 Requirement for a written statement

To seek the approval of the AER to pass through a positive pass through amount, clause 6.6.1(c) of the NER requires TasNetworks to submit a written statement to the AER within 90 days of the positive change event containing the following information:

- the details of the positive change event;
- the date on which the positive change event occurred;
- the eligible pass through amount;
- the positive pass through amount the DNSP proposes;
- the amount of the positive pass through amount that the DNSP proposes should be passed through to Distribution Network Users in the regulatory year in which, and each regulatory year after that in which, the positive change event occurred;
- evidence:
    - of the actual and likely increase in costs; and
    - that such costs occur solely as a consequence of the positive change event;
- such other information as may be required under any relevant regulatory information instrument.
- This application, comprising this document and attachments, constitutes the written statement to the AER for the purposes of clause 6.6.1(c) and contains the information required under this clause.[31]

Submission of written statement within 90 days of positive change event

Clause 6.6.1(c) of the NER provides that we must submit our written statement to the AER within 90 business days of positive change event unless an extension of time is granted under clause 6.6.1(k).

Extension of time to submit written statement

TasNetworks applied to the AER for an extension of time to submit the written statement pursuant to clause 6.6.1(k) of the NER and was granted an extension of time to 28 February 2025. TasNetworks has submitted this application on 28 February 2025.

[30] Tasmanian Government, Tas ALERT website, Link: Severe Weather September 2024 - TasALERT, accessed 8 November 2024. See also: Australian Government, Disaster Assist website, Link: Tasmania severe weather event: commencing 26 August 2024, accessed 8 November 2024.

[31] Clause 6.6.1(c)(7) of the NER requires us to provide such other information as may be required under any relevant regulatory information instrument. We will provide any information required by the AER prior to submitting this application as required by clause 6.6.1(e1) of the NER.

5.6 Matters that the AER must take into account

Clause 6.6.1(j) of the NER requires the AER to take into account the following matters in making its determination on this application:

- Matters and proposals in any statement given to the AER by TasNetworks;
- The increase in costs in the provision of direct control services as a result of the positive change event until the end of the incremental regulatory control period;
- Efficiency of our decisions and actions in relation to the risk of a positive change event, including whether TasNetworks failed to take any action that could reasonably be taken to reduce the magnitude of the pass through amount or any action taken or omission made that has increased the magnitude of the pass through amount;
- The time cost of money based on the allowed rate of return in the regulatory control period;
- The need to ensure that we only recover the actual or likely increment in costs to the extent that such increment is solely as a consequence of a pass through event;
- Whether the costs of the pass through have already been factored into our annual revenue requirement; and
- Whether the costs incurred are the subject of previous determinations under clause 6.6.1 (c).

This application and the attachments also address the matters listed in clause 6.6.1(j) of the NER which the AER must take into account in deciding the approved pass through amounts.

6. Costs incurred

This section outlines the costs that TasNetworks incurred in responding to the storm event, the process for capturing those costs and the methodology for ensuing that the costs included in the eligible pass through amount are incremental in nature.

The methodology for calculating incremental costs and the costs included in the eligible pass through amount have been independently reviewed.

6.1 Overview of costs incurred

Table 6 summarises the total incremental costs incurred in response to the storm event broken down into capex and opex. All expenditure was incurred in the 2024-25 regulatory year. A model containing a cost build up is included as Attachment 1.

Table 6: Breakdown of the incremental costs incurred, categorised into capital and operating expenditure ($million nominal)

$million nominal	Capex	Opex	Total
Emergency response	6.920	0.996	7.916
Standdown	-	0.546	0.546
Post incident review	-	0.227	0.227
Pass-Through application response	-	0.038	0.038
Generator purchases	0.107	-	0.107
Generator hire	-	0.577	0.577
Total	**7.027**	**2.383**	**9.410**

Note: Numbers may not add up due to rounding

Cost capture methodology

When a member of the public reports a network outage or asset damage to the TasNetworks' call centre or a member of TasNetworks' staff discovers a fault or outage, a unique 'work order' is created to track the progress of that fault job and related expenditure. As this was a state-wide event, all work orders generated from 25 August to 16 September 2024[32] were reviewed and included in the total storm costs if they were storm related (**storm work orders**). While costs from 25 August were included in the total storm costs, they have been excluded from incremental costs as the natural disaster was not declared by the Government until 26 August.

