



# Jemena Electricity Networks (Vic) Ltd

## Value of Network Resilience - Issues Paper

Submission from Jemena Electricity Networks to the Australian  
Energy Regulator

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Value of Network Resilience - Issues Paper

**Contact Person**

Sonia Madamba  
Senior Regulatory Analyst  
Ph: [REDACTED]  
[REDACTED]

**Jemena Electricity Networks (Vic) Ltd**

ABN 82 064 651 083  
Level 16, 567 Collins Street  
Melbourne VIC 3000

**Postal Address**

PO Box 16182  
Melbourne VIC 3000  
Ph: (03) 9713 7000  
Fax: (03) 9173 7516

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## A. Value of network resilience

Thank you for giving us an opportunity to provide feedback to the Australian Energy Regulator's (AER) issues paper on the value of network resilience review (VNR) 2024.

Jemena Electricity Networks (Vic) Ltd. (Jemena) is a distribution network service provider (DNSP) supplying direct control services to customers in the northwest region of the greater Melbourne Metropolitan area and is subject to economic regulation administered by the AER. As a part of economic regulation, Jemena is also subject to the 2026-31 Electricity Distribution Price Review (EDPR), which will—amongst other considerations—assess our proposed efficient expenditures on network resilience.

We fully support the AER's review of VNR. Extreme weather events are getting more frequent and severe and they can have considerable impacts on our infrastructure assets and communities. Following the extreme weather events in Victoria in 2023 and 2024, the Victorian Government has placed additional obligations to DNSPs to ensure electricity distribution networks and the communities are able to withstand and recover from extreme weather events in the future. There are also increased expectations from our customers and communities about how we perform through these situations. Our customers, through our People's Panel, have told us that Jemena needs to prioritise investing in network resilience so it can withstand and recover from the effects of a natural hazard or disaster.

We have already started investigating the impacts and community expectations on network resilience together with other Victorian DNSPs: a climate change and customer engagement study with stakeholders on developing a resilient network investment framework and shaping projects and programs for the 2026-31 EDPR. As in the AER's value of network resilience issues paper, we will need the VNR to support our investments in network resilience through the 2026-31 process.

We support the Energy Networks Australia's submission to the AER on the issues paper. In addition, we provide the following feedback:

### Completion date for the review might be too late for the Victorian DNSPs initial proposal.

The completion date for the VNR review of September 2024 might be too late for our consideration of the VNR in our initial proposal. Further, if the AER uses the Value of Customer Reliability (VCR) as a starting point for setting a VNR, the AER is at risk of using an old VCR. The new VCR will only be available by 18 December 2024 as per the AER's timelines for the review.

Whilst we will ensure resilience-related projects submitted in our initial proposal will be underpinned by efficient and prudent decision-making and supported by our customers, it is not possible to assess them against the VNR framework; it would be more doable and reasonable for Jemena to adopt the VNR as part of its revised proposal. This will provide sufficient time for us to assess the projects against the VNR criteria and go back to our customers and seek their feedback on our proposed network resilience projects/programs for the 2026-31 regulatory period. Consideration of customer feedback is one of the AER's requirements in assessing network resilience proposals.

### Criteria

**The criteria about longevity.** There seems to be a mismatch between the intent of the review (that is, to determine an initial VNR within the review timeframe) and the criteria about longevity. The AER raised that options 4 (conduct of follow-up surveys to actual prolonged outages), 5 (use of modelling) and 6 (use of other data) may be best suited for future VNR reviews given they are complex and resource intensive. This leaves options 1 (use of generating sets as upper bound for consumer willingness to pay), 2 (use a multiple of the value of customer reliability (VCR)) and 3 (extrapolate the VCR beyond 12 hours) as candidate methods for VNR valuation. Options 1, 2 and 3 may be considered pragmatic and doable solutions within the transition timeframes but may not produce the level of VNR appropriate for long-term use. We suggest that the AER set two sets of assessment principles and criteria: one for setting the initial VNR and another for setting a more appropriate VNR for future use.

