

List of pass through events

FY2028 –32 System Control and Market
Operator Charges Review

May 2026

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1. Pass through events

The following events are pass through events for the purposes of system control and market operator charges:

1.1. Retailer failure

The failure of a retailer during a regulatory period, to pay NTESMO an amount to which NTESMO is entitled for the provision of system control or market operator services, if:

- a) an insolvency official has been appointed in respect of the retailer; and
- b) NTESMO is not entitled to payment of that amount in full under the terms of any local support in respect of that retailer.

1.2. Regulatory change event

A change in a regulatory obligation or requirement that:

- a) falls within no other category of pass through event; and
- b) occurs during the course of a regulatory period; and
- c) substantially affects the manner in which NTESMO provides system control or market operator services; and
- d) materially increases or materially decreases the costs of providing those services.

1.3. Service standards event

A legislative or administrative act or decision that:

- a) has the effect of:
 - i) substantially varying, during the course of a regulatory period, the manner in which NTESMO is required to provide a system control or market operator service; or
 - ii) imposing, removing or varying, during the course of a regulatory period, minimum service standards applicable to system control or market operator services; or
 - iii) altering, during the course of a regulatory period, the nature or scope of the system control or market operator services provided by NTESMO; and
- b) materially increases or materially decreases the costs to NTESMO of providing system control or market operator services.

1.4. Tax change event

A tax change event occurs if:

- a) any of the following occurs during the course of a regulatory period for NTESMO:
 - i) a change in a relevant tax, in the application or official interpretation of a relevant tax, in the rate of a relevant tax, or in a way a relevant tax is calculated.
 - ii) the removal of a relevant tax; iii) the imposition of a relevant tax; and
- b) in consequence, the costs to NTESMO of providing system control or market operator services are materially increased or decreased.

1.5. Insurance coverage event

An insurance coverage event occurs if:

1. NTESMO:

- 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

2. NTESMO 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

3. The costs referred to in paragraph 2 above materially increase the costs to NTESMO in providing system control or market operator 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 NTESMO, where those movements mean that it is no longer possible for NTESMO 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:
 - 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 period or a previous regulatory period in which NTESMO was regulated; and
- NTESMO 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 NTESMO in relation to any aspect of NTESMO's network or business; and NTESMO 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 NTESMO in relation to any aspect of NTESMO's functions.

Note for the avoidance of doubt, in assessing an insurance coverage event, the Commission will have regard to:

- i) the relevant insurance policy or set of insurance policies for the event
- ii) the level of insurance that an efficient and prudent regulated entity would obtain, or would have sought to obtain, in respect of the event;
- iii) any information provided by NTESMO to the Commission about NTESMO's actions and processes; and
- iv) any guidance published by the AER on matters the AER will likely have regard to in assessing any insurance coverage event that occurs.

1.6. Insurer's credit risk event

An insurer's credit risk event occurs if an insurer of NTESMO becomes insolvent, and as a result, in respect of an existing or potential claim for a risk that was insured by the insolvent insurer, NTESMO:

- 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 Commission will have regard to, among other things:

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

1.7. Natural disaster event

Natural disaster event means any natural disaster including but not limited to cyclone, fire, flood or earthquake that occurs during the FY2028–32 regulatory period that changes the costs to NTESMO in providing system control or market operator services, provided the cyclone, fire, flood, earthquake or other event was:

- a) a consequence of an act or omission that was necessary for NTESMO 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 NTESMO.

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

- i) whether NTESMO has insurance against the event;
- ii) the level of insurance that an efficient and prudent regulated entity would obtain in respect of the event.

1.8. 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:

1. 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
2. changes the costs to NTESMO in providing system control or market operator services.

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

- i) whether NTESMO has insurance against the event

- ii) the level of insurance that an efficient and prudent regulated entity 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.

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