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8 November 2021

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

Submitted electronically: [AERInquiry@aer.gov.au](mailto:AERInquiry@aer.gov.au)

Dear Mr Roberts,

### **Re: Essential Energy's cost pass through applications**

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to provide feedback to Essential Energy's (Essential) cost pass-through applications for the unexpected costs relating to the 2019-20 bushfires and the changes to their license as a result of their electricity network being classified as critical infrastructure.

In general terms, we support Essential Energy's application to recover the costs. Distribution Network Service Providers should have the right to pass through certain specific unforeseen costs outside of their control under the National Electricity Rules.

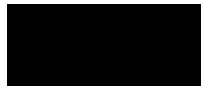
### **Timing of pass through**

Should the AER determine that Essential Energy is permitted to recover the additional costs, they should not be permitted to recover these costs immediately. Essential Energy must consider the pass through as part of their next annual pricing proposal and vary their tariffs accordingly. This will allow the AER to account for the pass through in the Default Market Offer (DMO).

It is currently unclear how the AER will manage an intra-period pass through event that it approves. The AER must ensure that any new network charges as a result of a cost pass through event are included in the DMO. Therefore, it is appropriate that Essential Energy's pass through occurs at the same time as their standard network cost reset.

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

Yours sincerely



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