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1 November 2024

Anna Collyer
Chair
Australian Energy Market Commission
Level 15, 60 Castlereagh St
Sydney 2000
E: aemc@aemc.gov.au

Consultation feedback on Including distribution network resilience in the NER

Dear Ms Collyer,

I am writing to you to express support on behalf of SMA-Australia for the proposal to amend the National Electricity Rules (NER) to include distribution network resilience.

As you may be aware, SMA is a global inverter manufacturer with headquarters in Germany and an installed inverter capacity of more than 132 GW in almost every country in the world and more than 9GW inverter capacity in the Australian market. Our product range spans the consumer energy resources (CER) sector, commercial and industrial applications, and large grid-scale applications.

SMA strongly supports the proposal to allow distribution network service providers (DNSPs) the option of upfront expenditure to make their networks more resilient. As Benjamin Franklin once said,

"An ounce of prevention is worth a pound of cure."

The proposal is timely and important because climate change is increasing the risk of severe weather events and long-duration outages.

The proposal would be cost effective because of the requirement for DNSPs and the Australian Energy Regulator (AER) to compare the efficiency of upfront expenditure to address risks from severe weather and other catastrophic events versus cost pass throughs to repair networks and restore power after the damage has occurred.

We agree that the lack of a formal framework for resilience expenditure creates uncertainty for DNSPs, the AER and for businesses like SMA whose products and services could assist with improving the resilience of distribution networks. The recent protracted outages in Broken Hill are an example of how preparing for resilience could have avoided the pain felt by the homes and businesses who were left without power. We expect that in future there will be an important role in places like Broken Hill for city-scale energy storage facilities with grid forming capabilities that can supply services such as 'black start' and emergency back-up for islanded distribution networks whenever they are needed. However, this will only happen in a timely and



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efficient manner if the regulatory framework recognises and rewards the value and importance of network resilience.

We support the proposal for an explicit requirement in the NER for DNSPs and the AER to take network resilience into account and for the development of binding guidelines on how DNSPs may propose, and how the AER may assess, expenditure to improve network resilience. We agree that the AER's principles-based guidance note on this subject is insufficient and that the lack of a formal framework to demonstrate the efficiency of ex ante versus ex post expenditure makes it difficult for DNSPs to demonstrate the relative costs and benefits to consumers of prevention versus repair. It remains the case that the primary focus for DNSPs is to pass through costs from long-duration outages. This over-reliance on cost pass through is not in the long-term interests of all consumers, and it is most certainly not in the interests of consumers in areas that will be more prone to natural disaster as the impacts of climate change become more frequent and severe.

SMA-Australia's head of Energy Policy and Regulation, Darren Gladman, will continue liaising with your staff on our behalf.

Best regards,

A handwritten signature in black ink, appearing to read 'Doris Spielthener', with a long horizontal flourish extending to the right.

Doris Spielthener

SMA Australia

Regional Manager APAC & Managing Director Australia & NZ