AUSTRALIAN ENERGY COUNCIL

Australian Energy Market Commission
Level 15, 60 Castlereagh Street
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Submission to AEMC Review of the Integrated System Plan framework

The Australian Energy Council welcomes the opportunity to make a submission to the AEMC's Review of the Integrated System Plan framework.

The Australian Energy Council is the peak body for energy retailers and generators operating in competitive markets. Our members generate and sell energy to over 10 million homes and businesses and are committed to delivering a reliable, affordable and decarbonised energy system for consumers. The AEC supports net zero by 2050 and recognises the electricity sector's role in reducing Australia's emissions. Our members are major investors in renewables, firming and storage technologies that are critical to ensuring customers continue to receive reliable and sustainable energy supply as we navigate the energy transition.

The AEMC review of the ISP framework is timely. The AEC has structured its submission to first focus on what we believe is the current state of the ISP, noting the key risks and uncertainties, before putting forward ideas for ISP reform. Reforming the ISP framework, while important, would ideally be complemented by reforming jurisdictional plans to take a NEM wide perspective to a least cost energy transition. [1]

Current State

Currently, AEMO's ISP describes what needs to be built to support the emissions reduction policies of the states and Commonwealth. Most of the state policies are highly prescriptive in terms of transmission build. For example, state based renewable energy zones and some downstream upgrades as well. AEMO is also required to include specific jurisdictional technology targets. Overall, this is best characterised as a net benefits modelling exercise with constraints, limitations and assumptions.

With the advent of jurisdictional renewable energy zones, the opportunity for efficient development of projects outside REZs is also overlooked. Multiple planning processes risk confusion about priorities, costs and timeframes.

The cost and timing of new projects is also a significant issue. While the ISP model, if allowed to run, would pick the optimal timing based on costs and market benefits, most of the transmission build is a constraint and AEMO uses the dates provided by project proponents and the states. Supply chain

[1] While we appreciate jurisdictional plans are outside the scope of the AEMC's ISP Review, we note that the AEMC could recommend ECMC align the jurisdictional plans with an affordability and emissions reduction lens.

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issues, many of which are international in nature, have driven higher cost and delay. This includes both transmission infrastructure and key grid security equipment like synchronous condensers, long duration storage and gas turbines. Lead times have increased from two years to five years in some cases.

Late delivery of transmission infrastructure delays the energy transition and increases costs to consumers, delaying renewable generation and associated infrastructure, vital for a timely energy transition. We note the AEMC recently reported that delays to renewables and transmission projects could increase household electricity prices by as much as 20%. [2]

Further, delayed delivery of key infrastructure does not carry a financial penalty, other than delayed timing of Regulatory Asset Base (RAB) expansion.[i]

Widespread social licence challenges have an impact on project delivery timelines and costs. There is a spectrum of attitudes across regional communities, ranging from deep resistance to early-stage projects, such as the Western Renewables Link, to positive partnerships, such as the Wimmera Southern Mallee Regional Energy Collaboration[3]. There has been a focus in recent years in empowering First Nations communities to benefit from energy projects on Country and ongoing focus on improving community consultation on new energy infrastructure, including community engagement requirements embedded into the access regime and planning approvals processes, but social licence challenges remain. It is not clear whether the ISP framework sufficiently incorporates these social licence challenges.

Critical enablers

A range of reforms could be considered to help reduce the key risks identified above. Firstly, the long-term infrastructure planning process could be improved with AEMO's ISP built upon with a more practical plan about how to meet government targets. This could be in the form of scenario analysis showing alternate pathways that are more realistic. Details on how to evolve the ISP into a practical transition plan are presented in in Box 1.

Community views on infrastructure projects that affect their region should be better integrated into the planning process. This could be done through re-introducing the 'social licence' sensitivity analysis from the 2024 ISP (noting there is some overlap with the 2026 'constrained delivery' sensitivity).

The network regulatory framework could be reformed, so that networks are properly incentivised to consider both network and non-network solutions to meet reliability and security responsibilities.

Finally, further incentives could be considered to promote timely delivery of key infrastructure projects. This could include some form of financial penalties for late delivery or accountability for the delivery of the market benefits on which the investment case of a project was based.

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[2] https://www.aemc.gov.au/sites/default/files/2025-12/Price%20Trends%202025_Report%20%281%29.pdf, slides 15 and 17

[3] https://wsm.org.au/projects-and-programs/energy-transition-local-research/

Box 1: How to evolve the ISP into a practical transition plan

- AEMO communicates clearly that the ISP is not a prediction of what will happen, but rather a projection of what transmission build is needed to support a central scenario, consistent with jurisdictional policies.
- ISP models a central scenario based on the states and Commonwealth achieving their emissions, transmission build or technology targets.
- Other scenarios can then be developed, based on alternate pathways. This would, in practice, allow AEMO to model any emissions trajectory (e.g. slower or faster than Government targets), or more realistic sensitivities to stress test the central scenario, compared to the status quo. It would also enable an energy system affordability scenario to be created to help policy makers decision making.
- One obvious pathway would be to model outcomes based on policy settings, which currently are not set to ensure achievement of the targets. For example, projects that have been awarded a CIS contract would be included, but offshore wind would not (as there is currently no policy mechanism to deliver the targets, although we note Victoria has announced it intends to run a tender later this year). Where there is a reasonable expectation of market-led investment this would of course also be included. This would provide a useful illustration of where additional policies may be required to meet the targets. This approach would be similar to the IEA's global scale modelling which uses "current policies" and "stated policies" (i.e. targets) as two of its main scenarios.
- Relaxing jurisdictional constraints would allow AEMO to generate a NEM wide view on a least cost transition for a given emissions trajectory and also allow for consideration of the relative costs of different trajectories.
- This plan would incorporate real-world costings, and delivery timeframes, with AEMO required to update these regularly based on the latest market data.

Any questions about our submission should be addressed to David Feeney, by email to david.feeney@energycouncil.com.au.

Yours sincerely,

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[i] We note this is outside the scope of the ISP Review, and would like to see it addressed in the AEMC's upcoming review of network regulation.

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