Final Decision

AusNet Services Transmission Determination 2022 to 2027

January 2022

AUSTRALIAN
ENERGY
REGULATOR

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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).[1]

This document is our transmission determination for AusNet Services for the regulatory control period 1 April 2022 to 31 March 2027. Our reasons are included in the AER's final decision on AusNet Services' transmission determination (January 2022) which is to be read in conjunction with this document.

Our transmission determination for AusNet Services consists of:[2]

- 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).

1 NER, clause 6A.2.1.

2 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.[3] 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 2022–27 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.

Our revenue determination specifies the following matters:[4]

- 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 (CESS) is to apply to AusNet Services
- how the demand management innovation allowance (DMIAM) is to apply to AusNet Services
- the commencement and length of the regulatory control period covered by this determination
- depreciation for establishing the RAB as at the commencement of the following regulatory control period is to be based on forecast capital expenditure.

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3 NER, cl. 6A.5.4

4 NER, cl. 6A.4.2

1.1 Method for calculating estimated total revenue cap

We determine an estimated total MAR of $2,876.6 million ($nominal) for AusNet Services for the 2022–27 regulatory control period as shown in Table 1. The total annual expected MAR is also known as the total revenue cap. It is the sum of the annual expected MAR for each regulatory year.[5]

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

	2022–23	2023–24	2024–25	2025–26	2026–27	Total
Annual expected MAR (smoothed)	570.7	573.0	575.3	577.6	579.9	2,876.6
X factor (%)[a]	n/a[b]	2.00%	2.00%	2.00%	2.00%	n/a

Source: AER analysis.

(a) The X factors 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 smoothed 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.

(b) AusNet is not required to apply an X factor for 2022–23 because we set the 2022–23 MAR in this decision. The MAR for 2022–23 is around 1.3% lower than the approved MAR for 2021–22 in real terms, or 1.1% 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.

5 NER, cl. 6A.5.3.

1.2 Annual building block revenue requirement

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

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

	2022–23	2023–24	2024–25	2025–26	2026–27	Total
Return on capital	168.8	167.1	166.6	167.3	166.9	836.6
Regulatory depreciation[a]	96.1	81.9	91.1	101.0	109.6	479.7
Operating expenditure[b]	284.4	291.6	297.8	305.6	313.3	1,492.8
Revenue adjustments[c]	25.7	15.8	14.4	12.7	–0.5	68.1
Net tax allowance	0.8	0.0	0.0	0.0	0.0	0.8
Annual building block revenue requirement (unsmoothed)	**575.8**	**556.4**	**569.9**	**586.6**	**589.3**	**2,878.0**

Source: AER analysis.

(a) Regulatory depreciation is straight-line depreciation net of the inflation indexation on the opening regulatory asset base.

(b) Includes debt raising costs.

(c) Includes revenue adjustments from the efficiency benefit sharing scheme, the capital expenditure sharing scheme, a shared assets adjustment, and the demand management innovation allowance mechanism.

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) in nominal dollar terms. The calculation of the actual annual MAR will therefore require an adjustment for actual inflation. To this end, the actual MAR from the second year onwards is adjusted for actual inflation. As discussed in the *Rate of return instrument*, the MAR is also subject to adjustment to reflect our update of AusNet Services' return on debt annually.[6] This means the actual MAR from the second year onwards will be adjusted for revised X factors after the annual return on debt update. The method of this annual revenue adjustment process is set out below.

To enable the formula for the annual revenue adjustment process to operate correctly, we will refer to the expected MAR determined in this determination using the building block costs as the allowed revenue (AR). This is because the expected MAR determined using the building block costs does not incorporate performance incentive scheme revenue adjustments and pass through amounts that may apply to each regulatory year.

[6] AER, *Rate of return instrument*, December 2018, cl. 24, note 29.

