Submission to the Australian Energy Regulator

Network resilience guidelines

Draft Guideline

By

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15 October 2026

Acknowledgement of country

We acknowledge the Traditional Custodians of the various lands on which we work and the lands on which energy consumers live and work. We honour the customs and traditions and special relationship of those Traditional Custodians with the land as well as those where this report is being prepared. We respect the elders of these nations, past and present.

About the authors

Helen Bartley is an independent consumer advocate and a Qualified Professional Researcher, Fellow of The Research Society and Accredited Statistician. She served on the Australian Energy Regulator's Consumer Challenge Panel III and currently serves on several energy network consumer advisory panels, with a focus on evidence-based consumer research and engagement.

Mark Grenning is an independent consumer advocate and energy policy specialist with extensive experience in regulation, commercial strategy and energy markets. A former Director of Policy and Regulation at the Energy Users Association of Australia and a member of the AER's Consumer Challenge Panel II, he has extensive experience in electricity and gas network reset panels currently serving on several, and the AER's regulatory framework.

Dr Jill Cainey is an independent consumer advocate and climate scientist, with experience in network regulation, stakeholder engagement, assessing climate risk and electricity resilience to severe weather. Jill is the independent chair of the TasNetworks Stakeholder Advisory Group, the consumer member of the Information Exchange Committee and represents regional Tasmanian consumers on the AEMO Consumer and Community Reference Group.

1 Summary

This high-level submission responds to the AER's draft network resilience guideline ('Draft Guideline' or 'Draft') from a consumer perspective[1]. Our approach is based on practical experience in network resets, discussions with consumer advocates, the regulator, networks and experts and a close reading of recent AER decisions.

In July 2026 Helen Bartley and Mark Grenning lodged a submission on the AER's consultation paper and separately Dr Jill Cainey prepared a submission. Given the synergy between us we have collaborated to prepare this joint submission.

Overall, we support the Draft's principles-based approach and its stronger focus on evidence, proportionality and consumer engagement. However, the Final Guideline should provide greater clarity on expenditure objectives, materiality, accountability and safeguards against duplication, supported by transparent reporting and a robust, timely VNR methodology.

[1] We are grateful to ECA for funding our submission related to the AER's Consultation Paper which allowed us the time and resources to prepare a comprehensive submission. Unfortunately, we were unable to secure funding to assist with this submission, so our thoughts are presented here at a high level only.

2 Concerns remain about VCR and VNR values

This is our main comment on, and concern with, the Draft Guideline.

In our submission on the Consultation Paper we included an Appendix on the case for the timely development of long term VNR values as central to consumer support for the resilience guideline[2]. We highlighted the AER's own concerns about the limits of their initial VNR values in their Final Decision in September 2024[3]:

> "We acknowledge we have had to take a pragmatic approach to develop the initial VNR methodology and deliver the initial VNR within the required timeframe. We have balanced considerations of timeliness and suitability in developing our final VNR approach, acknowledging that it is not possible to explore and implement some potentially 'first best' approaches within the required timeframe for establishing the initial VNRs."

The AER published the VNR Final Decision on the basis that it would continue work to develop a more robust loner-term VNR. Indeed, many stakeholders only supported the AER's initial approach on the condition that the AER would continue this work. As the AER notes in the Final Decision:

> "We recognise that many stakeholders who support our proposed approach have only done so on the basis that this approach will not be the foundation for the longer term VNR approach. We also recognise the concerns held by stakeholders who do not support our proposed approach or only support elements of it."

The VNR Final Decision discussed steps to be taken in 2025 and 2026 to develop that longer term measure.

Our Appendix argued that:

(i) A VNR based on a VCR multiple was invalid where the VCR methodology itself was outdated

The VCR methodology ignored market trends especially around the large expansion in household behind the meter CER – rooftop solar and home batteries that provide a measure of consumer resilience. We, along with many other stakeholders, argued in the course of the last VCR review, published in August 2024, that future reviews should be completed more frequently that every five years. The AER agreed[4]:

> "Given the rapid changes taking place in the energy sector, we are open to conducting more frequent reviews of VCR. We will also further consider this when we have assessed the outcomes of the 2024 VCR update and in the context of our medium-term work program for both the VCR and VNR."

And:

[2] https://www.aer.gov.au/documents/helen-bartley-and-mark-grenning-network-resilience-guidelines-consultation-paper-july-2026

[3] See p. https://www.aer.gov.au/documents/final-decision-value-network-resilience-2024

[4] See pp. 2 and 34 https://www.aer.gov.au/documents/2024-08-30-aer-final-determination-2024-vcr-methodology

> "The current work stream on the value of network resilience and its outcomes may also require us to consider the VCR in a period less than 5 years."

