
February 2024 Storm Tower Collapse

Cost pass through application

Monday, 3 February 2025



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1. Executive summary

On 13 February 2024, Victoria experienced extreme weather that caused widespread damage to many households, businesses and infrastructure (**February storm**). This was the most impactful weather event in AusNet's history, with severe winds causing damage to transmission towers and impacted around 25% of our distribution network. The collapse of six transmission towers occurred on the Moorabool to Sydenham 500kV transmission lines near Anakie, south west of Melbourne. This resulted in loss of the Moorabool to Sydenham (MLTS-SYTS) 500kV No 1 and No 2 lines which impacted the operation of the National Electricity Market (NEM).

This application is in respect of a nominated pass through event under clause 6A.7.3 (a1)(5) of the National Electricity Rules (**NER**). The February storm classifies as a natural disaster event as defined in our the 2022–27 final determination.

AusNet has incurred a material increase in costs in response to the February storm which are higher than the cost pass through threshold and therefore are subject to the cost pass through provisions of the National Electricity Rules (**NER**). Accordingly, we submit this pass through application in respect of the increase for determination by the Australian Energy Regulator (**AER**).

We are seeking pass through revenue of \$2.3 million (\$2022, smoothed), largely driven by an incremental increase in labour (internal and contracted) and materials for:

- **Emergency response and temporary restoration** - We have spent \$6.2m (\$2022) in 2023-24 to clear the site and restore the line using the Emergency Restoration System (**ERS**). This cost was largely incurred in the following weeks after the event and was largely driven by contract costs
- **Permanent restoration of the line** - \$21m (\$2022) for the design and construction of new permanent towers to replace the ERS.

We undertook the tower rebuild works in late 2024 with both lines returned to service by 19th of November 2024. We are re-submitting our application so the AER can assess the actual costs for the event now that the lines have been rebuilt.

Table 1 summarises the proposed pass through revenue until the end of the current regulatory period. The proposed revenue represents a prudent and efficient solution in response to the tower collapse.

Table 1: Proposed pass through revenue (\$m Jun 2022, unsmoothed)

\$ JUN 2021	2022-23	2023-24	2024-25	2025-26	2026-27	TOTAL
Building block revenue			\$ 0.26	\$ 1.10	\$ 0.94	\$ 2.29

Source: AusNet.

Given our proposal is capex and will be recovered over long asset lives, there is not a significant impact on revenue in the current period. Over the remaining two regulatory years to recover the costs of the pass through, we propose to recover an additional \$1.2m in regulatory year 2024-25 and \$1.1m in 2025-26.

2. Cost pass through framework

2.1 Requirements under the framework

The cost pass through provisions, contained in Chapter 6A of the NER, allow TNSPs to seek approval from the AER to recover (or pass through) the increase in costs of providing prescribed transmission services if those increases meet the requirements specified in clause 6A.7.3.

To seek approval from the AER to pass through those costs, the NER require a TNSP to submit a written statement to the AER within 90 business days of the relevant positive change event occurring¹, or such longer period as agreed to by the AER².

The written statement must address the matters outlined in clause 6A.7.3(c), namely:

- The details of the positive change event.
- The date on which the positive change event occurred.
- The eligible pass through amount in respect of the positive change event.
- The positive pass through amount we are proposing in relation to the positive change event.
- The amount of the positive pass through amount that we propose should be passed through to transmission network users in the regulatory year in which, and each regulatory year after that in which, the positive change event occurred.
- Evidence:
 - o of the actual and likely increase in costs referred to in clause 6A.7.3(c)(3) of the Rules; and
 - o that such costs occur solely as a consequence of the positive change event.
- Such other information as may be required under any relevant regulatory information instrument.

If the AER determines that a positive change event has occurred, it must determine:

- the approved pass through amount; and
- the amount of the approved pass through amount that should be passed through to distribution network users in the regulatory year in which, and each regulatory year after that in which, the positive change event occurred.

In making this decision, the AER must consider the factors listed in clause 6A.7.3(j) of the NER.

In addition, the National Electricity Law (NEL) requires the AER, in exercising its economic regulatory functions and powers, to do so in a manner that will or is likely to contribute to the achievement of the National Electricity Objective (NEO).

The NEL also specifies the revenue and pricing principles³. Of relevance to this application is the principle that a regulated network service provider should be provided with a reasonable opportunity to recover at least the efficient costs the operator incurs in providing direct control services and complying with a regulatory obligation or requirement or making a regulatory payment⁴.

