Tasmanian Networks Pty Ltd
ABN 24 167 357 299
PO Box 606, Moonah, TAS, 7009

25 March 2025

Andrew Pirie
Project Leader
Australian Energy Market Commission
Submitted online

Dear Mr Pirie,

Re: Including distribution network resilience in the National Electricity Rules Draft Determination

TasNetworks appreciates the opportunity to provide its feedback to the Australian Energy Market Commission's (**AEMC**) Draft Determination on including distribution network resilience in the National Electricity Rules (**NER**).

As the Transmission and Distribution Network Service Provider (**DNSP**) in Tasmania, TasNetworks is aware of the significant impact catastrophic weather events can have on our customers and our network. TasNetworks considers that additional recognition of resilience in the NER, and improved guidance on how best to justify expenditure aligned with stakeholder preferences will further the National Electricity Objective.

TasNetworks supports the Energy Networks Australia submission and makes the following additional comments.

Resilience expenditure factors in the NER

TasNetworks supports the proposed drafting and insertion of resilience expenditure factors into the NER. The inclusion of a specific factor supports the process of (for networks) justifying and (for the AER) reviewing expenditure to enable the resilience outcomes that customers expect from DNSPs.

During TasNetworks' most recent regulatory proposal development, we heard from our stakeholders in respect to resilience. Our customers expect us to demonstrate how future investments will improve reliability and resilience in the long-term, whilst balancing this with the associated price increases to customer's bills in the short-term. Inclusion of resilience expenditure factors into the NER will support these outcomes.

TasNetworks also notes the stakeholder feedback and preference for investments that assist network response and readiness as opposed to preventative measures[1]. TasNetworks will engage with customers and stakeholders to help inform the level and types of resilience investments in future regulatory proposals.

Non-binding Guidelines

In addition to the inclusion of the factors into the NER, the AEMC's draft rule requiring the AER to develop non-binding Guidelines will also help promote regulatory certainty regarding resilience expenditure. TasNetworks supports non-binding Guidelines setting out examples of investments and the type of information to be included in regulatory proposals to facilitate a review by the AER and interested stakeholders.

TasNetworks also considers that the AEMC's decision to not make the Guidelines binding will best achieve customer outcomes because there must remain opportunity for individual circumstances and trade-offs to be considered during regulatory determinations. Binding guidelines would reduce flexibility of DNSPs and the AER in responding to the unique circumstances of networks in the National Electricity Market.

For example, TasNetworks' distribution network utilises 2,800 kilometres of underground cables and 20,300 kilometres of overhead powerlines, supported by 233,500 power poles. This means that much of the Tasmanian distribution network is exposed to unavoidably high levels of risk compared to other DNSPs with predominantly urban networks and high proportions of underground connections. Whilst there are commonalities in the challenges DNSPs face in respect to resilience, the unique operating environments necessitate flexibility in how DNSPs consider and justify resilience investments.

Incentive Mechanisms

TasNetworks does not support the application of an incentive mechanism for network resilience where the metrics are not within a DNSPs control. The volatile and unpredictable nature of severe weather events makes incentive schemes based on a DNSPs response and performance during storms unsuitable. Each severe weather event is unique, resulting in varying response times due to the specific circumstances of the event, not as a result of DNSP capability or a lack of incentive to restore customers as soon as safely possible. Any resilience expenditure scheme is likely to be difficult to implement with metrics and targets difficult to define. As a result, it is likely to be complex and costly to administer with minimal customer benefits.

There are also existing mechanisms to incentivise services that are more within DNSPs control during severe weather events. For example, some DNSPs have a quality of communication during unplanned outages metric in their Customer Service Incentive

[1] Draft rule determination – Including Distribution Network Resilience in the National Electricity Rules – feedback from stakeholders on resilience expenditure – Page 17

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Scheme (**CSIS**) approved by the AER. DNSPs and their customers may utilise the CSIS to incentivise communication-based resilience outcomes already, which may avoid the need for the creation of another incentive scheme. DNSPS are also required to make payments to customers affected by extended outages under either jurisdictional Guaranteed Service Level schemes or the Service Target Performance Incentive Scheme.

If you have any questions regarding this letter, please contact Sam Riewoldt, Senior Regulatory Analyst at sam.riewoldt@tasnetworks.com.au

Yours sincerely

Sandra Thaow
Head of Regulation