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Submission to the Independent Review of Commonwealth Disaster Funding

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Submitted by: Ausgrid - Penny Joseph - Head of Climate Resilience

Q1. What experience have you had with Commonwealth disaster funding support?

Ausgrid provides an electricity network service to 4 million Australians living and working in an area stretching from the Sydney CBD, Central Coast and the Hunter region of NSW. We have not had direct experience as a recipient of Commonwealth government disaster funding support. The independent review being undertaken by the National Emergency Management Agency (NEMA) presents a timely opportunity to identify if and how this may need to change, particularly in the development of new funding arrangements that support preparatory investments by Ausgrid and other resilience actors.

It is widely acknowledged that preparatory investments in critical infrastructure and community resilience measures can dramatically reduce the economic, social and emotional impact of natural disasters. Analysis in the USA from the National Institute of Building Sciences estimates that every \$1 invested in natural disaster mitigation can save up to \$13 in response and recovery costs. We further note that over 10 years ago Deloitte recommended that governments 'identify and prioritise pre-disaster investment activities' (Deloitte, Building our nation's resilience to natural disasters, June 2013, p. 13). Ausgrid wants to work with NEMA, its supporting consultant Deloitte and other key stakeholders to explore these opportunities.

We have engaged extensively with the community to learn from their experiences. From February to June 2023, we partnered with 178 of our customers to hear what they valued most from Ausgrid before, during and after a natural disaster event. After 70 hours of deliberation, we received strong support for preparatory investments made up of a mix of infrastructure solutions and community resilience measures.

Our community engagement included a willingness to pay study. It revealed that, notwithstanding cost of living pressures, most customers were willing to pay more via their annual electricity bill to fund initiatives that build network resilience during natural disaster events. Even so, many members of the community thought that a more equitable way to recover the cost of preparatory investments would be via the Commonwealth government's consolidated revenue. One customer said: 'I believe that welfare programs and tax-based solutions (a cost which varies based on income so a higher burden is carried by those better able to pay) should be used'.





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We recommend that NEMA explores this option. The cost of building resilience on our network is recovered through 'postage stamp' pricing which does not allow us to charge customers less or more depending on their location or ability to pay. Funding preparatory investments via consolidated revenue would, on the other hand, leverage progressive income tax structures, offering a more equitable way to recover the cost of preparatory investments that build resilience for critical infrastructure.

Q2. How could Commonwealth funding support communities to reduce their disaster risk?

We recommend that the Commonwealth government explores ways to optimise its funding across each element of the Prevent, Prepare, Response, Recover (PPRR) framework. Preparatory investments, as noted in our response to question 1 above, are widely acknowledged as more cost efficient and effective at mitigating harm to the community, yet the Productivity Commission found in 2014 that 97% of Australian disaster funding is spent on response and recovery. This consideration would likely involve rebalancing the existing allocation mix of funding away from response and recovery activities in favour of prevention and preparation investments.

The 2023-24 Commonwealth government budget already commits \$23 billion to growing and modernising Australia's electricity grid and supporting electrification. Our proposed climate resilience program over the 2024-2029 regulatory period (\$177 Million) represents less than 0.8% of this committed investment and if funded, will deliver significant community and network resilience benefits. Proposed network investments will materially prevent and reduce the duration of outages caused by extreme weather events, providing \$302 million in climate risk reduction benefit to our customers. Proposed investments in community resilience will increase disaster preparedness and reduce the impacts of outages on our customers.

Commonwealth government funding for preparatory investments should be allocated to where it will deliver the most benefits. In making this assessment, the role that electrification is playing in intensifying the interdependencies between electricity networks and other critical infrastructure should be considered. For example, during the 2020 bushfires 818 telecommunication facilities were impacted, with the cause mostly due to power interruptions rather than direct fire damage (see NSW Bushfire Inquiry report). This shows the widespread benefits from preparatory investments in electricity networks. Such funding not only supports increasingly electrified households, manufacturing, and transport during natural disaster events, but also other critical infrastructure providers such as telecommunications, hospitals, and water facilities.

Ausgrid is currently participating in a process for determining our regulated funding allowance over a five-year period, including an allowance for building climate resilience. We have been working collaboratively with customers and the Australian Energy Regulator (AER) throughout this process yet there remains a level of uncertainty about whether our proposed funding allowance will be approved under the existing regulatory framework. For example, when undertaking cost benefit analysis for the purposes of setting expenditure allowances the current regulatory framework does not recognise the economic impact that widespread and long duration outages have on customers, or the cascading impacts that an outage to Ausgrid's networks can have on other critical infrastructure providers. This may require the Commonwealth government exploring other funding opportunities that take a more holistic view of the benefits stemming from Ausgrid making preparatory investments in advance of an





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expected increase in natural disaster events. Any funding from the Commonwealth government would not overlap with our AER approved regulated allowance.

Q3. Please describe your understanding of Commonwealth disaster funding processes.

We have a high-level understanding of the Commonwealth disaster funding processes based on attending an information session in January 2023 led by the NSW Reconstruction Authority. This session focused on the purpose, eligibility and assessment arrangements for Round 1 of the Federal Disaster Ready Fund (FDRF).

We understand that the FDRF funding process involves potential recipients applying to the NSW government. The NSW government reviews these applications and then submits them to the Commonwealth government for further review. We recommend that this process is simplified, where possible. We would also encourage consideration of increasing the flexibility of funding guidelines to allow for a more diverse range of partnerships and applicants. This currently appears to be limited to states, territories, and local government partnerships which may miss valuable funding opportunities with other organisations and consortiums.

The application process under the current FDRF process may erect barriers to programs that offer the most value to the community if consortiums between local governments and partners do not have sufficient resources on hand. Councils in particular may not have the staff or funding for consultants to support an application. The preferred funding amount (over \$1 million) may also exclude smaller organisations from applying.

We recommend that the deadline for round 1 funding under the FDRF be extended to provide more time to applicants to perform the substantial work that is needed to complete their submissions.

Q4. Are the funding roles of the Commonwealth, states and territories, and local government, during disaster events clear?

The roles and responsibilities, including those related to funding, are clear to Ausgrid in relation to our role during a disaster event. However, our experience working with other resilience actors and in our community engagement indicates that this is not necessarily the case for everyone and it can be hard to understand how different funding sources and mechanisms work together in the overall funding ecosystem.

As noted in our response to question 2 above, we recommend that the government considers these factors across the resilience model of Prevent, Prepare, Respond and Recover. This extends to developing a clear shared understanding of funding roles across every stage, not just during a disaster event.

Q5. Is there any further information you would like to provide?

We would like to extend an invitation to NEMA to attend a briefing on our climate impact modelling and to attend an upcoming community engagement session on climate resilience we have scheduled for October 2023.

In developing our investment plans for natural disasters, we have come to the view that industry engagement is needed to develop a common approach to making investment decisions that address





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growth in climate risks. Common positions could be developed for key inputs such as representative concentration pathways (i.e. 4.5 RCP v 8.5 RCP) and the calculation of a quantified value of resilience. The Security of Critical Infrastructure Act also requires electricity distribution networks and other critical infrastructure providers to, as far as reasonably practicable to do so, minimise material risks, including those exacerbated by climate change. Industry guidance would drive a common approach to meeting this existing regulatory obligation. "



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