(ii) A residential upper bound VNR based on the cost of back-up diesel generation is simplistic and out of date

The AER selected diesel as its 'rational alternative' because, at the time, it was much more expensive than battery storage. The relative cost is now reversed and the current cost differential in favour of solar and batteries is expected to widen in the future.

In the Draft Guideline the AER notes (p.21):

> "We consider that the VCR and VNR can be useful indicators of consumer preferences."

But this is only the case when those are based on a robust methodology. They are not currently as we believe there is a substantial risk the current values significantly over-value consumers' willingness to pay for resilience. Applying these values has the potential to put significant long life assets into network RABs that consumers are not willing to pay for.

So it is disappointing to see that the AER is unable to provide update values until the end of 2029 – seemingly because the AER is sticking to the 5 year VCR review timetable.

While the Draft notes that (p.23):

> "We recognise that this an impact the DNSPs that will submit their regulatory proposals in January 2028, however there is insufficient time to identify a more robust, thoroughly considered approach to the VNR as part of the network resilience guidelines process"

It does not mention that this also means there will be no updated VNR measure for those networks submitting in January 2029 for the 2030-35 reset period. So the first networks to submit their revenue proposal applying the revised VNR methodology and values will be the Victorian DNSPs in January 2030 for 2031-36. NSW and Tasmanian consumers will only get the benefits from 2034 and Queensland and South Australian consumers from 2036.

We do not think this is consistent with the AER's objective of:

> "Ensuring energy consumers are better off, now and in the future"

If it is a resource constraints issue within the AER then, given we think this matter has such a potentially large negative impact on consumers, the AER should seek to divert resources from other areas to bring forward the VCR/VNR review so that it is available in time for the NSW and Tasmanian 2029-34 resets.

Consumers should not have to wait 5-10 years for the full benefits of the resilience guideline.

3 Detailed positions on the Draft Guideline

Principle 1 - Definition of Resilience

We support the distinction between resilience and reliability in the Draft . Importantly though we require confidence that there is no regulatory overlap between the two expenditure categories that could result in consumers paying twice.

Given our concern about consumers paying twice we are pleased to see the AER note (p.10):

> "…the AER will undertake an assessment of prudency and efficiency of the proposed expenditure, which includes ensuring that there is no double-counting of benefits, regardless of whether the main driver of the expenditure is resilience or reliability."

We also support the definition adhering to the requirements of a distribution network providing network services as described under the NER. This excludes the responsibilities of other essential services providers.

We note that transmission networks are not specifically included in the Draft , but transmission networks could refer to the principles for guidance. We note the diversity of views in submissions, but we do not have a strong view on whether TNSPs should be included.

Principle 2 – Community resilience

Definition

We are comfortable with the AER's proposed definition of community resilience particularly as it recognises "preparedness" as an important aspect of community resilience. We agree with the AER's approach to the definition of community resilience that sets the boundaries for what the DNSP is responsible for under the NER.

Assessing Community Resilience

We are comfortable with the AER's proposed prudency and efficiency factors to consider when assessing community resilience.

The Draft raft recognises proportionality, preparedness, consumer engagement, flexibility and recognition of non-network initiatives as appropriate assessment factors.

We assume consideration of "preparedness" includes consideration of a community's ability to anticipate a prolonged outage, as well as a DNSP's role in providing pre-season and pre-event warnings or support and the link between them. For example in some communities, network-funded initiatives may help communities prepare through communication, information sharing, liaison officers and coordination with councils, emergency services and other essential-service providers.

However, we are not confident that it fully addresses affordability, duplication of costs, engagement quality, the uncertain value of any pre-emptive proposals and whether the network or another institution is best placed to be responsible for different forms of community resilience.

We would note that it may be difficult to provide a full cost benefit analysis for some community base resilience expenditure. The example provided in Box 3 of the Draft relating the justification for a community liaison office role is an example. The AER says the network should provide:

"…an options analysis, a business case and some quantitative analysis…"

There will be a range of expenditure where it is difficult to provide a 'full' CBA of various options. Networks should be careful in not presenting consumers with a 'CBA' simply because they perceive they have to meet a Guideline requirement when the analysis owes more to 'creative' methodologies and assumptions that add little to consumers assessment of the propose expenditure and may just add confusion.

