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Dear Ms Kaur,

Network resilience guidelines – AusNet's response to the AER's consultation paper

AusNet welcomes the opportunity to provide feedback on the Australian Energy Regulator's Network Resilience Guidelines Consultation Paper. We support the development of network resilience guidelines that provide greater clarity, transparency and consistency in the assessment of resilience expenditure for networks, consumers and other stakeholders. As climate change continues to increase the frequency and severity of extreme weather events, it is essential that the regulatory framework supports prudent and efficient investment that reduces the risk and impact of prolonged outages on customers and communities.

AusNet's recent experience through the Victorian electricity distribution price review for 2026-31 has highlighted both the opportunities and challenges associated with the approval of resilience investment under the current regulatory framework. In preparing our proposal, AusNet undertook extensive customer research and engagement with more than 16,000 customers and stakeholders and developed a comprehensive package of resilience investments, including network hardening, stand-alone power systems, mobile generation and emergency response capability enhancements. During the assessment process, differences emerged between AusNet and the AER regarding modelling assumptions, the application of the Value of Network Resilience (VNR), effectiveness assumptions and evidentiary requirements for emerging resilience solutions. While this is to be expected given resilience is a new investment driver, the experience demonstrates the value of clearer guidance to support both network businesses in developing proposals and the AER in assessing them consistently.

AusNet broadly supports the framework outlined in the consultation paper. In particular, we support the AER's proposed definition of network resilience, the importance placed on climate risk forecasting, the expectation that resilience investments be supported by robust options analysis and the recognition that consumer engagement is a critical input to resilience decision making. However, we consider there are several areas where additional guidance and clarity would improve the effectiveness of the guidelines.

First, the definition of network resilience should explicitly reference extreme weather events, climate change and prolonged outages. These factors distinguish resilience expenditure from expenditure designed primarily to maintain reliability under normal operating conditions and are key drivers of emerging resilience investment across the sector. The guidelines should also clarify that, while the rule change applies specifically to distribution businesses, transmission businesses may benefit from the application of similar resilience assessment principles.

Second, the guidelines should provide more detailed guidance on expenditure assessment methodologies. AusNet's EDPR experience highlighted different views regarding the application of VNR values, acceptable effectiveness assumptions and evidentiary expectations for relatively new resilience interventions. Additional guidance on resilience modelling and expenditure justification would be beneficial, similar to the guidance the AER has developed in other expenditure assessment areas. Greater transparency regarding the AER's assessment approach and final decision outcomes would also support a smoother assessment process.

Third, resilience reporting and information collection requirements should be designed to minimise duplication and administrative burden. In Victoria, DNSPs are already implementing Network Resilience Plans and associated annual reporting obligations. Any new reporting requirements through Distribution Annual Planning Reports or Annual Information Orders should be aligned with existing frameworks wherever possible.

Fourth, the guidelines should recognise that resilience outcomes can be delivered through a combination of capital and operating expenditure solutions. AusNet's revised 2026-31 proposal demonstrated that some resilience outcomes can be delivered more efficiently through operating expenditure initiatives, such as hazard tree management, emergency preparedness capability and customer communications programs. The guidelines should therefore support technology-neutral assessment approaches and avoid creating unintended biases in favour of particular solution types. This is particularly important where resilience outcomes can be delivered efficiently through operating expenditure initiatives, as uncertainty regarding the approval of opex step changes may discourage businesses from pursuing the most efficient resilience solution for customers.

Finally, while AusNet strongly supports robust consumer engagement, greater clarity is needed regarding how engagement findings influence the AER's assessment of resilience proposals. Networks and stakeholders invest significant resources in consumer engagement processes, and a clearer understanding of how customer preferences are weighed alongside technical and economic evidence would improve engagement efficiency. AusNet's EDPR engagement program demonstrated strong customer support and willingness-to-pay for targeted resilience improvements, highlighting the importance customers place on preparedness, restoration capability and protection against prolonged outages.

We also welcome greater clarity through the AEMC's electricity network regulation review on the role of consumer engagement and customer voice in regulatory proposal development and AER assessment processes.

Please do not hesitate to contact Astro Sakalis, Regulatory Economist
[REDACTED], regarding this submission.

Sincerely,

[REDACTED]

Rob Ball

Manager, Regulation (Distribution)

AusNet

Response to Consultation Questions

Question 1: What are your views on the definition of network resilience?

