

27 May 2020

Mr Sebastian Roberts
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Dear Sebastian,

Cost pass through application – 2020 summer bushfires

As advised in our letter to you on 4 February 2020, the 2020 ‘black summer’ bushfires caused significant damage to parts of AusNet Services’ distribution network. In total 1,000km of powerlines were affected, with 7,000 customers off supply as a result of the damage.

AusNet Services developed a coordinated response to the impact of the fires, which involved up to 400 people. These included operational leaders, resource management, asset inspectors, field crews, administrative and logistics staff.

The emergency restoration works undertaken included:

- Replacing 325 damaged poles;
- Patrolling 2,000 spans of conductor to identify damage and clear vegetation; and
- Replacing vibration dampers at 400 sites.

In addition, large mobile generators were installed and maintained at Mallacoota, Newmerella, Omeo and Corryong throughout January and February to supply local communities and a fleet of 100 small generators was deployed to support individual customers without power, many of them isolated and feeling particularly distressed and vulnerable.

The bushfires event has resulted in a material increase in costs to AusNet Services. The nature of the costs is subject to the cost pass through provisions of the National Electricity Rules and the AER’s final decision on AusNet Services’ distribution determination 2016 – 2020, as a natural disaster pass event. Accordingly, AusNet Services submits with this letter, its application for pass through of these costs.

The total pass through revenue sought is \$14.71 million. AusNet Services is proposing that the positive pass through amount be recovered in the 6 month period from 1 January to 30 June 2021, which is an intended extension to the current regulatory period¹. Recovering the costs in this period, where we are forecasting a significant price reduction and compared to which the positive pass through amount is modest, will ensure that prices are smoothed.

The recovery of costs to restore the network after the bushfires will add an average of \$19.44 per customer (\$11.22 per residential customer; and \$97.71 per non-residential customer) to bills in 2021. Accounting for this cost recovery, bills for our distribution network are still expected to fall substantially in 2021.

We also note that as well as creating new costs, some work that would have been required in future years and is part of the on-going cost of maintaining the network, has been avoided. The reduction in future work will be reflected as reduced costs in AusNet Services’ Revised Proposal to the AER for the 2022 – 2026 regulatory control period.

¹ The current regulatory control period for Victorian DNSPs is to be extended by 6 months, to June 2021, transferring Vic DNSPs to economic regulation on a financial year basis. Refer note on AER webpage for [AusNet Services Determination 2021 - 2026](#)

In recognition of the hardship being experienced by the community, AusNet Services self-funded a number of customer support measures for which it will not be seeking cost recovery through this pass-through application, including:

- Waiving fees for premise reconnections, replacement metering and truck visits;
- Suspending disconnections in bushfire affected communities, recognizing the criticality of supply during the bushfire period;
- Providing an automatic payment for spoiled food to customers making such requests;
- Establishing a regional customer support presence in affected communities, ensuring attendance at all relevant community events;
- Waiving the network standing charge portion of affected customer bills; and
- Accelerating GSL payments and making the payment direct to customers rather than via the usual billing cycle retailer arrangements.

We submit with this letter our written statement / pass through application in respect of the increase in costs in accordance with the provisions of Clause 6.6.1 of the National Electricity Rules, for review and determination by the AER.

Please contact Charlotte Eddy, Manager Economic Regulation, if the AER would like to discuss the materials provided as part of our statement. We would also be pleased to provide any further information that may be required by the AER to make its determination.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Tom Hallam', written over a light grey circular stamp.

Tom Hallam

General Manager Regulation