



# **AusNet Services transmission determination 2017–22**

April 2017

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## Shortened forms

Shortened form	Extended form
AER	Australian Energy Regulator
AR	Annual revenue
CESS	Capital expenditure sharing scheme
EBSS	Efficiency benefit sharing scheme
MAR	Maximum allowed revenue
NER	National Electricity Rules
NSP	Network service provider
NTSC	Negotiated transmission service criteria
opex	operating expenditure
PTRM	Post tax revenue model
RAB	Regulatory asset base
STPIS	Service target performance incentive scheme
TNSP	Transmission network service provider

# Summary

The Australian Energy Regulator (AER) makes a transmission determination for each transmission network service provider (TNSP) in accordance with chapter 6A of the National Electricity Rules (NER).<sup>1</sup>

This document is our transmission determination for AusNet Services for the regulatory control period 1 April 2017 to 31 March 2022. Our reasons are included in the AER's final decision on AusNet Services' transmission determination (April 2017) which is to be read in conjunction with this document.

Our transmission determination for AusNet Services consists of:<sup>2</sup>

- a revenue determination in respect of the provision by AusNet Services of prescribed transmission services (section 1)
- a determination relating to AusNet Services' negotiating framework (section 2)
- a determination that specifies the negotiated transmission service criteria (NTSC) that apply to AusNet Services (section 3)
- a determination that specifies the pricing methodology that applies to AusNet Services (section 4)
- a determination that specifies pass through events that will apply to this determination in addition to those specified in the NER (section 5).

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<sup>1</sup> NER, clause 6A.2.1.

<sup>2</sup> NER, clause 6A.2.2; 6A.7.3(a1).

# 1 Revenue

We calculate the amount of revenue that AusNet Services requires each year of the regulatory control period in accordance with a building block approach.<sup>3</sup> This is referred to as the *annual building block revenue requirement*. The annual building block revenue is then used to calculate the expected *maximum allowed revenue* (MAR) for each year of the 2017–22 regulatory control period. The annual MAR that AusNet Services may earn from providing prescribed transmission services is subject to adjustments to account for factors such as inflation, approved pass through costs and annual performance rewards or penalties.

This revenue determination specifies the following matters:<sup>4</sup>

- The amount of the estimated total revenue cap for the regulatory control period and the method of calculating that amount.
- The annual building block revenue requirement for each regulatory year of the regulatory control period.
- The amount of the MAR for each regulatory year of the regulatory control period or the method of calculating that amount.
- The regulatory asset base (RAB) as at the commencement of the regulatory control period.
- The methodology that will be used for the indexation of the RAB.
- The values that are to be attributed to the performance incentive scheme parameters for the purposes of the application to AusNet Services of the service target performance incentive scheme (STPIS) that applies in respect of the regulatory control period.
- The values that are to be attributed to the efficiency benefit sharing scheme parameters for the purposes of the application to AusNet Services of the efficiency benefit sharing scheme (EBSS) that applies in respect of the regulatory control period.
- How the capital expenditure sharing scheme is to apply to AusNet Services.
- The commencement and length of the regulatory control period covered by this determination.
- That depreciation for establishing the regulatory asset base as at the commencement of the following regulatory control period is to be based on a forecast capital expenditure.

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<sup>3</sup> NER, clause 6A.5.4.

<sup>4</sup> NER, clause 6A.4.2

## 1.1 Method for calculating estimated total revenue cap

We determine an estimated total MAR of \$2741.1 million (\$ nominal) for AusNet Services for the 2017–22 regulatory control period, as shown in Table 1-1. The estimated total MAR is also known as the total revenue cap. It is the sum of the expected MAR for each regulatory year.<sup>5</sup>

**Table 1-1 AER's final determination on AusNet Services' annual expected maximum allowed revenue (\$ million, nominal)**

	2017–18	2018–19	2019–20	2020–21	2021–22	Total
Annual expected MAR (smoothed)	534.8	541.5	548.3	555.1	562.1	2741.7 <sup>a</sup>
X factor (%) <sup>b</sup>	n/a <sup>c</sup>	1.12%	1.12%	1.12%	1.12%	n/a

Source: AER analysis.

