

27 March 2025

Andrew Pirie
Project Leader
Australian Energy Market Commission

Submitted online

Dear Mr Pirie,

Including distribution network resilience in the National Electricity Rules draft determination

Energy Networks Australia (ENA) welcomes and appreciates the opportunity to respond to the Australian Energy Market Commission's (AEMC) draft determination 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 is strongly supportive of the AEMC's rule change and believes it will improve outcomes for customers as climate change increases the probability of the frequency and severity of weather events. Improving Distribution Network Service Providers (DNSPs) certainty to invest in network resilience will improve weather response and reduce the frequency, duration and cost of outages for customers.

It is important to strike the right balance between transparency, effective incentives, and reporting burden. While recognising the need for transparency, ENA considers existing reporting methods and mechanisms may be more appropriate to ensure transparency for customers and the Australian Energy Regulator (AER).

ENA is supportive of the AEMC's approach in the draft rule to avoid prescriptively defining network resilience to provide sufficient flexibility. ENA is supportive of resilience expenditure customer engagement through DNSPs regulatory determination processes. Customer engagement is crucial for understanding customers wants and needs in resilience expenditure creating the basis for DNSP proposals.

Provision of formal AER guidance

ENA supports the proposed draft rule for the AER develop formal guidelines which will provide certainty to DNSPs and other stakeholders. For the rule change to be effective, certainty is required to guide appropriate use and drive better outcomes for customers. ENA will welcome collaborative engagement with the AER on developing these guidelines.

Greater clarification and detail on how the AER will assess the benefits of proposed resilience expenditure is needed to guide DNSPs regulatory proposals. AER approval of resilience expenditure is dependent on appropriate description of the benefits and the timing of benefits within a proposal. ENA recommends the AEMC to consider how to ensure guidance resulting from the rule change effectively provides greater actionable detail on how to demonstrate proposed benefits to justify

¹ AEMC, [Including distribution network resilience in the national electricity rules](#), Draft rule determination, 13 February 2025

proposals. One option is to have the AER outline examples of the benefits DNSPs could describe to justify proposals, similar to what the draft rule proposes for guidance on methods, models and data.

To appropriately assess the likelihood and impact for resilience projects, an important consideration is the treatment and weight of high-impact-low-probability (HILP) events. The AER should outline in its guidance how it will treat and weigh HILP events in its regulatory determination decisions. ENA understands there will be more consideration for the treatment of HILP events in the AER's consultation on the Value of Network Resilience (VNR) consultation. However, the AEMC should also consider whether a broader common approach to treating HILP events would be beneficial to cover other resilience issues not captured in the AER's future guidance.

For customers to benefit from this rule change, it is important for a timely implementation of consideration for resilience expenditure. ENA supports the AEMC's proposal for the AER to consider the resilience expenditure factors from 1 October 2025. ENA considers the inclusion of resilience expenditure factors for the Victorian DNSPs 2026-31 regulatory final decisions as key to deliver better outcomes for customers sooner.

Reporting requirements and transparency

ENA suggests further engagement is made before an incentive scheme is implemented as a motivation for DNSPs to efficiently reduce the risk and impact for customers from prolonged power outages caused by severe weather events.

The occurrence, timing, and magnitude of severe weather events are inherently outside of any parties control, and incurring rewards or penalties for such responses may therefore be less related to effective expenditure than it is to luck. Extensive consideration is required to ensure any incentive scheme has sufficient nuance to recognise unique characteristics and locational differences of separate severe weather events.

The right balance must be struck between increasing transparency and avoiding unnecessary regulatory burden. Consideration should be made to whom including additional reporting requirements in the Distribution Annual Planning Report (DAPR) would increase transparency for. DNSPs undertake expenditure reporting through existing mechanisms to provide transparency to the AER and deep customer engagement to provide transparency to customers. If additional reporting is required, ENA recommends the AER's Annual Information Orders (AIO), which replace the Regulatory Information Notices (RINs) from 2025, as a potentially more suitable alternative, as the AIOs feed into the Network Performance Report and are a readily identifiable location for such information.

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