Costs were captured to the storm work orders through timesheet entries, material 'movements' capturing materials issued from warehouses, invoices processed from vendors and third party

[32] The date when the ICS was stood down and when the majority of customers' power was restored.

contractors and charges to corporate credit cards. Costs from these work orders were charged to a number of different internal cost codes. Separate work orders were utilised for the PIR and standdown costs.

Internal labour costs for office-based staff were calculated based on time sheeting for individuals working during storm event. Office-based staff captured their time against a separate internal cost code.

The costs captured under the storm work orders (including materials and plant), PIR and standdown work orders, labour for office-based staff as well as GSL payments were added to calculate the total actual expenditure during the storm event.

6.2 Capital expenditure

To calculate the amount that can be capitalised as a result of the storm event, TasNetworks has utilised a methodology consistent with that applied for our 2024-2029 Regulatory Determination and previous storm events.

The steps undertaken to determine the capitalisation value for the storm event approach were as follows:

- Identification of all storm related work orders.
- Exclusion of specifically identified non-capital costs from storm work orders in line with the TasNetworks' Capitalisation Policy.
- Identification of quantities of materials in each specific category issued on storm work orders.
- Application of historic rates, inclusive of material prices, internal labour charges, and contractor service costs, but excluding corporate overheads, to calculate the appropriate amount to capitalise.

In addition to the capitalisable amount from the storm work orders we also included:

- An adjustment to account for backpay from the TasNetworks Enterprise Agreement entered into in December 2024. The labour component of the historic rates was adjusted to incorporate backpay to 1 July 2024.
- The cost of purchasing 51 mobile generators and a small number of batteries that were primarily provided to life support customers and other customer with an urgent medical need (for example, customers with essential medication requiring refrigeration). We did not receive an allowance to purchase small mobile generators in our 2024-2029 Regulatory Determination, so these costs are fully incremental.

These capital expenditure (**capex**) costs are shown in Table 7, below, which summarises the total amount of capitalisation relating to the storm event before any deduction for work brought forwards as a result of the storm.

Table 7: Total storm capitalisation ($nominal)

	Total costs
Total storm costs capitalised from work orders	$7,054,804
Generator purchase	$106,939
Capex portion of EA backpay	$53,631
Total capex	$7,215,374

Offsetting savings in 2024-2029 regulatory control period

Some works that would have been required during the 2024-2029 regulatory control period were brought forward and carried out as a necessary part of the storm response and restoration activities. This reduction in future work will reduce our costs during the 2024-2029 regulatory control period. The forecast savings are shown in Table 8 below. Accordingly, we have deducted this amount from the eligible pass through amount.

In order to calculate the forecast savings TasNetworks calculated the average replacement rate in the regulatory control period for each asset class based on our 2024-2029 Regulatory Determination. This amount was then subtracted from the total number of assets replaced during the storm event in each asset class before applying the historic rates.

This methodology accounts for the probability that an asset that was replaced during the storm would have been replaced in the remainder of the regulatory control period. We consider that applying this methodology results in a generous estimate of cost savings as the replacement rate applied is for the entire regulatory control period.

Table 8: Estimated cost savings in 2024-29 regulatory control period ($nominal 2024)

	Estimated savings
Capex	$185,825

No assets subject of insurance claims

TasNetworks has confirmed that the assets damaged in the storm event do not fall within the scope of its insurance coverage and that there is no need to exclude any amount as part of an insurance claim.

Incremental capex

Table 9 sets out the incremental capex to be included in the eligible amount for the cost pass through application.

Table 9: Incremental capex ($nominal)

	Estimated savings
Total storm costs capitalised from work orders	$7,054,803
Adjustment for alternate control service[33]	-$537
Generator purchase	$106,939
Capex portion of EA backpay	$51,889
Offset capex savings	- $185,825
Incremental capex	$7,027,269

[33] The total storm cost included the replacement of two streetlights which are alternate control services.

6.3 Operating expenditure

The incremental capex discussed in section 6.2 above incorporates all capitalisable labour in relation to the replacement of the assets identified above. However, TasNetworks also incurred additional incremental labour and other operating expenditure (**opex**) costs.

TasNetworks incurred $2.38 million ($nominal) in incremental opex in responding to the storm event relating to emergency response costs including network inspection and make safe, standdown costs, generator hire and post incident review costs.

