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26 March 2025

Andrew Pirie  
Australian Energy Market Commission  
Level 15, 60 Castlereagh Street  
Sydney NSW 2000

Sent via email: 26 March 2025

Dear Andrew

**Submission in response to the AEMC's Draft Determination – National Electricity Amendment (including distribution network resilience in the National Electricity Rules) Rule**

We welcome the opportunity to respond to the AEMC's Draft Determination on the Victorian Minister for Energy and Resources' rule change request to explicitly include network resilience in the National Electricity Rules (NER) for Distribution Network Service Providers (DNSPs) and to require the AER to develop and publish a network resilience guideline.

We understand that the AEMC has decided to make a more preferable draft rule which includes:

- new resilience expenditure factors that DNSPs and the AER would need to have regard to when proposing and assessing capital and operating expenditure for resilience;
- formal non-binding Network Resilience Guidelines which the AER must develop, publish and maintain in accordance with a set of requirements, and
- new distribution annual planning and reporting (DAPR) requirements for resilience.

The draft rule also requires that the AER develop and publish guidelines by 1 December 2026.

The AER is supportive of the AEMC's draft determination.

We provide the following comments below on issues raised in the AEMC's draft determination.

The AEMC notes that the AER may want to consider whether to develop an incentive mechanism for resilience and refers to the support from a number of stakeholders about applying a mechanism for this type of expenditure. As noted in the AEMC's Draft

Determination, the AER's guideline will "explain how resilience expenditure will be addressed in the network incentives schemes developed by the AER".<sup>1</sup>

In developing the network resilience guideline, the AER will consult widely with stakeholders on the application of incentive schemes for network resilience expenditure. DEECA's Electricity Distribution Network Resilience Review also noted the need for extensive consultation on a specific network resilience incentive scheme given the methodological difficulties involved in determining the best approach to incentivise efficient network resilience investment.<sup>2</sup> In particular, we consider that further consideration is required to better understand how a specific network resilience incentive scheme interacts with existing incentives schemes (STPIS, CESS and EBSS) and other requirements (such as DEECA's proposed Victorian Resilience Plans). Our focus is to ensure that businesses are incentivised to efficiently deliver service outcomes that are aligned with consumers' preferences.

On the new DAPR requirements, we note that there may be some overlap with the ESV's Victorian Resilience Plan reporting requirements. These will need to be addressed to reduce duplication and unnecessary regulatory reporting requirements on the businesses. We intend to consult with the ESV and affected DNSPs on this issue.

We are also supportive of the AEMC's position on timing of the AER's guideline. A final guideline by 1 December 2026 will allow the AER to incorporate learnings from the Victorian DNSP final revenue determinations (expected to be released in April 2026), as well as consult extensively with stakeholders.

We welcome any further dialogue with the AEMC on the contents of this submission or related matters.

If you would like to discuss any of the issues raised above or have any questions or queries please do not hesitate to contact Kim Huynh on (03) 9290 1960 or 0413 732 430.

Yours sincerely



Dr Kris Funston  
Executive General Manager (Network Regulation)  
AER

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<sup>1</sup> AEMC, *National Electricity Amendment (including distribution network resilience in the national electricity rules) Rule, Draft Determination*, 13 February 2025, p. 21.

<sup>2</sup> Expert Panel appointed by DEECA, *Electricity Distribution Network Resilience Review, Final Recommendations Report*, May 2022, p.36-7.