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Dear Warwick,

Cost Pass Through Event Proposal for ElectraNet's 2013/14 – 2017/18 Revenue Proposal

Thank you for the opportunity to comment on ElectraNet's cost pass through event proposal for the 2013/14 – 2017/18 regulatory control period.

The cost pass through mechanism is a prudent mechanism to manage risk to both electricity consumers and Transmission Network Service Providers (TNSPs). Under the mechanism electricity consumers do not bear costs associated with high consequence, low probability events where they do not occur, but TNSPs are able to recover the efficient costs associated with an event should it occur.

As stated in Grid Australia's *Cost Pass Through Rule Change Proposal*, "the use of the cost pass through provisions can represent a cost efficient approach to the management of the risks associated with uncertain, external events beyond the reasonable control of the TNSP. This is particularly the case where commercial insurance for such risks is either not available, or only available at an excessive cost, and where a self-insurance allowance is either difficult to calculate or not credible."

TransGrid supports ElectraNet's pass through event proposal of three pass through events: a terrorism event, a natural disaster event, and an insurance cap event. In circumstances such as terrorism, natural disaster or a major event that breaches prudent insurance coverage it would be essential to restore the electricity transmission network without delay in order to service customers and underpin the economy. The cost of doing so is likely to be financially unsustainable for the business and consequentially, a pass through to share the costs across all customers is appropriate. In TransGrid's view, all three proposed pass through events are consistent with the pass through considerations under the National Electricity Rules and previous decisions made by the AER.

Should you wish to discuss any aspect of this submission, please contact Nicola Tully via email at Nicola.Tully@transgrid.com.au or via telephone on (02) 9284 3120.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Anthony Meehan".

Anthony Meehan
Executive General Manager/Finance & Information Systems

15/10/12