Part of Energy Queensland

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Dear Ms Kaur

Network Resilience Guidelines - draft for consultation September 2026

Queensland's two distribution network service providers (DNSPs), Ergon Energy Corporation Limited (Ergon Energy Network) and Energex Limited (Energex), thank the Australian Energy Regulator (AER) for the opportunity to provide a submission to its draft Network Resilience Guidelines (Guidelines) consultation.

The final Guidelines will establish an important framework to support the resilience of electricity distribution networks in the face of increasingly frequent and severe weather events. By clearly linking resilience expenditure to the efficient reduction of the likelihood and impacts of prolonged outages for consumers, the Guidelines will provide much-needed regulatory clarity for both DNSPs, the AER, consumer groups and other stakeholders. This clarity will support more effective and consistent investment planning, strengthen accountability, and help ensure that resilience-related expenditure delivers measurable consumer benefits while remaining consistent with the National Electricity Rules. However, our review of the draft Guidelines identified the following issues, which we consider warrant further consideration by the AER:

- **Broaden the definition of network resilience**

  The draft Guidelines define network resilience as a network's ability to "continue to adequately provide network services and recover those services from prolonged outages caused by severe weather events".[1] Ergon Energy Network and Energex consider this definition favours reactive measures related to response and recovery activities rather than the full range of measures required to build and maintain resilience. We therefore recommend the definition be expanded to explicitly encompass anticipation, preparedness, prevention, adaptation, response, continuity and recovery. This would better align the Guidelines with contemporary resilience

[1] Draft network resilience guidelines - September 2026, p5.

frameworks[2] and provide greater recognition of prudent and efficient investments that proactively mitigate the likelihood and consequences of severe weather related events.

- **Clarify that the 12-hour period is not an expenditure eligibility threshold**

  The draft Guidelines state that prolonged outages are "typically power outages of more than 12 hours"[3] and that the threshold is "only a guide and will be assessed on a case-by-case basis"[4]. To avoid the 12 hour period being interpreted as an expenditure eligibility threshold, Ergon Energy Network and Energex recommend that the Guidelines provide additional guidance and practical examples illustrating where resilience expenditure may be justified, including:
  - investments that avoid or reduce the likelihood of future outages that have not yet occurred;
  - repeated outages of less than 12 hours; and
  - adaptation investments that deliver benefits over longer time horizons.

  Providing such examples would support consistent interpretation of the Guidelines and recognise the broad range of measures that can efficiently improve network resilience and consumer outcomes.

- **Provide clearer guidance on the Value of Network Resilience (VNR) and Value of Customer Reliability (VCR).**

  The draft Guidelines state that where a DNSP relies on VNR analysis, it is expected to be consistent with the AER's latest VNR guidance and, where alternative approaches are adopted, to provide supporting justification.[5] Furthermore, the draft Guidelines also expect information and research undertaken at a regional disaggregated level to support a DNSP's VNR position.

  However, the draft Guidelines do not specify the level of geographic disaggregation that would be sufficient, creating uncertainty regarding the AER's evidentiary expectations. In addition, undertaking regional VNR studies may involve considerable complexity, time and cost. These requirements have the potential to materially increase the regulatory burden associated with demonstrating the prudency and efficiency of resilience investments.

  To provide greater clarity and support a practical and consistent application of the framework, Ergon Energy Network and Energex recommend that the final Guidelines include worked examples demonstrating the application of the VNR and VCR in the assessment of resilience investments. The final Guidelines should also confirm that a resilience proposal is not required to be justified solely through the VNR, where other evidence demonstrates material customer, safety, operational and or community benefits. This would ensure that resilience investments are assessed on the full range of benefits they deliver, rather than being constrained by a single valuation methodology.

[2] For example, the National Disaster Risk Reduction Framework.
[3] Draft network resilience guidelines - Sept 2026, p6.
[4] Ibid.
[5] Ibid., p10.

