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Including distribution network resilience in the NER – ERC0400

Submission via AEMC website

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ERC0400 – Including distribution network resilience in the NER – Draft rule determination

AGL Energy (**AGL**) welcomes the opportunity to provide responses to the Australian Energy Market Commission's (**AEMC**) consultation on the abovementioned draft rule determination.

Proudly Australian since 1837, AGL delivers around 4.5 million gas, electricity, and telecommunications services to our residential, small and large business, and wholesale customers across Australia. AGL operates the largest electricity generation portfolio in Australia of any ASX-listed company, with a total operated generation capacity¹ of 7,982 MW as at 30 June 2024. Since 2006, AGL has invested billions of dollars in the construction and delivery of over 2 GW of renewable and firming capacity in the National Electricity Market.

AGL supports the Rule change's intent to ensure consumers can benefit from improved distribution network resilience at an efficient cost. Energy users are currently facing growing network costs due to a range of regulatory factors. Therefore, it will be critical to ensure the associated expenditure is cost-effective and delivers clear benefits. To this effect, AGL supports features of the draft determination including:

- limiting the scope of resilience expenditure to power outages caused by severe weather events
- clarifying that resilience expenditure should focus on reducing impacts on consumers before and after events, rather than focusing only on upfront expenditure for risk reduction
- creating an obligation for distribution network service providers (DNSPs) to report on resilience expenditure in the preceding year and in the forward planning period.

The AEMC proposes to replicate existing requirements for DNSPs to engage with non-network providers and consider non-network options to the evaluation of power outages risks. While this is a logical change, this will not address broader barriers encountered by third parties seeking to offer alternatives to traditional network solutions. Challenges faced by these parties include information asymmetry (such as a limited timely data on network conditions), lengthy connection processes, cost uncertainties during network connections, different network tariff treatments across network areas, and DNSPs' bias towards prioritising their internal solutions.

AGL acknowledges it is not within the scope of this Rule change to address the limited uptake of non-network alternatives. However, AGL's view is that the AEMC's final Rule (and the Australian Energy Regulator's associated guidance) should at least include features to prevent the weakening of distribution ring-fencing provisions as DNSPs deliver new resilience projects. Ring-fencing is essential to protect the customer benefits of competition, to avoid cross-subsidisation with regulated businesses and to prevent competitor discrimination.

If you have any queries about this submission, please contact Andrea Espinosa on 0422 165 705 or aespinosa2@agl.com.au.

Yours sincerely,

Kyle Auret

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¹ FY24 installed capacity is the AEMO registered capacity, also taking into account the three 25MW upgrades to the Bayswater Power Station Units 4, 2 and 3 in FY20, FY22 and FY23 respectively.