

September 15, 2023

Attachment 11: Cost Pass Throughs



11.1 Executive Summary

The Rules provide an avenue to pass through costs incurred by a Network Service Provider (NSP) in connection with prescribed or approved events beyond our control. This regulatory framework recognises that there are unpredictable events which may impose high costs on the NSP. Customers are protected from paying these high costs for low probability events that are beyond a NSP's control.

We propose the following nominated pass through events for the 2025-30 period, which are discussed in turn at sections 3 to 8 below:

- Insurance coverage event
- Insurer credit risk event
- Natural disaster event
- Terrorism event
- REZ design report event
- Offshore project assessment event.

Each of these proposed nominated pass through events have been selected with the aim of promoting prudent and efficient risk mitigation so that we can safely, reliably and securely supply our customers. When preparing our proposal for the above nominated pass through events, we have been guided by:

- the nominated pass through event considerations outlined in the Rules, and
- stakeholder engagement sessions where we discussed, among other things, rising insurance premiums and high deductible levels, with particular reference to the offshore property (subsea cable) insurance.

11.2 NER Requirements

Clause 6A.7.3(a1) of the Rules provides that any of the following is a pass through event for a transmission determination:

- (1) a regulatory change event;
- (2) a service standard event;
- (3) a tax change event;
- (4) an insurance event;
- (5) any other event specified in a transmission determination as a pass through event for the determination; and
- (6) an inertia shortfall event.⁹⁴

Clause 6A.6.9 provides that a Revenue Proposal may include a proposal as to the events that should be defined as 'pass through events' under clause 6A.7.3(a1)(5), having regard to the nominated pass through event considerations. The Rules provides that the nominated pass through event considerations are:

⁹⁴ Paragraph (6) does not apply in Victoria.

- Whether the event proposed is covered by a category of pass-through event specified in NER clause 6A.7.3(a1)(1)-(4);
- Whether the nature or type of event can be clearly identified at the time the determination is made for the NSP;
- Whether a prudent service provider could reasonably prevent an event of that nature or type from occurring or substantially mitigate the cost impact of such an event;
- Whether the relevant service provider could reasonably insure against the event or whether the event can be self-insured; and
- Any other matter the AER considers relevant and which the AER has notified NSPs as a nominated pass-through event consideration.

We have been guided by these considerations in preparing our nominated cost pass through event proposal for the 2025-30 regulatory control period.

11.3 Insurance coverage event

Including an insurance coverage event as a relevant event protects Basslink from losses if an insurer is not liable to pay all, or part, of a large or catastrophic event that could have a financially significant impact.

There is inherent volatility in the liability insurance market (particularly in respect of bushfire liability) and the offshore property market (particularly in respect of subsea cables). Including this category of event is intended to cover potential insurance gaps and the possibility of withdrawn capacity or uneconomic increases in premiums in the future.

Scope of proposed pass through event

Basslink Pty Ltd's proposed definition for our nominated 'insurance coverage event' is set out below and is consistent with the AER's recent determinations.⁹⁵ The definition is cognisant of the AER's preferred drafting and does not propose any deviations from recently approved definitions of an 'insurance coverage event'.

⁹⁵ AER, *ElectraNet transmission determination 2023-28*, Attachment 11 – Pass through events (Final decision, 28 April 2023); AER, *AusNet transmission determination 2022-27*, Attachment 11– Pass through events (Final decision, 28 January 2022); AER, *Transgrid transmission determination 2023-28*, Attachment 11 – Pass through events (Final decision, 28 April 2023).

An insurance coverage event occurs if:

1. Basslink:
 - a. makes a claim or claims and receives the benefit of a payment or payments under a relevant insurance policy or set of insurance policies; or
 - b. would have been able to make a claim or claims under a relevant insurance policy or set of insurance policies but for changed circumstances; and
2. Basslink incurs costs:
 - a. beyond a relevant policy limit for that policy or set of insurance policies; or
 - b. that are unrecoverable under that policy or set of insurance policies due to changed circumstances; and
3. The costs referred to in paragraph 2 above materially increase the costs to Basslink in providing prescribed transmission services.

