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Mr Andrew Price
Project Leader
Australian Energy Market Commission
Level 15,
60 Castlereagh St
Sydney NSW 2000

Lodged via: AEMC Website

Dear Andrew,

Including distribution network resilience in the National Electricity Rules - Consultation Paper

Jemena Electricity Networks (**JEN**) welcomes the opportunity to respond to the Australian Energy Market Commission's (**AEMC**) *Including distribution network resilience in the National Electricity Rules* consultation paper (**Paper**). With the recent trends in electricification and the increasing prevalence of extreme weather events, electricity networks' ability to withstand and promptly recover from disruptive events is key to meeting the evolving expectations of our customers and the communities we serve.

In this submission we:

- Support the intent of the proposed rule change and agree greater clarity is needed around resilience.
- Agree that the AER should develop a guideline around resilience and suggest, in addition to the criteria proposed by the proponent, this guideline should also acknowledge and clarify the role networks should play in community resilience.
- Encourage further thought around the treatment of extreme weather events which do not cause a 12 hour outage.

Greater regulatory clarity is needed around resilience

With extreme weather events being relatively rare to date, it was considered that costs associated with these events were best managed by cost pass through applications made after the event. While this allows networks to recover the efficient costs of repairing the network after the event and reduces costs to customers for unnecessary network hardening, it overlooks the customer and community costs associated with the extreme weather events that could be prevented through appropriate levels of network investment. While this may have previously been an appropriate balancing of risk and cost, there is reason to believe this is no longer the case given:

- The frequency of extreme weather events is increasing, meaning it is becoming less likely that these network investments will not be necessary,
- Restoring/repairing the network after an extreme weather event may be more expensive than maintaining the network. For example, the added cost of emergency crews/overtime to replace poles after a storm could be more expensive than replacing timber poles with more resilient composite poles during a regular BAU pole replacement activity
- Customers, particularly residential customers, are increasingly reliant on the electricity network due to both the proliferation of devices and Government policies that encourage electrification. Therefore, the customer costs and impact outages may be increasing.

Given the above, JEN believes it is appropriate to rebalance ex-ante and ex-post funding for resilience expenditure, not only to avoid the customer harm caused by severe outages but also to minimise the need for cost pass throughs in the wake of an event, giving customers more cost certainty.

This has been recognised by the AER. In their 2019 *Note on Network Resilience* (**Note**), the AER sought to provide further clarity on how they would assess ex-ante resilience-related expenditure under the NER. As pointed out by the rule change proponent, no electricity network has as of yet satisfied the assessment criteria detailed in the guidance note suggesting the need for greater clarification and certainty around the AER's assessment of resilience expenditure.

Formal guidelines developed by the AER would be the best place to provide this clarification and certainty

As noted by the rule change proponent, greater clarification around the assessment criteria for resilience-related expenditure would benefit network service providers and, ultimately, the customers they serve. JEN supports the proponent's request that resilience be explicitly included in both capital and operating expenditure factors in the NER, with further details included in a formal guideline developed by the AER. In addition to the content identified by the proponent, JEN feels it would also be useful for the guideline to provide details on the level of involvement in community resilience that the AER believes is appropriate for network service providers.

While community resilience can be a bit of a nebulous topic and is difficult to define, in their Note the AER adopts The Royal Commission's definition; "*The ability of communities to withstand and recover from the impacts of natural disasters*".[1] Along with this definition, the AER also cites The Royal Commission view around the collaborative nature of community resilience and the multiple organisations which are responsible for ensuring its' continued success, including governments, essential service providers and the communities themselves.[2]

The AER goes on to suggest that they will reflect the shared responsibility of community resilience by considering a 'deliniation of roles' when assessing networks' proposed community resilience expenditure.[3] It may be helpful for both network service providers and other responsible entities if a definition/scope for networks' role in community resilience was contained within this guidance note. As opinions on where this delineation should lie may vary between organisations, it would be helpful if the AER could establish a starting point for what they see as the role of networks in supporting the community during these long-duration outages to avoid a situation where customer expectations are not met.

In addition to this, developing a baseline definition/scope for networks' responsibility during a long-duration outage would provide a metric to assess networks' performance during these extreme events. This would be helpful for both the networks themselves and agencies who wish to assess their actions following an extreme weather event.

When developing these guidelines, we encourage consideration be given to outages caused by extreme weather events which do not hit the 12 hour long duration threshold

As the rule proponent noted, the current regulatory framework focuses on incentivising reliable supply under system normal conditions.[4] This is most evident in the current operation of the AER's Service Target Performance Incentive Scheme (**STPIS**) and the AER's National Electricity Market reliability reporting, both of which exclude Major Event Days (**MED**) from their calculations.

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[1] Royal Commission into National Natural Disaster Arrangements, Final Report, 2020, p. 396

[2] Royal Commission into National Natural Disaster Arrangements, Final Report, 2020, p. 230

[3] The Australian Energy Regulator, Note on Network Resilience, 2019, p.15

[4] The State of Victoria Department of Energy, Environment and Climate Action, Rule change request to account for resilience in the National Electricity Rules capital and operating expenditure factors, 2024, p. 6

Again, as noted by the proponent, these MEDs are typically caused by extreme weather events, however, these MEDs may also result in customers experiencing outages that do not exceed the 12-hour threshold. For example, 261,194 JEN customers have experienced an outage during a MED (CY2009 – FY2023), in 97% of these cases however, the customers' power was restored within 12 hours.[5] Under the proposed framework which would incentivise networks to invest in maintaining reliability under 'system normal' conditions for the first 12 hours of an outage and invest in resilience based investments to avoid outages cause by extreme weather events after 12 hours have lapsed, the experience of these customers would not be captured under either metric.

JEN urges further consideration be given as to how to create a more holistic framework to ensure updates to the NER, and any resulting guidelines do not inadvertently exclude the perspectives and experiences of a customer cohort.

Distribution network resilience is of compounding importance, both for energy system customers and wider society. JEN looks forward to continued work with the AEMC, stakeholders, and the communities we serve to ensure we create a framework capable of delivering the level of service they expect.

If you have any questions regarding this letter, please contact me on 03 9173 7545 or chloe.finn@jemena.com.au

Kind regards,

Matthew Serpell

Matthew Serpell
Manager Electricity Regulation
Jemena Electricity Networks

[5] Based on publically available AER RIN data.