

7 June 2024

Australian Energy Regulator (AER)

Submitted via email: vnr2024@aer.gov.au.

Dear AER,

Value of Network Resilience 2024

Hydro Tasmania welcomes the opportunity to respond to the Australian Energy Regulator (AER) on the Issues Paper for the *Value of Network Resilience 2024*. We appreciate the AER continuing their work into valuing different types of outages.

Under current metrics and market settings, high impact low probability (HILP) events struggle to be appropriately accounted for. Due to their inherently infrequent occurrence, Hydro Tasmania recognises they are a challenging type of event to value in consumer and reliability metrics. However, as the National Electricity Market (NEM) continues to undergo transformation to a renewables-dominated market at an increasing pace it is critical that work is undertaken in this space.

The effects of climate change include more severe and more unpredictable weather events. At the same time, Australia's electricity grid is becoming increasingly dependent on weather-driven generation. This combination results in tail-risk events becoming more frequent and with more impactful outcomes. To maintain secure, reliable, and resilient networks, it is essential that these growing risks are acknowledged and managed. Hydro Tasmania believes that the addition of new metrics to value these tail-risk events (like the Value of Network Reliability (VNR)) will greatly assist TNSPs and future project proponents in identifying appropriate investments in networks, along with investments in generation and storage assets.

While we recognise this new metric will be used as a network investment tool, Hydro Tasmania sees this as a good start in valuing HILP events more generally. Network resilience will be increased by having appropriately sized and well-located long duration energy storage (LDES) assets. In conjunction with network investment, LDES will also help to increase system reliability and resilience. Appropriately valuing this type of storage will assist in creating the right signals for

proponents to invest at locations that best help stabilise and support the system – filling capacity gaps where there are system issues related to weather events (either ‘dunkelflaute’ conditions or physical asset issues).

In a similar way that the VNR will be a complement and extension to the existing VCR in helping to value these increasingly important edge cases, we are looking forward to the AER’s continuing work in valuing the impacts of HILP events more generally. Hydro Tasmania looks forward to ongoing engagement as this work progresses. If you wish to discuss any aspect of this submission, please contact Dani Williams at [REDACTED].

Yours sincerely,



John Cooper

Manager Market Regulation