For the purposes of this insurance coverage event:

'changed circumstances' means movements in the relevant insurance market since the acquisition of the insurance policy or set of insurance policies that applied during the majority of Basslink's base year and that are beyond the reasonable control of Basslink, where those movements result in it no longer being prudent or efficient for Basslink to take out with a reputable insurer:

- i. a relevant insurance policy; or
- ii. in the case of a set of insurance policies, one or more layers of insurance within that set (or there are otherwise one or more gaps within the set), either at all or on commercial terms reasonable to Basslink.

'costs' means the costs that would have been recovered under the insurance policy or set of insurance policies had:

- i. the limit not been exhausted;

those costs not been unrecoverable due to changed circumstances.

A 'relevant insurance policy' or 'set of insurance policies' is an insurance policy or set of insurance policies held during the regulatory control period or a previous regulatory control period in which Basslink was regulated; and

- i. Basslink will be deemed to have made a claim on a relevant insurance policy or set of insurance policies if the claim is made by a related party of Basslink in relation to any aspect of Basslink's network or business; and
- ii. Basslink will be deemed to have been able to make a claim on a relevant insurance policy or set of insurance policies if, but for changed circumstances, the claim could have been made by a related party of Basslink in relation to any aspect of Basslink's network or business.

Note for the avoidance of doubt, in assessing an insurance coverage event through application under rule 6A.7.3(j), the AER will have regard to:

- i. the relevant insurance policy or set of insurance policies for the event;
- ii. the level of insurance that an efficient and prudent Transmission Network Service Provider (TNSP) would obtain, or would have sought to obtain, in respect of the event;
- iii. any information provided by Basslink to the AER about Basslink's actions and processes; and
- iv. any guidance published by the AER on matters the AER will likely have regard to in assessing any insurance coverage event that occurs.

Rationale

An insurance coverage event is a prudent and efficient way to mitigate the risk of Basslink incurring losses exceeding our insurance coverage or for gaps in the insurance coverage caused by withdrawn capacity or where the cost of coverage cannot be economically justified. We believe this is a pragmatic approach to balancing risks for the following reasons:

Basslink operates within the business' risk framework to reasonably withstand unpredictable events outside of our control. Our insurance limits are commensurate with risks associated with our operations and customers, as well as industry standards. In some instances, the cost of insurance to mitigate the risk is only available at a prohibitively high cost given the probability of the event occurring.

Furthermore, it may not be possible to take out an insurance policy at all for these types of improbable events, and/or on reasonable commercial terms over the 2025-30 regulatory period. This has been made more difficult in recent times given the volatility of the global and domestic insurance industry. This volatility has driven up the cost of insurance premiums and influences insurers to reassess the cover they are willing to provide. These factors are outside of our control and cannot reasonably be prevented by a TNSP.

Without a pass through provision, Basslink Pty Ltd will need to set aside additional annual insurance allowance to address these risks. In turn, this means our customers would bear additional costs irrespective of whether such an event actually occurs.

As part of our stakeholder engagement sessions, we discussed the risks and concerns around rising insurance premiums and high deductible levels (with particular reference to the offshore property (subsea cable) insurance).

An insurer coverage event is not already covered by any of the categories of pass through events specified in the NER.

We are therefore proposing an insurance coverage event to protect Basslink in the event that our insurer is not liable to pay all, or part of, a loss which materially impacts our costs. This pass through event will provide us with a reasonable opportunity to recover the efficient costs incurred as a result of unpredicted insurance market conditions, while not imposing costs on consumers for the sort of 'low probability, high cost to insure' events contemplated.

11.4 Insurer credit risk event

An insurance credit risk event mitigates the risk of an insurer becoming insolvent, and as a result forcing Basslink Pty Ltd to insure with another provider and incurring substantial additional costs beyond our control. Additional costs may include higher premiums, a lower claim payment or higher deductible.

