

18 July 2024

Anna Collyer  
Chair  
Australian Energy Market Commission  
GPO Box 2603  
Sydney NSW 2001

Project Reference: ERC0395

Dear Ms Collyer

## AEMC Consultation – Enhancing the ISP to support the Energy Transition

Energy Networks Australia (ENA) welcomes the opportunity to make this submission in response to the Commission’s Consultation on Enhancing the Integrated System Plan (ISP) to support the Energy Transition.

ENA represents 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.

The Commission’s Consultation paper covers rule changes across the following three areas;

- Better Integrating gas into the ISP;
- Improving consideration of demand side factors into the ISP; and
- Better Integrating Community Sentiment into the ISP.

ENA gas members are comfortable with the changes to the National Electricity and Gas Rules to improve the consideration of gas in future ISPs. ENA comments below on the improvements of demand side and consumer energy resources and the consideration of community sentiment in the ISP.

In summary our key messages are:

### ***Improving demand forecasting and demand -side data in the ISP***

- » Distribution Network Service Providers (DNSP)s welcome the opportunity to work with the Australian Energy Market Operator (AEMO) to deliver a more accurate ISP that better reflects the dynamic nature of the distribution network.
- » Simply increasing data provision requirements on DNSPs to AEMO will not solve the core issues and will impose an additional administrative cost.
- » A more comprehensive co-design process between AEMO and all DNSPs should be undertaken to fully inform where changes can be productively made to the ISP at least cost.
- » There is significant potential within distribution networks to decarbonise relatively fast, at low-cost and avoid major infrastructure investment.

### ***Better integrating community sentiment into the ISP***

- » Transmission Network Service Providers (TNSPs) remain supportive of the intent of integrating community sentiment into the national transmission planning framework and to ongoing improvement in community engagement practices.
- » To this end, TNSPs have supported recent Rule changes that complement this effort and formalise the principles and expectations for effective community engagement in the Rules. Under this framework community sentiment continues to inform the joint planning process, including through ongoing community engagement activities, preparatory activities and related works.
- » The joint planning process operates within a flexible framework and is supported by clear and broad information gathering powers. There are no material gaps or barriers evident in this framework that would prevent relevant information on community sentiment being exchanged or for it to be duly considered in the planning process.
- » TNSPs therefore query the need for the proposed rule, which would introduce additional requirements for reporting and considering existing information on community sentiment, as this does not appear to be necessary and would introduce unwarranted prescription into the rules.

These two broad areas are considered in more detail below.

### **Improving demand forecasting and demand -side data in the ISP**

Since its inception the ISP has played an increasingly important role as a roadmap for a least cost transition to net zero, focused on the required development of the transmission network and conversion of the generation fleet. However, it is widely acknowledged that there is a distinct lack of focus on the Distribution network and its potential to contribute to overall decarbonisation of the energy sector.

The distribution network is undergoing a customer-led, dynamic and rapid transformation and there is a challenge in balancing the efficient development of the transmission and distribution system within the current ISP. ENA suggests identifying joint areas of focus between AEMO and DNSPs that will yield results and best balance cost and benefit.

A key example is proposed data requirements. ENA members strongly believe that simply increasing requirements on DNSPs to provide data to AEMO without adequate design will result in:

1. high costs for DNSPs to provide data that may quickly lose relevance
2. higher cost and effort for AEMO to “ingest” and analyse the significant amounts of this data (passing those costs to market participants and their customers)
3. false confidence that AEMO is better placed to understand distribution-level behaviour
4. reduced agency for DNSPs (and their customers) to plan and invest in their own networks in a manner that best meets customer needs

Whilst Members welcome the general intent of the rule they do not feel like there is sufficient time in this consultation to arrive at “the distribution solution” for the ISP and strongly encourage AEMO to undertake a co-design process with DNSPs in the lead up to the 2026 ISP.

ENA is ready to help AEMO in facilitating these engagements upon request.

