

1 May 2023

Ms Merryn York
Executive General Manager – System Design
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AEMO ISP methodology consultation

Dear Ms York

Energy Networks Australia (ENA) appreciates the opportunity to comment on the Integrated System Plan (ISP) methodology changes being proposed by the Australian Energy Market Operator (AEMO). ENA understand that this is an interim process or update and is not intended to alter the four yearly comprehensive review.

ENA is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia. This submission is made on behalf of our transmission members.

ENA is supportive of continuous improvements to the ISP process and AEMO's forecasting. We encourage AEMO to consider these improvements and other efficiencies that could be gained to reduce any further increases to the National Transmission Planner fees. ENA is mindful of energy affordability concerns. All cost savings or efficiencies that AEMO can gain will be passed back to consumers directly.

ENA has commented on only 3 of the 8 changes proposed;

- » Transmission project lead time uncertainty;
- » Potential inclusion of a value of carbon emissions; and
- » Consumer risk preferences.

Transmission project lead time uncertainty

ENA supports AEMO's recognition of project lead time uncertainty and recognition of risks such as supply chain, workforce and community and stakeholder engagement. In addition, ENA notes that state-based approvals such as planning, environmental, and the creation of off-shore frameworks may also impact project delivery timeframes.

It may be difficult to have a set formula or evidenced and risk-based approach for projects as these can vary by state and project type (green vs brownfield) and may change as the project progresses.

The AEMC has and is continuing to consider improvements in social licence and preparatory and early works and associated funding. It may be preferable to stay with the proponents' earliest in-service date (EISD) given the extent of change in this area and bringing forward some activities and the associated funding. AEMO and Transmission Network Service Providers (TNSP) need to consider these uncertainties and learnings from other projects as part of joint planning. Projects reasonably expected to be on the Optimal Development Path need to have the comfort to maintain their momentum and timely delivery and not a stop start approach.

A just in time delivery approach is a high risk for consumers, projects should not be delayed, rather the bow wave of capability and workload should be managed efficiently.

ENA considers that the TNSP's EISD should be used and informed through joint planning. These same uncertainties would be considered in formulating an EISD to be used in modelling. It is not clear what additional benefits are achieved by AEMO considering these issues. However, should AEMO continue with this change, any amendment to the TNSPs' EISDs should be agreed with them first.

ENA considers that if EISDs are pushed back, for instance due to supply chain constraints, that this should not necessarily suggest that the urgency of a particular project is reduced. This should be appropriately framed throughout the ISP.

ENA would be concerned if AEMO brought forward the delivery dates where these were not agreed by the TNSP (or Government planners) and supported by the necessary funding to help fast track the project. Increasing the speed of projects will have an impact on the overall cost of the project.

Potential inclusion of a value of carbon emissions

ENA considers AEMO's approach is pragmatic to allow inclusion of a value on carbon emissions once the national electricity law amendments and regulatory arrangements become clear.

AEMO has highlighted the need for further consultation on how carbon is priced and integrated into regulatory processes. ENA supports this further consultation. A range of options are available, such as for example introducing a value for emissions reduction as an additional class of benefits in the ISP and regulatory investment tests for transmission and distribution or as an interim approach by agreement with AER prior to the draft 2024 ISP being released in mid-December 2023.

The specific methods used to implement the revised national electricity objective may have the potential to materially influence ISP outcomes, including the Optimal Development Path, and is a key part of the ISP methodology. ENA supports a clear and consistent approach being adopted across all investment decisions whilst noting the need to balance proceeding to net zero and also manage reliability and system security. It is also important that changes to approach do not undermine or slow down the important momentum on actionable ISP projects currently underway.

We suggest that a clear governance and accountability is developed around the task to value carbon emissions, and that this is achieved in time to inform the final 2024 ISP.

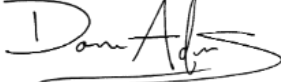
Consumer risk preferences

ENA supports consideration of consumer risk-based preferences, recognising that the risk to consumers is not symmetrical where transmission delivery may be delayed and result in increased bills to consumers. We consider there is insufficient information currently available for stakeholders to meaningfully engage on this refinement. Further information, such as examples of metrics or outcomes from the survey work, would be required in order to achieve more meaningful stakeholder understanding and consultation.

ENA suggests the work be completed and considered as part of the next ISP methodology review. If the proposed refinements have the potential to materially impact ISP outcomes, they should be consulted on thoroughly.

Should you have any queries on this response please feel free to contact Verity Watson, vwatson@energynetworks.com.au.

Yours sincerely,



Dominic Adams

General Manager Networks