Southern Lights and Networks Group
C/- Central NSW Joint Organisation
Level 1, 38 William Street, Bathurst NSW 2795
Phone: 0428 604 513
Email: kate.barker@centraljo.nsw.gov.au

20 October 2026

Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Via email: capex@aer.gov.au

Dear AER,

Re: Draft Network Resilience Guidelines

The Southern Lights and Networks (SLN) Group welcomes the opportunity to provide feedback on the Australian Energy Regulator's Draft Network Resilience Guidelines.

The SLN Group recognises the growing challenges posed by extreme weather events, climate variability and changing operating conditions across the electricity system. Regional communities depend on reliable electricity services and support prudent investment that improves network resilience.

However, consumers ultimately fund resilience expenditure through electricity bills. For this reason, confidence in resilience investment depends not only on the existence of risks, but also on the quality of the information, forecasting and regulatory frameworks used to identify, assess and manage those risks.

This submission focuses on ensuring resilience expenditure is supported by robust risk measurement, consistent treatment of climate-related risks, effective benchmarking and rigorous assessment of lower-cost alternatives.

For regional communities, prolonged electricity outages caused by severe weather can interrupt water supply, wastewater operations and emergency facilities. Assessment of resilience proposals should consider these service dependencies and the resulting public health, environmental and community consequences. This would help identify where network resilience measures deliver benefits beyond the directly affected electricity account.

About Southern Lights and Networks

Established in 2018, Southern Lights was created to deliver better, safer and more cost-effective streetlighting solutions while enabling smarter, connected regional communities. The program initially advocated for the replacement of outdated luminaires with energy-efficient, smart-ready LED streetlights across southern New South Wales.

The SLN Group now represents more than 40 councils across regional New South Wales within the Essential Energy distribution network. Its expanded focus includes public lighting, network regulation, energy affordability and emerging opportunities associated with the energy transition.

Councils are major electricity customers through public lighting, water and wastewater operations, community facilities and other essential local government services. They also have a direct interest in retail pricing settings that support affordable services, efficient investment and practical use of consumer energy resources across regional communities.

The 42 current members of the SLN Group include:

- Central NSW Joint Organisation – Bathurst, Blayney, Cabonne, Cowra, Forbes, Lachlan, Oberon, Orange, Parkes and Weddin Councils
- Far North West Joint Organisation – Bourke, Central Darling, Cobar, Coonamble and Walgett Councils
- Northern Rivers Joint Organisation- Ballina, Byron, Kyogle, Lismore, Richmond Valley and Tweed
- Riverina and Murray Joint Organisation – Albury, Balranald, Berrigan, Edward River, Federation, Griffith, Hay, Leeton, Murray River, Murrumbidgee, Narrandera and Wentworth Councils
- Riverina Eastern Regional Organisation of Councils – Bland, Coolamon, Cootamundra-Gundagai, Greater Hume, Junee, Lockhart and Temora Councils
- Broken Hill City Council
- Narromine Shire Council

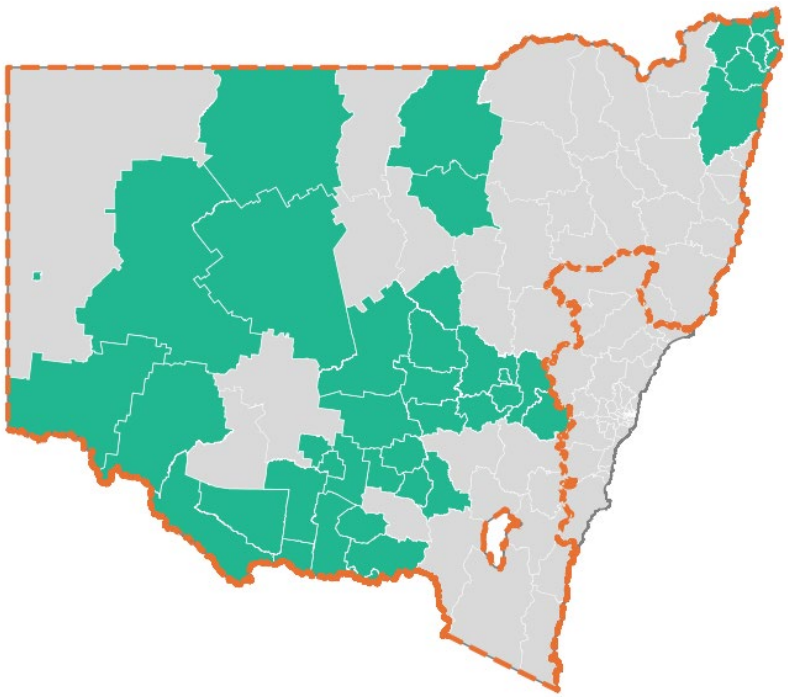


Image: teal depicts the council areas who are members of the SLN Group. Orange line shows Essential Energy boundary.