ENA has also recently undertaken a large piece of work that builds upon the existing findings and methodology of the 2024 ISP to better reflect the potential contribution of the distribution network and will be publicly releasing this work in the coming weeks.

The rapid pace of the transformation occurring at the household level within the distribution network cannot be overstated. Neither can the opportunity to harness this potential by unlocking the distribution grid in coordinating distribution-connected generation to serve local demand and optimising the development of the transmission and distribution networks.

The results of this study offer a compelling case for better incorporating the dynamism of the distribution network into the context of the transmission-focused ISP, de-risking the energy transition and offering a pragmatic and credible path to decarbonisation at the household and business level across Australia.

ENA commends AEMO for constructively working with DNSPs in recent years to engage on critical issues such as minimum demand backstop, cybersecurity, and the DNSP CER Forum. We believe that the relationship between AEMO and DNSPs can be leveraged to tackle the challenges in better integrating customer energy resources and broader distribution network considerations into the ISP planning framework in a constructive way, akin to the joint planning process with TNSPs.

Our work shows significant opportunities in

1. enabling Distribution Renewable Energy Zones (DREZs) and encouraging the growth of solar generation from C&I rooftops
2. enabling distribution-connected grid-scale storage in areas of latent network capacity
3. encouraging Electric Vehicle (EV) uptake by removing barriers to customer choice
4. enable CER coordination by incentivising and reducing friction for customer participation

By making these inputs and assumptions more transparent the ISP can also usefully play a role in highlighting the barriers and limitations to greater uptake of customer energy resources and in recommending actions, regulatory reform and policy measures to overcome these obstacles to unlock their potential in the least cost transition to net zero.

## **Better integrating community sentiment into the ISP**

The rule change is aimed at giving focus to community sentiment in developing the Transmission Expansion Options Report (TEOR) and the identification of the Optimal Development Path in the development of the ISP. AEMO is already able to request information via the joint planning process and able to take community sentiment into consideration in the ISP.

The rule change request notes that there may be better data gained from community engagement following implementation of the Enhancing Community Engagement Rule and the Early Works Rule. TNSPs continue to evolve and improve their community engagement practices and supported these recent rule changes. TNSPs remain accountable for stakeholder engagement and the development and retention of enduring relationships with communities who host infrastructure. ENA considers that the primary use of community sentiment to understand impacts is more effectively undertaken initially at the local TNSP level, which is based on contextual and local understanding and insights.

The joint planning clause 5.4.14 (g) already in place then enables the TNSP and AEMO to share the information reasonably necessary to prepare a draft or final ISP. ENA is of the view that AEMO can already access relevant information on community sentiment or to request information required. The rule change proposal highlights that the intent is not to require new information collection but to share information already available from the preparatory work undertaken for future ISP projects or the evolved information as the project becomes actionable. While ENA supports this intent, no changes are needed to the rules to give effect to it.

Any information provided could be sensitive and reflect a point in time and needs to be treated as such. The information could be incomplete early in the project planning phase and will evolve as the options and engagement progress. Careful consideration of the purpose and use of the information gathered would be expected as part of the joint planning process with AEMO to ensure a degree of pragmatism, all of which can occur through the current planning framework.

It is not evident that there are material barriers or gaps in the information being exchanged that warrant the rule, given the community engagement rules and AEMO's consideration of these community concerns and the consumer and social licence panels already established. AEMO and TNSPs should continue to use and leverage existing mechanisms and the flexibility of the current planning framework in the preparation of the ISP. Existing information sharing arrangements through joint planning (rather than via a prescriptive Rules requirement) and regular engagement with AEMO during the ISP development should be sufficient to share information in context. This would meet the intent of the Rule change proposal.

ENA looks forward to working with the Commission as these rule changes progress. In the meantime, if you would like to discuss this submission, please contact Dominic Adams in the first instance at the following email address:  
[dadams@energynetworks.com.au](mailto:dadams@energynetworks.com.au).

Yours sincerely



Dominique van den Berg,  
Chief Executive Officer