2.2 AusNet written statement

This application⁵, comprising this document and its attachments, is our written statement to the AER⁶ to recover a positive pass through amount of \$2.3 million (\$2022, smoothed). This application was submitted to the AER on or before 21 June 2024, being within 90 business days of the relevant positive change event occurring on 13 February 2024, in accordance with NER clause 6A.7.3(c)⁷. Therefore, the requirement to submit the written statement by the requisite date is satisfied.

It complies with the requirements of clause 6.6.1(c) of the NER and addresses these matters in the following sections:

¹ Clause 6A.7.3(c)

² Clause 6A.7.3(k)

³ Section 7A.

⁴ National Electricity Law, section 7A(2).

⁵ At times referred to in this document as 'statement' or 'application'. These terms should be read interchangeably and inclusive of all appendices and supporting attachments accompanying this application.

⁶ See clause 6A.7.3(c) of the NER

⁷ This version of our application was resubmitted to the AER in December 2024.

- **Section 3:** the relevant details to enable the AER to determine that a positive change event has occurred in accordance with clause 6A.7.3(c)(1) and (2)
- **Section 4:** details and evidence of the increase in costs in accordance with clause 6A.7.3(c)(6)(i) and (ii)
- **Section 5:** the eligible and proposed pass through amount in accordance with clause 6A.7.3(c)(3), (4) and (5).

This application also addresses the matters listed in clause 6A.7.3(c)(3) of the NER which the AER must take into account in deciding the approved pass through amounts⁸.

As part of our application we have also provided:

- a cost model;
- a 2022-27 Post-tax Revenue Model (**PTRM**) update to incorporate the pass through amount. This update was based on the approved version of our PTRM model "AER - AusNet Services transmission PTRM - 2025-26 Return on debt update", which incorporates the 2025-26 return on debt update;
- a review of our actual costs conducted by Ernst & Young; and
- a confidentiality template in accordance with the AER's confidentiality guidelines.

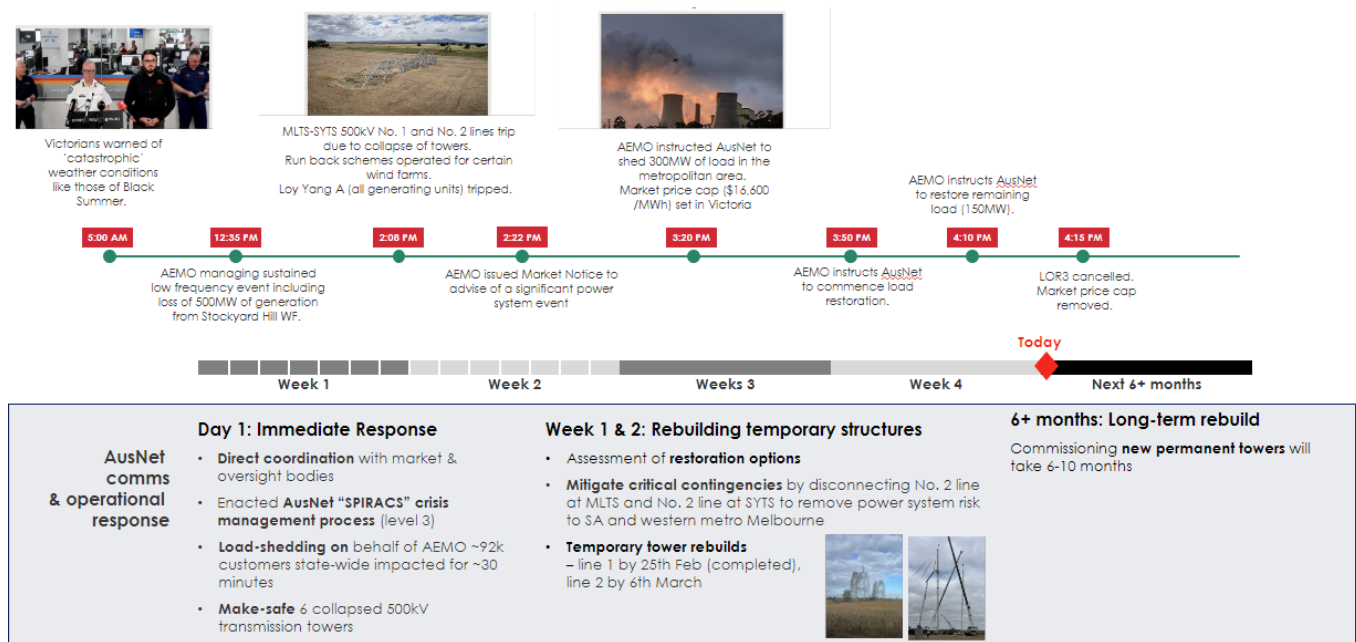
⁸ We note clause 6A.7.3(c)(4) requires us to provide such other information as may be required under any relevant regulatory information instrument. No such instrument has been issued by the AER at the time of submitting this statement. However, clause 6A.7.3(e1)) provides scope for the AER to request additional information to help it make its determination. We will welcome any such engagement if it will assist the AER in its deliberations.