Scope of pass through event

Our proposed definition for our nominated 'insurer credit risk event' is below and is consistent with the AER's recent determination.⁹⁶ The definition is cognisant of the AER's preferred drafting and does not propose any deviations from recently approved definitions of an 'insurer credit risk event'.

An insurer credit risk event occurs if an insurer of Basslink becomes insolvent, and as a result, in respect of an existing or potential claim for a risk that was insured by the insolvent insurer, Basslink:

- a) is subject to a higher or lower claim limit or a higher or lower deductible than would have otherwise applied under the insolvent insurer's policy; or*
- b) incurs additional costs associated with funding an insurance claim, which would otherwise have been covered by the insolvent insurer.*

Note: in assessing an insurer credit risk event pass through application, the AER will have regard to, amongst other things:

- i. Basslink's attempts to mitigate and prevent the event from occurring by reviewing and considering the insurer's track record, size, credit rating and reputation; and*
- ii. In the event that a claim would have been covered by the insolvent insurer's policy, whether Basslink had reasonable opportunity to insure the risk with a different provider.*

Rationale

An insurer credit risk pass through event is a prudent and efficient way to mitigate the risk with our customers, while providing us with a reasonable opportunity to recover the efficient costs incurred as a result of unpredicted insurance market conditions. This type of event cannot be reasonably insured against (in part, or at all) by an NSP on reasonable or commercial or economic terms. An insurer credit risk event is also not already covered by any of the categories of pass through events specified in the Rules.

Basslink Pty Ltd cannot reasonably prevent our insurer becoming insolvent or substantially mitigate the cost impact of such an unpredictable event. As an NSP, we have significant insurance coverage for Basslink. If, for reasons beyond our control, an insurer is unable to pay all, or a part of, a claim, this would significantly impact our ability to deliver services to our customers. The occurrence of increased insurance premiums from alternative insurers (where the original insurer becomes insolvent) is also beyond our control.

Basslink Pty Ltd minimises insurer credit risk by using an insurance broker to obtain our insurance coverage. Our broker has minimum financial guidelines for insurers which typically requires an interactive S&P rating of BBB or higher and the local currency equivalent of US\$50 million in unencumbered policyholders' surplus. Typically, insurers for Basslink are rated S&P A- or higher and

⁹⁶ AER, *ElectraNet transmission determination 2023-28*, Attachment 11 – Pass through events (Final decision, 28 April 2023); AER, *AusNet transmission determination 2022-27*, Attachment 11 – Pass through events (Final decision, 28 January 2022); AER, *Transgrid transmission determination 2023-28*, Attachment 11 – Pass through events (Final decision, 28 April 2023).

Basslink Pty Ltd has access to a live portfolio view of all insurers and their respective financial security rating. In addition, Basslink Pty Ltd receives quarterly insurer portfolio listings and alerts when insurers in the portfolio are subject to a rating change.

11.5 Natural disaster event

A natural disaster event is a prudent and efficient way to mitigate the risk of unpredictable and extreme events that are undoubtedly beyond an NSP's control.

Scope of proposed pass through event

Our proposed definition for our nominated 'natural disaster event' is set out below and is consistent with the AER's recent regulatory decisions.⁹⁷ Our definition below is cognisant of the AER's preferred drafting and does not propose any deviations from approved definitions of a 'natural disaster event'.

