

25 March 2025

Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2000

Submitted via: <https://www.aemc.gov.au/contact-us/lodge-submission> (ERC0400)

Dear Ms Collyer,

Including distribution network resilience in the National Electricity Rules

Nexa Advisory welcomes the opportunity to provide a submission on the AEMC's *Including distribution network resilience in the National Electricity Rules* (ERC0400) draft determination.

Nexa is an advisory firm with an unwavering focus to accelerate the clean energy transition in a way that provides secure, reliable, and affordable power for consumers of all types. Nexa Advisory is a team of experienced specialists in the energy market, policy and regulation design, stakeholder engagement, and advocacy. We work with public and private clients including renewable energy developers, investors and climate impact philanthropists to help them get Australia's clean energy transition done.

Electricity consumers and regional host communities should be at the heart of this rule change. We recognise the complex challenges that arise from catastrophic events which threaten network resilience. This has been recently evidenced across the National Electricity Market (NEM) – through the events impacting Far West New South Wales in October 2024¹, and the impacts of Cyclone Alfred in Brisbane in March 2025².

We support the intention of this rule change to improve the resilience, given its critical role in electricity security and affordability, and in ensuring that electricity consumers are not left behind clean energy transition.

However, while we acknowledge the AEMC's response to our previous submission, we maintain that incremental changes to the regulatory framework do not create accountability for network planning, delivery and operation.

We emphasise that a performance-based regulatory approach should be integrated into the proposed resilience framework – to ensure DNSP incentives are aligned with consumer outcomes, and to mitigate any potential perverse incentives for DNSPs.

¹ Parliament of New South Wales Committee on Environment and Planning, [Inquiry into the electricity outages affecting Far West NSW in October 2024](#)

² ABC News, ['No quick fix' to power outages in Qld, NSW as ex-Tropical Cyclone Alfred lays bare grid vulnerability](#), 10 March 2025

The remainder of our submission details how the AEMC and AER must ensure that the inclusion of network resilience encourages a focus on deliverability and network performance and results in accountable, consumer-centric investment decisions by DNSPs.

Network resilience guidelines and annual planning and reporting requirements should support greater accountability around the performance of DNSPs

We are pleased that the AEMC recognises the need to better establish a clear line of sight between reliability measures and consumer resilience outcomes – through the inclusion of *resilience expenditure factors* and *new annual planning and reporting requirements for DNSPs* in considering network resilience.

The Guidelines and reporting requirements should be explicitly linked to performance metrics and benchmarks for resilience activities and investment by DNSPs, with the annual reporting monitoring performance against these metrics. This is critical to link resilience investments to measurable outcomes for consumers and ensure adequate performance of DNSPs.

The annual planning and reporting requirements should also ensure transparency and visibility into resilience investments proposed by DNSPs. Currently, Distribution Annual Planning Reports (DAPR) do not provide sufficient transparency into DNSP forecasting and investment decisions, nor clearly articulate of expected outcomes for consumers.

The introduction of annual planning and reporting requirements provides an opportunity for clearer disclosure of proposed investments, the rationale behind these investments and expected consumer outcomes. This is critical for both network planning, as well as for cost recovery and oversight by the AER.

The AER must be held responsible for ensuring the resilience expenditure proposed by DNSPs is efficiently meeting the needs of consumers

The AER must ensure robust oversight of DNSP resilience expenditure to ensure these activities or investments genuinely reflect efficient consumer-focused outcomes. This oversight must guard against unnecessary expansion of the Regulatory Asset Base (RAB), and subsequent increases in network charges.

As such, we support the narrow definition of these expenditure factors to that related to severe weather events.

Additionally, the AER's assessment must carefully evaluate the proposed resilience expenditures proposed by DNSPs against viable competitive non-network solutions, ensuring:

- these solutions are adequately explored as part of expenditure assessments and cost benefit analyses; and that
- DNSPs do not unfairly disadvantage innovative, lower-cost resilience solutions offered by competitive market participants.

We also reiterate from our previous submission that:

It is critical that distribution ring-fencing rules are upheld, ensuring competition is maintained and that regulated monopoly network businesses do not hinder this innovation from third-party service providers.

While the Value of Network Resilience provides an indication of how consumers would value these investments, further targeted engagement is required before network businesses implement resilience measures. As such, this rule change should place an obligation on DNSPs to undertake transparent engagement with consumers to determine whether the anticipated benefits of such investments justify their financial burden.

Thank you for the opportunity to provide input on this draft determination. We welcome the opportunity to further discuss any aspect of our submission - please contact either myself or Jordan Ferrari, Director - Policy and Analysis, jordanferrari@nexaadvisory.com.au.

Yours Sincerely

Stephanie Bashir
CEO and Principal
Nexa Advisory