3 Positive change pass through event

3.1 Event summary

On 13 February 2024, Victoria experienced a severe storm and damaging winds which resulted in the collapse of six towers on the Moorabool to Sydenham 500kV transmission lines near Anakie, south west of Melbourne. This resulted in loss of the Moorabool to Sydenham (MLTS-SYTS) 500kV No 1 and No 2 lines which impacted the operation of the National Electricity Market (NEM). These two circuits are crucial to the operation of the NEM as these form part of the network which supplies the stations going to the south-west of Victoria, which connects the NEM to South Australia. Figure 1 summarises the course of events relating to the weather event and this application.

Figure 1: Timeline of event and AusNet response



Timeline source: AEMO, Preliminary report – Trip of Moorabool to Sydenham 500kV No. 1 and No. 2 lines, Feb. 2024 and AusNet internal reports. Note timing is Victorian local time (Australian Eastern Daylight Saving Time AEDT). AEMO report is aligned to NEM timing (Australian Eastern Standard Time (AEST) and converted to local time)
 SPIRACS- Strategic Plan for Integrated Response and Contingency system – July 2023. AEMO- Australian Energy Market Operator. ESV- Energy Safe Victoria. MLTS – Moorabool Terminal Station. SYTS – Sydenham Terminal Station

Source: AusNet

Extreme weather event

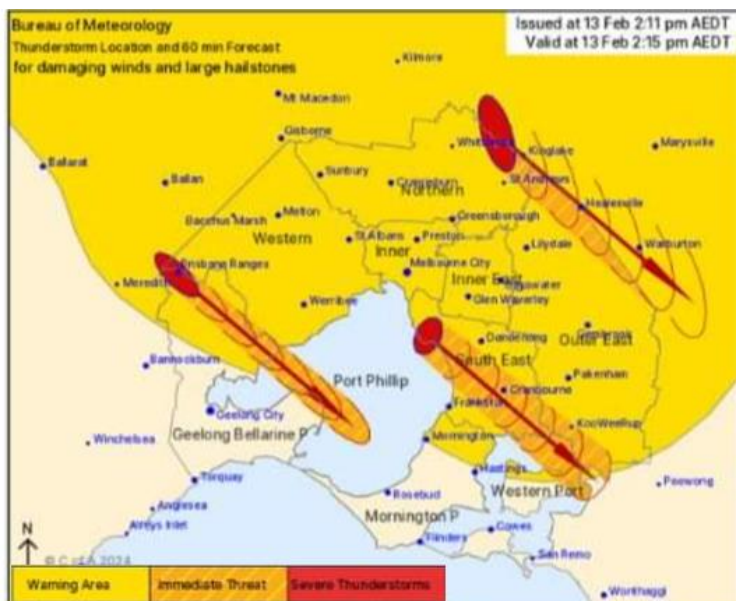
The storm on the 13th of February was catastrophic, and caused significant damage to infrastructure across the state. It resulted in the largest storm outage event in Victoria, with half a million Victorians without power largely due to storm damage to distribution networks, in addition to the impact of load shedding initiated following the transmission towers collapse⁹.

The Bureau of Meteorology (BOM) and VicEmergency issued weather warnings for severe thunderstorms and damaging winds in areas across our networks, including the area of Anakie (as shown in Figure 1). Wind gust speeds of 122 km/hour were recorded at Avalon¹⁰ in the early afternoon on the 13th, which gives an indication of the severity of the storm impact on the transmission towers.

