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22 December 2020

Mr Sebastian Roberts
General Manager, Transmission and Gas Branch
Australian Energy Regulator
Level 17, Casselden Place
2 Lonsdale Street
MELBOURNE VIC 3000

Submitted electronically sebastian.roberts@acc.gov.au

Dear Mr Roberts,

Re: Transgrid Cost Pass Through Application - 2019-20 Summer Bushfires

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to provide a submission to the Australian Energy Regulator (AER) on Transgrid's cost pass through application in respect of the increase in costs under clause 6A.7.3(a) of the National Electricity Rules (NER).

In general, we support Transgrid's application to recover the costs of the bushfires in 2019-20 which caused damage to parts of the transmission network including nearly 1000kms of transmission line route. Consistent with our submission to Endeavour Energy's cost pass through application we remain concerned regarding the timing and scale of the Transgrid pass through event.

Timing of pass through

Should the AER determine that Transgrid is permitted to recover the additional bushfire costs, they should not be permitted to recover these costs immediately. As transmission costs form part of the overall network tariff paid for by NSW customers, Transgrid's cost pass through should be varied in the same timeframe as the distribution network tariff resets. This will allow the AER to account for the pass through in the Default Market Offer (DMO). It remains unclear how the AER will manage an intra-period pass through event that it approves. The AER must ensure that any new transmission or distribution network charges as a result of a cost pass through event are included in the DMO.

Price impact for cost recovery to be minimised

We note that Transgrid has proposed to recover the costs of the pass through over the remaining two years of their price determination period.

Transgrid has calculated an eligible pass through amount of \$55.5 million (Nominal) based on the total incremental costs (capex and opex) of \$49.8 million (Real 2017-18) that are a consequence of the 2019-20 bushfire event. While Transgrid proposes that it “smoothes” the costs to minimise the impacts to consumers, it has proposed to recover \$50m in 2021-22 and only \$5.3m in 2022-23. We consider it is more appropriate to smooth this further, and recover the amounts equally between the remaining two financial periods.

This is reasonable as NSW consumers have also been impacted by the bushfires and all efforts must be made to minimise the impact for these affected customers. Where costs are recovered from a pass through event are significant, then we would support this amount being recovered over a longer period to ensure consumers are protected.

About Red and Lumo

Red and Lumo are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail electricity and gas in New South Wales, Victoria, South Australia, Queensland, and the ACT to over 1 million customers.

Should the AER wish to discuss or have any enquiries regarding this submission, please contact Con Noutso, Regulatory Manager on [REDACTED].

Yours sincerely

A black rectangular redaction box covering the signature of Ramy Soussou.

Ramy Soussou
General Manager Regulatory Affairs & Stakeholder Relations
Red Energy Pty Ltd
Lumo Energy (Australia) Pty Ltd