Summary of recommendations

The following sets out a summary of the recommendations contained within this submission:

- Ensure resilience expenditure proposals are supported by robust and transparent risk measurement frameworks.
- Improve regulatory information and benchmarking frameworks to better account for operating environment factors, including vegetation management and climate-related risks.
- Use consistent, credible climate-risk forecasting and align resilience assessments with emerging AEMO and Reliability Panel High Impact, Low Probability (HILP) methodologies.
- Integrate resilience into existing reliability, planning and expenditure frameworks rather than creating parallel regulatory processes.

- Require networks to demonstrate that proposed expenditure is the most efficient response, including operational, data, analytical and management improvements.
- Assess non-network alternatives—including council-owned and third-party resources—with clear evidence of availability, costs, benefits and responsibilities.
- Engage councils, Joint Organisations and regional council organisations early to identify service dependencies, local vulnerabilities and feasible responses.
- Reflect regional outage consequences—including isolation, restoration access and dependence on critical facilities—without double counting benefits.
- Allocate costs and responsibilities transparently and prevent unagreed transfers to councils or duplicate recovery.
- Maintain affordability and ensure higher upfront resilience allowances reduce reliance on post-event pass-throughs and capex reopeners, with a materially more onerous threshold once the framework is established.

1 Network resilience requires strong information foundations

The resilience reforms respond to a legitimate and growing challenge. However, the efficiency of resilience expenditure depends heavily on the quality of the information used to identify and quantify risk.

From a consumer perspective, confidence in resilience expenditure requires confidence that the underlying information systems adequately identify, measure and compare the risks being managed. Historically, significant drivers of operating expenditure, particularly vegetation management, have not always been adequately reflected within regulatory information and benchmarking frameworks.

Vegetation growth rates can vary significantly due to climatic factors including rainfall patterns, seasonal conditions and broader climate oscillations. Increasingly, these risks can be measured using technologies such as LiDAR, remote sensing and geospatial analytics. Despite these advances, regulatory information frameworks have not consistently captured these drivers.

This creates a risk that expenditure differences are interpreted as evidence of resilience requirements when they may instead reflect differences in operating environments, asset management approaches or data quality.

Improving resilience through information

Improved information, benchmarking and risk measurement may often deliver greater consumer benefits than additional expenditure alone.

Resilience proposals should be supported by evidence proportionate to the scale and consequences of the identified risk and the proposed expenditure. Where information is incomplete, proposals should explain the uncertainty, test the sensitivity of the preferred option to key assumptions and identify how monitoring or staged investment could improve confidence.

2 Climate risk and HILP forecasting must be applied consistently

The effectiveness of resilience expenditure depends on the robustness of the underlying assessment of future severe-weather risks.

While there is broad acceptance that climate change is affecting the frequency, intensity and consequences of extreme weather events, significant uncertainty remains regarding how those risks are translated into planning assumptions across the electricity sector.

This issue becomes particularly important for HILP events.

Increasingly, resilience expenditure proposals are justified using climate scenarios, probabilistic modelling and future-risk assessments. However, where methodologies differ between organisations or remain difficult to validate, estimates of resilience benefits inevitably become more uncertain.

Consumers need confidence that resilience expenditure is supported by methodologies that are transparent, credible and consistently applied across the sector.

Consistency across the electricity supply chain

The treatment of climate-related HILP events should be broadly aligned across generation, transmission and distribution planning frameworks.

Recent work undertaken through AEMO's reliability assessments and the Reliability Panel increasingly incorporates severe-weather risk and climate uncertainty into probabilistic planning methodologies. The resilience framework should demonstrate how distribution-level resilience assessments align with these broader approaches.

Without consistency, climate-related risks may be treated differently across different parts of the electricity supply chain, making it more difficult to determine whether resilience expenditure is prudent, efficient and free from double counting.

3 Resilience should complement, not complicate, existing regulatory frameworks

The resilience reforms address a genuine issue. However, there is a risk that resilience becomes a parallel regulatory construct rather than being integrated within existing reliability, planning and expenditure frameworks.

Historically, changes in risk exposure have been addressed through:

- reliability planning standards;
- operating environment factors;
- expenditure forecasting methodologies; and
- planning and reporting obligations.

The SLN Group recognises that the National Electricity Rules require the AER to publish network resilience guidelines. Their implementation should clearly explain how resilience assessment connects with existing reliability, expenditure forecasting, planning and reporting arrangements.

Networks should be able to use consistent evidence across these processes, with clear treatment of overlapping expenditure and benefits. Additional requirements should address an identified information or accountability need and avoid unnecessary duplication.

4 Consumers need confidence that expenditure delivers the greatest net benefit

Consumers ultimately fund resilience expenditure through network charges. For this reason, the central consumer issue is not whether severe-weather risks exist, but whether proposed expenditure represents the most efficient response to those risks.

The draft framework is positive in recognising operational, preparedness, communications and community-resilience measures alongside traditional network investment. However, there remains a risk

that regulatory attention becomes focused on expenditure proposals rather than on the underlying causes of risk and performance outcomes.

