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**EnergyAustralia**

LIGHT THE WAY

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### **Australian Energy Regulator – Draft Guidelines to make the Integrated System Plan actionable – 15 May 2020**

EnergyAustralia is one of Australia's largest energy companies with around 2.5 million electricity and gas accounts across eastern Australia.

We also own, operate and contract an energy generation portfolio across Australia, including coal, gas, battery storage, demand response, wind and solar assets, with control of over 4,500MW of generation capacity.

We generally support the AER's draft set of guidelines and consider they appropriately balance prescription and flexibility in implementing the new 'actionable' ISP framework. The AER has also given appropriate consideration to monitoring compliance and associated elements of transparency that will hopefully avoid areas of dispute around ISP and RIT-Ts, and help ensure that investment decisions reflect the best possible value for consumers.

Our specific feedback is limited to the following matters:

- We support the requirement on AEMO to establish a risk-neutral optimal development path and compare this to its preferred approach and associated set of Actionable ISP projects. The involvement of consumers in expressing a preference in how AEMO deals with risk and associated costs has merit, but there may be challenges in distilling this preference in practice.
- We appreciate the AER's reasons for limiting "demonstrable reasons" to depart from ISP Parameters to instances of material changes in circumstances that "AEMO is yet to reflect" in its ISP publications. We do not have a strong view on this but note that it potentially moves beyond the policy intent reflected in the NER. Stakeholders may wish for RIT-T analyses to depart from the most recent ISP because they disagree with AEMO's views. Entertaining such disagreements may be wasteful, and maintaining consistency with the ISP is a policy objective, however the NER still requires a "demonstrable reason" to be present which arguably sets a high bar for departure, including for RIT-T proponents. The AER's approach appears to rule out any departure except in the case of some discrete event occurring after the most recent ISP is finalised. It is unclear whether it would exclude valid departures where there has been a change in understanding of the facts, or of their implications, that prevailed at the time of the last ISP. Such changes might reasonably be expected given the substantial time that passes between ISPs, and the complexity and breadth of issues involved in each that would be subject to ongoing consideration. The AER may also wish to

consider the wording in the draft guidelines which seems to rest on AEMO's intent or an expectation that a matter will be reflected in an upcoming ISP, rather than just a material change in circumstances since the last ISP.

- In terms of transitional issues, the AER should provide further clarity on whether and how scenarios in the 2020 ISP will bind RIT-T proponents, and similarly the status of other 2020 ISP Parameters.
- We support the requirement for AEMO to conduct 'cross checks' in relation to its optimal development path. AEMO may find it useful for the guidelines to list example cross checks. Our earlier submission suggested capital efficiency or 'bang for buck' measures which often complement net benefits as an objective measure as they tend to ignore the overall scale of investment. Another example is the technical feasibility of outcomes in the form of separate analysis conducted in AEMO's recent Renewable Integration Study (RIS). The AER also applies its own cross checks in the form of deliverability of proposed investment programs as part of capex assessments for TNSPs.
- Further to noting AEMO's recent RIS, the AER may wish to clarify the role of AEMO publications that are not prescribed under the NER but still have a bearing on ISP analysis. For example, it is not clear whether consultation on the RIS or ad hoc Insight<sup>1</sup> papers, which we consider are of value to stakeholders, form part of AEMO's ISP consultation requirements, including obligations to consider or respond to matters raised by stakeholders.
- We also support the ISP outlining distributional impacts of investment pathways and consider this should also be a binding requirement on RIT-T proponents. The allocation of costs and benefits may not be a relevant for overall investment decisions but these considerations are likely to be critical for stakeholders, including governments and consumer groups, including under future cost sharing arrangements to be examined by the ESB.<sup>2</sup>

If you would like to discuss this submission, please contact me on 03 8628 1655 or [Lawrence.irlam@energyaustralia.com.au](mailto:Lawrence.irlam@energyaustralia.com.au).

Regards

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<sup>1</sup> <https://aemo.com.au/en/energy-systems/major-publications/integrated-system-plan-isp/2020-integrated-system-plan-isp#Supporting%20ISP%20Insights>

<sup>2</sup> COAG Energy Council, *Meeting Communique*, Friday 22 November 2019