- (a) The estimated total revenue cap is equal to the total annual expected MAR.
- (b) The X factors for 2018–19 to 2021–22 will be revised to reflect the annual return on debt update. Under the CPI–X framework, the X factor measures the real rate of change in annual expected revenue from one year to the next. A negative X factor represents a real increase in revenue. Conversely, a positive X factor represents a real decrease in revenue.
- (c) AusNet Services is not required to apply an X factor for 2017–18 because we set the 2017–18 MAR in this determination. The MAR for 2017–18 is around 1.1 per cent lower than the approved MAR for 2016–17 in real terms, or around 1.3 per cent higher in nominal terms.

We determine the annual expected MAR by using the X factors to smooth the annual building block revenue requirement as set out below.

## 1.2 Annual building block revenue requirement

We determine the annual building block revenue requirement for AusNet Services as shown in Table 1-2.

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<sup>5</sup> NER, clause 6A.5.3.

**Table 1-2 AER's final determination on AusNet Services's annual building block revenue requirement (\$ million, nominal)**

	2017–18	2018–19	2019–20	2020–21	2021–22	Total
Return on capital	183.9	189.2	193.2	196.3	198.1	960.7
Regulatory depreciation	96.7	99.0	106.7	110.2	93.3	505.9
Operating expenditure	232.4	238.5	244.8	251.2	257.8	1224.7
Revenue adjustments	-0.2	-0.2	-0.3	-1.8	-5.4	-7.9
Net tax allowance	13.2	10.6	12.4	14.0	9.2	59.5
<b>Annual building block revenue requirement (unsmoothed)</b>	<b>526.1</b>	<b>537.1</b>	<b>556.8</b>	<b>569.9</b>	<b>553.1</b>	<b>2742.8</b>

Source: AER analysis.

### 1.3 Method for calculating maximum allowed revenue

We use an expected inflation rate in our post-tax revenue model (PTRM) to calculate the expected MAR (as shown in Table 1-3) in nominal dollar terms. The calculation of the *actual* annual MAR will require an adjustment for actual inflation. The MAR is also subject to adjustments for updating the return on debt annually, revenue increments or decrements determined in accordance with the STPIS, and any approved pass through amounts. This section sets out the method of this annual adjustment process.

The method for calculating AusNet Services's MAR for each year of the 2017–22 period will be the sum of its allowed revenue (AR) for that year and adjustments arising from the STPIS and any approved pass through amounts.

We determine the 2017–18 AR of \$534.8 million for AusNet Services. AusNet Services then applies an annual adjustment to determine its AR for each subsequent year of the regulatory period, based on the previous year's AR and using the CPI–X methodology. That is, the subsequent year's AR is determined by adjusting the previous year's AR for actual inflation and the X factor determined after the annual return on debt update:

$$AR_t = AR_{t-1} \times (1 + \Delta CPI) \times (1 - X_t)$$

where:

AR = the allowed revenue

t = time period/financial year (for t = 2, (2018–19), 3 (2019–20), 4 (2020–21), 5 (2021–22))

$\Delta CPI$  = the annual percentage change in the Australian Bureau of Statistics' (ABS) consumer price index (CPI) all groups, weighted average of eight capital cities from September in year t – 2 to September in year t – 1



X = the smoothing factor determined in accordance with the PTRM as approved in the AER's final decision, and annually revised for the return on debt update in accordance with the formula specified in the return on debt appendix calculated for the relevant year.

