

ABN 70 250 995 390

**180 Thomas Street, Sydney**  
PO Box A1000 Sydney South  
NSW 1235 Australia  
T (02) 9284 3000  
F (02) 9284 3456

Thursday, 18 July 2024

Ms Anna Collyer  
Chair  
Australian Energy Market Commission

Lodged online: [www.aemc.gov.au](http://www.aemc.gov.au)

Dear Ms Collyer,

### **Enhancing the Integrated System Plan (ISP) to support the energy transition**

Transgrid welcomes the opportunity to respond to the *Enhancing the ISP to support the energy transition* consultation paper published by the Australian Energy Market Commission (AEMC) on 20 June 2024. This consultation covers three rule change requests from Commonwealth Energy Minister Chris Bowen that seek to ensure the ISP remains fit-for-purpose for the rapidly transforming energy sector.

Transgrid operates and manages the high voltage electricity transmission network in NSW and the ACT, connecting generators, distributors and major end users. We have an important role in managing one of the key parts of the Australian energy system as it transitions to a higher renewables penetration. We remain committed to playing our part in delivering the major transmission investments identified in the ISP to provide significant benefits to consumers.

Transgrid considers that there is significant value in the trusted, comprehensive and detailed nature of AEMO's ISP. We broadly support the intent of the proposed changes to enhance future ISPs via improved consideration of community sentiment, demand side factors and gas. Feedback on each of the three rule change requests is provided below.

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

This rule change request recommends amendments that would explicitly require AEMO to consider community sentiment when preparing the ISP. In addition, it proposes requirements for relevant information to be shared by TSNPs with AEMO as part of the ISP joint planning process.

Transgrid agrees that earlier consideration of community sentiment is critical for determining realistic feasibility, costs, and timeframes for transmission network augmentation options assessed in the ISP. This amendment should help to improve the accuracy of the ISP's optimal development pathway (ODP).

This amendment is aligned with several recent efforts by governments and the energy market bodies, across multiple review and reform processes, to improve the social licence frameworks in the NEM. Transgrid strongly considers that genuine community and stakeholder engagement is paramount to a successful transition to net-zero. Effective engagement and responding to impacted communities, First Nations and landholders' needs are fundamental to building and maintaining the social licence needed to expand the transmission grid to support the transition.

In relation to the proposed amendments to the NER, we agree that there would be benefits through elevating the importance of community sentiment as a factor to be considered in the development of the ISP, via requiring AEMO to explicitly consider community sentiment as a factor. However, we encourage the AEMC to consider whether a specific requirement in the rules for TNSPs to share this information is required. The existing joint planning obligations under the NER may be sufficient to facilitate the proposed information sharing to support AEMO's consideration of community sentiment.

These changes are also aligned with the AEMC's *Bringing early works forward to improve transmission planning* draft determination. Transgrid strongly supports this related rule change which intends to encourage TNSPs to undertake more and earlier planning activities, to improve cost estimate accuracy and timely delivery of actionable ISP projects. Bringing forward early works will complement the proposal in this rule change, as it will increase the availability and accuracy of information TNSPs have on community sentiment early in planning processes, for consideration in the ISP.

### **Better integrating gas into the ISP**

This rule change request proposes to require AEMO to expand its analysis of gas market information to improve the accuracy of the gas development projections used in the ISP. This is expected to better inform what electricity infrastructure investments are required under the ODP.

The Final 2024 ISP forecasts gas powered generation (GPG) playing an important backup role to address generation shortages during renewable lulls. Under the Step Change scenario, 4.3GW of new GPG is forecast to be built in NSW to play this backup role by the mid 2040's.<sup>1</sup>

Given the scale of this new GPG investment and importance of sufficient firming capacity being available to maintain a secure and reliable grid, we support this rule change request's proposal for AEMO to expand its analysis of gas in the ISP. This will ensure future ISP's forecast of GPG needs are supported by a thorough understanding of:

- costs associated with any additional gas infrastructure requirements
- likelihood or commercial feasibility of GPG
- availability of gas supply to service GPG in the quantity or price anticipated.

### **Improving consideration of demand-side factors in the ISP**

This request seeks amendments to require AEMO to expand its analysis of the uptake and availability of coordinated consumer energy resources (CER), and to provide greater detail about the assumptions that underpin the expanded analysis. The proponent has recommended changes to the NER that would require AEMO to:

- Consider the factors needed to enable the coordinated CER forecasts.
- Include a statement in the ISP aimed at informing market participants, regulators, and policymakers about the expected development of coordinated CER, and the contingent factors underpinning this development. This statement would also set out the need for alternative investments if forecast uptake and coordination of CER do not eventuate.

---

<sup>1</sup> This build in NSW under the ODP (Step Change CDP 14) includes 0.5GW in 2032-33, 1.1GW in 2033-34, 0.5GW in 2036-37, 1.1GW in 2038-39 and 1.1 in 2044-45. This results in a total of 4.3GW of new GPG needed in NSW.

- Develop guidelines setting out a process for gathering relevant data from distribution network service providers (DNSPs) to inform its analysis of demand-side factors in the ISP.

Transgrid considers that CER, either operated in a coordinated or passive manner, will continue to play an important role in Australia's energy transition. For NSW, the Final 2024 ISP forecasts that coordinated CER storage in NSW will grow from current levels of 0.1GW to approximately ~2GW and ~14GW of coordinated CER storage by 2030 and 2050 respectively.

We consider the proposed amendments to improve CER analysis will ensure stakeholders have confidence and a proper understanding of the assumptions supporting these ISP CER forecasts. This includes confidence on whether the coordinated CER storage, forecast to be the largest form of dispatchable capacity in NSW (and the NEM) by the 2040's, can be relied upon in setting the ODP. Additionally, we strongly support future ISPs having a more detailed consideration of the alternative investments required if the uptake and coordination of CER don't develop as forecasted.

### **Next steps**

We look forward to working collaboratively with the AEMC as it develops its draft determination.

Yours faithfully



Monika Moutos

General Manager Policy & Regulation