

15 October 2026

Kami Kaur
A/Executive General Manager Network Regulation
Australian Energy Regulator

Via email: capex@aer.gov.au

Dear Ms Kaur,

Ausgrid response: AER Network Resilience Draft Guidelines

We are pleased to respond to the Australian Energy Regulator's (**AER**) draft Network Resilience Guidelines (**Draft Guidelines**). Ausgrid operates a shared electricity network that powers the homes and businesses of more than 4 million Australians living and working in an area that covers over 22,000 square kilometres from the Sydney CBD to the Upper Hunter.

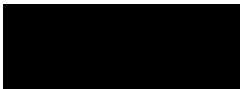
Climate related events are increasing in frequency and severity, impacting the resilience of Ausgrid's network and the ability of the communities we serve to withstand and recover from them. In this context, we consider that clearer guidance on resilience expenditure is required to provide distribution network service providers (**DNSP**) and the AER with an easier, more transparent, process to follow when assessing expenditure. Further clarity will also enable more efficient community engagement where the rules governing expenditure, and the evidence required to support this, are more clearly understood.

In recognition of this growing need for clarity, the Australian Energy Market Commission (**AEMC**) last year made a final rule change determination, formally establishing a distribution network resilience framework under the National Electricity Rules (**NER**). The AER's Draft Guidelines are an instrumental component in this new framework.

Ausgrid is largely supportive of the Draft Guidelines, especially the movement away from the goal of 'maintaining' service levels, the inclusion of examples that indicate probabilistic modelling and sensitivity analysis can be used, and how operational expenditure is assessed. However, **Appendix A** suggests some improvements.

Ausgrid is committed to providing informed and practical support to the AER as it develops its guidelines, and we welcome the opportunity to engage further. Please contact Emily Peachey, Regulatory Advisor, at [REDACTED] should you wish to arrange a discussion.

Regards,



Junayd Hollis
Group Executive - Network & Digital

Appendix A – Ausgrid feedback on the Draft Network Resilience Guidelines

1. Value of Network Resilience

The explanatory memorandum to the Draft Guidelines indicates that a review of the Value of Network Resilience (**VNR**) will occur in tandem with the next review of the Value of Customer Reliability (**VCR**) methodology, in late 2029. The current VNR was released as an interim methodology in 2024. It was understood at the time that a long-term methodology would be developed in 2025, in time for NSW networks to consider in our 2029-34 Regulatory Reset proposals. It is now too late for this methodology to be developed in time for NSW networks' upcoming regulatory proposals, even if work commenced immediately. Under this new timeline, NSW and other networks will be forced to rely on the interim methodology for the upcoming regulatory period.

The VNR and Resilience Guidelines are intended to be complementary mechanisms that work together to guide climate resilience expenditure, and should, therefore, be considered in parallel. On this basis, we recommend that the AER complete a comprehensive review of the Resilience Guidelines in parallel with the VNR and VCR update in 2029. This is an appropriate timeframe to incorporate learnings from initial implementations of the new guidelines and will allow a longer period of consultation to ensure the two instruments remain complementary, with results implemented in time for the NSW 2034-39 regulatory period.

Additionally, our collective understanding of network resilience is evolving. Scientific studies and engineering improvements continue to be made, and at the same time, the new resilience framework is new and untested. Therefore, in addition to the aforementioned review, we request that the AER commit to a regular review of the Resilience Guidelines, as well as providing each DNSP with detailed feedback on their resilience expenditure proposals following their submissions. This feedback should identify where the AER perceived non-compliance with the Resilience Guidelines, and how that influenced the AER's decision.

2. Maintenance of network services

We welcome the Draft Guidelines not requiring DNSPs to demonstrate that resilience expenditure only targets risks that are causally linked to an expected increase in extreme weather and only seek to maintain service levels, as the AER's 2022 Guidance Note did.

Instead, Principle 3 focuses on reducing the risk and impact on consumers of power outages caused by severe weather events in the forecast period, supported by evidence of both the existing and increasing risk on a DNSP's network. In our view, this means that DNSPs may invest to manage both the existing (or 'base') level of resilience risk on their networks and the growth in that risk, provided they demonstrate expenditure is prudent and efficient. We request that the AER confirm this interpretation in the final guideline.

We recognise that resilience investment to manage existing risk may also deliver reliability benefits and consider that any overlap can be identified and managed accordingly.

3. Prudency assessment

In discussing the assessment for prudency, the Draft Guidelines refer to comparisons against 'base year' expenditure. We are concerned that a single base year does not adequately provide for the type of low probability events that resilience expenditure seeks to manage. A year in which no major event occurred may understate the efficient expenditure required to manage the underlying risk, while a year containing an unusually severe event may overstate recurrent expenditure.

Climate analysis addresses analogous year-to-year variability by using multi-year reference periods rather than individual years.¹ Ausgrid analyses physical climate hazards against a 20-year baseline, consistent with the periods commonly used by the Intergovernmental Panel on Climate Change (IPCC) and in Australian climate risk assessments.² These periods provide a more representative picture of typical climate conditions than a single year.

Ausgrid requests that the AER clarify in the final guideline that DNSPs may use an appropriately justified multi-year expenditure baseline, together with probabilistic modelling to assess future risk (e.g. to account for rare weather events). Further, flexibility should be allowed for the absence of historic data, particularly where relevant risks are not adequately represented in the historical sample. This aligns with the NSW Government guidance on this matter, that 'historical climate information may still be used as a benchmark to provide context for projected change, but it should not be relied on to represent future conditions'.³

Additionally, the Draft Guidelines indicate that the types of information the AER would expect to see in support of the prudence of network resilience proposals could include a review of how accepted resilience initiatives have performed and evolved 'in the regulatory period'.⁴ These references to the current period do not account for some resilience investments delivering benefits beyond the current regulatory period (e.g. into future decades). We recommend that the AER identify that the impact of resilience initiatives can extend beyond the current regulatory period, and that this can be considered in assessing prudence.