- **Recognise geographic and network differences**

  The draft Guidelines acknowledge that DNSPs have different resilience needs and that proposals should be tailored to meet their networks' needs and support their customers.[6] However, the draft Guidelines do not provide explicit guidance on how the AER will assess and compare resilience proposals across networks with materially different operating environments and risk profiles. In particular, greater clarity would be beneficial regarding how the AER will consider factors such as:
  - single-wire earth return (SWER) networks;
  - remote and regional network characteristics;
  - low customer density;
  - regional delivery costs;
  - limited alternative supply options; and
  - differences in the criticality of services provided to customers and communities.

  Given these factors can significantly influence both the cost of resilience measures and the benefits they deliver, Ergon Energy Network and Energex consider that additional guidance would assist DNSPs in developing proposals and support more consistent and transparent regulatory assessments. Clarification of how these matters will be considered would strengthen the practical application and overall value of the Guidelines.

- **Clarify mixed-driver expenditure**

  The draft Guidelines include an example of a depot relocation where the AER reclassified the expenditure as resilience because the main driver and incremental cost of the relocation was to address the risk of damage caused by the flooding of key assets.[7] However, the Guidelines do not provide broader guidance on how investments should be assessed and characterised where multiple objectives contribute to the investment, such as asset replacement, reliability improvements, safety outcomes, capacity augmentation and resilience. Given that many network investments are driven by a combination of factors, additional guidance would assist DNSPs in understanding how mixed-driver projects should be evaluated and how expenditure should be allocated between resilience and non-resilience categories for planning, regulatory and reporting purposes.

  Furthermore, the draft Guidelines contemplate the use of quantitative cost-benefit analyses (CBA), including the assessment of resilience investments against alternative network and non-network options. This suggests that the draft Guidelines applies an assessment framework broadly analogous to that used for traditional network augmentation projects, notwithstanding the distinct characteristics and objectives of resilience investments. Whilst Ergon Energy Network and Energex acknowledge the importance of robust economic assessment, resilience investments often deliver benefits that are not readily quantified or monetised, including community, social, safety, equity and broader public interest outcomes associated with avoiding prolonged outages. Although the draft Guidelines recognise the relevance of qualitative considerations, there remains a risk that projects with significant non-monetised benefits may be disadvantaged when demonstrating that they deliver the greatest overall benefit to consumers.

[6] Ibid., p7.
[7] Ibid., p10.

Ergon Energy Network and Energex therefore recommend that the final Guidelines provide additional guidance on the treatment of mixed-driver projects and confirm that resilience proposals may be supported by both quantitative and qualitative evidence where the full value of resilience outcomes cannot be reasonably captured through a conventional CBA.

- **Clarify the treatment of high-impact, low-probability events**

  The draft Guidelines support probabilistic modelling in the assessment of resilience investments.[8] However, additional guidance would assist DNSPs in understanding the evidentiary requirements for investments intended to address credible high-impact, low-probability events, particularly where there is limited or no historical outage data available to demonstrate the risk.

  Ergon Energy Network and Energex therefore recommend that the final Guidelines provide greater clarity on the types of evidence that may be used to support resilience proposals, including risk assessments, climate projections, engineering analysis, scenario modelling and other forward-looking information. Such guidance would support a more consistent assessment framework and provide greater confidence that prudent and efficient investments aimed at mitigating the impacts of low-frequency, high-consequence events can be appropriately considered.

- **Clarify how consumer evidence will be weighted**

  The draft Guidelines outline extensive stakeholder engagement expectations for resilience proposals. However, they provide little guidance on how consumer and stakeholder feedback will be considered and weighted in the AER's assessment process. In particular, greater clarity would be beneficial regarding:
  - how conflicting stakeholder and consumer views will be considered;
  - the relative weight that will be given to consumer support compared with economic analysis;
  - the circumstances in which engagement through representative bodies or consumer organisations will be considered sufficient; and
  - the application of the principle of proportionality for smaller expenditure proposals, including whether materiality thresholds could be used to guide the level of engagement expected.

  Whilst the Guidelines' explanatory statement discusses these matters at a conceptual level, the draft Guidelines themselves provide little practical direction on the AER's expectations. Ergon Energy Network and Energex consider that additional guidance on these issues would improve transparency and provide DNSPs with greater certainty when designing and undertaking stakeholder engagement activities. This would help ensure engagement efforts are appropriately targeted, proportionate to the scale of the proposal, and focused on generating meaningful input to support decision-making.