We have excluded internal labour costs for office-based staff unless they were required to do overtime for their role in the storm response. Therefore, this aspect of pass through includes only incremental labour which is not captured in our opex allowance. Table 10 below sets out the incremental opex by activity.

Table 10: Incremental opex by activity ($million nominal 2024)

Opex category ($million, nominal)	Amount
Emergency response	0.996
Standdown	0.546
Post incident review	0.227
Pass through application	0.038
Generator hire	0.577
Total incremental opex	**2.383**

Note: Numbers may not add up due to rounding

Emergency response costs

Emergency response costs include:

- Minor repairs and restoration performed under storm-related work orders, including costs of internal labour for fault crews, materials used for minor repairs, and contractor services for external crews that is not capitalisable work as per the relevant Australian Accounting Standards Board's (**AASB**) standard, AASB 116 and TasNetworks internal Capitalisation Policy.
- Labour costs for 'make safe' responses, with crews addressing immediate safety risks before returning to complete full repairs.
- Ground, aerial, and pole-top inspections of damaged assets, including internal labour and some third-party contractors costs.
- Fault Centre and Customer Service Centre costs.
- Various expenses required for the storm response including accommodation, meal costs and fuel.

Emergency Response costs were derived from storm work orders generated exclusively during the ICS period and, as such, are costs arising solely as a consequence of the storm event. The expenses remaining on these work orders following capitalisation are classified as opex and fully incremental.

To confirm the incremental nature of the emergency response costs TasNetworks undertook an assessment of incremental costs against our inferred regulatory allowances as included in the Base Year (2021-22 financial year[34]) underpinning our 2024-2029 Regulatory Determination.

An assessment was carried out to determine whether the costs for storm event (based on the storm work orders) were included in our regulatory allowance. To determine this the following process was applied:

- Extracted costs incurred for emergency management and response in the base year (2021-22).
- Assessed the actual costs incurred between July and December 2024 against base year (2021-22) costs on a like for like basis.
- Calculated the full year expected cost to 30 June 2025 taking into account the incremental impact of the pass through storm event and mid-point of historical averages of costs for the January to June.
- Compared forecast costs for 2024-25 to the 2021-22 base year allowance.
- This showed a difference of $2.56 million as set out in Table 11, below.

Table 11: Comparison of the forecast costs for 2024-25 to the 2021-22 base year allowance ($million June 2024)

Base year emergency response allowance (2021-22)	Emergency response actual expenditure Jul-Dec 2024	Forecast full year emergency response expenditure Jul 2024- Dec 2025	Difference
$15.17	$10.84	$17.73	$2.56

Further analysis was undertaken to ensure that the increased levels of costs were related to the storm. This involved a comparison of month-by-month costs for the financial year to date against historical costs. This showed a clear increase in costs in September 2024 when most of the costs associated with the storm were recognised in the financial system.

This comparison of incremental storm opex costs against the emergency response inferred regulatory allowance shows that no adjustment was required to account for implied regulatory allowances.

Stand down costs

As a result of the storm event TasNetworks incurred higher than usual stand down costs. These costs were primarily incurred from 12 to 13 September when a safety pause was implemented as a mechanism to manage fatigue and ensure crews maintained their focus on safety towards the concluding stages of the event.

Stand down costs were captured through time sheeting. A small amount of these stand down costs were directly allocated to the storm work orders; however, the bulk were recorded under standard stand down work orders. As such TasNetworks has relied on historical expenditure to quantify the level of incremental stand down costs.

[34] AER Draft Decision, TasNetworks, Electricity Distribution Determination 2024-29, Attachment 6: Operating Expenditure

To calculate the incremental cost, we calculated a base monthly rate of expenditure using costs from the 2023-24 financial year[35] stand down costs and then subtracted that base value from the amount incurred in September 2024.

This approach resulted in a base monthly rate of $134,194 which was subtracted from the amount incurred in September 2024 to give an incremental stand down cost of $545,640.[36]

Post incident review costs

TasNetworks commissioned an independent PIR into the storm event which was conducted in late September 2024. The PIR was commissioned to understand the impacts of the storms on TasNetworks' operations and identify potential improvements to processes and systems aimed at improving customer response performance and better supporting Tasmanian communities during prolonged emergency events.

