

- It would also be inefficient to seek an additional self-insurance allowance as such a reserve may need to be maintained for a significant period of time, noting that in practice it may never be required.

Our proposed definition for this event is shown in Table 11.1.

Table 11.1 - Proposed definition of insurance coverage event

An Insurance Coverage Event occurs if:

6. Powerlink:
 - 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
7. Powerlink 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
8. The costs referred to in paragraph 2 above materially increase the costs to Powerlink 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 Powerlink, where those movements mean that it is no longer possible for Powerlink 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:
 - i. the limit not been exhausted; or
 - ii. 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 Powerlink was regulated; and
- Powerlink 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 Powerlink in relation to any aspect of Powerlink's network or business; and
- Powerlink 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 Powerlink in relation to any aspect of Powerlink's network or business.

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

- The relevant insurance policy or set of insurance policies for the event;
- The level of insurance that an efficient and prudent Network Service Provider (NSP) would obtain, or would have sought to obtain, in respect of the event; and
- Any information provided by Powerlink to the AER about Powerlink's 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.

11.3.2 Insurer credit risk event

We propose an insurer credit risk event would be triggered where an insurer becomes insolvent and Powerlink is consequently subject to additional costs than allowed under the insurance policy with that insurer.

We consider the nominated pass through event complies with the considerations set out in the Rules¹⁹⁶:

- The proposed insurer credit risk event is not a pass through event specified in the Rules¹⁹⁷.
- We consider that the nature and type of event can be clearly identified at the time the AER makes its determination.
- We set minimum requirements for the credit rating of participating underwriters and apportion our policies across domestic and international providers. This combination provides a level of risk mitigation against a potential Insurer Credit Risk event. However, we are not able to control whether one or more of our insurers become insolvent.
- We cannot obtain insurance on reasonable commercial terms to cover the occurrence of this type of event. In addition, we are not able to calculate a reasonable self-insurance premium for this event as it would be relative to the claim for a risk that was insured by the insolvent insurer.

Our proposed definition for this event is shown in Table 11.2.

Table 11.2 - Proposed definition of insurer credit risk event

An Insurer Credit Risk event occurs if:

- An insurer of Powerlink becomes insolvent, and as a result, in respect of an existing or potential claim for a risk that was insured by the insolvent insurer, Powerlink:
 - 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
 - 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:

- Powerlink'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
- in the event that a claim would have been covered by the insolvent insurer's policy, whether Powerlink had reasonable opportunity to insure the risk with a different insurer.

11.3.3 Natural disaster event

We propose a natural disaster risk event would be triggered where we could not obtain insurance coverage on reasonable commercial terms and the disaster caused a material increase in costs to Powerlink.

We consider the nominated pass through event complies with the considerations set out in the Rules¹⁹⁸:

- The proposed natural disaster risk event is not a pass through event specified in the Rules¹⁹⁹.
- We consider that the nature and type of event can be clearly identified at the time the AER makes its determination.

¹⁹⁶ National Electricity Rules, Chapter 10, definition of *nominated pass through event considerations*.

¹⁹⁷ National Electricity Rules, Clause 6A.7.3(a1).

¹⁹⁸ National Electricity Rules, Chapter 10, definition of *nominated pass through event considerations*.

¹⁹⁹ National Electricity Rules, Clause 6A.7.3(a1).

- Natural disaster events, by definition, cannot be prevented or avoided. We employ a range of strategies to minimise and mitigate the exposure of the transmission network to natural disasters. These include a broad range of technical preventative measures, such as asset siting and design, continuous asset monitoring and maintenance activities along with existing insurance cover. Given the potential increase in natural catastrophe event frequency and intensity, and subsequent premium changes, we consider it prudent to continue to review the level of insurance coverage, deductibles and limits over the 2027-32 regulatory period.
- Movements in the insurance market may result in situations where it is no longer possible to take out an insurance policy, (or a set of insurance policies) at all, or to do so on reasonable commercial terms. This is particularly relevant for Towers and Lines insurance, which is a bespoke product with few insurers in the insurance market offering coverage.
- To manage this risk, we consider it prudent and efficient to optimise our level of insurance coverage supported by both self-insurance and a natural disaster event pass through.