- **Clarify Service Target Performance Incentive Scheme (STPIS) adjustment expectations**

  Whilst the draft Guidelines require DNSPs to demonstrate that resilience investments do not result in double counting of reliability benefits under the STPIS, they do not

[8] Ibid., p11.

prescribe a specific methodology for separating resilience and reliability outcomes. Consequently, even where DNSPs have sophisticated outage management and reporting systems, identifying, quantifying and evidencing the reliability benefits attributable to resilience investments, and determining any associated STPIS adjustment, may require significant analytical effort and involve considerable uncertainty.

Ergon Energy Network and Energex therefore recommend that the final Guidelines provide additional guidance on the AER's expectations in this area, including practical examples of acceptable approaches for identifying and allocating resilience and reliability benefits. The final Guidelines would also benefit from clarifying the treatment of major event day exclusions and how these are intended to interact with the assessment of resilience investments and any associated STPIS adjustments.

- **Clarify post-implementation review expectations**

  The draft Guidelines require DNSPs to provide post-implementation reviews and discuss the effectiveness of previous resilience initiatives.[9] Whilst Ergon Energy Network and Energex support appropriate review and accountability mechanisms, the final Guidelines should recognise that a resilience investment can be prudent, efficient and successful even where the severe event it was designed to mitigate does not occur during the assessment period.

  Given that resilience investments are often aimed at addressing low-frequency, high-impact risks, realised outage outcomes alone may not provide a complete or meaningful measure of effectiveness. In many cases, the benefits of resilience investments are demonstrated through improved preparedness, reduced exposure to risk, enhanced response capability, and increased network adaptability, rather than through observed outage reductions.

  Ergon Energy Network and Energex therefore recommend that the final Guidelines clarify that post-implementation reviews may draw on a range of quantitative and qualitative indicators, and that the absence of a triggering event should not, in itself, be taken as evidence that a resilience investment was unnecessary or ineffective.

- **Clarify climate modelling expectations**

  The final Guidelines would benefit from providing greater clarity on the AER's expectations regarding the use of climate and risk modelling to support resilience expenditure proposals. In particular, Ergon Energy Network and Energex recommend that the Guidelines provide further guidance on:
  - the circumstances in which qualitative assessments, deterministic modelling, probabilistic modelling, and climate catastrophe modelling are considered proportionate to the scale, complexity and uncertainty of a resilience proposal;
  - the alternative forms of evidence that may be relied upon to demonstrate resilience need where climate modelling is not undertaken or is not considered appropriate;
  - how forward-looking risk assessments and predictive modelling should be informed by historical outage and severe weather data, whilst recognising that historical experience may not adequately represent future climate-related risks; and

[9] Ibid., p9.

- the extent to which climate risk assessments and modelling developed for other regulatory, financial reporting or business purposes, including AASB S2 and Task Force on Climate-Related Financial Disclosures (TCFD) reporting, may be relied upon in support of resilience expenditure proposals.

Providing greater clarity on these matters would assist DNSPs in applying a proportionate and risk-based approach to resilience planning, reduce duplication of effort, and promote greater consistency in the development and assessment of resilience investment proposals.

As a final note, under the transitional arrangements in the Enhancing Distribution Network Final Rule Determination, Ergon Energy Network and Energex will be required to submit their first Distribution Network Development Plans (DNDP) as part of their 2030-35 regulatory proposals, due by 31 January 2029. The network resilience reporting requirements introduced under this rule will be incorporated into the DNDP framework and therefore will first apply to Ergon Energy Network and Energex through their initial DNDP submissions. Given the Guidelines will play a key role in informing how DNSPs develop, assess, justify and report on resilience investments through the DNDP process, it is important that the final Guidelines provide clear, practical and proportionate guidance to support consistent implementation and minimise unnecessary regulatory burden.

Should you require further information or wish to discuss any aspect of our above views, please feel free to contact me or Lindsay Chin on [redacted]. This letter does not contain confidential information and may be published.

Yours sincerely

[redacted]

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