Experience in areas such as vegetation management demonstrates that significant improvements can often be achieved through:

- better targeting of expenditure;
- improved risk analytics;
- improved contractor management;
- better operational practices; and
- improved data collection.

Where measurement, forecasting and benchmarking frameworks remain weak, resilience expenditure can become a substitute for improving information and management systems rather than a complement to them.

This concern is amplified where benefits are difficult to validate after the event, as is often the case for severe-weather risks.

The SLN Group supports the assessment of non-network alternatives under Principle 4. The final guidelines should clarify how council-owned and other third-party resources can be assessed as part of a network resilience proposal, including the allocation of costs, benefits and responsibilities.

Where a proposal relies on these resources, the assessment should demonstrate their available contribution during the relevant severe-weather event. This should account for essential operating requirements, protected backup reserves, connection capability and arrangements for communications failure.

5 Upfront resilience expenditure should reduce post-event cost adjustments

If distribution network service providers receive higher upfront capital allowances to harden networks against severe-weather and climate risks, those allowances should be expected to reduce the scale and frequency of subsequent emergency repair and replacement claims. The framework should therefore explicitly link ex-ante resilience expenditure with the treatment of post-event cost pass-throughs and capex reopeners.

Some flexibility may be reasonable during a transition period while new resilience arrangements are embedded. After that period, however, the threshold for additional post-event recovery should be materially more onerous and approvals should be limited to genuinely unforeseen and unavoidable costs that could not reasonably have been mitigated through the resilience expenditure already funded.

Case example: Essential Energy 2022 North Coast flooding cost pass-through (*Source: Australian Energy Regulator, Essential Energy – Cost pass through – 2022 North Coast flood event, decision dated 30 March 2023.*)

- The event: Severe weather and widespread flooding across the North Coast of New South Wales in late February and early March 2022 significantly affected Essential Energy's electricity distribution network.

- The regulatory mechanism: Essential Energy applied to the AER for a natural disaster cost pass-through under the National Electricity Rules to recover costs arising from the event outside its baseline regulatory allowances.

- The outcome: On 30 March 2023, the AER approved a positive pass-through amount of $2,197,283 (nominal, smoothed) for recovery in 2023–24. Essential Energy had sought an increase in allowed revenue of $3.8 million for that year.

This example demonstrates why the trade-off must be explicit. Consumers should not pay twice for the same risk: first through higher baseline allowances for proactive resilience measures, and again through post-event pass-throughs or reopeners for damage that the funded resilience program should reasonably have reduced. The AER should require network businesses seeking post-event recovery to demonstrate how the claimed costs were not already addressed, or reasonably avoidable, through approved resilience expenditure.

6 Aligning resilience planning with emerging HILP methodologies

The SLN Group encourages the AER to ensure that resilience assessment methodologies are consistent with the increasingly sophisticated approaches being developed by AEMO and the Reliability Panel to assess HILP risks.

These methodologies recognise that modern electricity-system risks extend beyond isolated asset failures and increasingly involve:

- compound and concurrent extreme-weather events;
- system-wide interactions across generation, transmission and distribution networks;
- dynamic responses from consumer energy resources such as batteries and electric vehicles; and
- scenario-based planning that values flexibility and optionality in future investments.

Alignment with these approaches would help provide greater confidence that resilience expenditure reflects future system risks while reducing the potential for inconsistent assumptions being applied across different parts of the supply chain.

7 Council and regional engagement

In applying the engagement provisions in sections 3.1.1 and 3.1.2, networks should involve relevant councils, Joint Organisations and regional council organisations early in identifying service dependencies, local vulnerabilities and feasible responses. These organisations can contribute local asset, access and emergency-management information. Networks should explain how this input has informed their proposals.

8 Regional outage impacts

Evidence supporting resilience proposals should explain how regional conditions affect the consequences of prolonged outages, including isolation, difficult restoration access, limited alternative services and dependence on critical facilities. The assessment should make clear how these consequences are reflected in the comparison of options, without double counting benefits.

9 Responsibilities and cost allocation

Collaborative proposals should clearly distinguish the network service being provided from the responsibilities of councils, other service providers and emergency agencies. Costs should be allocated transparently, with any grants or other contributions identified to avoid duplicate recovery. Participation should not result in an unagreed transfer of responsibilities or costs to councils.

Conclusion

The SLN Group supports the objective of improving network resilience in the face of increasing severe-weather and climate-related risks. However, resilience expenditure can only deliver value to consumers where it is supported by robust information, consistent risk assessment, credible forecasting and effective benchmarking.

The AER should ensure the resilience framework strengthens these foundations while maintaining a strong focus on affordability and ensuring consumers pay no more than necessary to achieve resilient and reliable electricity services.

Thank you for the opportunity to provide feedback on the Draft Network Resilience Guidelines. The SLN Group would welcome the opportunity to discuss these matters further.

If you require further information or clarification on comments, please do not hesitate to contact me on [redacted]

Yours sincerely,

[redacted]

Ms Kate Barker
Project Manager, Southern Lights and Networks
Executive Officer, Central NSW Joint Organisation