Our proposed definition for this event is shown in Table 11.3.

Table 11.3 - Proposed definition of natural disaster risk event

Natural Disaster event means any natural disaster including but not limited to cyclone, fire, flood or earthquake that occurs during the 2027-32 regulatory control period that changes the costs to Powerlink in providing prescribed transmission services, provided the fire, flood or other event was:

- a consequence of an act or omission that was necessary for Powerlink to comply with a regulatory obligation or requirement or with an applicable regulatory instrument; or
- not a consequence of any other act or omission of Powerlink.

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

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

11.3.4 Terrorism event

We propose a terrorism risk event would be triggered where an unforeseen act of terrorism for which Powerlink did not have insurance against caused a material increase in costs to Powerlink.

We consider the nominated pass through event complies with the considerations set out in the Rules²⁰⁰:

- The proposed terrorism risk event is not a pass through event specified in the Rules²⁰¹.
- We consider that the nature and type of event can be clearly identified at the time the AER makes its determination.
- Terrorism events are unpredictable and cannot be prevented or avoided. We employ a range of strategies to minimise and mitigate the exposure of the transmission network to terrorism, including actions we take to ensure the physical and electronic (cyber) security of our transmission network. While these actions assist to withstand such events, an act of terrorism could significantly impact on the cost of maintaining or restoring reliable supply of our prescribed transmission services.

²⁰⁰ National Electricity Rules, Chapter 10, definition of *nominated pass through event considerations*.

²⁰¹ National Electricity Rules, Clause 6A.7.3(a1).

- The low frequency and potentially very high costs of a terrorism event make it challenging to insure against such events, with many insurers excluding or limiting cover. Whilst a level of terrorism insurance is currently in place, the cover provided and how it would respond to an event is uncertain. Terrorism insurance options are subject to ongoing review and analysis and general insurer appetite in underwriting this type of cover is reducing, with very limited alternative options which will impact its ongoing commercial viability. In addition, we are not able to calculate a reasonable self-insurance premium for this event.

Our proposed definition for this event is shown in Table 11.4.

Table 11.4 - Proposed definition of 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 Powerlink in providing prescribed transmission services.

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

- whether Powerlink has insurance against the event;
- the level of insurance that an efficient and prudent NSP would obtain in respect of the event; and
- whether a declaration has been made by a relevant government authority that a terrorism event has occurred.

11.4 Network support pass through

We may be required to make a payment to a generator or other entity for the provision of network support services during the 2027-32 regulatory period.

Under the Rules²⁰², we can seek a determination from the AER for a pass through of any differences in costs between the amount included in the annual revenue requirement and actual efficient costs associated with network support events.

Given the inherent uncertainty in the need for such services, we have proposed a \$0 network alternative support allowance for the 2027-32 regulatory period and will estimate annual system security network support payments in accordance with the Rules. If network alternative support is required and can be justified within the period, we will seek a network support pass through from the AER at that time (refer Chapter 5 Operating Expenditure).

²⁰² National Electricity Rules, Clause 6A.7.2.

12 Shared Assets

12.1 Introduction

Shared assets are used to provide prescribed transmission services and either non-regulated transmission services or services that are not transmission services²⁰³. The assets may be fixed (e.g. poles), mobile (e.g. vehicles) or non-physical (e.g. radio frequency spectrum).

This chapter sets out Powerlink's assessment of our forecast unregulated revenues from shared assets for the 2027-32 regulatory period. The purpose of this assessment is to determine whether any adjustment is required to our proposed annual revenue requirement.

Key highlights:

- Shared Asset Unregulated Revenues for the 2027-32 regulatory period have been assessed as not material, based on the approach in the Australian Energy Regulator's Shared Asset Guidelines.
- We have not adjusted our proposed annual revenues in our Revenue Proposal.

12.2 Regulatory requirements

The National Electricity Rules (Rules)²⁰⁴ allow the Australian Energy Regulator (AER) to reduce a Transmission Network Service Provider's (TNSP's) annual revenue requirement to reflect the costs attributable to services which generate unregulated revenues. The AER's approach to making an adjustment to revenue is set out in its Shared Asset Guidelines (SA Guidelines)²⁰⁵.