⁹ AEMO, Power system event in Victoria press release, 13 February 2024 5.30pm, link: [AEMO | Power system event in Victoria](#)

¹⁰ Bureau of Meteorology, Avalon February 2024 Daily Weather Observations, link: [Avalon, Vic - February 2024 - Daily Weather Observations \(bom.gov.au\)](#)

Figure 2: Bureau of Meteorology Warmings at 2:11 pm on 13th February



Source: BOM

Immediate system impact and emergency response

At 2:08pm, the towers collapsed and the two transmission lines and Loy Yang A tripped. This resulted in AEMO issuing a Market Notice to advise of an emergency power system event, Lack of Reserve 3 (LOR3) at 2:22pm. To mitigate this event, at 3:30pm AEMO directed AusNet to shed 300MW of load. This impacted around 92,000 customers across Victoria. The load shedding event lasted around 40 minutes and load began to be restored at 3:50. AusNet was instructed to restore all remaining load by 4:10pm and the LOR3 event was cancelled at 4:15pm.

Figure 3: Transmission Towers on the Moorabool to Sydenham (MLTS-SYTS) 500kV No 1 and No 2 lines collapsed, resulting in the loss of those lines.



Source: AusNet

Restoration of the lines

Our immediate emergency response involved making safe the sites where the towers collapsed. In the following few weeks after the storm, AusNet constructed temporary towers to restore the two lines, using 8 Emergency Restoration System (ERS) structures (4-on each circuit). Line 1 was restored on the 25th of February, less than two weeks after the event and Line 2 on the 6th of March.

These ERS structures are designed to be temporary and used to ensure prompt restoration of the network in emergency events but cannot act as a long-term solution for the MLTS-SYTS lines. Therefore, AusNet was required to rebuild with permanent structures to restore the line in the following months, with line restored with new towers by November 2024. Considering the urgency, an accelerated project delivery timeline was adopted to meet stringent operational requirements and our commitments to Energy Safe Victoria (ESV). This project involved the replacement of the 6 towers (T134 to T136 on MLTS-SYTS line 1 and 2.

The project did not require a Regulatory Investment Test for Transmission (RIT-T) to proceed. The NER outlines that a proponent does not need to apply the RIT-T to a project that was not reasonably foreseeable and was beyond the control of the network business and where a failure to address the identified need is likely to materially adversely affect the reliability and secure operating state of the transmission network. The project is required to restore reliable supply and security for NEM.

3.2 Natural disaster event

To be eligible for a pass through application we must establish that a positive change event has occurred. A positive change event is:

... a pass through event which entails the Transmission Network Service Provider incurring materially higher costs in providing prescribed transmission services than it would have incurred but for that event, but does not include a contingent project or an associated trigger event.¹¹

We have used 13 February 2024 as the date on which a positive change event occurred.

A 'pass through event' means, for a transmission determination, an event specified in clause 6A.7.3(a1). The clause specifies that each of the following are a pass through event:

- 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;
- 6) an inertia shortfall event¹²; and
- 7) a fault level shortfall event.

This application is in respect of a nominated pass through event under clause 6A.7.3 (a1)(5) – any other event specified in a transmission determination as a pass through event for the determination;

The relevant distribution determination during which the February Storm occurred is our 2022-27 determination. The AER's Final Decision confirmed that a 'natural disaster event' will apply to as a nominated pass through event for the 2022–27 regulatory period. A 'natural disaster event' is defined as:

*... any natural disaster including but not limited to cyclone, fire, flood or earthquake that occurs during the 2022–27 regulatory control period that changes the costs to AusNet Services in providing prescribed transmission services, provided the cyclone, fire, flood, earthquake or other event ...*¹³

3.3 Materiality

Another of the thresholds that must be satisfied for the AER to approve a positive pass through application is that the cost to the TNSP of providing direct control services must increase "materially" as a result of the pass through event.

The event impacted AusNet's operations during and in the following weeks to months after the February storm event, resulting in additional resources including labour and materials needed to rectify the tower collapse in response to the storm. Specifically, we have or will incur additional costs for:

- Emergency response and temporary restoration, including decommissioning and removing the collapsed towers and installing temporary restoration using ERS structures
- Design and construction of new permanent towers to replace the ERS.

The material costs associated with the storm is discussed in Section 3. Expenditure to construct the ERSs was incurred in regulatory year 2023-24 and the tower rebuild was incurred in 2024-25.

¹¹ This definition is taken from the NER, Chapter 10.

¹² This does not apply in Victoria (see NER clause 5.20B.4(a)).

¹³ AER, AusNet Services transmission determination final decision 2022–27, Attachment 13 – Pass through events, pp. 13-7.

