

07 November 2024

Andrew Pirie
Project Leader
Australian Energy Market Commission
Submitted online

Dear Mr Pirie,

Including distribution network resilience in the National Electricity Rules consultation paper

Energy Networks Australia (ENA) appreciates the opportunity to respond to the Australian Energy Market Commission's (AEMC) consultation paper on including distribution network resilience in the National Electricity Rules (NER).¹

ENA is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

ENA supports recognising the importance of network resilience for customers, especially in the context of the rising probability and impact of extreme weather events. Expenditure on network resilience will benefit customers through reduced frequency, duration, and associated costs of power outages caused by extreme weather events.

ENA is supportive of not seeking to prescriptively define concepts of network resilience in the National Electricity Rules. Instead, ENA agrees that it is of value to focus on network resilience's practical dimensions for customers, such as resisting, managing, and recovering from catastrophic and extreme weather events.

Avoiding prescriptively defining network resilience through the rules provides positive flexibility to recognise the different characteristics and distinct challenges between distribution network service providers (DNSP) while focusing on the desired outcome for customers.

Consideration of network resilience in the NER

ENA considers it appropriate to have in place rules-based recognition and obligations on DNSPs to consider resilience expenditure factors in forecast capital and operating expenditure proposals, alongside quality, reliability, security of supply, and meeting and managing expected demand.

The rule change as drafted is consistent with the structure and layered approach of the framework, where the rules provide consideration of the key matters to be considered by regulatory decision-makers. It also provides sufficient discretion and opportunities for the AER to clearly set out how it proposes to form its assessments on resilience expenditure.

There is an appropriate balance to be struck between ex ante, proactive expenditures that deliver network resilience outcomes for customers, and efficient ex post mechanisms. Both are necessary to account for the unpredictability of weather events.

ENA agrees with the rule change applicant that the current rules rely too heavily on ex post mechanisms and fail to consider customers' economic losses during prolonged power outages. The

¹ AEMC, [Including distribution networks resilience in the national electricity rules](#), Consultation paper, 3 October 2024

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imbalance between ex ante and ex post mechanisms will only worsen if as expected both networks and customers encounter more frequent and heightened risks of major or catastrophic events.

Providing guidance to network businesses

Greater certainty is needed for DNSPs to understand the AER's approach to resilience expenditure proposals, beyond the inclusion of additional expenditure factors in the rules.

ENA therefore agrees that the AER should develop and publish a distribution network resilience guideline. A formal guideline provides clarity to both stakeholders and DNSPs alike on the framework for the assessment and application of efficient, well-evidenced and consumer supported resilience expenditure proposals in future regulatory proposals.

It is important to be able to provide flexibility in the Guidelines for the development of DNSPs expenditure proposals and the AER in its assessments.

For example, flexibility is required to adapt to the evolving methods in scientific modelling. ENA recommends the AER Guidelines should detail how the AER will determine the acceptable modelling and methods DNSPs use for justifying expenditure proposals, instead of detailing specific models, methods, and data the AER will accept. This would allow methods to change and adapt over time.

The AER has extensive and detailed existing reporting mechanisms which would cover DNSPs resilience expenditure. While ENA considers transparency an important factor, there are existing mechanisms and clear incentives to ensure transparency on expenditure in this area. The development of additional bespoke reporting requirements would add unnecessary regulatory burden and cost, without securing better outcomes. ENA recommends the Guidelines do not detail additional dedicated resilience reporting requirements.

The development of the Value of Network Resilience (VNR) in September 2024² of itself, while a positive development, does not remove the need for, and benefits of, substantive rule-based guidance on resilience and formal AER guideline. The VNR is expected to be an important input into assessments but is of itself not sufficient. Similarly, the existence of Value of Lost Load (VoLL) does not remove the need to include reliability considerations in expenditure clauses.

As part of the longer-term work program of the VNR, the AER plans to undertake further work on high impact low probability (HILP) outages in 2025. The proposed factor drafting considers the likelihood and impact of potential catastrophic and severe weather events. To appropriately assess the likelihood and impact for resilience projects, there is a need for consideration and guidance on how HILP events are treated.

ENA supports the timely entry of resilience into the NER prior to the Victorian DNSP 2026-2031 revenue determinations and view the use of transitional mechanisms as necessary. The new rule and AER guideline should apply to the resilience expenditure programs to be included in DNSPs revised revenue proposals due to be submitted in December 2025 to ensure customers benefit from the rule change in a timely manner.

If you wish to discuss any of the matters raised in this response further, please contact Victoria Baikie, Economic Analyst, on vbaikie@energynetworks.com.au.

Yours sincerely,



Garth Crawford

General Manager, Economic Regulation

² AER, [Value of Network Resilience 2024](#), Final decision, 30 September 2024
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