The AER's proposed definition of network resilience is broadly fit for purpose. We agree that resilience should be understood as the ability of a network and its supporting systems to prepare for, withstand, respond to and recover from disruptive events while continuing to provide essential services to customers.

The definition would be strengthened by explicitly referencing extreme weather events and climate change, which are increasingly the primary drivers of resilience investment and customer impacts. We also consider the definition should acknowledge events that may result in prolonged outages. This would help distinguish resilience expenditure from expenditure intended to maintain or improve reliability under normal operating conditions and provide greater clarity regarding the types of investments captured by the resilience framework.

The definition should remain focused on the service customers receive, rather than specifying particular technologies or assets. This would give network businesses flexibility to choose the most effective and efficient ways to improve resilience as risks change over time.

Question 2: What are your views on whether the network resilience guidelines should apply to transmission network service providers?

AusNet supports the application of the network resilience guidelines to transmission network service providers (TNSPs). While the guidelines are focused on distribution network resilience and TNSPs can already seek approval for prudent and efficient resilience expenditure, extending the guidelines to transmission networks would provide greater transparency regarding the AER's assessment approach, support more consistent and efficient resilience investment, and assist businesses in developing robust resilience expenditure proposals. Transmission networks are increasingly exposed to the same climate-related risks affecting distribution networks. Recent incidents across the NEM, including the collapse of six transmission towers on AusNet's network during the February 2024 Victorian storms, highlight the growing importance of transmission resilience. As these events become more frequent and severe, additional guidance on the AER's expectations for resilience expenditure proposals is timely.

The guidelines would assist TNSPs to identify resilience risks, quantify benefits, assess investment options and develop robust expenditure proposals. They should include examples of transmission resilience expenditure, information that can support resilience forecasts (including climate risk assessments), approaches to quantifying resilience benefits, and guidance on the treatment of resilience expenditure within the AER's incentive schemes.

The guidelines could also reduce regulatory costs by helping networks undertake more targeted studies and provide fit-for-purpose information in revenue proposals, while supporting more efficient assessment processes by the AER.

However, any guidance should recognise the distinct characteristics of transmission networks. The resilience drivers, risks and consequences for TNSPs can differ materially from those for DNSPs. Unlike distribution networks, significant transmission asset damage may not result in customer outages due to higher levels of network redundancy. Transmission resilience investments can also deliver broader benefits by reducing risks to system security, wholesale market disruption and high-impact, low-probability events such as widespread supply disruptions. The guidelines should therefore allow these broader system benefits to be considered when assessing transmission resilience expenditure. Given the current rule change was primarily developed in response to distribution network resilience concerns, any extension of the guidelines to TNSPs should be informed by targeted consultation with transmission businesses.

Overall, AusNet considers that applying resilience assessment principles to both transmission and distribution networks would improve transparency, support efficient resilience investment and deliver better outcomes for customers and the broader energy system.

Question 3: What are your views on a standardised resilience template?

AusNet sees potential value in a standardised resilience template as part of regulatory determination processes where it improves consistency, transparency and assessment efficiency. However, any additional information requirements should be carefully balanced against the significant information already provided through revenue reset processes. Existing Reset RIN obligations are extensive, and any new template should clearly support improved regulatory outcomes rather than simply increasing reporting requirements.

Any standardised template should be proportionate, flexible and capable of accommodating different resilience risks, network circumstances and investment types. The template should support a consistent assessment approach while allowing businesses flexibility to provide information that is relevant to the scale and complexity of individual proposals.

The template should avoid requiring exhaustive analysis of every conceivable investment option where alternatives can reasonably be screened out through engineering judgement and established planning processes. Further consultation on the form of the template would be beneficial to ensure any reporting arrangements are practical, fit for purpose and deliver genuine benefits for both networks and the AER.

Question 4: What are your views on implementing a requirement on DNSPs to provide actual resilience spend through Annual Information Orders?

AusNet supports the collection of historical resilience expenditure information where this improves future forecasting, expenditure assessment and industry learning. However, any reporting requirements should leverage existing information collection frameworks wherever possible. For Victorian DNSPs, reporting obligations should be aligned with emerging Network Resilience Plan annual reporting requirements to avoid duplication and unnecessary regulatory burden.

