18 July 2024

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Dear Ms Toomey,

Ausgrid response re AEMC Consultation Paper – Enhancing the Integrated System Plan to Support the Energy Transition

Ausgrid is pleased to provide this submission to the Australian Energy Market Commission (**AEMC**) in response to its Enhancing the Integrated System Plan (**ISP**) to Support the Energy Transition Consultation Paper.

Ausgrid operates a shared electricity network that powers the homes and businesses of more than 4 million Australians living and working in an area that covers over 22,000 square kilometres from the Sydney CBD to the Upper Hunter.

We support the intent behind all three rule change requests submitted by the Commonwealth Minister for Climate Change and Energy on 3 June 2024 that are considered in this Consultation Paper. The ISP provides critical information to all energy sector participants about how we can deliver the energy transition quickly, at the lowest cost and at reduced impact to consumers. We welcome the prospect of improving how distribution networks and our customers are considered in the ISP as these are critical parts of the delivery of the energy transition.

Distribution Network Service Providers (**DNSPs**), like Ausgrid, can help facilitate opportunities that reduce the time, cost, risk and community impact of Australia's energy transition. Overall, we consider there to be many points of alignment between the intent of the Minister's rule change requests and the opportunities distribution networks can offer in achieving them. For example, Ausgrid is already:

- Rolling out community batteries, with eight already operating across our network and two more at Bondi and Cammeray to be launched in the coming months. Our analysis indicates community batteries could be rolled out to over 200 sites across our network, providing up to 1.2 GW of discharge capacity, by 2030.
- Incentivising our customers to consume more energy in the middle of the day to soak up increasing solar output. As part of our 2024-29 Network Pricing Reforms, Ausgrid has adjusted its controlled load switching times to allow hot water heating in the middle of the day at a lower price.
- Enabling the uptake of electric vehicles (**EV**), both by facilitating the installation of kerbside chargers on our existing power poles, and by encouraging smart at-home EV charging through network tariffs.
- Exploring opportunities to host more renewable generation and storage at all levels of our distribution network as a way of easing the current and future burden on transmission networks. We are doing this through joint mapping exercises with the NSW and Commonwealth Governments and are considering the development of distribution renewable energy zones (**DREZ**).

- Driving advances in the services distribution networks offer to customers with Consumer Energy Resources (**CER**) through the world-leading Project Edith[1], which shows the vital role DNSPs will play in removing barriers for CER to participate in energy markets. Independent analysis has shown reforming the network services offered to customers with CER on our network could result in up to $398 million in wholesale market benefits over a 20-year period.
- Working separately with AEMO, and the Commonwealth and NSW Governments to both improve understanding of opportunities at the distribution network level by mapping distribution network hosting capacity (>5 MW) at the zone substation level, and co-designing the data sharing needs of market bodies to support this understanding being included in the ISP.

Please refer to **Attachments A – C** for our responses to consultation on each rule change request.

Ausgrid commends the AEMC for moving quickly to enable these rule changes to be included in AEMO's 2026 ISP. There are clear synergies between all three rule change requests and therefore benefit in progressing them together. However, finalising these rule changes quickly should not come at the expense of genuine stakeholder engagement and we encourage the AEMC to continue its efforts to engage meaningfully. If the AEMC considers that matters relating to a particular rule change request requires further assessment, we recommend the rule changes be separated to avoid delaying all three.

We welcome the opportunity to discuss our submission further. Please contact Emma Vlatko, Senior Policy Advisor, at Emma.Vlatko@ausgrid.com.au for further details.

Regards,

Tim Jarratt
Group Executive, Market Development & Strategy

[1] https://www.ausgrid.com.au/About-Us/Future-Grid/Project-Edith

Attachment A: Ausgrid response to Better Integrating Gas into the ISP (Electricity and Gas) Rule Change

Ausgrid supports the improved alignment of gas and electricity market analysis and reporting into the ISP as a way to promote efficient investment decisions required for the energy transition. Minister Bowen's rule change request, seeking more detailed consideration of gas market information in the ISP, will go some way to achieving this.