Table 2: Materiality of pass through

\$m (\$ 2022)	2023-24	2024-25
Annual revenue requirement (ARR) (smoothed) (2023-24)	547	539
Total costs associated with the Feb Storm (2023-24)	6	21
Materiality of the pass through	1.1%	3.8%

Source: AusNet.

An increase in costs is material if the change in costs (as opposed to the revenue impact) that a TNSP has incurred, and is likely to incur, in any year of a regulatory period, as a result of the event, exceeds 1% of the annual revenue requirement for the TNSP for that regulatory year¹⁴.

The additional capex incurred in response to the storm event is material in both 2023-24 and 2024-25, as it exceeds an amount equal to 1% of the annual revenue requirement (ARR) established in the PTRM from the AER's revenue determination. Therefore, we have shown that we have incurred a material change in costs due to the February Storm.

¹⁴ Definition of "materially", chapter 10 of the National Electricity Rules.

4 Costs incurred

4.1 Overview of costs resulting from the February storm

AusNet has incurred materially higher costs in providing prescribed services as a result of the 500kV transmission line towers collapse. Table 3 summarises the total cost incurred in response to the storm and the drivers of these costs are described in Section 4.2 and 4.3.

Given that the affected transmission lines are key elements of the national grid, AusNet has incurred costs for early, temporary restoration of service using ERSs in early 2024. The second stage to replace the 6 failed towers with new permanent towers was incurred throughout 2024-25. As shown in table 3, this stage contains the significant proportion of the total costs that AusNet will incur as a result of the positive pass through event.

A model demonstrating the cost build up is attached as Attachment 1.

Table 3: Total expenditure incurred as a result of the February Storm (nominal)

	2023-24	2024-25	Total
Emergency response and temporary restoration			
Labour	193,237		
Materials	6,197,573		
Other	77,810		
Permanent restoration of the line			
Labour		1,199,204	
Contract		10,683,077	
Materials		9,427,330	
Other	77,810	1,822,557	
Total direct project capex	6,468,620	23,132,167	29,600,787
Overheads	321,155	1,077,065	1,398,220
Total project capex	6,789,775	24,209,232	30,999,007

Source: AusNet.

4.2 Emergency response and temporary restoration

We spent \$6.5m (nominal) of direct capital expenditure to clear the site and restore the line using the ERS. This cost was largely incurred in the following weeks after the event and was driven by contracts costs and internal labour to:

- **to inspect the damage and make the site safe** before restoration works could begin. This immediate response included aerial patrols, security arrangements, traffic management.
- **decommission and remove existing suspension towers T134, T135 and T136** on SYTS-MLTS 500kV Line 1 and 2 and remove the damaged portion of phase conductors, groundwire, insulators, and other line hardware from the existing lines and vegetation where necessary.
- **temporarily restore the line using ERS structures**

The transmission line was restored to service using the Emergency Restoration System, which is a set of temporary guyed mast structures and conductor attachment hardware that are held as a contingency in the case of an improbable, catastrophic collapse of towers, such as occurred near Anakie. Cost associated with the temporary restoration included:

- assessing restoration options and completing design work
- forming access tracks to sites for restoration work
- transporting of all ERS towers and associated hardware to site from Melbourne
- assembling and erecting the ERS in mast suspension arrangement, and reconnecting conductors to the sound transmission line towers at either end to reform the transmission lines

The temporary line for the first circuit was completed on 25 February and the second circuit on 6 March 2024.

Figure 4: Emergency Restoration System being erected to temporarily restore the lines



Source: AusNet.

4.3 Permanent restoration of the line

The temporary ERS structures cannot be retained as a permanent solution. Primarily given the ERS structures are not designed to survive all environmental conditions that may be expected. The structures are designed for a 1 in 20 year wind event. There is a significant risk of subsequent failure and heightened transmission service risk if they are not replaced by permanent structures as soon as practicable. In addition, the ERS towers are not suitable for long term use as:

- on-going maintenance cost for the temporary structures is significantly higher than for permanent towers
- retaining the ERS structures on these transmission lines compromises their intended use as being for emergencies generally, including for potential further failure on these lines, and deprives them of their shared use by other TNSPs who also place some reliance on the availability of these assets. The emergency response capability would need to be supplemented if these ERS structures are unavailable indefinitely.