To inform the PIR, we also commissioned the Customer Experience Review by an independent consultant who conducted research aimed at understanding customer and stakeholder experiences, and their perceptions of TasNetworks' communications performance during the storm event and throughout the recovery process. This involved qualitative research, including small group discussions with customers and SMEs, as well as one-on-one interviews with vulnerable customers, stakeholders and large businesses.

We also commissioned a third-party independent assessment of the PIR to provide confidence that the study shone a light into the appropriate corners, and presented fair, reasonable, informed and actionable recommendations.

Costs were captured on separate work orders created specifically for the PIR. Consultant costs have been included as incremental costs of the storm. All internal labour relating to the PIR has been excluded.

The findings of the PIR are discussed above in section 4.6.

Application review costs

TasNetworks commissioned an independent review of the incremental cost methodology applied in this cost pass through application. We have included the costs of this review as incremental costs of the storm. All internal labour related to the preparation of this application has been excluded.

Generator hire costs

During the storm TasNetworks incurred costs for a contractor to provide services to dispatch and connect mobile generators to provide emergency power supply for some critical customers experiencing extended outages. Generators were provided to support critical infrastructure, dairy farmers, and to some businesses facing extended outages. Costs were incurred for the provision of services, including deployment, connection and refuelling, as well as standby availability costs.

TasNetworks did not receive an allowance for these costs in our 2024-2029 Regulatory Determination and, as a result, these costs are treated as fully incremental. TasNetworks only utilised one company to provide these types of services, so to confirm that these costs are incremental we searched financial records for transactions with that company. We identified minimal use of these services in previous

[35] 2023-24 was chosen as it had the highest stand down costs since FY 2017-18, to ensure the incremental costs are conservative.

[36] All stand down costs are in $June 2024

years and have concluded, therefore, that these costs fall outside business as usual costs and were incremental costs to the business.

Offsetting savings in 2024-2029 regulatory control period

We have not identified any opex savings, including for vegetation management or other routine maintenance, brought forward as a result of the storm event. The vast majority of outages in the storm event were caused by vegetation outside clearance zones or windborne debris and we do not anticipate any significant changes to our forward vegetation management program as a result of the storm event. Similarly, we have not identified any change to our routine inspection and maintenance forward work program as a result of the storm event.

7. Eligible and proposed pass through amount

7.1 Eligible pass through amount

Clause 6.6.1(c)(3) of the NER requires us to specify the eligible pass through amount. The eligible pass through amount in relation to a positive change event is the increase in costs in the provision of direct control services that a DNSP has incurred or is likely to incur as a result of that positive change event.[37]

Clause 6.6.1(j)(5) specifies that in making its determination, the AER must take into account the need to ensure that we only recover any actual or likely increment in costs to the extent that they are solely as a consequence of the pass through event.

In proposing the eligible pass through amount in this cost pass through application, we have included only the incremental costs for activities incurred solely as a result of the positive change event. Our methodology for calculating incremental costs is discussed in section 6.

Evidence of the costs for the eligible pass through amount

Clauses 6.6.1(c)(6)(ii) requires that we provide evidence that the costs occur solely as a consequence of the positive change event. The information below and Attachments 1 and 2 provide the evidence required. Table 12 below sets out a breakdown of the capex and opex included and the total eligible pass through amount.

Table 12: Total eligible pass through amount ($million nominal)

	2024-25	2025-26	2026-27	2027-28	2028-29	TOTAL
Distribution systems assets Capex	7.027	0.00	0.00	0.00	0.00	7.027
Incremental Opex	2.383	0.00	0.00	0.00	0.00	2.383
Total	9.410	0.00	0.00	0.00	0.00	9.410

7.2 Efficiency and prudency of costs

Efficiency of costs

Clause 6.6.1(j)(3) of the NER, provides that when making its determination on the pass through, the AER must take into account the efficiency of decisions and actions in relation to the risk of a positive change event, including whether TasNetworks failed to take any action that could reasonably be taken to reduce the magnitude of the pass through amount or any action taken or omission made that has increased the magnitude of the pass through amount.

[37] NER, Chapter 10

Given the magnitude of this storm event and the stage we, and other networks, are at in assessing and addressing increased climate change risk, including identifying and investing in proactive resilience-driven investment programs, we consider there were no material actions that TasNetworks could have taken to minimise the pass through amount, nor were there any actions or omissions that increased the magnitude of the pass through amount.