We determine the 2022–23 AR of $570.7 million for AusNet Services. AusNet Services then applies an annual adjustment to determine its AR for each subsequent year of the 2022–27 regulatory control period, based on the previous year's AR and using the CPI–X methodology.[7] 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 (2023–24), 3 (2024–25), 4 (2025–26), 5 (2026–27))
ΔCPI	=	the annual percentage change in the ABS Consumer price index 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 *Rate of return instrument* calculated for the relevant year.[8]

The MAR used for transmission pricing is determined annually as part of the annual revenue adjustment process in accordance with the NER by adding to (or deducting from) the allowed revenue:

- the STPIS revenue increment (or revenue decrement)[9]
- any approved pass through amounts.[10]

The annual MAR is established according to the following formula:

$$MAR_t = \text{(allowed revenue)} + \text{(performance incentive)} + \text{(pass through)}$$

$$= \mathrm{AR}_t + \left(\left(\mathrm{AR}_{t-2} \times \frac{3}{12}\right) + \left(\mathrm{AR}_{t-1} \times \frac{9}{12}\right)\right) \times \mathrm{S}_{ct} + \mathrm{P}_t$$

[7] In the case of making the annual adjustment for year 2, the previous year's AR would be the same as the approved expected MAR for year 1 as contained in the PTRM.

[8] AER, *Rate of return instrument*, December 2018, cl. 9.

[9] NER, cl. 6A.7.4.

[10] NER, cll. 6A.7.2 and 6A.7.3.

where:

MAR	=	the maximum allowed revenue
AR	=	the allowed revenue
S	=	the percentage revenue increment or decrement determined in accordance with the STPIS
P	=	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
t	=	time period/financial year (for *t* = 2 (2023–24), 3 (2024–25), 4 (2025–26), 5 (2026–27))
ct	=	time period/calendar year (for *ct* = 2 (2022), 3 (2023), 4 (2024), 5 (2025)).

AusNet Services may also adjust the MAR for under- or over-recovery amounts.[11] That is, if the revenue amounts earned from providing prescribed transmission services in previous regulatory years are higher or lower than the sum of the approved MAR for those years, the difference can be included in the subsequent year's MAR. In the case of an under-recovery, the amount is added to the subsequent year's MAR. In the case of an over-recovery, the amount is subtracted from the subsequent year's MAR.

Table 3 sets out the timing of the annual calculation of the AR and performance incentive:

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

t	Allowed revenue (financial year)	*ct*	Performance incentive (calendar year)
2	1 April 2023–31 March 2024	2	1 January 2022–31 December 2022
3	1 April 2024–31 March 2025	3	1 January 2023–31 December 2023
4	1 April 2025–31 March 2026	4	1 January 2024–31 December 2024
5	1 April 2026–31 March 2027	5	1 January 2025–31 December 2025

Note: The performance incentive for 1 January 2021–31 December 2021 is to be applied to the AR determined for 2022–23 (AR_1).

[11] NER, cl. 6A.23.3(e)(5).

1.4 Regulatory asset base

We determine an opening RAB value of $3,575.1 million as at the commencement of the 2022–27 regulatory control period for AusNet Services.

1.5 Method for indexation of the regulatory asset base

The method for indexing AusNet Services' RAB for each year of the 2022–27 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.[12] For AusNet Services, this will be the September quarter CPI. This method will be used as part of the roll forward of AusNet Services' opening RAB for the purposes of the AER's transmission revenue determination for the regulatory control period commencing on 1 April 2027.

1.6 Service target performance incentive scheme parameters

We will apply version 5 of the transmission STPIS to AusNet Services in the 2022–27 regulatory control period.[13]

Attachment 10 to our final decision sets out:

- The values for service component caps, floors and targets for 2022–27
- Market impact component (MIC) parameter values for 2022–27
- Our final decision on the Network capability component for 2022–27

Attachment 10 to our final decision also provides further clarification and guidance on the application of the MIC in response to AusNet Services' concerns regarding the impact of increasing level of semi-scheduled renewable generation in the NEM.

1.7 Efficiency benefit sharing scheme parameters

The values for the efficiency benefit sharing scheme (EBSS) parameters that will apply to AusNet Services in the 2022–27 period, subject to adjustments required by the EBSS, are set out in Table 4.

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[12] ABS, *Consumer price index, Australia*.

[13] AER, *Electricity transmission network service provider Service target performance incentive scheme*, Version 5 (corrected), October 2015.

