

# **ISP 2022 Consumer Panel**

**ISP Consumer Panel Submission on AEMO's *Draft*  
2022 Forecasting Assumptions Update**

04 February 2022

## ISP Consumer Panel submission

- The ISP seeks to identify the “Optimal Development Path” for the NEM based on a very large number of inputs and assumptions.
- The ISP must factor in uncertainty over coming decades around what energy consumers will want and need from the NEM, uncertainty around the future costs of different network, generation and storage technologies, uncertainty around government policies as well as cater for a range of closure dates for existing generators and numerous other “unknowns”.
- The ISP must balance the risks of building too much, too soon with building too little, too late with building in the wrong places.
- Developing the ISP includes a complex comparison of costs and benefits for different options, over time, in different “future worlds” (the scenarios).
- There is inherent uncertainty in forecasts of both costs AND benefits. AEMO puts a lot of work into improving the accuracy of forecasts and managing the uncertainty that remains.
- This Draft 2022 Forecasting Assumptions Update - released by AEMO on 20 December 2022 (and reissued with minor revisions on 21 December) - includes a consultation on proposed changes to the scenario set (i.e one of the principal ways the ISP manages uncertainty).

### Notice of Consultation: Invitation for written submissions

Consultation on these updated inputs is following the single stage consultation process in accordance with Appendix B of the Australian Energy Regulator’s (AER’s) Forecasting Best Practice Guidelines.

All stakeholders are invited to provide a written submission to the questions outlined in this draft Assumptions Update, and on any other matter related to the updated assumptions. Submissions need not address every question posed and are not limited to the specific consultation questions contained in each chapter.

Submissions should be sent via email to [forecasting\\_planning@aemo.com.au](mailto:forecasting_planning@aemo.com.au) and are required to be submitted by **4 February 2022**. AEMO requests that, where possible, submissions should provide evidence that support any views or claims that are put forward.

- This submission is focussed on the process rather than the content of the update.
- Irrespective of the “flavour” of the proposed scenario, The Panel does not believe that this is a legitimate consultation and **rejects** any findings that AEMO may derive from this “consultation” on process grounds alone. Our reasoning is set out below
- Our previous report on the IASR we made four strategic recommendations, one of them was “C: Elevate the status of the scenario work, engage on it earlier and more widely and separate it from the ongoing forecasting and modelling work”. At Appendix 1 to the Draft

ISP, AEMO set out their responses to our recommendations. In this case, AEMO have responded “To be fully considered as part of engagement review and planning.”

C: Elevate the status of the scenario work, engage on it earlier and more widely and separate it from the ongoing forecasting and modelling work			
C1	Earlier, Broader	Engage early on scenarios for the 2024 ISP and use this process as an entry point for a wider group of stakeholders.	Engage with under-represented stakeholder groups as part of consultation on the Draft ISP. To be fully considered as part of engagement review and planning.

- However, this consultation has occurred **within** the consultation window of the Draft 2022 ISP with little or no effort to draw it to the attention of consumer stakeholders.
- This all occurred despite AEMO acknowledging in public forums the challenges of engaging on the Draft ISP over the Summer holiday period.
- Despite opportunities to draw the attention of consumer stakeholders to these changes, AEMO repeatedly chose not to. The Panel was alerted to the update by email on 21 December. The covering email stated: “*The update is quite minor ...*” and made no mention of the questions posed regarding scenarios.
- AEMO hosted sessions with consumers and other stakeholders across January and made no mention of the update. At a “verbal feedback” session with consumer stakeholders on 04 FEB 2022 (the day submissions were due), despite that feedback was being received on the very issues of scenarios and how they might be conceived differently next time, AEMO still did not alert consumer stakeholders to the consultation. It was only when it was raised by the Consumer Panel did AEMO post a link to the consultation.
- Our previous reports to AEMO and direct feedback has been in relation to the challenges to engagement that come from changing scenario names. Yet, “*In this draft Assumptions Update, AEMO has also renamed the Hydrogen Superpower scenario to Hydrogen Export, to enable potential future adjustment to the scale of development appropriate in that scenario to reflect a likely future.*” It is unclear what process was undertaken before the pronouncement of the name change.
- Further, given the obvious political sensitivity around gas, the statement that “*AEMO is considering a new fifth scenario ... to capture the key drivers and outcomes that may be most relevant to the future needs and impacts on the natural gas industry and the eastern and south-eastern Australian gas network.*” should warrant a more thoughtful engagement – it otherwise **erodes trust** very quickly.
- This is exacerbated by the statement that this is in response to “industry stakeholders” which is often interpreted as a euphemism for lobbying pressure: “*Consultation with industry stakeholders has indicated interest in a scenario centring around use of existing gas infrastructure (pipelines, storages and end-use gas appliances) to distribute zero-carbon fuels such as green hydrogen and biogas.*”
- Despite the lack of proper engagement, “*AEMO is seeking stakeholder input to appropriately expand on this scenario narrative ahead of broader consideration on the possible scenario’s input*”

parameters. ... This scenario will not be incorporated in the 2022 GSOO or 2022 ISP; however, it may influence future ISPs and GSOOs and will be co-designed with interested stakeholders in 2022.” Followed by (p9): “At this time, AEMO seeks stakeholder feedback on this preliminary scenario narrative, and whether it would be a valuable addition to AEMO’s forecasting and planning scenario collection.” Which begs the question as to why this is being canvassed now in a way that does very little to build trust in the ISP process.

- It is not clear how this scenario might be used but we reiterate our preference that AEMO develops a **single set of scenarios** for the ISP that are then locked in and used for all of its other reports. It would **undermine confidence** in the ISP and the value of ISP scenario development process to adopt one set of scenarios for the 2022 ISP and then a different set for other reports in 2022 and 2023 such as the ESOO, GSOO or reliability forecasts.

### Gas Forecasts

- The Paper also includes a consultation opportunity on an update to the gas price forecasts, an area that the Panel has tried to be substantially engaged. The Panel has some views on the LGA gas price forecasts that it will engage on separately with AEMO.

Established in November 2020, the Panel consists of five individuals with long and diverse experience in the different facets of the National Electricity Market.<sup>1</sup>

The ISP Consumer Panel can be contacted via [ISPConsumerPanel@aemo.com.au](mailto:ISPConsumerPanel@aemo.com.au).

---

<sup>1</sup> For more see <https://aemo.com.au/newsroom/media-release/aemo-announces-isp-consumer-panel> and <https://aemo.com.au/energy-systems/major-publications/integrated-system-plan-isp/2022-integrated-system-plan-isp/get-involved/consumer-panel>