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15 October 2026

Ms Kami Kaur
Executive General Manager Network Regulation (A/g)
Australian Energy Regulator
Via email: capex@aer.gov.au

Dear Ms Kaur,

ESSENTIAL ENERGY RESPONSE TO DRAFT NETWORK RESILIENCE GUIDELINES

Essential Energy welcomes the opportunity to respond to the Australian Energy Regulator (AER) on its Draft Network Resilience Guidelines. As a distribution network service provider (DNSP), Essential Energy manages over 194,000 km of powerlines, covering 95 per cent of NSW and parts of southern Queensland, serving more than 900,000 customers across regional, rural and remote communities, including homes, hospitals, schools, businesses, and community services.

The Draft Guidelines are a positive step, but Essential Energy would welcome the AER providing greater detail and practical advice that can be applied by networks in their development of resilience expenditure proposals. Essential Energy appreciates the need for the AER to leave some flexibility in how it applies the Guidelines through its decision-making. However, by retaining substantial discretion in many key aspects, the Draft Guidelines increase the risk that DNSPs will develop proposals based on interpretations that differ from the AER's subsequent assessment. This creates uncertainty and makes ex-ante resilience planning more challenging and less efficient, with consumers ultimately bearing the costs.

Essential Energy supports including preparedness in the definition of community resilience

Essential Energy supports the AER's recognition that community resilience is more than just recovery and includes the ability to prepare for, withstand and recover from prolonged outages caused by severe weather events. This better reflects the realities faced by regional, rural and remote communities, where proactive measures taken before an event occurs can significantly reduce the impacts experienced by customers during and after an outage. The inclusion of preparedness also recognises that resilience is not solely determined by the physical condition of network assets but by the broader capability of networks and communities to anticipate, respond to and manage disruption.

The Final Guidelines should provide greater clarity on the types of expenditure that may contribute to preparedness. This could include investments in asset hardening, vegetation management, strategic spares, mobile response assets, portable generation, emergency response capabilities and contingency planning. Such measures can improve outcomes for customers even where severe weather events cannot be prevented and network outages remain unavoidable.

Preparedness is particularly important in Essential Energy's operating environment, where the size of the network, geographic dispersion of communities and exposure to many types of severe weather can make

restoration efforts more complex and time consuming. In many cases, enhancing community resilience may be most efficiently achieved through capabilities that can be deployed rapidly across a network footprint, rather than through location-specific investments alone. The Guidelines should recognise that prudent and efficient preparedness measures will vary significantly between networks, reflecting differences in geography, customer needs, network configuration and risk exposure.

More detail is required for networks to develop expenditure proposals efficiently

Essential Energy appreciates the progress made by the AER but remains concerned that the Draft Guidelines do not provide clarity on many aspects of how it would assess resilience expenditure. A core purpose of the rule change process requiring the AER to produce these guidelines was for the AER to provide practical guidance that assists DNSPs to develop their resilience expenditure proposals and meet their resilience reporting obligations. However, the Draft Guidelines could take a more fulsome approach to delivering on the AER's obligations under s6.4.6(a) of the National Electricity Rules by providing more detailed guidance and examples of resilience expenditure and the information DNSPs should provide to support their expenditure proposals.

The AER should rectify this lack of detail through the Final Guidelines. These guidelines should provide detailed, worked examples of resilience expenditure and specify the evidence required for common investments, including undergrounding, asset hardening, vegetation management, strategic spares, mobile generation and asset relocation or duplication. This guidance should cover risk modelling, options analysis, climate scenarios, cost-benefit assessment, customer evidence and outage impacts.

Essential Energy was discouraged that many issues it raised in response to the Consultation Paper were not addressed in the Draft Guidelines. Essential Energy would welcome additional clarity in the Final Guidelines on how duration, geographic scale, customer impacts, important loads and cumulative consequences will be assessed. It remains unclear, for example, whether DNSPs can propose a higher level of resilience for a critical load such as a water treatment facility that is supported by consumer preferences, and whether this would be treated as community or network resilience under the Guidelines.

The Final Guidelines should also provide greater clarity on how DNSPs can seek funding for resilience-related operating expenditure. Some resilience measures are operational in nature and may involve one-off establishment costs that are not readily accommodated through base-step-trend approaches. The AER should outline the mechanisms through which prudent and efficient resilience-related operating expenditure can be proposed and assessed.

The AER should broaden the definition of "severe weather events"

Providing networks with the means to mitigate climate risks through efficient ex-ante resilience planning and investment will reduce costs faced by networks – and ultimately borne by customers – to respond and recover from avoidable climate-induced outages. On this basis, Essential Energy calls for the definition of "severe weather events" to be broadened:

- The AER's proposed approach of assessing severe weather events not listed within the definition of severe weather events "on a case-by-case basis" is inadequate as a basis for ex-ante resilience planning. To the greatest extent possible, the Network Resilience Guidelines should seek to provide a definition of "severe weather events" that clarifies the types of events that may warrant resilience-related expenditure by networks.

- The proposed definition includes drought but does not list other compounding, cumulative and evolving climate risks, including sea level rise, prolonged heat, low rainfall and low-probability, high-impact events. These events disproportionately impact networks with a large service area, and are likely to have more severe impacts over time. These phenomena should be added to the definition of "severe weather events".
- The severe weather definition includes windstorms but not other types of storms, including thunderstorms, which is among the most significant in terms of impact on Essential Energy's network. Other phenomena that are not captured by the AER's definition but necessitate resilience planning including blizzards, cyclones, hurricanes, hailstorms, downbursts and lightning strikes. Given the indefinite boundaries between different types of storms, and their potentially severe and multifaceted impacts on network assets, the AER should broaden the term "windstorms" to simply "storms", and provide a non-exhaustive list of examples of storms and their impacts that fall within the definition.

