



PO Box 4136
East Richmond VIC 3121
T 131 806
F 1300 661 086
W redenergy.com.au

PO Box 4136
East Richmond VIC 3121
T 1300 115 866
F 1300 136 891
W lumoenery.com.au



21 December 2021

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

Submitted electronically: AERInquiry@aer.gov.au

Dear Mr Roberts,

Re: AusNet Services cost pass through application

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to provide feedback to the application made by AusNet Services (AusNet) to the Australian Energy Regulator (AER) which seeks the approval of a positive pass through of costs to recover \$36.2 million from electricity users for the damage caused by the storms on 9 and 10 June 2021.

In general, we support positive pass through applications where the AER satisfies itself that the distributor has met their regulatory obligations and that the amounts recovered are not already accounted for by insurance. The storms on 9 and 10 June 2021 were both unforeseen and outside of AusNet's control and we consider they satisfy the definition of a positive pass through.

While we support the pass through application, when the pass through commences is the most important aspect of this consultation.

Timing of pass through

Should the AER determine that AusNet are permitted to recover the pass through amounts, they should not be permitted to recover them immediately. AusNet must consider the pass through as part of their next annual pricing proposal and make the necessary adjustments to their tariffs. By doing this, it will allow the Essential Services Commission to account for the pass through in the Victorian Default Offer (VDO).

This is an approach that the AER has taken for other pass through applications, and the approach should not differ for a Victorian network.

Based on the cost pass through application, AusNet proposes to recover the positive pass through amount of approximately \$9.0 million (smoothed, June 2021 dollars) in each regulatory year for the period from 1 July 2022 to 30 June 2026. Therefore, our expectation would be that



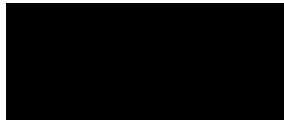
the network tariff will be adjusted from 1 July each year over the remaining part of the regulatory period to recover these costs.

About Red and Lumo

We are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria, South Australia, New South Wales, Queensland and the ACT to over 1.1 million customers.

Red and Lumo thank the AER for the opportunity to comment on AusNet's application. Should you wish to discuss aspects or have any further enquiries regarding this submission, please call [REDACTED], Regulatory Manager on [REDACTED].

Yours sincerely



Stefanie Monaco
Manager - Regulatory Affairs
Red Energy Pty Ltd
Lumo Energy (Australia) Pty Ltd