



Kris Funstion
Executive General Manager
Australian Energy Regulator
GPO Box 3130
Canberra ACT 2601

7 June 2024

To Dr Funston

Value of Network Resilience – Issues paper

ENGIE Australia & New Zealand (ENGIE) appreciates the opportunity to respond to the Australian Energy Regulator (AER) in response to its issues paper on the value of network resilience.

The ENGIE Group is a global energy operator in the businesses of electricity, natural gas and energy services. In Australia, ENGIE operates an asset fleet which includes renewables, gas-powered generation, diesel peakers, and battery energy storage systems. ENGIE also provides electricity and gas to retail customers across Victoria, South Australia, New South Wales, Queensland, and Western Australia.

ENGIE acknowledges the importance of network resilience in the context of increasingly frequent and severe extreme weather events. As network outages are very impactful for consumers and businesses, network service providers (NSPs) should be incentivised to invest in the capability of their networks to withstand and recover from events.

ENGIE notes the AER has flagged that most of the potential approaches to estimating a Value of Network Resilience (VNR) would be difficult to develop and calibrate in time to be relied on for the upcoming Victorian DNSP revenue determination process and in revised proposals from other DNSPs. ENGIE would support the AER undertaking a more detailed consideration of the potential approaches to estimating a VNR through a separate process in its longer-term work program.

In the short-term, we consider that a combination of Option 1 with Option 2 or 3 appear to be the most useful methods to estimate a VNR that broadly reflects the additional burden on consumers from prolonged outages. We note that a VNR is unlikely to be a static value over time and may escalate as the length of the outage increases. While each of Options 1, 2 and 3 have limitations in terms of accurately estimating the true value of network resilience, they appear to be the most realistic options to address the request from the Electricity Distribution Network Resilience Review to establish a VNR within the review timelines.

In terms of the criteria for assessing potential approaches, ENGIE considers:

- Localisation of the VNR is important to reflect the different impacts and costs that consumers in different communities will experience from prolonged outages. However, the extent of the granularity of the values should be dependent on how substantially the VNR differs between locations.
- The outage length that the AER should focus on in this review should be at least two to three days. Outages that are shorter than this length will not likely result in values substantially different than the Value of Customer Reliability (VCR) that is used for standard outages of 12 hours or less. The types of extreme weather events that consumers are most concerned about are likely to be those that impact parts of the network for at least multiple days.
- Unserved energy is an appropriate input into the \$/kWh value for network resilience. As noted earlier, the VNR may not be best expressed as a static \$/kWh, as the value may escalate as the length of the outage and amount of unserved energy increases.

Should you have any queries in relation to this submission please do not hesitate to contact me on, telephone, [REDACTED].

Yours sincerely,

[REDACTED]

Matthew Giampiccolo

Manager, Regulation and Policy
ENGIE Australia & New Zealand