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Dear Sebastian

### **Insurance coverage pass-through event – Draft Guidance Note**

AusNet Services welcomes the opportunity to provide comments on the Draft Guidance Note. We would also acknowledge that the Australian Energy Regulator has been making proactive improvements to this aspect of the regime in response to industry concerns on the ongoing health of the international bushfire liability insurance markets.

Overall, the Draft Guidance Note sets out a sensible, workable and transparent framework for the assessment of an insurance coverage pass-through event. As such, our comments are limited to three issues of interpretation and clarification around what information is or can be realistically expected from a network's own internal insurance coverage evaluation processes. These are set out below.

#### Modelling analysis of possible losses from insured events

AusNet considers the Draft Guidance Note sets out unrealistic expectations on the amount and depth of the quantitative analysis required by the network service provider (NSP) to support its understanding of risk exposure and choice of insurance policy. Much of the analysis described is undertaken by the insurers themselves in setting premiums and available cover, not the NSP which are effectively price takers in current market conditions. Networks access limited analysis and advice through independent external expert advisors and insurance brokers and do not have those actuarial capabilities internally.

#### Customer engagement

AusNet agrees that meaningful customer consultation on risk sharing and cost recovery can be undertaken. This consultation is most appropriate during a price review process when the balance of risk sharing between ex-ante or ex-post cost recovery can be dealt with holistically. Meaningful consultation with-in period is problematic once allowances are set.

Likewise, after an event has occurred, there may be a role in consulting on the appropriate cost recovery profile as part of formulating the Application.

However, we would also again emphasise again that the NSP's risk appetite and insurance coverage levels are ultimately the prerogative of the organisation's Board given Directors' responsibilities under Corporations Law.

Independent Advice on appropriateness of cover, structure and premiums

AusNet agrees that independent advice is an important part of the annual insurance renewal process, however, it should be recognised that the depth of information and advice listed in the Draft Guidance Note is not necessarily sought annually. Rather, more detailed advice and analysis is more comprehensive in years where insurance markets fundamentals are changing. For example, expert advice on coverage levels is not required annually when insurance markets are liquid and operating smoothly.

Please contact me with any questions on these responses or the broader insurance issues the industry is experiencing at [REDACTED]

Regards

[REDACTED]

Tom Hallam  
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