AusNet supports transparent reporting of resilience expenditure but notes that resilience is often embedded within broader replacement, augmentation, maintenance and operational programs. Many investments deliver multiple benefits, including safety, reliability, capacity, operational flexibility and resilience. Reporting requirements should avoid requiring arbitrary allocation of expenditure between resilience and non-resilience benefits, as this may reduce comparability and impose unnecessary administrative costs.

Public reporting should focus on meaningful and reliable information such as major event performance, prolonged outage outcomes, damaged assets, restoration challenges, lessons learnt and future resilience actions. Highly granular feeder-level or postcode-level reporting should be approached cautiously, as feeders often cross multiple geographic boundaries and outage attribution may require assumptions that reduce accuracy and comparability.

Question 5: What are your views on the type of data that might be useful and publicly available?

Refer above response to Question 4.

Question 6: What are your views on the evidence that the AER has had regard to in assessing a business' preferred resilience solution?

AusNet considers the AER's assessment approach to be reasonable in some respects, including its expectation that resilience proposals be supported by robust options analysis and evidence demonstrating net benefits for customers.

However, our recent EDPR experience demonstrated that greater clarity and transparency are needed regarding the AER's assessment methodologies. In particular, further guidance is required on the application of the Value of Network Resilience (VNR), acceptable effectiveness assumptions, and evidentiary requirements for emerging resilience interventions. During the 2026-31 EDPR process, AusNet updated its resilience modelling, revised VNR inputs and expanded options analysis in response to AER feedback. Despite this, uncertainties remained regarding modelling approaches and assessment expectations. More detailed guidance would improve future proposal development and assessment consistency across the sector.

Greater transparency of the AER's final determination modelling is also needed to help businesses understand the basis for decisions and support refinement of forecasting approaches. A commitment by the AER to publish amended resilience models alongside its determination will support transparency over its decision making and inform better proposals in subsequent resets.

Further clarity is required on the application of the AER's VNR. While the VNR itself was consulted on, the approach to applying the VNR to resilience expenditure assessments only became clear during the Victorian determination processes. We are concerned that the current approach, which takes the 6-12 hour VCR value as a starting point, may understate the impacts of prolonged outages and may not fully reflect customer preferences regarding resilience. There should also be flexibility to adopt alternative values where supported by credible evidence and appropriate to network circumstances.

Further guidance is also needed on the evidence required to support intervention effectiveness assumptions, given resilience is a relatively new area of investment with limited historical data on the performance of different solutions. The AER's material reductions to effectiveness assumptions in AusNet's EDPR were not sufficiently explained. Given the Victorian resilience expenditure framework, which mandates resilience expenditure is spent in line with the AER's final determination, a full explanation of changes in engineering assumptions is needed to support effective investments.

More broadly, evidentiary requirements should remain practical and proportionate. Resilience investments are often intended to prevent consequences that are never observed, making it difficult to demonstrate conclusively whether an investment avoided customer harm or network impacts. Assessment should therefore focus on whether expenditure was prudent and efficient based on the information available at the time the decision was made, rather than requiring definitive ex-post proof of benefit realisation.

The guidelines should also recognise that efficient resilience outcomes may be delivered through either capital or operating expenditure solutions. Resilience-related operating expenditure initiatives, including hazard tree management, emergency preparedness capability and enhanced customer communications, can in some circumstances provide a more efficient means of delivering resilience outcomes than capital investment. Assessment approaches should therefore remain technology and expenditure neutral to avoid unintended biases and support efficient customer outcomes. The AER should also remain open to approving prudent and efficient resilience-related opex step changes where they represent the most efficient solution for customers.

Question 7: What are your views on the key features of genuine consumer engagement on resilience proposals?

AusNet strongly supports meaningful consumer engagement as a critical input to resilience planning. Through the 2026-31 EDPR process, AusNet undertook more than 390 hours of engagement involving over 16,000 customers and stakeholders, including dedicated resilience engagement including many customers with lived experience of prolonged power outages. This engagement demonstrated that customers understand resilience trade-offs when provided with clear information and, because of the high financial and non-financial customer costs of prolonged power outages, are willing to pay for resilience investments despite uncertainty regarding the precise benefits of individual initiatives.

Our engagement also showed that while customers are concerned about affordability, they place significant value on avoiding prolonged outages and improving outcomes for communities most impacted by major events. Customer engagement should therefore be treated as an important input into resilience assessments.