If the project to rebuild the towers was not completed and the ERS structures remained in place indefinitely, there would be significant Market Criticality Risk (**MCR**) within NEM which would lead to declined network availability and network security. The project scope was identified as the most cost-effective method to remove the risks associated with supporting the two 500kV circuits using temporary structures (i.e., ERS masts). This option ensures AusNet:

- Maintains the reliability of the network including the NEM.
- Reduces the safety risks to the public (i.e., there are two road crossings which go under the circuits) and the environment.
- Complies with AusNet's Energy Safe Victoria in terms commitments.

The scope of the project includes:

- Installing new foundations along the existing line alignment, i.e., a few metres away from the existing ERS masts
- Installing new painted towers on the new foundations (T134 to T136 SYTS-MLTS 1 and SYTS-MLTS 2)
- Concurrently, the project installed new phase conductors, groundwire, insulators and other hardware to minimise disruption to community and landowners in the area by removing the need to return to the site and

replace these items in the relatively near future. Due to the impact experienced by the conductors and groundwire during the tower collapse, there was incipient damage or defects incurred by some assets which over time, will become worse and may result in a failure. Given this damage occurred on towers which are not termination joints, we have concluded it is necessary to replace conductors from tower T129 to T136 to create a strain of new conductors all with the same new asset condition to ensure optimal asset performance.

- Establish connection between existing tower T133 and new tower T134, and between new tower T136 and existing tower T137
- Dismantling the ERS structures

We undertook the tower rebuild works in the late 2024, with procurement of the tower and conductors expected around September this year and a targeted completion date of December 2024.

Given the timing of our initial application in June 2024 relative to the rebuild works, we have re-submitted the costs associated with this application in December 2024 to provide the AER with a more detailed breakdown of actual costs. This approach provides a more accurate cost for the AER to assess in response to the event and we note that there has been material differences between forecast and actuals costs for similar projects in the past (e.g. 2020 Cressy Tower rebuild).

5 Eligible and proposed pass through amount

5.1 Eligible pass through amount

Clause 6A.7.3(c)(3) of the NER requires us to specify the eligible pass through amount.

The eligible pass through amount is the increase in costs incurred in the provision of prescribed transmission services as a result of the pass through event. It covers all expenditure including the capex incurred and likely to be incurred until either the end of the regulatory control period in which the positive change event occurred or, if cost recovery is to continue into the next period, the end of that regulatory control period.

In determining the eligible pass through amount, only incremental costs attributable to the regulatory change were included; no costs that would have been incurred under a business-as-usual (BAU) scenario form part of this application.

The costs set out below comprise the eligible pass through amount. In determining the eligible pass through amount, only incremental costs attributable to the February Storm have been included; no costs that would have been incurred under a business-as-usual (BAU) scenario form part of this application.

5.2 Evidence of the costs for the eligible pass through amount

Clause 6A.7.3(c)(6)(i) of the NER requires us to provide evidence of the actual and likely increase in costs comprising the eligible pass through amount.

Tables 4 below provide a breakdown of the return on and of capital attributed to the capex included in the eligible pass through amount.

We have provided evidence of the costs to be incurred in our 'Build up of costs model' (Attachment 1.1). For on-going or future work, we prepared forecasts using the same principles that apply to the development of our regulatory proposals.

Table 4: Eligible pass through amount (\$M, \$2022, unsmoothed)

\$ 2021-2022	2022-23	2023-24	2024-25	2025-26	2026-27	Total
Return on capital			\$ 0.29	\$1.30	\$1.12	\$2.71
Return of capital			-\$0.05	-\$0.20	-\$0.19	-\$0.43
Operating expenditure			\$0.01			\$0.01
Revenue adjustments						
Tax						
Building block revenue			\$0.26	\$1.10	\$0.94	\$2.29

Source: AusNet.

5.3 Costs as a consequence of the positive change event

Clause 6A.7.3(c)(6)(ii) of the NER requires us to provide evidence that the actual and likely increase in costs comprising the eligible pass through amount occurred solely as a consequence of the positive change event. Similarly, clause 6A.7.3(j)(5) requires the AER, in determining the approved pass through amount and the amount to be passed through to users in each regulatory year, to take into account the need to ensure the TNSP only recovers any actual or likely increment in costs that is solely as a consequence of the positive change event.

In calculating the eligible pass through amount, we included only the incremental costs for those activities that were incurred solely as a result of the positive change event.