The MAR is determined annually in accordance with the NER by adding to (or deducting from) the AR:

- the service target performance incentive scheme revenue increment (or revenue decrement)<sup>6</sup>
- any approved pass through amounts.<sup>7</sup>

The annual MAR is established according to the following formula:

$$\begin{aligned} \mathbf{MAR}_t &= \text{(allowed revenue) + (performance incentive) + (pass through)} \\ &= \mathbf{AR}_t + \left( \left( \mathbf{AR}_{t-2} \times \frac{3}{12} \right) + \left( \mathbf{AR}_{t-1} \times \frac{9}{12} \right) \right) \times \mathbf{S}_{ct} + \mathbf{P}_t \end{aligned}$$

where:

<b>MAR</b>	=	the maximum allowed revenue
<b>AR</b>	=	the allowed revenue
<b>S</b>	=	the revenue increment or decrement determined in accordance with the service target performance incentive scheme
<b>P</b>	=	the pass through amount (positive or negative) that the AER has determined in accordance with clauses 6A.7.2 and 6A.7.3 of the NER
<b>t</b>	=	time period/financial year (for $t = 2$ (2018–19), 3 (2019–20), 4 (2020–21), 5 (2021–22))
<b>ct</b>	=	time period/calendar year (for $t = 2$ (2017), 3 (2018), 4 (2019), 5 (2020)).

Under the NER, a TNSP may also adjust the MAR for under or over-recovery amounts.<sup>8</sup> That is, the revenue amounts recovered higher or lower than the approved

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<sup>6</sup> NER, clauses 6A.7.4.

<sup>7</sup> NER, clauses 6A.7.2 and 6A.7.3.

<sup>8</sup> NER, clauses 6A.23.3(c)(2)(iii) and 6A.24.4(c).

MAR for each year would be included in the subsequent year's MAR. In the case of an under-recovery, the amount would be added to the future year's MAR. In the case of an over-recovery, the amount would be subtracted from the future year's MAR.

Table 1-3 sets out the timing of the annual calculation of the AR and performance incentive.

**Table 1-3 Timing of the calculation of allowed revenues and the performance incentive for AusNet Services**

<i>t</i>	Allowed revenue (financial year)	<i>ct</i>	Performance incentive (calendar year)
2	1 April 2018– 31 March 2019	2	1 January 2017– 31 December 2017
3	1 April 2019– 31 March 2020	3	1 January 2018– 31 December 2018
4	1 April 2020– 31 March 2021	4	1 January 2019– 31 December 2019
5	1 April 2021– 31 March 2022	5	1 January 2020– 31 December 2020

Note: The performance incentive for 1 January 2016–31 December 2016 is to be applied to the AR determined for 2017–18 (AR<sub>1</sub>).

## 1.4 Regulatory asset base

We determine an opening RAB value of \$3170.3 million as at the commencement of the 2017–22 regulatory control period for AusNet Services.

## 1.5 Method for indexation of the regulatory asset base

The method for indexing AusNet Services's RAB for each year of the 2017–22 regulatory control period will be the same as that used to escalate its AR for that relevant year—that is, to apply the annual percentage change in the published ABS CPI all groups, weighted average of eight capital cities.<sup>9</sup> For AusNet Services, this will be the September quarter CPI. This method will be used as part of the roll forward of AusNet Services's opening RAB for the purposes of the AER's transmission revenue determination for the regulatory control period commencing on 1 April 2022.

## 1.6 Performance incentive scheme parameters

All components of version 5 of the STPIS will apply to AusNet Services for the 2017–22 regulatory control period. The parameters applicable to AusNet Services are set out in accordance with the tables below.

<sup>9</sup> ABS, *Catalogue number 6401.0, Consumer price index, Australia*.