Table 4 Forecast total opex for the EBSS ($million, 2021–22)

	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27
Forecast total opex	251.4	251.9	277.6	277.8	277.0	277.4	277.6
Less easement land tax	–148.5	–148.5	–173.6	–173.6	–173.6	–173.6	–173.6
Less AEMO participant fees*	–	–	–	–1.4	–1.6	–1.7	–1.8
Less debt raising costs	–1.7	–1.7	–1.7	–1.7	–1.7	–1.7	–1.7
Forecast total opex for the EBSS	**101.1**	**101.7**	**102.3**	**101.1**	**100.1**	**100.5**	**100.5**

Source: AER, *AusNet Services 2022–27 – Final Decision – Post tax revenue model*, January 2022; AER, *AusNet Services 2022–27 – Final Decision – EBSS model*, January 2022; AER analysis.

* In the event AEMO participant fees must be paid for from AusNet Services' standard control services opex, and we use AusNet Services' revealed costs to forecast these in the regulatory control period commencing in 2027–28, we will include them in the EBSS.

Note: Numbers may not add up due to rounding. Amounts of '0.0' and '–0.0' represent small non-zero amounts and '–' represents zero.

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

- easement land tax
- debt raising costs
- Australian Energy Market Operator (AEMO) participant fees, in the event the NER is changed to allow transmission networks to recover their actual AEMO participant fees outside of the revenue determination process
- rebates under AEMO's availability incentive scheme
- priority projects approved under the network capability component of STPIS.

In addition to these excluded cost categories we will also:

- adjust forecast opex to add (subtract) any approved revenue increments (decrements) made after the initial regulatory determination, such as approved pass through amounts or opex for contingent projects
- adjust reported actual opex for the 2022–27 regulatory control period to reverse any movements in provisions
- adjust actual opex to add capitalised opex that has been excluded from the regulatory asset base
- adjust forecast opex and actual opex for inflation[14]

[14] AER, *Efficiency benefit sharing scheme for electricity network service providers*, November 2013, p. 7.

- exclude categories of opex not forecast using a single year revealed cost approach for the next regulatory control period beginning in 2027–28 where doing so better achieves the requirements of clause 6A.6.5 of the NER.[15]

1.8 Application of capital expenditure sharing scheme

We will apply the CESS as set out in version 1 of the capital expenditure incentives guideline to AusNet Services in the 2022–27 regulatory control period.[16] 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 service target performance incentive scheme (STPIS) for transmission network service providers.[17]

1.9 Application of demand management innovation allowance mechanism

In May 2021, we published the Demand management innovation allowance mechanism (DMIAM).[18] We will apply the DMIAM to AusNet Services for the 2022–27 regulatory control period, without any modification.

1.10 Commencement and length of regulatory control period

The regulatory control period will be five years, commencing on 1 April 2022, and ending on 31 March 2027.

1.11 Depreciation for establishing the regulatory asset base as at the commencement of the next regulatory control period

The depreciation approach to be applied to establish AusNet Services' RAB at the commencement of the 2027–32 regulatory control period will be based on the depreciation schedules (straight-line) using forecast capital expenditure at the asset class level approved for the 2022–27 regulatory control period.

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15 AER, *Efficiency benefit sharing scheme for electricity network service providers*, November 2013, p. 7.

16 AER, *Capital Expenditure Incentive Guideline,* November 2013, pp. 5–9; cl. 6A.6.5A(e).

17 AER, *Capital Expenditure Incentive Guideline,* November 2013, p. 6.

18 AER, *Demand management innovation allowance mechanism, Electricity transmission network service providers*, May 2021

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.

AusNet Services' 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.

The negotiating framework submitted by AusNet Services in its revised proposal and dated 1 September 2021[19] must be adopted by AusNet Services for the regulatory control period covered by this determination.

19 AusNet Services - TRR 2023-27 - Appendix 11B Victorian Negotiating Framework - 1 September 2021

3 Negotiated transmission service criteria

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.

AusNet Services' NTSC sets out the criteria that are to be applied:

- 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.

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

   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).

8. 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.

9. 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.

10. 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.

11. 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

12. 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 foregone 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 submitted by AusNet Services in its revised proposal and dated 1 September 2021[20] must be adopted by AusNet Services for the regulatory control period covered by this determination.

The role of AusNet Services' pricing methodology is to answer the question ‘who should pay how much' in order for AusNet Services to recover its costs. AusNet Services' pricing methodology provides a 'formula, process or approach' 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
- determines the structure of prices that a transmission business may charge for each category of prescribed transmission services.