We have assessed the funding we received for the 2022-27 regulatory period, and whether there are elements of the funding that can be attributed to this. We have identified no overlap in the \$41.1m for lines replacements program proposed within our approved \$207.1m replacement capex forecast in our final decision:

- We received no material funding for tower replacements and the assets proposed in our towers replacement program were not on the MLTS-SYTS lines. Our proposal included \$4.2 million for towers to address supply and safety risk in our forecast. The scope of this program included minor tower related spend and areas of the network targeted were not the assets involved in the storm. "A program to replace

deteriorating bolts and lattice steel lattice members of targeted towers is proposed, with some targeted painting to slow corrosion rates along HYTS-APD 500 kV, ROTSSVTS 220 kV, and poles along MWTS-LY 66 kV circuits. Four corroded towers in the highly corrosive environment at the end of the HYTS-APD 500 kV Line are also targeted for replacement.¹⁵ It is clear this program scope was not intended to cover rebuilding 6 tower structures.

- Our proposal included \$36.9m for conductor and groundwire replacements. Conductors and ground wires are assigned a condition grade per span on a scale between C1 (best) and C5 (worst) against specific grading parameters. Our proposed conductor replacement program in the current period was target spans with condition C4 and C5 and Asset Criticality 3, 4 and 5 and condition C5 with Asset Criticality only, which did not include the conductors on the MLTS-SYTS lines. Therefore, the conductors to be replaced in the rebuild project were not intended to be replaced in the current period if it was not for the storm damage, as in absence of the storm the asset life of these conductors was expected to be extended beyond the current regulatory period. Therefore, we consider there is no overlap with the conductor and groundwire replacements in the pass through application and our 2022-27 regulatory proposal.

5.4 Prudence and efficiency of pass through amount

Clause 6A.7.3 (c)(4) of the NER requires us to specify the positive pass through amount that we propose in relation to the positive change event. The positive pass through amount is defined as an amount not exceeding the eligible pass through amount. This includes whether our actions minimised the magnitude of the eligible pass through amount.

The proposed cost pass through amount reflects the prudent and efficient costs associated the temporary restoration and permanent tower rebuild in response to the tower collapse. Our economic and risk evaluation uses Net Present Value (NPV) and As Low As Reasonably Practicable (ALARP) approach has identified that replacement of these 6 towers will restore reliability and ensure network security while incurring the least cost. We have not identified overlap within our current allowance to fund any portion of the pass through costs. We consider we have taken all appropriate steps to minimise the magnitude of the pass through amount.

5.5 Insurance considerations

In accepting a 'natural disaster event' as a nominated pass through event in our transmission determination for the 2022-2027 regulatory control period, the AER's final decision notes that¹

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

- whether AusNet Services has insurance against the event; and
- the level of insurance that an efficient and prudent NSP would obtain in respect of the event.

AusNet Services does not hold insurance cover for damage caused to the transmission lines of the network by a natural disaster. The cost of holding this insurance is assessed when AusNet routinely reviews its insurance needs and renegotiates insurance arrangements.

Through these reviews and by keeping abreast of trends in insurability, we can confirm that obtaining insurance cover for transmission lines (more generically poles and wires) from third party insurers is not an efficient approach to managing the risk of damage to or loss of these assets. There are several contributing reasons for this view:

- The insurance capacity available is extremely low in comparison to the value of the assets, and the value that may be impacted by one natural disaster event;
- The premium for insuring against damage to transmission towers and lines is a significant proportion of the payout cap, as is the deductible; and
- If a claim was made under such cover, it is expected that the premium would be increased by as much as 50%. This reflects the insurer's assessment of the likelihood of this risk being realised. With an apparent increase in other events of nature, in particular wildfires, impacting in environments around the world, it is not clear that such insurance cover would currently even be available.

The lack of insurance cover for transmission lines (and poles and wires of the electricity distribution networks in general) at economic rates was previously confirmed by our insurance broker, who detailed that none of their utility clients within Australia hold this form of cover. The broker explained that underwriters attempting to write this form of cover experience re-insurance issues as reinsurers do not have appetite for this risk. It is understood their concerns

¹⁵ Page 109 of AusNet Services – TRR 2022-27 – Revenue Proposal – 29 October 2020

stem from loss scenarios as a result of catastrophic weather events (fire, storm and cyclone) which may result in large insurance payouts. Thus, the few underwriters who have previously quoted cover for poles and wires provide small aggregate limits with prohibitively expensive premiums.

Other network operators face similar 'whole of network' insurance considerations. We have previously checked the approaches of peer network operators and this confirms AusNet's practice of not insuring this risk is consistent with those operators contacted.

