

16 December 2022



Mr Kris Funston
Executive General Manager, Network Regulation
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3000

Dear Mr Funston

Cost pass-through application - flooding in South East Queensland

During the period 22 February to 7 March 2022, South East Queensland experienced a period of unprecedented severe weather which caused significant and widespread flooding throughout the entire region. This flooding severely impacted Energex Limited's (Energex's) electricity distribution network and resulted in significant expenditure beyond that budgeted for in our distribution determination for the 2020 to 2025 regulatory control period.

Chapter 6 of the National Electricity Rules (NER) provides that Distribution Network Service Providers (DNSPs) may seek to pass through incremental, prudent and efficient costs relating to events that have materially increased the costs of providing direct control services. In these instances, the Australian Energy Regulator (AER) applies a materiality threshold of one per cent of a DNSP's annual regulated revenue.

Energex considers that the flood event meets the requirements to qualify as a "natural disaster" pass-through event approved by the AER as a nominated pass-through event in the 2020-2025 distribution determination and the conditions prescribed under NER clause 6.6.1(a1) to trigger a positive pass-through event.

The total costs Energex incurred as a result of the flood event were significant at \$33.8 million. The \$20.3 million incremental component exceeds the required AER pass-through materiality threshold for Energex of \$12 million. Accordingly, please find attached Energex's written statement seeking the AER's approval to recover the additional costs associated with the natural disaster event as a positive pass-through amount.

Should Energex's application for a positive cost pass-through be approved by the AER, it is proposed that the full amount will be recovered in regulatory year 2024-25. It is expected that recovery of the pass-through amount of \$17.03 million in network charges for the 2024-25 regulatory year will not significantly impact customers' electricity bills, with the increase to an average residential customer's network charge estimated to be approximately \$8.13.

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If the AER requires any further information on this cost pass-through application or wishes to discuss this matter in further detail, please contact me on [REDACTED]

Yours sincerely

[REDACTED]

Louise Elford
Acting General Manager Strategy & Regulation

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Email: [REDACTED]

cc. Mr Arek Gulbenkogl
General Manager, Network Expenditure