

19 September 2017

Mr Chris Pattas
General Manager
Network Operations and Development
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

Dear Chris

re: Network Support Pass Through Application for 2016-17

A network support allowance was approved in ElectraNet's revenue determination for the 2013-2018 regulatory control period based on the estimated cost of contracted network support services required to be provided at Port Lincoln on the Eyre Peninsula.

The pass through of network support costs to Transmission Network Users is required under clause 6A.7.2 of the National Electricity Rules. The AER has established a Procedural Guideline for preparing a transmission network support pass through application to provide further direction on this process.

The following network support pass through application for the regulatory year ended 30 June 2017 has been prepared in accordance with these provisions, and addresses the specific information requirements of the abovementioned Guideline. The relevant calculations are contained in a separate spread sheet model accompanying this application, in accordance with the reporting template accompanying the abovementioned Guideline.

1. Network support allowance

The applicable regulatory allowance for network support is \$9,163,608 for 2016-17 (\$Jun 2017). This is equivalent to the allowance contained in the AER's final revenue determination of \$8,491,430 (\$2012-13).

2. Actual network support expenditure

A total amount of \$7,566,672 was expended on network support during 2016-17 (\$Jun 2017). This total represents direct costs incurred in the provision of network support services during the 2016-17 regulatory year.

3. Network support pass through amount (\$m) including time cost of money calculations

A negative network support event (i.e. over-recovery) therefore occurred in respect of 2016-17, totalling \$1,596,936 (\$Jun 2017). After the required time value of money adjustments, this negative pass through amount totals \$1,779,919.

This represents the amount that ElectraNet proposes to pass back to Transmission Network Users as a revenue over-recovery in setting transmission prices for 2018-19, to be published by 15 March 2018.

4. Reasons for variation

The variation in expenditure compared with the allowance reflects the actual level of utilisation of the network support arrangements during the 12-month reporting period. The contracted services were deployed during 2016-17 on three occasions due to unplanned outages.

The unplanned outages occurred in August and September 2016. These outages were caused by plant failure, storm activity and the outages associated with the system black event on 28 September 2016. Additionally, it is noted charges were reduced due to the unavailability of the network support arrangement as detailed in the ESCOSA report *Transmission Licence Compliance Review – ElectraNet Pty Ltd June 2017*.

5. Verification of actual network support expenditure (audited regulatory accounts)

The information presented in this application is provided on the basis of audited statutory financial statements.

The expenses incurred are also subject to the annual audit of ElectraNet's regulatory accounts, currently in progress, which will be submitted to the AER by end October 2017, as required.

6. Date network support pass through application is submitted to AER

The date of lodgement of this application is 19 September 2017.

7. In some cases, details on contractual arrangements

There have been no material changes in the existing network support contract during 2016-17. The agreement remains the same as previously reviewed by the AER and its consultants during the transmission determination for ElectraNet's 2013-2018 regulatory control period.

8. TNSP decisions affecting the magnitude of the network support event

The service was utilised on the three occasions during 2016-17 as noted above, and the running costs are detailed in the calculations as attached.

I trust this information fully satisfies the requirements of the AER guideline and relevant provisions of the Rules.

Should you have any queries in relation to any aspect of this letter, I can be contacted on 08 8404 7324 or 0438 286 570.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. L. Appleby', written in a cursive style.

Simon Appleby
Senior Manager Regulation and Land Management

Encl: calculation spread sheet