Principles 3 and 4 -Prudency and efficiency assessment

Evidence required to assess a preferred resilience solution

We broadly support the AER's proposed types of information they expect to see from networks to support both prudency and efficiency of a network's preferred resilience solution, i.e.

- It is 'linked to and within the boundaries of a network service'
- An identified need, testing the preferred option against feasible alternatives and transparent modelling to allow ease of testing of critical inputs an assumptions
- Standardised information templates
- Well documented post implementation reviews of how resilience investments performed
- The supporting evidence should be proportionate to the size and type of the investment, and
- The AER's emphasis on meaningful consumer engagement and credible option testing

The feasible alternatives explored with consumers should include consumer- and community-led solutions, even where the network provider would not be responsible for delivering them. For example, a community may already have substantial electricity resilience through consumer-funded investments—the AER's "rational alternative". When assessing feasible alternatives, the network provider should therefore identify the level of resilience already available within the community.

We appreciate the AER's expectation that predictive modelling should be sense-tested against historical outcomes and other evidence. Any climate modelling used should be scientifically established, demonstrate a reduction in uncertainty in identifying climate risk to network assets and utilise existing data sets for downscaled data such as NARCliM 2.0.

However, our concerns associated with the VNR and VCR methodology and the AER's reliance on the temporary 2024 VNR, discussed above, remain. The requirement to use the latest VNR guidance is of little help to consumers if that guidance is flawed. Prior to the publication of the next VNR values, regional disaggregated VNR estimates provided by networks should be assessed by the AER against best practice methodologies, not against the current VNR methodology.

In relation to opex, the Draft could better clarify a proportionate evidentiary standard for resilience opex, especially where benefits are material but not readily quantified.

Evidence of consumer and community engagement

The Draft broadly reflects our views on the key features of genuine consumer engagement on resilience proposals. We appreciate that consumer support alone is not sufficient to establish prudency or efficiency. Engagement informs the expenditure assessment but remains one factor within the broader regulatory test.

It is important that consumers are presented will all possible network (both capex and opex, ex post and ex ante) and non-network options to address a particular consumer resilience concern and give confidence that the preferred option achieves the opex and capex expenditure objective and satisfies the expenditure criteria. The guideline would benefit from clearer criteria against which engagement quality will be assessed to give the AER confidence that expenditure criteria are satisfied.

Principle 5 - Incentive schemes

We are supportive of the Draft's recognition that the existing incentive framework is broadly capable of accommodating resilience investment, while assessing any exceptional treatment case by case. In particular we support measures to ensure networks are not able to double count STPIS benefits.

Principle 6 - Distribution Annual Planning Report (DAPR) requirements

The proposed DAPR requirements aligns with our views around transparency, standardisation, accountability, expenditure and learning from actual events.

We would like to see greater requirements on networks to present a sufficiently clear evidence chain from identified risk and consumer preferences through approval, actual expenditure, delivery and measurable consumer outcomes as an evaluation approach and to facilitate improved resilience proposals in the future.

In the interests of transparency and ease of understanding we consider some standardisation (consistency in reporting) is important. Networks should provide forecasts and proportionate forecast-to-actual reconciliations for each material resilience program, including the funding source, implementation status, evidence of consumer engagement, variances and outcomes, while avoiding duplication with other regulatory reports.

Additionally, in relation to this issue our response at point 5 (evidence of community and consumer engagement) above relevant.

Reporting requirements

We support the Draft's principles-based and flexible approach, rather than a rigid mandatory template. This provides consistency, but prioritises flexibility for different climate risks, network circumstances and community needs. It would also cater for data requirements through the Annual Information Order (AIO) review process, with consultation to minimise duplication and regulatory burden.

We support the Draft's position is not to finalise detailed AIO requirements through the guideline. We also support proposed consultation with affected DNSPs to consider resilience requirements alongside other data requirements and seek to avoid duplication.

Data required to be reported

We broadly support the proposed data categories, i.e. standardised information, historical and forward-looking evidence, expenditure, performance and consumer engagement although we

would prefer greater standardisation of information and clearer treatment of expenditure, VNR/VCR and modelling limitations to improve transparency for consumers.

To provide the evidence needed to support the hypothesis that ex-ante resilience investment is lower cost in the long-term than ex-post recover and repair costs (the premise of the Victorian Government rule change proposal) it will be important that when data is provided in the DAPR/DNDP on recent severe weather outages, that information is provided on whether the damaged assets had previously been the subject of resilience expenditure and the cost of that investment. This cost can then be compared to the ex-post cost of repairs and recovery.

Collecting this data should not be delayed until the DNDP is fully implemented.