**The criteria ‘impact on network expenditure proposals’.** The AER noted that different approaches are likely to produce different VNR and therefore may have different effects on network expenditure. It further noted that it will have regard to these effects when adopting an approach. Our view is that decisions should be based on the robustness of the method/s and not on whether the resulting VNR will likely be too high or too low. Given the difficulty of placing an accurate value on VNR, we suggest that the AER tests several credible options and consults with stakeholders on them.

Further, we suggest that the AER clearly states the weights it has placed on the different criteria in assessing the potential approaches.

### Potential approaches

We have several more specific items of feedback on each of the options being considered by the AER:

Potential approach	Comment
Option 2 – using a multiple of the Value of Customer Reliability (VCR)	We believe that it is important for the AER to account for geographic variations in climate vulnerability, customer expectations and differences in the relative exposure of DNSPs’ assets to risks when setting the multiple or ‘resilience’ premium. Given these differences, some DNSPs may face prolonged outages while others may not. Community resilience may also differ as a result.
Option 3 – extrapolating the VCR for standard outages beyond 12 hours	We believe that it is important for the AER to account for geographic variations in climate vulnerability, customer expectations and differences in the relative exposure of DNSPs’ assets to risks under this option. Community resilience may also differ across the different DNSPs as a result.
Option 4 – costs survey of actual prolonged outages	Not all DNPS have experienced prolonged outages in the past.
Option 5 – modelling	In our joint DNSP engagement with stakeholders, there were strong suggestions that any economic analysis should take into account environmental and social costs.

### Use of VNR for network resilience expenditure which are operating in nature

The issues paper said that the VNR will support a DNSP’s investments to ensure that the network is capable of (a) withstanding extreme events and (b) recovering from these situations when mitigations are not enough. Under the latter, there are expenditure which are operating in nature such as standby contingency crew, communications with customers before and during prolonged outages, significant ramp-up of staffing levels, enhanced design standards among others. DNSPs will likely have different network resilience strategies for the 2026-31 regulatory control period depending on their respective network’s relative exposure to extreme weather events and their communities’ expectations. Some DNSPs might propose network resilience capital expenditure while others may opt for network resilience operating expenditure. We believe that for the purposes of benchmarking expenditure, that AER should take into account the different drivers behind our network resilience proposals.

### Engagement with stakeholders

We support the ENA’s recommendation that the AER use deliberative forums on its engagement with stakeholders on the different approaches being considered to determining a VNR. If deliberative forums are to be used in gathering information about consumer willingness to pay, we suggest that DNSPs also be invited to said forums, even as observers.

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## Future refinement of the VNR

We support the AER's plan to continue to review and refine VNR in the future especially if the AER is not able to test the robustness and appropriateness of options 4-6 during the current review, which we consider to be credible options. Our communities would expect that any network resilience projects we propose reflect the value they place on prolonged outages. To meet this expectation, we agree that the AER should undertake further reviews on VNR in the future.

We also encourage the AER to engage closely with the Department of Energy, Environment and Climate Action staff to ensure that there is consistency with the AER's approach and the Victorian Government's policy expectations. This approach will ensure effective outcomes for customers and streamline the processes for determining efficient costs.

## B. Requested studies on network resilience

In response to the AER's information request under this consultation, we provide the following three studies as attachments to this submission:

- Jemena Electricity Networks – IRD#001 – Climate Change Study for Victorian Electricity Distribution Businesses – Phase 1 – 20240825
- Jemena Electricity Networks – IRD#001 – Joint Distribution Business Customer Engagement Workshop Report – Resilient Network Investment Framework – 20240129
- Jemena Electricity Networks – IRD#001 – DEECA – National Adaptation Plan Issues Paper – 202403.

We continue investigating network resilience projects or programs and will elaborate on these in our 2026-31 initial proposal to the AER.

Finally, in direct response to the AER question on whether Jemena has received any government grants in relation to network resilience, we can confirm that, at this stage, we have not received any government funding.

Thank you again for the opportunity to provide feedback on the issues paper. If the AER have questions in relation to this submission please contact Sonia Madamba [REDACTED] [REDACTED] or via email [REDACTED].

Kind Regards,

[REDACTED]

Ana Dijanosic

General Manager, Regulation