4. Definition of network resilience

We are broadly supportive of the definition of network resilience in the Draft Guidelines. However, the definition focuses on the impact on network services, rather than the impact on customers (customers being households and businesses, as well as other essential services such as telecommunication providers, which are critical during extreme weather events). In our discussions with other DNSPs, there has been some confusion about whether the AER's definition enables DNSPs to consider the impact on customers in formulating our network resilience expenditure. Therefore, we request that the AER clarify the role of customer impacts in the definition of network resilience, which, in our view, should explicitly reference this impact.

Additionally, the current drafting of the definition of network resilience leaves it open for the impacts of outages on other connected critical infrastructure to be excluded from consideration. These outages can have some of the most profound impacts on customers, especially in cases of emergency or prolonged outages. One customer being affected may seem minor, however, if that customer is a telecommunications provider, this may actually represent hundreds of thousands of affected individuals. We request that the AER amend the definition of network resilience to explicitly recognise the need to provide continuity of services and the services provided by other connected critical infrastructure. It may be the case that this scenario is covered in the definition of community resilience, however, we request further clarity on this point.

¹ World Meteorological Organization (2017), [WMO Guidelines on the Calculation of Climate Normals](#), WMO-No. 1203. WMO guidance defines climate reference conditions using averages over extended periods, including 30-year climatological standard normals.

² Intergovernmental Panel on Climate Change. (2021). [Climate Change 2021: The Physical Science Basis](#). Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [V. Masson-Delmotte, P. Zhai, A. Pirani, S. L. Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L. Goldfarb, M. I. Gomis, M. Huang, K. Leitzell, E. Lonnoy, J. B. R. Matthews, T. K. Maycock, T. Waterfield, O. Yelekçi, R. Yu & B. Zhou (Eds.)]. Cambridge University Press.; Jakob, D., Risbey, J., Bahramian, K., et al. (2025). [Climate hazard information developed for use in climate risk assessment](#). Bureau Research Report No. 116. Bureau of Meteorology and CSIRO.

³ Department of Climate Change, Energy, the Environment and Water, '[Selecting climate scenarios](#)' (June 2026), p 4.

⁴ Draft Guideline, p 9.

5. Quantitative evidence of community resilience

Principle 4 of the Draft Guidelines requires DNSPs to provide a quantitative cost benefit analysis. Whilst we are generally supportive of this principle, the quantitative evidence that the AER expects to demonstrate community resilience should consider the nature of community resilience. In reality, community resilience is shaped by many factors outside of a DNSP's control, including the occurrence of major outages, broader community initiatives and wider social or economic trends. The nature of community resilience initiatives, which often target long-term behaviour change, means that time is needed to embed change in communities and may only be realised if, and when, a major outage occurs. Therefore, shifts in community preparedness and resilience can take multiple regulatory periods to become evident.

As a result, the guidelines should provide for flexibility in the factors DNSPs can consider and demonstrate, including lead and lag indicators, program delivery data and evidence from aligned sectors or initiatives. For example, a DNSP may not be able to directly demonstrate the effectiveness of a new community outage planning service, where demonstrating and measuring impact may take several regulatory periods. However, the prudence of the expenditure could still be evidenced by:

- **customer support for the need and scale of investment:** engagement outcomes show that customers, particularly those vulnerable or at increased risk, value the service and prefer it to alternatives;
- **lead indicators of delivery and reach:** program data or plans demonstrating the historical or potential reach, for example, the number of household outage plans completed and their locations;
- **expected impact from comparable programs:** evaluation of findings from established initiatives in aligned sectors, such as bushfire survival planning programs run by fire and emergency services that link household planning interventions with improved preparedness and lived experience; and
- **committed approach to measuring lag indicators:** a defined method for tracking long-term outcomes, like changes in baseline preparedness and how customers respond during major outages.

Additionally, the guidelines should recognise the inherent challenges in establishing robust quantitative measures of community resilience. Self-reported measures of preparedness can be influenced by optimistic self-assessment due to 'social desirability bias', change dramatically based on individual and community context, and may not consistently align with the practical actions or realistic capabilities that demonstrate resilience. This does not mean it is not worthwhile evidence, but that it must be considered alongside a broader range of factors and within the context that it is collected.

Finally, we reiterate the need to be sensitive to the impact on customers of asking them to repeatedly relive traumatic events for the purpose of documenting lived community experience. Networks are just one of many resilience actors regularly seeking input on these issues. Reliving these events can cause distress and contribute to engagement fatigue, as well as increasing regulatory costs ultimately borne by customers. The guidelines should explicitly enable DNSPs to rely on robust alternative sources of evidence where they already exist (e.g. from previous engagement by DNSPs or other resilience actors), and support DNSPs to undertake engagement proportionate to the need and potential impact of its outcome.

Therefore, we request that the AER include clarification in the guidelines that quantitative evidence of community resilience can take time to develop and may span across multiple regulatory periods. Additionally, the guidelines should describe a flexible approach to requiring and interpreting evidence tied to the lived experience of customers and allow consideration of lead and lag factors in determining prudent and efficient expenditure.