If the AER does not wish to provide this additional clarity by adding to the definition of "severe weather events", an alternative is to set this definition to encompass the full range of weather events outside the control of DNSPs. This was the approach taken in the AER's Value of Network Resilience (VNR) Final Decision, which defined natural phenomena by the scale of their impact: "extreme hazard event that is likely to lead to a prolonged outage." This approach is preferable to a list of some examples of extreme weather events, as in the Draft Guidelines, that does not seek to be exhaustive but may later be interpreted that way.

The final Guidelines should clearly define "prolonged outages" and how the VNR guidance will apply

The definition of "prolonged outages caused by severe weather events" states that this "typically" relates to power outages of more than 12 hours. The AER should clarify how this will be applied to events with rolling impacts over multiple locations, whereby outages in individual locations may be resolved within 12 hours but the total duration of outages caused by a severe weather event may last more than 12 hours over multiple locations within a network's service area. Consistent with our submission in response to the consultation paper, Essential Energy suggests that these rolling events should be included within the definition, as multiple shorter outages may have significant cumulative impacts, and for this clarity to be provided in the Guidelines rather than assessed on a case-by-case basis, as the AER proposes.

It is also unclear how this definition would be applied in relation to VNR. The 2024 VNR Final Decision includes some flexibility in the 12-hour duration and VNR application generally. If a DNSP proposes expenditure to mitigate the risks of both severe weather events and other forms of asset failure causing outages of more than 12 hours, it is unclear whether the DNSP can claim the benefits of avoiding this outage risk as part of their expenditure proposal. Given that DNSPs face Service Target Performance Incentive Scheme impacts from all causes and target adjustment for these investments, it would be reasonable that all outage impacts avoided would be a benefit.

Resilience investment should not depend on demonstrating an increasing risk profile

Essential Energy supports the AER recognising the role of changing climate and weather conditions in driving resilience investment. However, the Final Guidelines should clarify that resilience expenditure may be justified where a material resilience risk already exists, regardless of whether that risk can be shown to be increasing over time. In many parts of regional Australia, communities have long been exposed to recurring risks such as bushfires, storms and flooding. The fact that these risks have

persisted over an extended period does not diminish their impact on customers when events occur or the value of prudent and efficient investments that can reduce those impacts.

The Guidelines should therefore avoid creating an expectation that DNSPs must demonstrate a worsening or escalating risk profile before resilience expenditure can be supported. Where there is clear evidence of an existing resilience need, and a cost-effective means of improving customer outcomes, networks should be able to pursue those investments irrespective of whether the underlying hazard is becoming more frequent or severe. A focus solely on changing risks could unintentionally discourage efficient resilience improvements in communities that have historically experienced poor outcomes during extreme weather events and remain vulnerable today.

The AER should publish regular advice on its approach to applying the Guidelines and update them periodically

The Network Resilience Guidelines will only provide regulatory certainty if DNSPs can develop an understanding of how the AER applies them in practice. Essential Energy therefore encourages the AER to publish de-identified, ex-post guidance on resilience expenditure proposals, including the types of investments that were accepted or rejected, the evidence relied upon and the reasons underpinning its conclusions.

Providing this information would promote greater consistency across regulatory determinations and help DNSPs better understand the AER's expectations when developing future proposals. It would also reduce the need for networks to undertake unnecessary or duplicative analysis to test how the Guidelines may be interpreted, improving the efficiency of both proposal development and regulatory assessment.

The Guidelines should also be reviewed periodically to ensure they remain fit-for-purpose as practical experience is gained through revenue determinations and as related regulatory frameworks continue to evolve. In particular, the AER should consider whether amendments are required in light of developments in the Distribution Network Development Plan Guidelines and the Value of Network Resilience framework.

The AER should adopt a structured process for identifying areas where further clarification is required and for updating supporting guidance over time. This would provide networks with greater confidence when making long-term resilience investment decisions and promote consistent application of the Guidelines across the sector.

The AER should provide targeted engagement for the first round of resilience proposals

The timing of the Final Guidelines means that NSW, ACT and Tasmanian DNSPs will be required to develop and assess resilience expenditure proposals while the framework remains relatively untested. As the first group of networks to apply the Guidelines in a revenue determination, there will inevitably be uncertainty regarding the AER's expectations and the practical application of key concepts.

To support high-quality proposals and improve regulatory efficiency, Essential Energy encourages the AER to undertake targeted engagement with these DNSPs throughout the 2029-34 regulatory determination process. This could include both collective workshops on common issues and bilateral discussions on network-specific proposals. Such engagement would help identify areas where additional guidance is required, promote a more consistent understanding of the Guidelines and increase the likelihood that prudent and efficient resilience investments are appropriately reflected in regulatory outcomes.

Conclusion

Essential Energy, alongside other NSW and ACT DNSPs, has already commenced initial engagement with customers, stakeholders and the AER as part of its 2029-34 regulatory proposal. We therefore encourage the AER to be as open and collaborative as possible in its development of these Network Resilience Guidelines. It is in the interests of energy consumers, both now and in the future, that Essential Energy can effectively and efficiently plan its network resilience expenditure over the next regulatory period, and the AER's guidance and engagement throughout development of these Guidelines will be crucial to achieving that outcome.

If you have any questions in relation to this submission or would like to arrange a discussion, please contact me at [redacted] or Jon Frazer, Regulatory Strategy Senior Specialist [redacted]

Yours sincerely,

[redacted]

Hilary Priest
Head of Regulatory Affairs