The SA Guidelines sets out the following process to establish the shared asset cost reduction for each year of the regulatory period:

- determine the Shared Asset Unregulated Revenues (SAUR)
- determine whether the SAUR is material (i.e. exceeds 1% of the proposed annual revenue requirement)
- where the SAUR is material, calculate the shared asset cost reduction (equal to 10% of the SAUR), subject to:
 - application of the control step (i.e. a cap) and/or
 - adjustments for contributed assets, if any.

Where the SAUR is not material, no further action is required.

Materiality and the unregulated revenue relevant to cost reductions are determined by averaging the forecast SAUR over the 2027-32 regulatory period. Where the SAUR is material, the SA Guidelines allows for TNSPs to propose an alternative method to calculate a cost reduction. The TNSP must demonstrate that customers would be no worse off compared to the SA Guidelines approach.

Where assets provide prescribed transmission services and unregulated services consistent with a TNSP's Cost Allocation Methodology, the shared asset mechanism does not apply.

²⁰³ National Electricity Rules, clause 6A.5.5.

²⁰⁴ National Electricity Rules, clause 6A.5.5.

²⁰⁵ Shared Asset Guidelines (version 2), Australian Energy Regulator, June 2025.

12.3 Shared assets assessment

Our assessment shows the unregulated use of shared assets is not forecast to be material (i.e. remains under the 1% materiality threshold) in any year of the 2027-32 regulatory period, as shown in Table 12.1. As a result, we propose no adjustment to our annual revenues in our Revenue Proposal.

Table 12.1 - Materiality assessment (\$million nominal)

	2028	2029	2030	2031	2032	Total
Proposed smoothed Maximum Allowed Revenue (MAR)	989.8	1,046.0	1,118.8	1,216.0	1,339.7	5,710.2
1% of smoothed MAR	9.9	10.5	11.2	12.2	13.4	57.1
Average annual SAUR	3.9	3.9	3.9	3.9	3.9	19.5
SAUR as % MAR	0.4%	0.4%	0.3%	0.3%	0.3%	
Exceed 1% Materiality Test	No	No	No	No	No	

12.4 Our approach

We have applied the AER's approach outlined in Section 12.2 to determine whether a revenue adjustment should be applied. We have adopted the same methodology to estimate our SAUR as applied in our previous 2023-27 Revenue Proposal.

12.4.1 Shared asset unregulated revenues

We have identified non-regulated services that use shared assets and are applicable to the shared assets mechanism in the 2027-32 regulatory period. These are:

- **Property rentals** – rental income from our land or buildings, either acquired for or incidental to the development of our prescribed transmission network.
- **Tower access** – provision of space for the co-location of mobile phone carriers' equipment on our transmission and communications towers.
- **QDATA** – commercial data service offering network-related information for the Queensland region.
- **Property searches** – provision of information to help applicants determine whether Powerlink holds any assets or interests in relation to specified land parcels.
- **Easement compensation** – compensation received from non-regulated customers for the right to access, construct and maintain transmission lines on Powerlink's regulated substation land during the term of their Connection and Access Agreement.

Our forecast of SAUR for each of these services and in total is shown in Table 12.2.

Table 12.2 - Forecast SAUR (\$million nominal)

	2028	2029	2030	2031	2032	Total
Property rentals	0.6	0.6	0.6	0.6	0.6	2.9
Tower access	1.9	1.9	2.0	2.0	2.1	9.8
QDATA	0.1	0.1	0.1	0.1	0.1	0.3
Property searches	0.2	0.2	0.2	0.2	0.2	1.1
Easement compensation	1.0	1.1	1.1	1.1	1.1	5.4
Total	3.7	3.8	3.9	4.0	4.1	19.5

12.4.2 Materiality

The SA Guidelines state that SAUR will be considered material when the average for the period is greater than 1% of the total smoothed revenue requirement for that regulatory year.

Our unregulated use of shared assets applicable to the shared assets mechanism in the 2027-32 regulatory period is not forecast to exceed the 1% materiality threshold in any year. As a result, no revenue adjustment has been applied.