Natural disaster event means any natural disaster including but not limited to cyclone, fire, flood or earthquake that occurs during the 2024-29 regulatory control period that changes the costs to Basslink in providing prescribed transmission services, provided the cyclone, fire, flood, earthquake or other event was:

- a) a consequence of an act or omission that was necessary for Basslink to comply with a regulatory obligation or requirement or with an applicable regulatory instrument, or*
- b) not a consequence of any other act or omission of Basslink.*

Note: In assessing a natural disaster event pass through application, the AER will have regard to, among other things:

- i. whether Basslink has insurance against the event, and*
- ii. the level of insurance that an efficient and prudent Network Service Provider would obtain in respect of the event.*

Rationale

A natural disaster event mitigates the risk of not being able to obtain insurance coverage for natural disaster events and materially increasing our efficient costs that are unable to be recovered by the NSP. Basslink Pty Ltd cannot prevent this type of event from occurring and cannot substantially mitigate the cost impacts of this type of event (both prior to and after the occurrence of the event). A natural disaster event is also not already covered by any of the categories of pass through events specified in the Rules.

As an NSP, we employ a wide array of strategies to manage Basslink's exposure to natural disasters and mitigate the consequences of this exposure. Our insurance broker has advised that most NSP's do not purchase coverage for assets such as poles and wires / towers and lines. This is due to a lack

⁹⁷ AER, *ElectraNet transmission determination 2023-28*, Attachment 11 – Pass through events (Final decision, 28 April 2023); AER, *AusNet transmission determination 2022-27*, Attachment 11 – Pass through events (Final decision, 28 January 2022); AER, *Transgrid transmission determination 2023-28*, Attachment 11 – Pass through events (Final decision, 28 April 2023).

of insurance market appetite for these types of assets as they are heavily exposed to natural disasters (such as windstorms, cyclones and bushfires). If insurance is available, it is typically on uneconomic terms.

Other assets which are insured are often subject to sub limits for flood and earthquake and these perils often carry higher policy deductibles. Somewhat uniquely, Basslink has managed to procure efficient coverage for its towers and lines by leveraging the scale of its parent company's property insurance program combined with the limited kilometres of towers and lines associated with Basslink. However, ongoing coverage for these assets is not guaranteed. Therefore, complete insurance cover for natural disaster events for assets like Basslink is potentially not available, or not available at an efficient cost. This means Basslink Pty Ltd cannot always obtain appropriate insurance on reasonable commercial terms covering the full range of costs that could potentially be incurred as a result of a natural disaster event.

The occurrence of a natural disaster event (as defined above) has a low probability of occurrence but a high consequence or magnitude. Accordingly, self-insurance would not be appropriate to obtain given the need to balance the long-term interests of customers against rising insurance premiums and likelihood of a natural disaster event occurring.

11.6 Terrorism event

A terrorism event mitigates the risk of liability arising from devastating and deliberate damage caused to our network which risks our ability to deliver prescribed transmission services to customers.

Scope of proposed pass through event

Our proposed definition for our nominated 'terrorism event' is below and is largely consistent with the AER's recent regulatory decisions.⁹⁸

Terrorism event

Terrorism event means an act (including, but not limited to, the use of force or violence, or the threat of force or violence, or a malicious act to access and/or disrupt computer systems or other information communication technologies including operational technology systems) of any person or group of persons (whether acting alone or on behalf of or in connection with any organisation or government), which:

- a) 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*
- b) changes the costs to Basslink in providing prescribed transmission services.*

Note: In assessing a terrorism event pass through application, the AER will have regard to, amongst other things:

- i. whether Basslink has insurance against the event;*
- ii. the level of insurance that an efficient and prudent Network Service Provider would obtain in respect of the event; and*
- iii. whether a declaration has been made by a relevant government authority that a terrorism event has occurred.*

Rationale

A terrorism event is also not already covered by any of the categories of pass through events specified in the Rules. The occurrence of a particular terrorism event (including a cyber-terrorism attack) has a low probability of occurrence but may have significant financial consequence or magnitude. In recent determination decisions, the AER has approved a terrorism cost pass through event for TNSPs in their preferred drafting.⁹⁹

Basslink is subject to new obligations in relation to cyber security and critical infrastructure resilience over the 2025-30 regulatory period.¹⁰⁰ We have set out in **Attachments 7 and 8** expenditure required to meet our new regulatory obligations that aim to prevent and mitigate the risk of a cyber-terrorism event occurring.

