15/10/2026

Kami Kaur
Acting Executive General Manager Network Regulation
Australian Energy Regulator

Dear Ms Kaur,

AER Network Resilience Draft Guidelines

Energy Networks Australia (ENA) welcomes the opportunity to respond to the Australian Energy Regulator's (AER) Network Resilience Draft Guidelines.[1]

ENA is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. ENA's members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

ENA supports the direction of the AER's draft guidelines and makes several recommendations to help ensure resilience proposals deliver intended customer outcomes. Resilience is increasingly important as climate change increases the risk and frequency of severe weather events. These guidelines are therefore key to ensuring network proposals deliver the best resilience outcomes for customers. The key messages of this submission are:

- A workable Value of Network Resilience (VNR) framework is fundamental to the guidelines. ENA strongly believes this work should be brought forward from the current target completion date of 2029,
- The definitions of network and community resilience should refer to reducing the risk and impact of prolonged outages caused by severe weather events. This would more closely align the guidelines with the Australian Energy Market Commission's (AEMC) final determination on the rule change that initiated the update to these guidelines,
- Prudency assessments must consider instances where historical data is limited or not available to accurately capture the future risk of severe weather events. This includes providing additional clarity on the treatment and assessment of High Impact, Low Probability (HILP) events, and
- ENA supports including case studies in the guidelines but recommends the examples identify the proposals and decisions they are drawn from.

ENA supports the AER's draft position that transmission businesses could use the guidelines' high-level principles as a starting point in developing resilience expenditure proposals, with applications assessed on a case-by-case basis. Giving the guidelines greater weight in transmission expenditure decisions would require an in-depth, transmission specific review. The AER's draft approach to transmission resilience proposals is consistent with the intent of the AEMC's rule change.

[1] AER, Network Resilience - Draft Guidelines, 17 September 2026.

Energy Networks Australia
energynetworks.com.au
info@energynetworks.com.au

Level 33, 385 Bourke Street,
Melbourne VIC 3000
+61 3 9103 0400

Energy Networks Association
T/A Energy Networks Australia
ABN: 75 106 735 406

Value of Network Resilience

ENA has concerns with the AER's draft approach to the VNR. The success of the guidelines depends on a complete VNR framework, which is not yet available. Deferring this work until 2029 is inconsistent with the expectation that Distribution Network Service Providers (DNSPs) use the VNR to justify resilience proposals. Using an incomplete VNR in resilience proposals risks misvaluing resilience initiatives and its benefits to customers. ENA therefore strongly recommends the VNR work is brought forward.

Until this work is completed, the AER should provide clear and practical guidance on how the VNR should be applied and assessed in resilience proposals. This includes worked examples of using VNR alongside Value of Customer Reliability (VCR) given the application of the VNR to outages longer than 12 hours and the VCR to shorter outages.

The AER should also be flexible in its assessment approach to the VNR in the interim stage. In the absence of a complete VNR and clear guidance, DNSPs may be better able to demonstrate the prudency of a resilience proposal using other evidence. For example, demonstrating safety, operational or community benefits should be sufficient evidence of investment need without requiring the use of VNR.

Defining Resilience Expenditure

ENA supports the inclusion of *prolonged outages caused by severe weather events* in the definition for network resilience. The inclusion more closely resembles the resilience expenditure factor in the National Electricity Rules (NER), providing a clear and practical basis for resilience expenditure proposals.

However, ENA recommends a direct reference to *reducing risk and impact* of prolonged outages to better reflect clauses 6.5.6(e)(4) and 6.5.7(e)(4) under the NER. Proactive resilience investment can be more cost-effective than post-event recovery, as it reduces outages and its impact on customers. Amending the definition for risk mitigation would more closely resemble the proposed definition for community resilience. ENA suggests the definition of network resilience is amended to be:

> '…It is the network's ability to continue to adequately provide network services, ***reduce the risk and impact of prolonged outages caused by severe weather events, and recover those services following such outages***. …'

ENA supports the proposed definition of community resilience. Separating definitions clearly distinguishes the network's role in community resilience from broader network resilience.

