22 March 2019

Ms Audrey Zibelman
Chief Executive Officer
Australian Energy Market Operator
Level 22, 530 Collins Street
Melbourne VIC 3000

By email: isp@aemo.com.au

Dear Ms Zibelman

Re: Submission on the 2019 Planning and Forecasting Consultation Paper

The Australian Energy Regulator (AER) welcomes the opportunity to provide input on this important step towards developing a strategic plan for the National Electricity Market (NEM).

The Consultation Paper has requested input on its scenarios, inputs, assumptions, methodology, timeline, and the consultation process.

This is a critically important process, as input on the Consultation Paper will inform AEMO’s scenario and assumptions report, which we understand is due on 16 May 2019. Relevantly, the draft report will feed into AEMO’s:

- 2019 Electricity Statement of Opportunities (ESOO) and Retailer Reliability Obligation (RRO) reliability forecast, to be published in August 2019
- 2019-20 Integrated System Plan (ISP), to be published 30 April 2020, and National Transmission Network Development Plan (NTNDP).

The AER is pleased with the collaboration between AEMO and AER staff over recent months in developing the Planning and Forecasting process. In the future, we consider that a more formal consultation process will be required to ensure stakeholders are fully involved in this very important process, to enhance confidence in the outcomes from the ESOO, RRO and ISP.

We support the expansion of AEMO’s NTNDP into the ISP, including the improvements in modelling that AEMO has noted in its Consultation Paper. Improving scenario planning to account for uncertainty facing the industry is also a logical step. We support taking a
coordinated inter-regional view and note that more transparency and consultation leads to increased confidence and a more robust analysis.

We also expect that the future consultation process is likely to be modelled on the rules consultation process, the key element of which is that in forming the conclusions from the consultation, the accompanying report published by AEMO must outline:

- the reasons for those conclusions
- the procedure followed in considering the matter
- summaries of each issue, that AEMO reasonably considers to be material, contained in valid written submissions received from Consulted Persons or in meetings, and AEMO’s response to each such issue.

Consistent with our role in monitoring and ensuring compliance with the Rules, the AER expects that the process is undertaken effectively in accordance with the Rules and the associated guidelines for each of the aforementioned processes.

To ensure robust outcomes out of the next ISP, AER staff are working with AEMO staff in identifying and seeking clarity on issues relevant to key inputs and assumptions mentioned in the Consultation Paper. Broadly, these issues encompass the following topics:

- inconsistencies in the data relevant to technology costs between GHD, CSIRO and AEMO reports
- limited scenario analysis surrounding key generation technology types
- assumptions around build costs and limits for various generation types.
- assumptions regarding key technology costs.

We acknowledge that understanding the complex analysis supporting the ISP will be challenging, particularly given the potential impact of a dynamic environment on the input cost assumptions.

We look forward to continuing the positive collaboration between the AER and AEMO Staff over the coming months. Ensuring the analysis and assumptions are robust, transparent and sensitivity tested will be paramount to instil confidence in the process with industry and the community.

If you have questions regarding this submission or wish to arrange a meeting to further discuss our views, please contact Craig Oakeshott on (08) 8213 3469.

Yours sincerely

Paula W. Conboy
Chair
Australian Energy Regulator

Sent by email on: 22.03.2019