**Table 1-4 Final decision — Caps, floors and targets for 2017–2022**

Parameter	Distribution	Cap	Target	Floor
Lines outage rate - fault	Weibull	16.0%	25.4%	33.8%
Transformers outage rate - fault	Weibull	9.2%	20.3%	31.8%
Reactive plant outage rate - fault	Pearson5	18.4%	34.3%	61.2%
Lines outage rate - forced	Weibull	12.3%	15.0%	17.1%
Transformer outage rate - forced	Weibull	6.1%	10.4%	14.4%
Reactive plant outage rate - forced	Weibull	19.9%	30.9%	40.7%
Average outage duration	Lognorm	3.4	75.1	334.2
No. of events > 0.05 system minutes	Poisson	0	2	5
No. of events > 0.30 system minutes	Poisson	0	1	2
Failure of protection system	Poisson	23	32	42
Material failure of SCADA	Poisson	0.0	1.8	4.0
Incorrect operational isolation of primary or secondary equipment	Poisson	2.0	5.6	10.0

Source: AER analysis.

**Table 1-5 Final decision — MIC parameter values for 2017–2022**

Calendar year	performance count <sup>10</sup>
2009	1417
2010	2134
2011	2687
2012	909
2013	745
2014	858*
2015	906.5*
Target	1245
Cap for unplanned outages	208

<sup>10</sup> Data has been adjusted by the unplanned outage cap.

Calendar year	performance count <sup>10</sup>
Dollar per dispatch interval (1% smoothed 2017–18 MAR / target)	\$4,296/DI

Source: AER analysis.

**Table 1-6 Final decision — Network capability priority projects for 2017–2022 (\$ real 2016-17)**

Project	Target	Expected completion date	Capex	Opex	Value
1. Replace the existing interplant connections of the Hazelwood to Jeeralang 220kV No.4 line at Hazelwood power station	Transmission Circuit Hazelwood – Jeeralang No. 4  Summer 15 minute rating: 454 (1190A)  Winter 15 minute rating: 597 (1566A)	2017/18	\$107,000	0	\$107,000
2. Increase the operating temperature of the South East to Heywood 275kV lines from 90 to 100 degrees celsius	Increase operating temperature of these lines from 90°C to 100°C <sup>(a)</sup>	2017/18	\$18,000	0	\$18,000

Source: AusNet Services, Regulatory proposal, Appendix 7B -Network Capability Incentive Parameter Action Plan (2017-22)

a: Details of the network capacity increase to be achieved over the 5-45 degree C ambient temperature range are explained in AusNet Services' Regulatory proposal, Appendix 7B -Network Capability Incentive Parameter Action Plan (2017-22).

## 1.7 Efficiency benefit sharing scheme parameters

The values for the efficiency benefit sharing scheme (EBSS) parameters that are to apply to AusNet Services in the 2017–22 regulatory control period, subject to adjustments required by the EBSS, are set out in Table 1-7.

**Table 1-7 AER's decision on AusNet Services' forecast opex for the EBSS (\$ million, 2016–17)**

	2017-18	2018-19	2019-20	2020-21	2021-22
Total forecast opex	226.9	227.4	228.0	228.5	229.0
Less debt raising costs	-1.6	-1.6	-1.6	-1.6	-1.5
Less easement land tax	-135.0	-135.0	-135.0	-135.0	-135.0
Target opex for the EBSS	90.3	90.8	91.4	91.9	92.4

Source: AER analysis.

Note: Total forecast opex for easement land tax and debt raising costs. Forecast opex does not include AIS rebates or priority projects under the STPIS network capability function.

In calculating EBSS carryover amounts, we will exclude the following costs from the EBSS:

- debt raising costs
- easement land tax.

In addition to these excluded cost categories we will also:

- adjust forecast opex to add (subtract) any approved revenue increments (decrements) made after the 2017–22 regulatory determination. This may include approved pass through amounts.
- adjust actual opex to add capitalised opex that has been excluded from the RAB
- exclude categories of opex not forecast using a single year revealed cost approach for the regulatory control period beginning in 2022 where doing so better achieves the requirements of clause 6A.6.5 of the NER.

When calculating actual opex under the EBSS we will adjust reported actual opex for the 2017–22 period to reverse any movements in provisions.

