

27 March 2025

Andrew Pirie
Project Lead
Australian Energy Market Commission
Andrew.Pirie@aemc.gov.au
Ref: ERC0400

Dear Mr Pirie

Ausgrid response re Including Distribution Network Resilience in the NER – Draft determination

Ausgrid welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) draft rule determination, *National Electricity Amendment (Including distribution network resilience in the national electricity rules (NER)) Rule* (the **draft rule**). We note the AEMC has made a more preferable draft rule to address the issues identified by the Victorian Minister for Energy's rule change request, submitted July 2024.

Climate related events are increasing in frequency and severity, which is impacting the resilience of Ausgrid's network and the ability of our communities to withstand and recover from them. The January 2025 squall line¹ weather system was amongst the most destructive weather events to hit Ausgrid's network in the past 20 years, causing over 5,400 hazards including fallen powerlines, snapped poles and flood damage. While Ausgrid's field crews, backed up with surge crews from other utilities, worked to restore power as quickly as possible, this multi-day storm event left more than 210,000 Ausgrid customers (nearly a half a million NSW residents) without power for multiple days, during which time, many tens of thousands were without internet or phone signal, and some without water supply.

As detailed in our October 2024 submission to the AEMC's Consultation Paper, the lack of a formal framework for distribution network resilience is having a material impact on our ability to take proactive action to address the increasing threat of climate change and long-duration outages for customers within our network. We agree with the AEMC's assessment that there are existing obligations covering cyber-security and safety hazards. As such, we support the AEMC's decision in its draft determination to limit the scope of the draft rule to power outages caused by severe weather events.

Broadly, Ausgrid supports the three main features of the draft rule. Our submission provides feedback on specific aspects that could be refined to improve clarity in the framework and ultimately contribute to better outcomes for electricity customers.

Relationship between proposed new factors and existing objective to "maintain" must be clarified

Ausgrid supports the AEMC's decision to include new resilience expenditure factors in the more preferable draft rule. Specifically recognising resilience within Chapter 6.5 of the NER is a foundational step in establishing a formal and consistent framework for resilience expenditure proposals and assessments.

¹ A squall line weather system is a line of severe thunderstorms that can form along and/or ahead of a cold front.

Further, the proposed language requiring the AER to have regard to the extent that “expenditure forecast would efficiently *reduce* the risk and impact on consumers...” can support distribution network service providers (**DNSPs**) to develop longer-term expenditure proposals that deliver allocative efficiency, reducing climate change exacerbated inequalities among customers.

As noted in our submission to the AEMC’s Consultation Paper, Ausgrid identified the requirement for DNSPs in the capital and operating expenditure objectives in the NER to “**maintain** the quality, reliability and security of supply...”² to be a significant barrier for distribution businesses. Specifically, in Ausgrid’s experience with our 2024-29 regulatory determination, the AER’s application of these objectives effectively prevented the approval of efficient investments to address climate change threats for customers over the long term. In its Draft Determination, the AEMC notes,

“...under the structure of current NER clauses 6.5.6 and 6.5.7, the capital and operating expenditure factors are linked to the capital and operating expenditure criteria, which in turn are linked to the capital and operating expenditure objectives.”³

Given the hierarchy of Chapter 6.5 of the NER, we remain concerned that the introduction of any new expenditure factor would be severely limited by this existing application of “maintain” in the expenditure objectives. Ausgrid therefore recommends the AEMC consider elevating the proposed new expenditure factors into the capital and operating expenditure objectives at clauses 6.5.6(3) and 6.5.7(3) of the NER.

Alternatively, we ask that the AEMC, in its final determination, to provide detailed explanatory text on how the expenditure objectives and proposed new expenditure factors can be applied in a way that is complementary to each other and achieves the intent of the Victorian Minister’s rule change request. As discussed below, this explanatory text should be reinforced with a requirement in the final rule for the AER to provide more certainty on its assessment process through the proposed Network Resilience Guidelines.

Rules must be more prescriptive to give DNSPs certainty before developing resilience expenditure proposals

In developing this more preferable draft rule, we acknowledge the AEMC has attempted to “...strike a balance between regulatory clarity and flexibility for the AER”⁴. We agree that resilience is a rapidly developing area and flexibility is required to accommodate developments in how DNSPs seek to address climate change risks. However, many elements of the draft rule do not provide DNSPs with enough certainty as to how resilience funding will be treated by the AER or assurance that all resilience expenditure proposals will be treated consistently. As noted in our response to the AEMC’s Consultation Paper, the existing framework, which is being informally applied to resilience expenditure proposals, is resulting in inconsistencies and confusion. Ausgrid considers greater prescription in the NER is therefore justified and required, for example by:

1. **Defining a ‘severe weather event’ within the NER:** This term appears seven times within the draft rule, including in the proposed new expenditure factors which, in turn, support the definition for resilience expenditure. We consider this significant enough to warrant a definition within the NER. In making this recommendation we note that it **is** not appropriate to link this definition to major event days. The increasing variability of weather means that a series of small events, which on their own

² clauses 6.5.6(3)(iii) and (iv) and 6.5.7(3)(iii) and (iv), [National Electricity Rules](#)

³ [Draft determination](#), page 15

⁴ *Ibid*, page iii

would not be classified as a 'major event', can have a significant cumulative impact. Therefore, to align with the intent of the AEMC's draft rule, we ask the AEMC to consider a definition for 'severe weather event' that links to network and/or customer impact.