As such, pass through cover in the regime is the cheapest form of insurance for customers in the long run.

5.6 Proposed positive pass through amount

Clause 6.6.1(c)(4) of the NER requires us to specify the positive pass through amount that we propose in relation to the positive change event. The positive pass through amount is defined as an amount not exceeding the eligible pass through amount. We propose a positive pass through amount of \$2.3 million (\$2022, unsmoothed). We have calculated the proposed positive pass amount as the change in our required revenues for the 2022-27 regulatory period due to the positive change event. That is, our proposed positive pass through amount incorporates the return on capital and return of capital for the 2022-27 regulatory period arising from the incremental expenditure resulting from the tower collapse.

The PTRM used to calculate the pass through amount with this application is provided as Attachment 2¹⁶.

5.7 Pass through amount in each regulatory year

Clause 6A.7.3(c)(5) of the NER requires that we specify the amount that we propose to pass through to customers in the year, and each regulatory year after that, in which the positive change event occurred. Given our proposal is capex and will be recovered over the long asset lives, there is not significant impact on revenue in the current period. Over the remaining 2 regulatory years to recover the costs of the pass through, we propose to recover an additional \$1.2m in regulatory year 2025-26 and \$1.1m in 2026-27.

¹⁶ This PTRM is based on the final PTRM approved by the AER and updated for the 2025-26 Return on debt.

6 Attachments

ATTACHMENT
1 Build up of costs model – CONFIDENTIAL
2 PTRM update
3 EY review of AusNet’s costs - CONFIDENTIAL
4 Confidential template

7 Compliance checklist

This attachment provides information on the compliance of AusNet's pass through application with the NER pass through provisions (as set out in CI 6A.7.3), and to the location of the relevant information in our application.



NER Clause	Requirement	Information provided	Section of application
6A.7.3(a) 1	<p>Identification as a pass through event</p> <p>An event allowing for pass through of costs may be specified in the transmission determination (sub 5)</p>	The application confirms that the towers collapse event meets the 'natural disaster' event specified in AusNet Services' transmission determination	3.2
6.7.3 (a)	<p>A TNSP may seek AER approval for the pass through for a positive change event</p> <p>To qualify as a positive change event the TNSP must have incurred materially higher costs (NER defined) in providing prescribed transmission services</p>	The application confirms that AusNet Services incurred materially higher costs in providing direct control services, and accordingly the event qualifies as a positive pass through event	3.3
6A.7.3 (c)	A TNSP must submit a statement (interchangeable term being application) within 90 business days of the relevant positive change event occurring	This application was submitted before 21 June 2024, being within 90 business days of the event occurring	2.2
(c)(1)	<p>The statement must specify:</p> <ul style="list-style-type: none"> The details of the positive change event 	The details of the positive change event, being the scale and impact of the storm resulting failure of the towers is set out in the application	3.1
(c)(2)	<ul style="list-style-type: none"> The date on which the positive change event occurred 	We have specified the event occurred on 13 February 2024.	2.2, 3.1
(c)(3)	<ul style="list-style-type: none"> The eligible pass through amount, being the increase costs in the provision of direct control services as a result of the positive change event 	The application provides detail on the sources of cost increases and the cost attributed for each, which constitutes the eligible pass through amount	5.2
(c)(4)	<ul style="list-style-type: none"> The positive pass-through amount proposed 	The application proposes a positive pass through amount	5.5
(c)(5)	<ul style="list-style-type: none"> The amount proposed to be passed through in the regulatory year in which the event occurred in subsequent regulatory years 	The application proposes amounts to be passed through in the final year of the current regulatory control period	5.6
(c)(6)(i)	<p>Evidence of:</p> <ul style="list-style-type: none"> the actual and likely increases 	The basis of the forecast capital cost is advised.	4.1, 4.2, 4.3 and supporting attachments

(c)(6)(ii)	<ul style="list-style-type: none"> that the costs occur solely as a consequence of the positive change event 	The application describes the cost capture process which ensures that costs included occur solely as a consequence of the positive change event.	5.3
(c)(7)	<ul style="list-style-type: none"> other information as required under any relevant regulatory instrument <p>The AERs final decision on AusNet Services' transmission determination 2022-27 notes that in assessing a natural disaster pass through application, it will have regard to the insurance held and whether that is efficient amount a prudent NSP would hold</p>	The application discusses insurance considerations for natural disaster events such as the extreme weather induced towers failure.	5.5

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