## 1.8 Application of the capital expenditure sharing scheme

Version 1 of the CESS, as set out in the capital expenditure incentive guideline, will apply to AusNet Services in the 2017–22 regulatory control period.<sup>11</sup> The guideline provides for the exclusion from the CESS of capex the service provider incurs in delivering a priority project approved under the network capability component of the STPIS.<sup>12</sup>

<sup>11</sup> AER, *Capex incentive guideline*, November 2013, pp. 5–9; NER, cl 6A.6.5A(e).

<sup>12</sup> AER, *Capex incentive guideline*, November 2013, p. 6.

## **1.9 Commencement and length of the regulatory control period**

The regulatory control period will be five years, commencing on 1 April 2017 and ending on 31 March 2022.

## **1.10 Depreciation for establishing the regulatory asset base as at the commencement of the next regulatory control period**

The forecast depreciation approach (that is, based on forecast capital expenditure) will apply to the 2017–22 regulatory control period and is to be used to establish AusNet Services' RAB at the commencement of the regulatory control period from 1 April 2022.

## 2 Negotiating framework

AusNet Services must comply with its negotiating framework and its NTSC (see Section 3 of this determination) when it is negotiating the terms and conditions of access for negotiated transmission services to be provided to a person.<sup>13</sup>

AusNet Services's negotiating framework sets out the procedure to be followed during negotiations between AusNet Services and any person who wishes to receive a negotiated transmission service from AusNet Services, as to the terms and conditions of access for provision of the service.<sup>14</sup>

The negotiating framework in Attachment A to this determination must be adopted by AusNet Services for the regulatory control period covered by this determination.

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<sup>13</sup> NER, clause 6A.9.2(a); 6A.9.3. AusNet Services must also comply with chapters 4, 5 and 6A of the NER.

<sup>14</sup> NER, clause 6A.9.5(a).

### 3 Negotiated transmission service criteria (NTSC)

AusNet Services must comply with its negotiating framework (see section 2 of this determination) and its NTSC when it is negotiating the terms and conditions of access for negotiated transmission services to be provided to a person.<sup>15</sup>

AusNet Services's NTSC sets out the criteria that are to be applied:<sup>16</sup>

- by AusNet Services in negotiating:
  - the terms and conditions of access for negotiated transmission services, including the prices that are to be charged for the provision of those services by AusNet Services for the regulatory control period
  - any access charges which are negotiated by AusNet Services during the regulatory control period
- by a commercial arbitrator in resolving any dispute, between AusNet Services and a person who wishes to receive a negotiated transmission service, in relation to:
  - the terms and conditions of access for the negotiated transmission service, including the price that is to be charged for the provision of that service by AusNet Services
  - any access charges that are to be paid to or by AusNet Services.

The following NTSC will apply to AusNet Services for the regulatory control period covered by this determination.

#### National Electricity Objective

1. The terms and conditions of access for a negotiated transmission service, including the price that is to be charged for the provision of that service and any access charges, should promote the achievement of the National Electricity Objective.

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<sup>15</sup> NER, clause 6A.9.2(a); 6A.9.3. AusNet Services must also comply with chapters 4, 5 and 6A of the NER.

<sup>16</sup> NER, clause 6A.9.4



## Criteria for terms and conditions of access

### *Terms and conditions of access*

2. The terms and conditions of access for a negotiated transmission service must be fair, reasonable and consistent with the safe and reliable operation of the power system in accordance with the NER.
3. The terms and conditions of access for negotiated transmission services, particularly any exclusions and limitations of liability and indemnities, must not be unreasonably onerous. Relevant considerations include the allocation of risk between the TNSP and the other party, the price for the negotiated transmission service and the cost to the TNSP of providing the negotiated service.
4. The terms and conditions of access for a negotiated transmission service must take into account the need for the service to be provided in a manner that does not adversely affect the safe and reliable operation of the power system in accordance with the NER.