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

20 AusNet Services - TRR 2023-27 - Appendix 11A Revised Proposed Pricing Methodology - 1 September 2021

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).[21] 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.[22]

The NER include the following pass through events for all transmission determinations:[23]

- a regulatory change event,
- a service standard event,
- a tax change event,
- an insurance event, and
- an inertia shortfall event[24]
- a fault level shortfall event

In addition to these prescribed events, other (nominated) pass through events may be specified in a determination for a regulatory control period.[25]

21 NER, Chapter 10 Glossary

22 NER, clause 6A.7.3(a), (b);

23 NER, cl. 6A.7.3(a1)(1)–(4). Each of these prescribed events is defined in Chapter 10 (Glossary) of the NER.

24 This type of event does not apply in Victoria (see NER, cl 5.20B.4(a)).

25 NER, cl. 6A.7.3(a1)(5).

Table 5 AER nominated pass through event definitions

<table>
<tr><th>Proposed event</th><th>Definition</th></tr>
<tr><td>Insurance coverage event</td><td>
An insurance coverage event occurs if:

AusNet Services:
<ol type="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
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

AusNet Services incurs costs:
<ol type="a">
beyond a relevant policy limit for that policy or set of insurance policies; or
that are unrecoverable under that policy or set of insurance policies due to changed circumstances; and

The costs referred to in paragraph 2 above materially increase the costs to AusNet Services in providing prescribed transmission services.

For the purposes of this insurance coverage event:
'changed circumstances' means movements in the relevant insurance liability market that are beyond the control of AusNet Services, where those movements mean that it is no longer possible for AusNet Services to take out an insurance policy or set of insurance policies at all or on reasonable commercial terms that include some or all of the costs referred to in paragraph 2 above within the scope of that insurance policy or set of insurance policies.
'costs' means the costs that would have been recovered under the insurance policy or set of insurance policies had:
<ol type="i">
the limit not been exhausted; or
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 AusNet Services was regulated; and
AusNet Services 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 AusNet Services in relation to any aspect of AusNet Services’ network or business; and
AusNet Services 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 AusNet Services in relation to any aspect of AusNet Services’ 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:
<ol type="i">
the relevant insurance policy or set of insurance policies for the event;
the level of insurance that an efficient and prudent TNSP would obtain, or would have sought to obtain, in respect of the event;
any information provided by AusNet Services to the AER about AusNet Services’ actions and processes; and
any guidance published by the AER on matters the AER will likely have regard to in assessing any insurance coverage event that occurs.

</td></tr>
</table>

Proposed event	Definition
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) 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 changes the costs to AusNet Services 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 AusNet Services has insurance against the event; ii. the level of insurance that an efficient and prudent NSP 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.
Natural disaster event	Natural disaster event means 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 was: a) a consequence of an act or omission that was necessary for the service provider 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 the service provider. Note: In assessing a natural disaster event pass through application, the AER will have regard to, amongst other things: (1) whether AusNet Services has insurance against the event; (2) the level of insurance that an efficient and prudent NSP would obtain in respect of the event.
Insurer credit risk event	An insurer credit risk event occurs if an 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: 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. 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 ii. in the event that a claim would have been covered by the insolvent insurer's policy, whether AusNet Services had reasonable opportunity to insure the risk with a different provider.
Victorian Energy Minister's power to direct augmentation event	Victorian Energy Minister's power to direct augmentation event occurs if each of the following conditions are satisfied: a) the Minister makes an order under section 16Y(1) of the *National Electricity (Victoria) Act 2005* (Vic) (Order); b) complying with the Order, increases the cost to AusNet Services of providing prescribed transmission services and AusNet Services is unable to recover such costs from any other prevailing cost recovery arrangements.

Source: AER analysis

Shortened forms

Shortened form	Extended form
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
CESS	capital expenditure sharing scheme
CPI	consumer price index
DMIAM	demand management innovation allowance mechanism
EBSS	efficiency benefit sharing scheme
MAR	maximum allowed revenue
NEL	National Electricity Law
NEM	National Electricity Market
NER	National Electricity Rules
NSP	network service provider
opex	operating expenditure
PTRM	post-tax revenue model
RAB	regulatory asset base
STPIS	service target performance incentive scheme
TNSP	transmission network service provider