Meridian Energy Australia Pty Ltd
Level 15, 357 Collins Street
Melbourne VIC 3000

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Australian Energy Market Operator
530 Collins Street
Melbourne, Victoria 3000

By email: ISP@aemo.com.au

To Whom It May Concern

Integrated System Plan Consultation

Meridian Energy Australia Pty Ltd and Powershop Australia Pty Ltd (MEA Group) refer to AEMO's development of an integrated system plan (ISP) and your request for comments on the draft ISP.

As you are aware, MEA Group is the owner and operator of the Mt Mercer and Mt Millar Wind Farms as well as Powershop Australia, an innovative retailer committed to providing lower prices for consumers which recognizes the benefits for consumers of a transition to a more renewable-based and distributed energy system. In addition, MEA Group is the registered generator for the Hepburn Community Wind Farm, has entered into a conditional agreement to acquire three hydro assets in New South Wales (the Hume, Burrinjuck and Keepit power stations) and has signed a number of power purchase agreements in respect of both new wind and solar energy generation projects which will be announced in the near future.

MEA Group supports the development of the ISP and recognises that it is has a key role to play in ensuring that future investment is optimised for the long-term benefit of consumers and the community. Such a plan has the potential to guide market participants to make more efficient investments and avoid the creation of unnecessary bottlenecks in the transition to a modern, low emission energy system.

However, a long-term plan in a rapidly changing environment may also have the potential to restrict innovation and market exploration of valuable alternatives. For this reason, it is important that the role of the ISP is as a guide and not as a definitive detailed plan.

We thank AEMO for preparing the ISP and for seeking our comments. Responses to the specific questions asked are set out in the below table.

Question		Response
Question 1 – About the integrated plan		
1.1	The material questions the ISP seeks to address are in Section 1.3.1. Are there any other questions the ISP should address?	It is important that all activity undertaken in respect of the ISP is guided at all times by the requirement to produce the best outcomes for the long-term interests of consumers of electricity with respect to price, quality, safety, reliability, and security of supply of electricity. While the National Electricity Objective (NEO) is often mentioned, ensuring its application, in reality, is often quite complex.

Question		Response
		For this reason, we consider the first question in Section 1.3.1. to be the critical question. The proceeding questions will be a valuable tool in understanding how to meet the objectives of the NEO. However, it is important that specific point estimates of the desired optimal outcome do not overwhelm the ability of the market and the system to react to changing circumstances, advances in technology or developments in consumer and/or community expectations. Recent experience has shown that attempts to create long-term plans which can accurately predict future states are invariably ill-advised as development timeframes are shortening. In such circumstances, it is important that the ISP should be focused on setting out broad parameters rather than specific point solutions.
1.2	The scenarios the modelling will use to inform the ISP are outlined in Section 1.4. Recognising the time limitations to produce the first ISP in mid-2018, are these suitable scenarios to address at a high level? Should these be expanded in more detailed analysis following the first high-level ISP?	Recognising the time constraints, we understand the utilisation of a small number of scenarios. However, we are concerned that these scenarios are described as 'bookend scenarios' when it is feasible to imagine community demand for scenarios with faster (and indeed slower) rates of change.
Question 2 – Drivers of energy infrastructure development		
2.1	What are the key factors which can enable generation and transmission development to be more coordinated in the future?	Energy generation and transmission (and indeed distribution) development will need to be more coordinated in the future. While many of the key technical drivers are addressed in the ISP, the genuine drivers will be primarily cultural relating to changing customer expectations and community requirements for improved social, economic and environmental outcomes. These changes will be best addressed by changing the culture across the industry so that cooperation and collaboration become key drivers of behaviour.
Question 3 – Renewable energy zones		
3.1	Does this analysis capture the full range of potential REZs in eastern Australia?	It is always difficult to ensure that the full range of potential REZs is identified while remaining meaningful and not merely listing all areas as potential zones. Nonetheless, in a rapidly changing technological landscape, it is possible that new technologies could change the likely location of potential zones. For example, rapid changes in the scope, scale and cost of pumped hydro storage solutions could lead to new REZs in areas not currently identified. A similar outcome could occur if developments in tidal solutions or offshore wind led to the requirement for significant coastal zones.
3.2	What other factors should be considered in determining how to narrow down the range of	It is important that the ISP remains a tool for identifying areas where coordinated development and cooperation

Question		Response
	potential REZs to those which should be prioritised for development?	can lead to improved customer outcomes. Prioritisation for development should be determined by the level of industry and consumer support for development in those zones. The ISP should not "narrow down" the number of REZs but rather identify accurately the strengths and weaknesses of each potential zone.
3.3	What are the potential barriers to developing REZs, and how should these be addressed?	The greatest barrier to the development of efficient generation and transmission investment in particular REZs will be cultural. For example, barriers resulting from different economic drivers and regulated and market return mechanisms.
Question 4 – Transmission development		
4.1	Have the right transmission options been identified for consideration in the ISP?	Within the constraints of existing knowledge and currently expected market developments the options identified appear appropriate. However, it must always be remembered that with rapid changes in customer usage patterns, technology and commercial drivers, it is feasible that options not identified in the ISP may become relevant.
4.2	How can the coordination of regional transmission planning be improved to implement a strategic long-term outcome?	The key to coordination of regional transmission planning is ensuring that relevant information is shared and available to all involved in planning activities likely to impact transmission outcomes. This could be best delivered by AEMO making available accurate, up to date and meaningful transmission forecasts (including, where relevant, potential major increases and/or decreases in expected load and generation).
4.3	What are the biggest challenges to justifying augmentations which align to an over-arching long-term plan? How can these challenges be met?	The RIT-T process is designed to ensure that customers do not have to pay for sub-optimal transmission upgrades. If a proposed upgrade is likely to be more beneficial for customers in the long term because it integrates better with a long-term plan then these benefits should be capable of being reflected in the RIT-T assessment.
4.4	Is the existing regulatory framework suitable for implementing the ISP?	While the existing regulatory framework has its complexities and challenges there is no reason to consider that the ISP could not be implemented within that framework. The focus should be on developing and implementing the ISP and not developing a theoretical framework. If, as the implementation of the ISP progress, it becomes apparent that the framework requires adjustment then this can be dealt with by utilising existing market change mechanisms.

If you have any further questions please feel free to contact me.

Yours sincerely

Ed McManus
Chief Executive Officer
Meridian Energy Australia Pty Ltd and Powershop Australia Pty Ltd