- 2. Requiring the AER to explain how it will conduct resilience expenditure assessments:** Ausgrid strongly supports the AEMC's more preferable draft rule to require the AER to develop and publish Network Resilience Guidelines. While the proposed requirements for the AER to provide examples of resilience expenditure and the types of information DNSPs could include in their regulatory proposals in these Guidelines are welcome, the draft rule does not impose any obligation on the AER to explain how it will conduct its assessment of resilience expenditure proposals. We agree with the intent of the Victorian Minister for Energy's rule change request that DNSPs need more certainty, ahead of developing and consulting on their proposed resilience expenditure, as to how proposals will be treated and assessed.

More broadly, we note that well drafted guidelines are paramount in providing transparency, certainty and consistency in distribution network resilience expenditure proposals and assessments. We disagree with the AEMC's observation that "the AER may draw upon its existing guidance note"⁵. More substantial reform will be required to build a robust resilience expenditure framework that can account for different climate hazards, varying levels of consumer expectation, and differing jurisdictional policies. Ausgrid has already raised, through our submissions to the AER as part of its 2024 consultation on an interim methodology for a Value of Network Resilience, that the current Network Resilience Guidance Note⁶ does not provide the level of detail or clarity needed to support DNSPs in developing resilience expenditure proposals. The AER should be encouraged to undertake genuine engagement on a new, robust Guideline that aligns with the intent of this rule change. We welcome the opportunity to be closely involved in the AER's development process.

The Network Resilience Guidelines must provide clarity around the roles and responsibilities of DNSPs in delivering community resilience activities

Consumers do not instinctively delineate between energy sector terms such as "network resilience", "reliability" and "community resilience". DNSPs and Government decision makers operate in a complex environment to meet the needs and expectations of communities efficiently but often without clarity as to their formal roles and responsibilities. In its 2024 Final Decision on Value of Network Resilience, the AER noted:

"There are various understandings of the term community resilience. The National Electricity Law prescribes an electricity network service as 'a service provided by means of, or in connection with, a transmission system or distribution system.' Some investments associated with building greater levels of community resilience... may be captured under the definition."⁷

The AEMC's draft rule proposes to formally focus the resilience expenditure framework on "reducing impacts on consumers before and after events, rather than focusing only on upfront expenditure for risk reduction."⁸ While we are comfortable with this approach, without clarity provided through the Network Resilience Guidelines, there is a real risk that further uncertainty is created for DNSPs and their customers around the roles and responsibilities of DNSPs in delivering community resilience activities which may have broader

⁵ [Draft determination](#), page 22

⁶ [AER Network Resilience Guidance Note](#) (2022)

⁷ [AER final decision Value of Network Resilience 2024](#), page 5

⁸ [Draft determination](#), page ii

benefits. We therefore ask the AEMC to consider including requirements in the final rule to require the AER in its Network Resilience Guidelines to:

1. include a non-exhaustive list of benefits that the AER can consider in assessing resilience expenditure proposals and provide guidance for DNSPs as to how these benefits can be quantified. The 2022 Distributed Energy Resources Expenditure Guidance Note⁹ is an example of how this guidance could be provided.
2. explain how it will assess the likelihood and impact for resilience projects, including how it will treat and weight high-impact-low-probability events in its determinations.
3. explain how its assessment of DNSP resilience expenditure proposals will take jurisdictional policies and targets relating to climate resilience into account.

Ausgrid supports more transparent reporting on resilience risks and expenditure

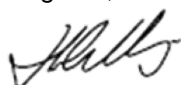
The AEMC has proposed that, from 2028, DNSPs be required to report on their climate resilience activities and expenditure through their distribution annual planning reviews (**DAPRs**). Broadly, Ausgrid supports this element of the draft rule. We have already introduced discussion of our resilience work program into Ausgrid's Distribution and Transmission Annual Planning Review (**DTAPR**), demonstrating the significance we place on addressing these risks to our customers.

The identified information to be reported on (included in clauses 5.8 and 5.13 of the draft rule) appears to strike the right balance between the need for sufficient transparency around resilience expenditure and the administrative burden of increased reporting. However, further clarification as to what level of detail in our reporting is required. We consider the AER's Network Resilience Guidelines an appropriate place to provide this guidance.

In relation to the requirement for DNSPs to report on the amount and nature of resilience expenditure spent in the past planning period (at clause 5.8(m1) of the draft rule), we ask the AEMC to consider whether the DAPR, a forward-looking planning report, is the most appropriate location for this type of reporting. Actual expenditure is typically reported on through the AER's Regulatory Information Orders. Ausgrid is also working to meet the requirements for the Australian Sustainability Reporting Standards through our Annual Sustainability Report. To improve consistency and reduce administrative burden, we ask the AEMC to consider whether actual resilience expenditure would be more appropriately done through these documents instead.

We would welcome the opportunity to discuss our submission further. Please contact Emma Vlatko, Senior Policy Advisor on emma.vlatko@ausgrid.com.au for further details.

Regards,



Junayd Hollis
Group Executive Customer Asset and Digital

⁹ [AER Final DER Integration Expenditure Guidance Note](#) (2022)