However, greater clarity is needed regarding how the AER incorporates engagement findings into expenditure assessments and determinations. Greater transparency regarding the weight given to customer preferences would improve engagement quality and provide stakeholders with greater confidence that their participation influences outcomes. We also consider that business-as-usual customer research and ongoing engagement forums should continue to be recognised as legitimate and cost-effective sources of engagement evidence in price review processes.

Question 8: What are your views on the definition of community resilience?

AusNet supports the AER's proposed definition of community resilience and agrees that community resilience encompasses the ability of communities to prepare for, withstand and recover from natural disasters. While network resilience contributes to community resilience, the two concepts are distinct and involve a range of participants including governments, emergency services, telecommunications providers, local councils and communities. AusNet supports maintaining a clear distinction between network resilience and community resilience in the guidelines. DNSPs have an important but bounded role, including maintaining restoration capability, providing customer communications and preparedness information, and coordinating with other stakeholders during major events. However, broader community resilience outcomes depend on the actions of many parties and are not the sole responsibility of network businesses.

Question 9: What are your views on the factors the AER has regard to when assessing community resilience?

AusNet considers the AER's proposed assessment approach to be broadly reasonable. Assessment should appropriately recognise investments that support preparedness, communication, restoration and coordination outcomes while remaining linked to the provision of network services. Community resilience initiatives should be assessed based on whether they materially improve customer and community outcomes during severe weather events, rather than simply being categorised as resilience expenditure.

Our EDPR experience demonstrated strong customer support for initiatives that improve restoration capability and emergency response, reflecting customer expectations that networks play an active role in supporting communities before, during and after major weather events. The framework should also recognise the importance of coordination between different resilience actors to support effective emergency response and avoid fragmented customer communications.

Question 10: What are your views on the type of information that should be included in the DAPR to better understand a DNSP's strategy to manage its resilience needs?

The DAPR should provide stakeholders with a clear understanding of the network's resilience strategy, key risks, planned investments and expected outcomes, including information on major weather events, outage impacts, restoration challenges, lessons learnt and future resilience initiatives. However, reporting requirements should be aligned with existing obligations wherever possible. For Victorian DNSPs, annual Network Resilience Plan reporting will already provide substantial information regarding resilience activities and performance. Alignment between these frameworks would improve efficiency and reduce costs ultimately borne by consumers.

The DAPR should focus on practical information that helps stakeholders understand resilience risks and responses rather than becoming a climate modelling report. Any resilience reporting framework should

also clearly define event thresholds while recognising that localised events can have significant customer impacts even where they do not meet a formal Major Event Day threshold.

Question 11: What are your views on how this new information collection relates to the AER's existing information collection through the Annual Information Orders?

AusNet supports a "collect once, use many times" approach to resilience reporting. The AER should seek to minimise duplication between DAPR reporting requirements, Annual Information Orders, Victorian Network Resilience Plans and other existing reporting obligations. Information should be collected once wherever possible and reused across regulatory processes. New information requirements should be supported by a clear rationale demonstrating how the information will improve transparency, accountability or expenditure assessment outcomes.

Question 12: What are your views on how resilience expenditure should be addressed in the incentive schemes?

AusNet supports the continued role of the STPIS in incentivising reliability outcomes under normal operating conditions rather than extreme weather events and does not consider a separate resilience incentive mechanism is necessarily required. Our 2026-31 EDPR determination demonstrated that interactions between resilience investments and the STPIS can be effectively managed through appropriate adjustments to reliability targets. This approach avoids double counting of benefits while preserving the purpose of the incentive framework.

However, care is required when linking resilience investments to STPIS target adjustments. DNSPs are already exposed to significant performance volatility from severe weather events that do not meet the MED threshold. If STPIS targets are adjusted based on forecast resilience benefits that are inherently uncertain, DNSPs may face increased performance risk even where the investment was prudent and efficient. The framework should therefore avoid discouraging resilience investment through unrealistic expectations regarding benefit certainty and attribution.

As raised in AusNet's recent regulatory proposal, the inclusion of catastrophic events in calculating the MED threshold in the distribution STPIS is driving incentive outcomes that are not consistent with either the objectives of the scheme or current engineering standards. As catastrophic events become more severe, this should be addressed through a formal review of the STPIS. While this issue isn't directly associated with the resilience guideline, it is another important regulatory framework issue driven by the changing climate that needs to be resolved.