While gas continues to play a critical role in our energy transition, decarbonisation is seeing consumers switch from gas to electricity in their homes. Reaching net zero by 2050 will require the elimination of the majority of current applications for natural gas in the energy system. In addition to decarbonising the energy system, replacing gas appliances with electric ones lowers running costs for consumers, and improves health and environmental outcomes. With only 26 years until 2050, faster progress on the managed phasing out of gas in households will be needed, to ensure that remaining gas supply is made available for use for the hardest-to-abate industry sectors and remaining gas-powered generation. Ausgrid is enabling and accelerating electrification by supporting the timely and efficient integration of additional load, providing new energy system services, and demonstrating the value of investing in the distribution network to reduce the whole-of-system cost of the transition.

In NSW, the shift towards electrification by residential and commercial customers is already occurring. Jemena Gas Network's upcoming regulatory proposal anticipates a decline in gas demand of an average of 2.29% per annum from 2025-30.[2] Residential demand is forecast to decline by 1.70% per annum and commercial demand by 3.63% per annum over 2025 to 2030, driven by a lower forecast net declining average consumption per customer, and from 2027 onwards also from declining numbers of customers.[3] The transition of water and space heating in homes and businesses from gas to electricity, will lower emissions while increasing demand for electricity.

Trends in gas consumption in the household and business sector are inherently connected to electricity demand. **As a result, it is appropriate that the ISP consider gas and demand-side factors in an integrated manner.** It will be important to ensure that gas and electricity demand-side scenarios are mutually compatible and internally consistent, and that they are also aligned with other AEMO market assessments, particularly the assessments of gas demand incorporated into AEMO's annual Gas Statement of Opportunities.

Better integration of gas in the ISP process will also enable more informed assessment of potential policies to drive electrification at national and jurisdictional levels. Improving the accuracy of gas market information in the ISP will allow for better whole-of-system demand drivers to be explored and consistently compared against AEMO's multiple decarbonisation pathways. It will also improve transparency for energy stakeholders, who rely on these forecasts to make policy, commercial and financial decisions.

[2] Jemena Gas Networks 2025 Plan; https://hdp-au-prod-app-jemena-yoursay-files.s3.ap-southeast-2.amazonaws.com/1217/1979/2032/JGN_2025_Plan_-_online.pdf
[3] Ibid.

Attachment B: Ausgrid response Improving Consideration of Demand-Side Factors in the ISP (Electricity) Rule Change

Ausgrid strongly supports improved consideration of CER and distributed resources within the ISP. As acknowledged by AEMO in its 2024 ISP, distribution will play a major role in Australia's electricity system transition. Capturing these trends and opportunities in the ISP is appropriate, as a whole-of-system plan whose primary objective is to optimise efficiency.

We note both the Minister's rule change request and the AEMC's Consultation Paper limit the scope of this rule change to facilitating data exchange between AEMO and DNSPs. However, the purpose of improving understanding of distribution network level opportunities is ultimately to support more efficient investment decision making across the energy sector and a lower cost and impact for customers of the energy transition. Ausgrid considers that the best way to do this is by co-optimising and expanding the Optimal Development Pathway (**ODP**) to consider generation hosting capacity and utility scale distribution connected resources further. We are comfortable with the scope of this rule change because we do not believe AEMO is currently prohibited by the National Electricity Rules (**NER**) to expanding the ISP's ODP scope by amending its ISP Methodology.

DNSPs across Australia have varying levels of understanding of the hosting capacity within their networks. There is a considerable risk that this rule change creates a significant and disproportionate cost burden on consumers (through costs passed on by DNSPs) in meeting data sharing requirements.

To reduce this risk, Ausgrid supports a rule change that empowers the development of "Network Limitations Data Guidelines" (**Guidelines**), co-designed between AEMO and DNSPs. The rule change should take a principles-based approach to designing the scope and process for developing the Guidelines. It should not, however, prescribe the types of data that DNSPs must provide, or the form or frequency with which data is to be provided. A flexible, principles-based approach will result in Guidelines that mandate reasonable and achievable data requests that are complementary of – not duplicative to – the many existing data exchanges that already occur regularly.

Should the AEMC view this level of detail necessary to finalise a rule change, then this rule change request should not be progressed until after DNSPs and AEMO have reached an agreed understanding on these issues.

We have responded directly to the five questions relevant to this rule change request below.

Question 6: Should AEMO be required to expand consideration of CER and distributed resources in the ISP?

