

14 January 2022

Mr Sebastian Roberts
General Manager, Expenditure
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Via email: [REDACTED]

Dear Sebastian

RE: Cost Pass-through Application – June 2021 storms

On 22 November 2021, we submitted a cost pass through application for the June 2021 storms that resulted in extensive damage to our network and approximately 230,000 of our customers being off supply. The total pass-through revenue sought was \$36.2 million (\$2021, smoothed) where the Guaranteed Service Level (GSL) scheme cost was by far the largest component of the pass-through revenue sought. Our GSL estimate at the time of submission was a gross cost of \$25.3 million or a net cost of \$22.2 million after factoring in the Victorian Government's indicative contribution.

Since the submission of our application:

- We have made GSL payments to customers, amounting to \$25.3 million, to implement the Ministerial Order that was issued on 18 November 2021 requiring us to compensate eligible customers who reside in our distribution zone and who were impacted by the June Storms; and, in addition
- At customers' request, we have validated our GSL data and identified \$311,160 of additional GSL cost – affecting 1,731 customers – that was not accounted for in our original submission.

As a result, we request to vary our total pass-through revenue sought by an increment of \$311,160, from \$36.2 million to \$36.5 million (\$2021, smoothed). We maintain our proposal for the amount to be recovered in equal amounts (in nominal terms) over a 4-year period starting 1 July 2022. Recovering the costs over that period will help ensure prices are smoothed and there is greater stability in prices – outcomes we know our customers value. Importantly, bills for our distribution network are still expected to fall substantially over the course of the current regulatory period.

Please contact Ian McNicol at [REDACTED] if AER staff would like to discuss any aspect of this variation.

Yours sincerely

Tom Hallam
General Manager, Regulation