



Part of Energy Queensland

16 February 2024

Mr Daniel Westerman
Chief Executive Officer
Australian Energy Market Operator
GPO Box 2008
Melbourne VIC 3001

Email: ISP@aemo.com.au

Dear Mr Westerman,

Draft 2024 ISP Consultation

Ergon Energy Corporation Limited (Ergon Energy Network) and Energex Limited (Energex), both distribution network service providers (DNSPs) operating in Queensland, welcome the opportunity to provide feedback to the Australian Energy Market Operator (AEMO) in response to its *Draft 2024 Integrated System Plan (ISP) Consultation*. Ergon Energy and Energex provide the following feedback regarding the draft 2024 ISP.

Ergon Energy and Energex agree with AEMO that coordinated consumer energy resources (CER) storage represents a significant opportunity for the energy transition in the National Electricity Market (NEM). However, coordinated CER has challenges, for example social licence, community engagement, new data and systems capabilities, ongoing changes to laws and rules, and ensuring the continued safe and secure operation of the distribution networks (such as during coordinated dispatch events). To overcome these challenges, significantly more collaboration, cooperation and ongoing trust is required. This will continue to take time, focus and resources. Failing to meet these challenges may put at risk the forecast in Figure 2¹ of the draft 2024 ISP.

We are aware that there are continued calls for national alignment on areas of CER integration. Energex and Ergon Energy support national alignment where it makes sense. However, we are concerned that unachievable aspirations may delay the implementation of reasonable national objectives. This delay may increase uncertainty around the draft ISP forecasts and create greater confusion throughout the energy industry.

¹ Draft ISP 2024, page 10.

In AEMO's draft 2024 ISP Webinar held on 21 December 2023, the following statement was made:

"Renewable energy connected with transmission, firmed with storage and backed up by gas powered generation is the lowest cost way to supply electricity to homes and businesses throughout Australia's transition to a net zero economy."

Ergon Energy and Energex believe statements like this do not adequately represent the critical role of distribution networks in the energy transition. It is our view that renewable energy connected across transmission and distribution networks, firmed with distributed and centralised storage and backed up by gas powered generation is the lowest cost way to supply electricity to homes and businesses in Australia.

Energex and Ergon Energy acknowledge and support the development of renewable energy zones (REZ) to allow for strategic transmission network investments in areas of high renewable energy potential and we commend the Queensland Government for its commitment to establishing Queensland REZ. We would also support AEMO's future consideration of distribution REZ, that could identify existing distribution network infrastructure, large unutilised roof space and opportunities for distributed energy storage, particularly in major metropolitan locations.

We recognise that the ISP seeks to identify the optimal development pathway of new transmission investments to support the generation, storage and CER developments needed. Further, we support alternate consideration of pathways that also consider distribution REZ. It is our view that the optimal development path of transmission networks also requires optimal development of distribution networks. We see this as particularly important as various jurisdictions have evolving renewable energy and emissions targets, such as the recent announcement that the Queensland Government is set to introduce legislation to lock in a new emissions reduction target of 75% below 2005 levels by 2035. This may drive different uptake rates that may not have been modelled, for example the likely acceleration of electrification of transport and other loads in response to new emissions reduction targets.

Energex and Ergon Energy are increasingly seeing the impact of weather events on the security of the power system and the availability of CER. The Queensland heatwave on 22 January 2024, is an example of an extreme weather event that saw the biggest peak demand record jump in the history of the NEM. While this greater than 10POE day was influenced by many factors aligning, "normal" customer behaviour, that most forecasts are based on, cannot be relied upon in such events meaning previous load forecasts may no longer accurately reflect summer peak demands.

It is our view that it is important to consider severe weather events, and the impact of atypical CER and customer behaviour, especially as the ISP consider orchestrated and non-orchestrated CER being a key component of the future system.

All the above factors, when combined, reinforce the opportunity to make greater use of distribution networks and CER.

We thank you for the opportunity to provide our feedback and we look forward to working closely with the AEMO and other distribution networks in ensuring the successful integration of CER.

Should AEMO require additional information or wish to discuss any aspect of this submission, please contact me on 0429 394 855 or Mark Simpson on 0467 837 450.

Yours sincerely

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