6a: Should the ISP's analysis include greater consideration of the assumptions and contingent factors underpinning the expected development of CER and distributed resources? Why or why not?

The focus of the ISP, to date, has been on the generation, firming and transmission investment to support the transition of the National Electricity Market to meet future energy needs. The 2024 ISP forecasts approximately $16 billion in annualised transmission project costs out to 2050 under its ODP. While the 2024 ISP recognises that distribution will play a major role, we consider there is further scope to consider the opportunities distribution networks can provide to support the delivery of the energy transition in a faster, cheaper way, with less risk and impact on consumers and the environment.

To this end, **Ausgrid supports the intent of the Minister's rule change request to include greater consideration of the assumptions and contingent factors underpinning the expected development of CER and distributed resources**. Sufficient consideration of the contributions from distribution networks and energy users is consistent with the purpose of the ISP to be a whole-of-system plan whose primary objective is to optimise efficiency.

AEMO's 2024 ISP emphasises the growing role of households and businesses. Distributed solar is forecast to increase four-fold, from 21 GW today to 86 GW by 2050, and coordinated CER storage is forecast to rise from 0.2 GW today to 37 GW by 2050. Failing to orchestrate and coordinate these resources, a role that requires social licence from consumers, could mean an additional $4.1 billion of grid-scale investment is needed.[4] A better understanding of the costs and capabilities of these technologies, as well as understanding the willingness of consumers to adopt and engage with them, can help energy sector participants make more efficient investment decisions. For example, storage on distribution networks can provide additional flexibility to the power system and can be deployed in place of transmission and individual household battery storage over the long-term. Our analysis indicates that NSW customers could save up to $25 billion in capital expenditure by 2052, if 50 per cent of the assumed household battery capacity in the ISP is replaced by community batteries deployed on the distribution network.

(b) Do you agree that AEMO is currently constrained in its ability to access relevant information about distribution network hosting capacity and relevant CER forecasts from DNSPs?

We accept that AEMO needs "sufficient" information on DNSPs' current and evolved hosting capacities to improve its consideration of CER and distributed resources within the ISP. As noted in the Minister for Climate Change and Energy's rule change request, AEMO does not have an identified role in distribution planning or regulation and therefore does not have clearly defined information gathering powers on this matter. However, Ausgrid and other DNSPs are already working closely with AEMO to identify and share relevant data that would enable incorporation of generation hosting capacity and utility scale distribution connected resources into its Inputs Assumptions and Scenarios Report (**IASR**) due for release in December 2024. **Until these discussions have progressed further, it is difficult to say confidently what constitutes "sufficient information" and whether or not AEMO is constrained by the current rules in its ability to access this level of data.**

The rule change should therefore be progressed to enable AEMO and DNSPs to continue these discussions, and provide flexibility for these parties to agree, through the proposed Guidelines, on what information should be provided. **The AEMC's rule change should be principles-based and not pre-empt these discussions by prescribing the types of data to be provided or the form and frequency with which they are to be provided.**

Please see our responses to Question 7b and 8b, which speak in more detail about Ausgrid's preferred 'co-design' approach to the development of supporting Guidelines.

Question 7: Will the proposed solution address the issues raised by the proponent and improve the robustness of the ODP?

7a: Would the proposed rules enable more in-depth analysis of CER and distributed energy and its impact on operational demand forecasts in the ISP? Why or why not?

Ausgrid recognises that the scope of this rule change is limited to enabling AEMO to undertake a "sufficient" level of analysis regarding the development of distributed resources and orchestrated CER in the ISP. We support the Minister for Climate Change and Energy's clarification that **it should not seek to create any function or obligation for AEMO to act in a distribution planning role.**

However, in Ausgrid's view, the whole-of-system benefits in AEMO accessing this data is the more detailed identification of distribution network level opportunities in the ISP's ODP**. Co-optimising the ODP to include generation hosting capacity and utility scale distribution connected resources will ensure the ISP is truly a whole-of-system plan that identifies, in a consistent way, the lowest cost pathway for our energy transition.** For example, while new transmission can cost up to $720,000 per MW of added network capacity,[5] DREZs can be delivered quickly and at a significantly

[4] AEMO, 2024 Integrated System Plan (June 2024) https://aemo.com.au/-/media/files/major-publications/isp/2024/2024-integrated-system-plan-isp.pdf?la=en

5 AEMO, *2023 Input, Assumptions and Scenarios Report – Assumptions Workbook*, 'REZ Augmentation Options' tab.

lower cost by avoiding large augmentations of the grid in remote locations. In Ausgrid's case, DREZs can also be delivered with less community impact by leveraging existing capacity on the distribution network and land. We also have a large, existing field force that can swiftly pivot, without comprising the safety of our existing network, to delivering DREZ infrastructure 'in-house'. Most large-scale transmission projects have required additional, time intensive steps of procuring labour through an outsourced model.