We agree with the AER that a TNSP is best placed to manage the majority of the risks posed by cyber terrorism attacks. As much as practicably possible, Basslink Pty Ltd is committed to

⁹⁸ AER, *ElectraNet transmission determination 2023-28*, Attachment 11 – Pass through events (Final decision, 28 April 2023); AER, *AusNet transmission determination 2022-27*, Attachment 11 – Pass through events (Final decision, 28 January 2022); AER, *Transgrid transmission determination 2023-28*, Attachment 11 – Pass through events (Final decision, 28 April 2023).

⁹⁹ AER, *ElectraNet transmission determination 2023-28*, Attachment 11 – Pass through events (Final decision, 28 April 2023); AER, *AusNet transmission determination 2022-27*, Attachment 11 – Pass through events (Final decision, 28 January 2022); AER, *Transgrid transmission determination 2023-28*, Attachment 11 – Pass through events (Final decision, 28 April 2023).

¹⁰⁰ *Security of Critical Infrastructure Act 2018* (Cth); AEMO, *Australian Energy Sector Cyber Security Framework* (December 2022).

maintaining robust and resilient network systems to mitigate the risk and cost impact of this type of event. Notwithstanding the new cyber security and protection measures taken to meet the above obligations and beyond, an act of cyber terrorism could still significantly impact Basslink’s ability to deliver prescribed services. It is not possible to eliminate the entirety of the risks we face when it comes to a cyber terrorism attack. It would be neither prudent nor efficient to incur material costs to insure against this type of event, which would inevitably mean additional costs to our customers.

Additionally, our insurance broker has advised that the global insurance market landscape for cyber risk is rapidly evolving, where obtaining insurance for a cyber-terrorism attack is increasingly challenging for critical infrastructure assets like Basslink.

Terrorism event definitions recently approved by the AER only refer to physical acts such as ‘the use of force or violence, or the threat of force or violence’. Remaining silent on non-physical terrorist events such as cyber-terrorism attacks raise uncertainty in interpreting this event. Providing certainty will also ensure Basslink can continue to meet its regulatory obligations without curtailing our ability to provide safe, reliable and affordable services to customers.

Accordingly, we propose a small amendment to the preferred drafting of this event to make clear that cyber terrorist attacks explicitly fall under this pass-through event. In the recent AusNet draft decision (and previous decisions for distribution businesses), we note the AER has suggested cyber-terrorism be included in a nominated terrorism pass through event¹⁰¹:

‘...As noted in our previous decisions for distribution businesses, the nominated ‘terrorism’ pass through event could include cyber-terrorism. Given the likely impacts as set out above that a major cyber-attack usually involves, this intended inclusion should cover a high proportion of risks likely to be faced...’

Considering the AER has previously contemplated such non-physical events may fall under this pass through event, we propose the AER accept our terrorism event definition which explicitly includes cyber attacks in a limited manner.

11.7 REZ design report event

Basslink Pty Ltd proposes a new pass through event for the 2025-30 regulatory period to enable Basslink to recover costs incurred in preparing a REZ design report.

¹⁰¹ AER, *AusNet transmission determination 2022-27*, Attachment 11 – Pass through events (Draft decision, 30 June 2021).

Scope of proposed pass through event

Our proposed definition for our nominated 'REZ design report event' is below.

A REZ design report event occurs if:

- a) *Basslink is required to commence preparation of one or more Renewable Energy Zone (REZ) design reports in accordance with clause 5.24.1(b) of the National Electricity Rules; and*
- b) *Basslink will incur additional material costs in preparing for one or more offshore project assessment events, the recovery of which was not included in the maximum allowed revenue that Basslink may earn from the provision of prescribed transmission services during the 2024-2029 regulatory control period.*

Note: in assessing a REZ design report event pass through application, the AER will have regard to, amongst other things:

- 1. *the need to ensure that Basslink has a reasonable opportunity to recover the total efficient costs of an offshore project assessment event; and*

the urgency of the request to complete the assessment and/or report(s).

