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8 March 2022

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Dear Ms Thaow

**Re: Submission to the 2022 Collaboration Paper on Network Resilience**

Thank you for the opportunity to comment on the 2022 Collaboration Paper on Network Resilience (the Network Resilience Paper).

We commend the distribution network service providers (DNSPs) for taking the initiative to consult with stakeholders on their expectations of DNSPs in managing the risks of changing climatic conditions on electricity networks.

We recognise that climate change is a global issue with localised impacts that can profoundly affect communities. These localised impacts – severe bushfires, storms and floods – have devastated communities, raising the awareness about the role that different entities have in supporting community resilience to prepare, plan and recover from natural disasters. DNSPs, as providers of an essential service, have an important part to play in understanding the needs and preferences of consumers in responding to these challenges.

The AER has been considering the issue of network resilience, given our role as the economic regulator of energy networks in all states and territories except Western Australia. Our primary role is setting the maximum revenue and prices that network businesses can recover from users of their networks. We aim to ensure consumers pay no more than necessary for safe and reliable energy, and we promote efficient supply and use of energy. Consumers are at the heart of our work, and we focus on ensuring a secure, reliable and affordable energy future for Australia.

We will be releasing a note on network resilience in the coming weeks that will be available on our website. The purpose of this note will be to assist DNSPs, consumer groups and advocates understand how resilience-related funding would be treated under the National Electricity Rules (NER). This may assist in discussions on resilience-related issues in DNSPs developing regulatory proposals in consultation with their consumers. In particular, the note will address the following key issues:

*What is network resilience?*

Network resilience can have a different meaning depending on the context. From an economic regulator's point of view, our focus is on how network resilience seeks to achieve service level outcomes (namely, maintenance of reliability, safety, network security), as these service level outcomes align with the long term interest of consumers.

*Do the National Electricity Rules accommodate resilience-related funding?*

As a characteristic or feature of a network that directly influences service level outcomes, we consider that resilience-related funding is accommodated by the NER, even though it is not explicitly mentioned in the NER.

*What evidence should DNSPs provide to demonstrate that the funding is in the long-term interests of consumers?*

We recognise that climatic conditions are changing and there is uncertainty of the impact this will have on electricity networks. We consider that our assessment framework is sufficiently flexible to have regard to an uncertain future environment. Our note will set out the supporting evidence required to demonstrate that resilience-related funding is a prudent and efficient response given that uncertainty and therefore in the long-term interests of consumers. Good evidence on consumer willingness to pay for actions that improve resilience over the long term would assist our consideration of this

*What is an DNSP's role in supporting community resilience?*

The role of DNSPs in supporting network resilience is a collaborative one with other responsible entities. We expect DNSPs to work together with affected communities, and other responsible entities involved in disaster management to understand what the communities' needs are to plan and prepare for, as well as recover from a natural disaster.

We look forward to further engagement with you and other stakeholders on these important issues. If you would like to discuss these issues further, please contact Arek Gulbenkogu on [REDACTED] in the first instance.

Yours sincerely



Clare Savage  
Chair  
Australian Energy Regulator

Sent by email on: 07.03.2022