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19 August 2024

To Dr Funston

### **Value of Network Resilience – Draft decision**

ENGIE Australia & New Zealand (ENGIE) appreciates the opportunity to respond to the Australian Energy Regulator (AER) in response to its draft decision 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 considers that network resilience is critically important for consumers and businesses and commends the AER's work to establish a value of customer resilience associated with long duration outages.

ENGIE supports the AER's proposal to implement an initial Value of Network Resilience (VNR) based on a multiple of the Value of Customer Reliability (VCR) with an upper bound applied for the residential VNR. ENGIE understands the time constraints associated with this initial decision and supports the AER committing to a more detailed consideration of the long-term approach to estimating the VNR in 2025.

In relation to the proposed upper-bound for the initial VNR for residential customers, ENGIE agrees with the AER's use of the least-cost of backup self-generation as the basis of this estimate. However, while the effective life of a generator is already an input into the upper-bound calculation, as mentioned in Appendix D of the draft decision, it is not clear how the AER's calculation was adjusted based on the assumed effective life. ENGIE notes that any capital investments made by residential customers following an initial prolonged outage will be able to be relied on during any subsequent prolonged outages, which may decrease the average dollar impact of subsequent outages. If the assumed life of these investments do not decrease the value of the upper-bound, the calculation may overstate the value that customers' place on a resilient network and the investments required by distributors to strengthen their network resilience.

In relation to the proposed application of a VCR multiple for the initial VNR, ENGIE supports the AER's proposed approach to adjust the rate of cost increases as the length of the outage extends. To better reflect the timing of costs incurred during a prolonged outage (as summarised in section 3.1.3 of the draft decision), it may be reasonable for the AER to extend the period that the highest multiple applies from 12-24 hours to 12-48 hours. This would reflect that customers are unlikely to incur costs on a consistent basis as the outage extends beyond 24 hours and that lumpy mitigation expenses may occur in the period following the initial 24 hours.

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

Yours sincerely,

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**Matthew Giampiccolo**

Manager, Regulation and Policy