TasNetworks is actively considering the appropriate level of resilience expenditure for our next regulatory proposal and this will be informed by learnings from this storm event and the AER's resilience guidance note.[38]

The storm event was an unprecedented, severe and unexpected event. It consisted of a series of consecutive storm events with very little respite in between that meant that the impact and damage compounded over the ten-day period and complicated the response and recovery. Further complicating the response was the protected industrial action that was occurring in the lead up to the storm. The data shown in section 4.3, Impact on Network and Customers, of this application shows the magnitude and severity of this event in comparison to previous storm events.

TasNetworks responded to this event in accordance with State Emergency Management Procedures and internal ICS procedures as discussed in section 4.2, prioritising community needs and staff and customer safety. Our policies and procedures position us to effectively and efficiently respond to weather events that may impact our network. The PIR examined the storm response in detail and made findings as discussed in section 4.6 above. We will incorporate learnings into our processes and procedures, including in the areas of network resilience, vegetation management practices and ICS procedures.

The unprecedented and prolonged nature of this event stretched our resources and meant that third party support was increasingly required as the storm event unfolded, as outage durations and safety risks, such as staff fatigue, grew. In our response to the storm, where possible we utilised existing processes and methods, complimented by contractual arrangements to engage third party contractors to efficiently respond to the storm event. The independent assessment of the PIR found that the use of remote (contractor and interstate) field resources by TasNetworks was timely and appropriate.

From the detailed analysis of individual outages conducted to date, it is confirmed that over 60 per cent of outages were caused by vegetation damage. Of the vegetation related outages:

- 76 per cent were caused by vegetation outside the clearance zone;
- 20 per cent were due to windborne debris; and
- Only 4 per cent were suspected to be caused by vegetation within the clearance zone.

TasNetworks' expenditure on vegetation management is shown in Table 13 below. Expenditure on vegetation management increased substantially in the 2024 financial year and is expected to increase further in 2025.

[38] AER Network resilience, A note on key issues, April 2022

Table 13: Vegetation management expenditure actual ($nominal)

VEGETATION MANAGEMENT	Full Year Actual (AUD)
FY2025 (YTD)[39]	$ 11,392,717 (YTD)
FY2024	$19,542,928
FY2023	$17,295,473
FY2022	$17,301,792
FY2021	$17,483,013

The independent review of the PIR noted:

> *"no clear evidence that the design of the overhead assets, their regular maintenance or the management of vegetation was significantly sub-standard or inconsistent with good industry practice. It is unlikely that TasNetworks' current asset management strategy or practices contributed to an excessive number or extended duration of the power interruptions".*

Insurance coverage

The definition of natural disaster in TasNetworks 2024-2029 Regulatory Determination notes that:

> *"In assessing a natural disaster event pass through application, the AER will have regard to, amongst other things:*
>
> *i) whether TasNetworks has insurance against the event;*
>
> *ii) the level of insurance that an efficient and prudent NSP would obtain in respect of the event."*

TasNetworks does not have insurance coverage for 'poles and wires' in its distribution or transmission networks due to high costs and the limited coverage options available. Our Industrial Special Risks Insurance policy contains a specific exclusion for:

> *"transmission and distribution towers, poles, lines, components or equipment, including pole top hardware and other equipment attached to poles and towers and underground pipes and the like"*

This approach is consistent with that of other distribution network businesses across the National Electricity Market. These applications show a consistent theme on insurance costs for 'poles and wires' noting the high costs, limited number of insurers providing this coverage and continuing premium increases and/or increasing exclusions once claims are made. The premiums required to eliminate risks to poles and wires would result in higher customer charges that would not be consistent with efficient network operation.

TasNetworks routinely reviews its insurance needs and can confirm that insurance cover for poles and wires is currently not an efficient or prudent approach to managing the risk of damage to or loss of these network assets.

[39] To 31 January 2025

7.3 Proposed positive pass through amount

Clause 6.6.1(c)(4) of the NER requires us to specify the positive pass through amount that we propose in relation to a positive change event. The positive pass through amount is defined as an amount not exceeding the eligible pass through amount.

We propose a positive pass through amount of $4.08 million ($nominal, unsmoothed) as shown in Table 14. The proposed positive pass amount was calculated as the change in our required revenues for the 2024-2029 regulatory control period due to the positive change event. The post-tax revenue model is provided as Attachment 2.