### *Price of services*

5. The price of a negotiated transmission service must reflect the cost that the TNSP has incurred or incurs in providing that service, and must be determined in accordance with the principles and policies set out in the Cost Allocation Methodology.
6. Subject to criteria 7 and 8, the price for a negotiated transmission service must be at least equal to the avoided cost of providing that service but no more than the cost of providing it on a stand-alone basis.
7. If the negotiated transmission service is a shared transmission service that:
  - (a) exceeds any network performance requirements which it is required to meet under any relevant electricity legislation; or
  - (b) exceeds the network performance requirements set out in schedule 5.1a and 5.1 of the NER
8. then the difference between the price for that service and the price for the shared transmission service which meets network performance requirements must reflect the TNSP's incremental cost of providing that service (as appropriate).
9. For shared transmission services, the difference in price between a negotiated transmission service that does not meet or exceed network performance requirements and a service that meets those requirements should reflect the TNSP's avoided costs. Schedule 5.1a and 5.1 of the NER or any relevant electricity legislation must be considered in determining whether any network service performance requirements have not been met or exceeded.
10. The price for a negotiated transmission service must be the same for all Transmission Network Users. The exception is if there is a material difference in the costs of providing the negotiated transmission service to different Transmission Network Users or classes of Transmission Network Users.

11. The price for a negotiated transmission service must be subject to adjustment over time to the extent that the assets used to provide that service are subsequently used to provide services to another person. In such cases the adjustment must reflect the extent to which the costs of that asset are being recovered through charges to that other person.
12. The price for a negotiated transmission service must be such as to enable the TNSP to recover the efficient costs of complying with all regulatory obligations associated with the provision of the negotiated transmission service.

## **Criteria for access charges**

### ***Access charges***

13. Any access charges must be based on the costs reasonably incurred by the TNSP in providing Transmission Network User access. This includes the compensation for forgone revenue referred to in clause 5.4A(h) to (j) of the NER and the costs that are likely to be incurred by a person referred to in clause 5.4A(h) to (j) of the NER (as appropriate).

## 4 Pricing methodology

The pricing methodology that will apply to AusNet Services for the period of this determination is set out in Attachment B .

The role of AusNet Services's pricing methodology is to answer the question 'who should pay how much'<sup>17</sup> in order for AusNet Services to recover its costs. AusNet Services's pricing methodology provides a 'formula, process or approach'<sup>18</sup> that when applied:

- allocates the aggregate annual revenue requirement to the categories of prescribed transmission services that a transmission business provides and to the connection points of network users<sup>19</sup>
- determines the structure of prices that a transmission business may charge for each category of prescribed transmission services.<sup>20</sup>

AusNet Services's pricing methodology relates to prescribed transmission services only.

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<sup>17</sup> AEMC, *Rule determination: National Electricity Amendment (Pricing of Prescribed Transmission Services) Rule 2006 No. 22*, 21 December 2006, p. 1.

<sup>18</sup> NER, 6A.24.1(b).

<sup>19</sup> NER, clause 6A.24.1(b)(1).

<sup>20</sup> NER, clause 6A.24.1(b)(2).

## 5 Pass through events

A pass through event is one which entails AusNet Services incurring materially lower or higher costs in providing prescribed transmission services than it would have incurred but for that event (a negative or positive change event, respectively).<sup>21</sup> Where a pass through event occurs AusNet Services may seek our approval to, or we may require AusNet Services to, pass those costs through to its users.<sup>22</sup>

Under the NER any of the following is a pass through event for this transmission determination:<sup>23</sup>

- a regulatory change event
- a service standard event
- a tax change event
- an insurance event
- any other event specified in this transmission determination as a pass through event for this determination.