Rationale

A REZ design report event will occur if AEMO requests Basslink Pty Ltd to prepare a design report for a REZ in Tasmania in the release of an Integrated System Plan (ISP) in the 2025-30 regulatory period. This type of event is not already covered by any of the categories of pass through events specified in the Rules and cannot be clearly identified.

REZs are subject to a special planning regime, which includes the preparation of REZ design reports by Jurisdictional Planning Bodies. Under this regime, an ISP may require a design report to be prepared for a REZ in Tasmania.

As the decision to prepare a REZ design report is the responsibility of AEMO, Basslink Pty Ltd has no control over whether one or more reports will be required during the 2025-30 regulatory period. Under these rules, AEMO may trigger a requirement for Basslink Pty Ltd to prepare a REZ design report that was not predicted at the time of the AER's determination decision.

Our proposal to include REZ design reports is also consistent with the Energy Security Board's recommendations on nominating a pass through event for the preparation of REZ design reports¹⁰²:

The ESB recommends that the cost pass through mechanism applies in the event that the TNSP is required to prepare a REZ design report and the AER did not forecast the project in the TNSP's previous revenue determination

¹⁰² Energy Security Board, *Renewable Energy Zones Planning, Final Recommendations* (February 2021).

While we cannot predict when this type of event will occur in the 2025-30 regulatory period, we have proposed this cost pass through event having regard to recent policy and industry developments. Governments and market bodies have indicated the following developments which may impact Basslink's operations and costs associated with delivering a REZ design report:

- Tasmanian Government's announcement to explore the north west of Tasmania as the first potential region to host the State's first REZ.¹⁰³
- Tasmanian Government's proposed offshore wind energy zone for the Bass Strait region off Northern Tasmania by Federal Energy Minister Chris Bowen¹⁰⁴
- ISPs are published by AEMO biennially. One ISP is due to be finalised in 2024 and two ISPs are due for release in 2026 and 2028 during Basslink's proposed regulatory period. AEMO's trigger may arise from any of these ISPs during the regulatory period.

Basslink Pty Ltd accepts the AER's position in its draft decision on ElectraNet's transmission determination for the 2023-2028 regulatory period that the NER's definition of a positive change event requires the application of the materiality threshold, and that this requirement may not be bypassed in the definition for a proposed nominated pass through event. We consider this event to bear genuine risks and therefore accept the AER's rationale to not waive the materiality threshold for our proposed definition.

Basslink Pty Ltd cannot prevent this type of event from occurring, nor can it substantially mitigate the cost impacts of this type of event (both prior to and after the occurrence of the event). The occurrence of a REZ design report event has a low probability of occurrence but a high consequence or magnitude. Obtaining appropriate insurances on reasonable commercial terms covering the full range of costs that could potentially be incurred for this type of event is also not possible, particularly given the inability to predict the magnitude, scope and frequency of the event.

11.8 Offshore project assessment event risking continued operation of Basslink

Basslink Pty Ltd proposes a new pass through event for the 2025-30 regulatory period to enable Basslink Pty Ltd to recover costs incurred in preparing offshore resource project assessments within a defined radius.

¹⁰³ Tasmanian Government, https://www.renewableenergyzones.tas.gov.au/about_rez

¹⁰⁴ [Unlocking the power of offshore wind | Ministers \(dcceew.gov.au\)](https://www.dcceew.gov.au/ministers/unlocking-the-power-of-offshore-wind)

Scope of proposed pass through event

Our proposed definition for our nominated 'offshore project assessment event' is below.