Prudency and Efficiency Assessment

ENA supports the introduction of principles 3 and 4 for prudency and efficiency assessment in the guidelines. The proposed principles are consistent with the assessment approach for other expenditure categories, such as replacement expenditure. However, the detailed expectations under these principles should reflect the forward-looking nature of climate risk, as set out below.

The AER's draft guidelines rely heavily on historical data to demonstrate that resilience proposals are prudent. This risks significantly underestimating the future frequency and severity of weather events. HILP events often lack a complete historical evidence base, yet the guidelines do not specifically

address them or explain the AER's assessment expectations. The 2024 rule change proposal from the Victorian Minister for Energy and Resources states: [2]

> "…if DNSPs and the AER rely heavily on historical outage data, it is likely to result in insufficient prioritisation of proactive expenditure to enhance resilience… DNSPs and the AER need to be more proactive in addressing future threats that may impose significant but avoidable costs and impacts on customers."

These guidelines must provide additional consideration of data or evidence required to quantify severe weather risks where there is no or limited historical data available. Otherwise, the guidelines may not translate to a reduction in the resilience risks and impacts the rule change was initiated for.

For critical assessments, the AER permits DNSPs to compare base-year risk in the forecast period with historical revealed risk. However, a single base year is too narrow to capture the probability or risk of infrequent events accurately. Thunderstorms, lightning, wind and large storms are sporadic in nature and cannot be accurately forecast through a single base year. Base-year risk should instead be calculated over a multi-year period to better capture the risk and impact of less frequent events. The period chosen may vary depending on the climate risk, for example a HILP event may be more accurately captured through a 20 year base period.

ENA supports the use of case studies in the draft guidelines for both network and community resilience. ENA recommends the examples provide more specific details, such as identifying the revenue proposals and AER decisions they are drawn from. This would allow interested parties to access further information when required.

Community Resilience supporting information

For community resilience, ENA suggests providing additional clarity on the treatment of operating expenditure (opex). In previous decisions, the AER has supported community resilience proposals, but did not provide any additional funding, with the AER instead considering that the existing base year opex allowance was sufficient, even for brand-new programs. Although the guidelines appear neutral as between capital and operating expenditure, a practical gap remains between the AER's approval of a program and the corresponding revenue allowance. ENA therefore recommends clarifying the treatment of opex step changes in community resilience proposals to promote consistency and reduce any bias towards capital solutions.

ENA supports presenting the proposed prudency supporting information as examples rather than mandatory inclusions, while allowing DNSPs flexibility to provide other forms of evidence. A flexible assessment approach would help ensure that requirements to document lived experience do not place a disproportionate burden on customers by requiring them to repeatedly relive traumatic events.

Incentives and Reporting

ENA supports principle 5 as the current treatment of resilience under incentive schemes is appropriate. Severe weather events are outside DNSPs' control, and no suitable metrics are currently available for a resilience-focused incentive scheme. Any changes to the Service Target Performance Incentive Scheme (STPIS) should be considered through a separate, in-depth review.

The guidelines' proposed reporting requirements should clarify how the primary driver of value-stacked expenditure is determined for reporting purposes. In Victoria, resilience reporting to Energy Safe Victoria requires clear categorisation of resilience from other forms of expenditure. The AER has

---

[2] The State of Victoria Department of Energy, Environment and Climate Action, AEMC Rule Change Request submission, July 2024, pg. 6-7.

in previous decisions re-categorised replacement expenditure as resilience expenditure based on its interpretation of the primary driver. Providing additional clarity on how the primary driver is determined (for example, the highest percentage benefit or otherwise) would support consistent and effective reporting.

If you wish to discuss any aspect of this submission, please contact Victoria Baikie, Senior Regulatory Analyst, [redacted]

Yours sincerely,

[redacted]

Russell Pendlebury
General Manager, Regulation and Policy