Table 14: Proposed pass through revenue from storm event ($million nominal, unsmoothed)

	2024-25	2025-26	2026-27	2027-28	2028-29	TOTAL
Return on capital	0.00	0.42	0.42	0.43	0.43	1.70
Return of capital	0.00	(0.01)	(0.01)	(0.00)	(0.00)	(0.02)
Opex	2.44	0.00	0.00	0.00	0.00	2.44
Revenue adjustments	0.00	0.00	0.00	0.00	0.00	0.00
Tax	0.04	(0.03)	(0.02)	(0.02)	(0.02)	(0.04)
Building block revenue	**2.48**	**0.38**	**0.39**	**0.41**	**0.42**	**4.08**

Note: Numbers may not add up due to rounding

7.4 Proposed cost recovery

Clause 6.6.1(c)(5)) requires us to specify the amount that we propose to pass through to customers in the year, and each regulatory year after, in which the positive change event occurred. Table 15 shows the proposed pass through revenue from the storm event.

Table 15: Proposed pass through revenue from storm event ($million nominal, smoothed)

$million nominal	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Building block revenue	-	-	$1.19	$1.88	$1.54	**$4.61**

This will result in network charges increasing by $3 per annum for residential customers and $10.7 per annum for small business customers over that period as shown in Table 16 and Table 17 below.

Table 16: Typical residential customer indicative network charges ($June 2024)

Annual Typical Residential Network Charges ($June 2024)	2024-25	2025-26	2026-27	2027-28	2028-29
2024-2029 Regulatory Determination	$834.6	$888.3	$962.9	$994.7	$978.9
Cost Pass Through Impact	-	-	$2.4	$3.7	$3.0
Updated Typical Annual Network Charge	$834.6	$888.3	$965.3	$998.4	$981.9

Table 17: Typical small business customer indicative network charges ($June 2024)

Annual Typical Small Business Customer Network Charges ($June 2024)	2024-25	2025-26	2026-27	2027-28	2028-29
2024-2029 Regulatory Determination	$2,987.3	$3,166.4	$3,417.8	$3,515.8	$3,444.8
Cost Pass Through Impact	-	-	$8.6	$13.1	$10.4
Updated Typical Annual Network Charge	$2,987.3	$3,166.4	$3,426.4	$3,528.9	$3,455.2

8. Regulatory Compliance

NER clause	Requirement	Information provided	Section of application
6.6.1(a1)	Identification of a pass through event as specified in the distribution determination	Confirms event as a 'natural disaster event' as included in 2024-29 Regulatory Determination	Section 5.2
6.6.1(a)	DNSP may seek AER approval for a positive change event if materially higher costs were incurred for direct control services	Confirms costs exceed one per cent of ARR	Section 5.3
6.6.1(c)	A DNSP must submit a statement within 90 business days of the positive change event, unless extension granted under 6.6.1(k)	Extension of time granted to 28 February 2025. Application submitted on or before this date.	Section 5.5
6.6.1(c)(1)	Specify details of the positive change event	Details the nature and impact of the event	Section 4
6.6.1(c)(2)	Specify the date of the positive change event	Date and rationale provided	Section 5.4
6.6.1(c)(3)	Specify the eligible pass through amount as a result of the positive change event	Eligible pass through amount included	Section 7.1
6.6.1(c)(4)	Specify the positive pass through amount proposed	Proposed positive pass through amount	Section 7.3
6.6.1(c)(5)	Specify the amount to be passed through in the regulatory year and each subsequent year	Proposed recovery profile	Section 0
6.6.1(c)(6)(i)	Evidence of actual and likely cost increases	Cost build-up model and summary	Section 6 and Attachment 1
6.6.1(c)(6)(ii)	Evidence that costs occur solely due to the positive change event	Data and methodology provided	Section 6 and Attachment 1
6.6.1(c)(6)(iii)	Evidence if the event is related to a retailer insolvency event	Not applicable	N/A
6.6.1(c)(7)	Other information as required under any relevant regulatory instrument	Not applicable	N/A
6.6.1(c1)	Pass through amount must not include expenditure for a restricted asset	None included	Section 5.3

9. Attachments / supporting documentation

Attachment 1: Build-up of costs

Attachment 2: Post-tax revenue model update to incorporate pass through amount

Attachment 3: Confidentiality template

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