An offshore project assessment event occurs if:

- a) *Basslink is required to commence preparation of one or more assessment reports for an offshore resource project(s) within 2 nautical miles either side of Basslink (being 4 nautical miles in total); and*
- b) *Basslink will incur additional material costs in preparing for one or more offshore project assessment events, the recovery of which was not included in the maximum allowed revenue that Basslink may earn from the provision of prescribed transmission services during the 2024-2029 regulatory control period.*

Note: in assessing an offshore project assessment pass through application, the AER will have regard to, amongst other things:

- a. *the need to ensure that Basslink has a reasonable opportunity to recover the total efficient costs of an offshore project assessment event; and*
- a. *the urgency of the request to complete the assessment and/or report(s).*

Rationale

Continued operation of Basslink is critical to ensuring a reliable, affordable and secure supply to customers in Tasmania and the National Electricity Market (NEM). To protect Basslink and associated services we provide to customers, we must have a specific and appropriate 'protection zone' from the potentially significant impacts of future offshore resources projects.

Our proposed definition aims to minimise any material impact on costs for us and consumers across the NEM. Basslink provides Victoria, and the NEM more broadly, with access to Tasmania's cheaper hydropower and wind power at its peak periods or when dams are overfilled. Basslink also provides Tasmania with access to Victoria's cheaper renewable and baseload power when water levels are low in Tasmania. Being able to 'smooth out' power supply and demands between Victoria and Tasmania also reduces the extent of large price variations.

Basslink is recognised as critical infrastructure. Following advice from experts, Basslink Pty Ltd considers that works within 2 nautical miles either side of Basslink (being 4 nautical miles in total) are a risk to the continued operation of the asset. Basslink's current and potential augmented capacity will be impacted, where potential damage to the asset caused by works within this parameter may significantly risk Basslink's operations and ability to deliver services to customers.

The proposed 4 nautical mile radius is considered appropriate given:

- length of the repair vessel (150-200m)
- length of the cable repair
- a safe operating envelope of the vessel

- overlapping safety zones from other surrounding infrastructure required by the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) (up to 500m).

Works within the zone can also impede the repair of the cable if it is damaged. The size of the zone has been determined in line with the length of the repair vessel, maritime safety zones (both for the vessel and in respect of NOPSEMA safety zones) and anticipated length of cable repairs.

Basslink Pty Ltd has previously proposed a number of principles to mitigate the potentially significant risks posed by offshore developments on Basslink, which include but are not limited to:

- no export cables should cross Basslink
- no other power cables should cross Basslink for safety, system security and operational reasons. If this is unavoidable, any cable crossings must be mechanically, thermally and electrically separated.
- electrical interaction can create dangerous and destruction outcomes to personnel and equipment. Cable crossing and/or in close proximity must be designed and installed to ensure no induction of electricity from another operator's cables to Basslink and vice-versa.
- design and construction of any cables crossing Basslink must also take into account and not impinge on or delay the repair of Basslink.

The proposed definition of an offshore project assessment event enables Basslink Pty Ltd to recover costs incurred which are beyond our control. The preparation and commencement of private offshore project assessments within the 2 natural miles either side of cannot be predicted prior to the AER's determination decision, nor do project proponents have any obligation to consult with Basslink on offshore project proposals unless specified otherwise.

While Basslink will make every reasonable attempt to recover the cost of the project from the proponent there are circumstances that Basslink will either have no basis under which it can require a project proponent to pay the costs or the cost of pursuing the cost from the project proponent are disproportionate to the cost of the offshore project assessment.

Basslink Pty Ltd cannot prevent this type of event from occurring, nor can it substantially mitigate the cost impacts of this type of event (both prior to and after the occurrence of the event). This type of event is not already covered by any of the categories of pass through events specified in the NER and cannot be clearly identified.

While we cannot predict when this type of event will occur, we have proposed this cost pass through event having regard to recent announcements and project developments.¹⁰⁵

The occurrence of an offshore project assessment event has a low probability of occurrence but a high consequence or magnitude. Basslink Pty Ltd cannot obtain appropriate insurances on reasonable commercial terms covering the full range of costs that could potentially be incurred as a result of this type of event.

¹⁰⁵ Nexsphere and Equinor's planned Bass Offshore Wind Energy project for North-East Tasmania; BayWA r.e.'s application for Offshore Feasibility Licence