The first four of these pass through events are prescribed by, and defined in, the NER.<sup>24</sup> In addition, the following nominated pass through events will apply:

**Table 5-1 Approved nominated pass through events**

Proposed event	Proposed definition
Terrorism event	<p>A terrorism event occurs if:</p> <p>An act (including, but not limited to, the use of force or violence or the threat of force or violence) of any person or group of persons (whether acting alone or on behalf of or in connection with any organisation or government), which from its nature or context is done for, or in connection with, political, religious, ideological, ethnic or similar purposes or reasons (including the intention to influence or intimidate any government and/or put the public, or any section of the public, in fear) and which increases the costs to AusNet Services in providing prescribed transmission services.</p> <p>Note: In assessing a terrorism event pass through application, the AER will have regard to, amongst other things:</p> <ul style="list-style-type: none"> <li>i. whether AusNet Services has insurance against the event;</li> <li>ii. the level of insurance that an efficient and prudent NSP would obtain in respect of the event; and</li> <li>iii. whether a declaration has been made by a relevant government authority that an act of terrorism has occurred.</li> </ul>

<sup>21</sup> NER, Chapter 10 Glossary

<sup>22</sup> NER, clause 6A.7.3(a), (b);

<sup>23</sup> NER, clause 6A.7.3(1a).

<sup>24</sup> NER, Chapter 10 Glossary

Proposed event	Proposed definition
Insurance cap event	<p>An insurance cap event occurs if:</p> <ol style="list-style-type: none"> <li>1. AusNet Services makes a claim or claims and receives the benefit of a payment or payments under a relevant insurance policy;</li> <li>2. AusNet Services incurs costs beyond the relevant policy limit; and</li> <li>3. the costs beyond the relevant policy limit materially increase the costs to AusNet Services in providing prescribed transmission services.</li> </ol> <p>For this insurance cap event:</p> <ol style="list-style-type: none"> <li>4. a relevant insurance policy is an insurance policy held during the 2017–22 regulatory control period or a previous regulatory control period in which AusNet Services was registered as a TNSP for the purposes of s.11 of the NEL.</li> </ol> <p>Note: In making a determination on an insurance cap event, the AER will have regard to, amongst other things:</p> <ol style="list-style-type: none"> <li>i. the relevant insurance policy for the event;</li> <li>ii. the level of insurance that an efficient and prudent TNSP would obtain in respect of the event.”</li> <li>iii. any assessment by the AER of AusNet Services' insurance in making its transmission determination for the relevant period.</li> </ol>
Natural disaster event	<p>Natural disaster event means any natural disaster including but not limited to fire, flood or earthquake that occurs during the 2017-22 regulatory control period and that increases the costs to AusNet Services in providing prescribed transmission services, provided the fire, flood or other event was not a consequence of the acts or omissions of the service provider.</p> <p>Note: In assessing a natural disaster event pass through application, the AER will have regard to, amongst other things:</p> <ol style="list-style-type: none"> <li>i. whether AusNet Services has insurance against the event; and</li> <li>ii. the level of insurance that an efficient and prudent NSP would obtain in respect of the event.</li> </ol>
Insurer credit risk event	<p>An insurer's credit risk event occurs if:</p> <p>A nominated insurer of AusNet Services becomes insolvent, and as a result, in respect of an existing, or potential, claim for a risk that was insured by the insolvent insurer, AusNet Services:</p> <ol style="list-style-type: none"> <li>1. is subject to a materially higher or lower claim limit or a materially higher or lower deductible than would have otherwise applied under the insolvent insurer's policy; or</li> <li>2. incurs additional costs associated with self-funding an insurance claim, which would otherwise have been covered by the insolvent insurer.</li> </ol> <p>Note: In assessing an insurer's credit risk event pass through application, the AER will have regard to, amongst other things:</p> <ol style="list-style-type: none"> <li>i. AusNet Services' attempts to mitigate and prevent the event from occurring by reviewing and considering the insurer's track record, size, credit rating and reputation; and</li> <li>ii. in the event that a claim would have been made after the insurance provider became insolvent, whether AusNet Services had reasonable opportunity to insure the risk with a different provider.</li> </ol>