



# **Revised Proposal**

## **Attachment 9.02 -**

### **Nominated cost pass**

#### **through events**

January 2019

# 1 Proposed pass through events

## 1.1 Proposed definitions

Ausgrid's revised nominated pass through event definitions are outlined below in Table 1.

**Table 1. Proposed definitions**

Pass through event	Proposed definition	Explanation for proposed amendment
Insurer's credit risk event	<p>An insurer's credit risk event occurs if:</p> <ul style="list-style-type: none"> <li>An insurer of Ausgrid becomes insolvent, and as a result, in respect of an existing or potential claim for a risk that was insured by the insolvent insurer, Ausgrid: <ul style="list-style-type: none"> <li>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</li> <li>Incurs additional costs associated with funding an insurance claim, which <b>would</b> otherwise have been covered by the insolvent insurer.</li> </ul> </li> </ul> <p>Note: In assessing an insurer's credit risk event pass through application, the AER will have regard to, amongst other things,</p> <ul style="list-style-type: none"> <li>Ausgrid's attempts to mitigate and prevent the event from occurring by reviewing and considering the <b>insurer's</b> track record, size, credit rating and reputation.</li> <li>In the event that a claim would have been made after the insurance provider became insolvent, whether Ausgrid had reasonable opportunity to insure the risk with a different provider.</li> </ul>	Minor editorial changes to include a missing word and apostrophe.

Pass through event	Proposed definition	Explanation for proposed amendment
Insurance cap	<p>An insurance cap event occurs if:</p> <ul style="list-style-type: none"> <li>• Ausgrid makes a claim or claims and receives the benefit of a payment or payments under a relevant insurance policy,</li> <li>• Ausgrid incurs costs beyond the relevant policy limit, and</li> <li>• The costs beyond the relevant policy limit materially increase the costs to Ausgrid in providing direct control services.</li> </ul> <p>For this insurance cap event:</p> <ul style="list-style-type: none"> <li>• A relevant insurance policy is an insurance policy held during the 2019-24 regulatory control period or a previous regulatory control period in which Ausgrid was regulated</li> <li>• Ausgrid will be deemed to have made a claim on a relevant insurance policy if the claim is made by a related party of Ausgrid in relation to any aspect of the network or Ausgrid's business.</li> </ul> <p>Note for the avoidance of doubt, in assessing an insurance cap event cost pass through application under rule 6.6.1(j), the AER will have regard to:</p> <ul style="list-style-type: none"> <li>• The relevant insurance policy for the event, and</li> <li>• The level of insurance that an efficient and prudent NSP would obtain in respect of the event.</li> </ul>	No change from AER Draft Decision
Natural disaster event	<p>Natural disaster event means any natural disaster including but not limited to cyclone, fire, flood or earthquake that occurs during the 2019-24 regulatory control period that increases the costs to Ausgrid in providing direct control services, provided the fire, flood or other event was not a consequence of the acts or omissions of the service provider.</p> <p>Note: In assessing a natural disaster event pass through application, the AER will have regard to, amongst other things:</p> <ul style="list-style-type: none"> <li>• Whether Ausgrid has insurance against the event,</li> <li>• The level of insurance that an efficient and prudent NSP would obtain in respect of the event,</li> <li>• Whether a relevant government authority has made a declaration that a natural disaster has occurred.</li> </ul>	No change from AER Draft Decision
Terrorism event	<p>Terrorism event means an act (including, but not limited to, the use or threat of force, violence, or other disruptive activity) of any person or group of persons (whether acting alone or on behalf of or in connection with any organisation or government), which:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• increases the costs to Ausgrid in providing direct control services.</li> </ul> <p>Note: In assessing a terrorism event pass through application, the AER will have regard to, amongst other things:</p> <ul style="list-style-type: none"> <li>• whether Ausgrid has insurance against the event,</li> <li>• the level of insurance that an efficient and prudent NSP would obtain in respect of the event, and</li> <li>• whether a declaration has been made by a relevant government authority that a terrorism event has occurred.</li> </ul>	<p>See chapter 9 of the Revised Proposal.</p> <p>The proposed amendment removes any ambiguity that the terrorism pass through event could include non-physical disruptive activity such as cyber-attack, sabotage and coercion.</p>