We do not believe the NER currently restricts AEMO from expanding the ISP's ODP to consider opportunities like DREZs in order to identify the potential trade-offs between transition and distribution network investments. Ausgrid is already working with AEMO to develop a template to collect hosting capacity information, which we understand will form the foundations of the proposed mandatory Guidelines. **We expect, and will advocate for, this work to also lead to AEMO expanding the ISP's ODP through its ISP Methodology.**

7b: What type of demand-side information should be provided by DNSPs that would be useful for the ISP analysis?

As noted in our responses above, Ausgrid recognises the scope of this rule change is limited to enabling AEMO to undertake a "sufficient" level of analysis regarding the development of distributed resources and orchestrated CER in the ISP. In developing this rule change, **the AEMC should consider principles-based rules to oversee the desired outcomes, scope, and process for developing proposed Guidelines.** The AEMC could look to its 2022 rule change introducing a principles-based framework for the Australian Energy Regulator (**AER**) to report on significant price variations.[6] This rule change recognised the benefit in providing the AER flexibility in its reporting, in light of ever evolving energy market developments, technologies and polices.

Ausgrid does not consider it necessary for the AEMC to determine what constitutes "sufficient", i.e. by prescribing what types of data may be required to progress the proposed amendments requested by the Minister to the NER. This level of detail should instead be left to the proposed Guidelines, which should be co-designed by AEMO and the DNSPs. DNSPs across the National Electricity Market (**NEM**) are at different stages of understanding their network's hosting capacity. By co-designing these Guidelines, these differences can be taken into account and the use of existing available data sets can be maximised. This will ensure the data obligations are reasonable, achievable, and do not create an unnecessary and disproportionate cost burden on consumers, via DNSPs.

As AEMO is the end user for this data it is also appropriate for AEMO staff to be closely involved in determining what information they will require for their ISP analysis. Ausgrid is already working closely with AEMO to support the incorporation of CER hosting capacity into its upcoming IASR. We are encouraged by the collaborative approach AEMO staff have taken to these discussions thus far.

If the AEMC considers prescriptive amendments to the NER necessary for the establishment of these Guidelines then it should not be progressed until after a co-design process between the DNSPs and AEMO has been completed.

[6] National Electricity Amendment (AER Reporting on Market Outcomes) Rule 2022, 19 May 2022

Question 8: What are your views on the costs and benefits of the proposed solution?

8a: What do you consider will be the benefits of the proposed solution? Is there anything that might erode the benefits or reduce the likelihood of achieving the benefits? Are there any additional amendments that could be made to improve the benefits?

While the ISP recognises that distribution will play a critical role, the ISP – by design - makes broad and untested assumptions about the contribution of CER and distribution resources and focuses primarily on transmission level levers to reach renewable energy targets. But as a whole-of-system plan whose primary objective is to optimise efficiency, more comprehensively incorporating CER and distributed resources information into the ISP will offer insights into how DNSPs can support the delivery of the transition in a faster and lower cost way, with less risk and a more limited impact on consumers and the environment.

To this end, Ausgrid considers a significant benefit of this rule change request is that it allows for greater consideration of the work DNSPs, like Ausgrid, are already doing. Capturing these in the ISP will promote efficient investment decision making across the whole sector and lower costs for customers as industry participants seek opportunities to add value – and offer solutions - where they are best placed to do so. For example, we suggest the ISP could include:

- A better understanding of the capabilities and relative costs of household/behind-the-meter batteries, distribution-connected community batteries, and grid-scale batteries in providing storage services at least cost to consumers.
- The opportunities to minimise system costs that can be realised with better management and coordination of distribution-network connected energy assets via the Distribution System Operator (**DSO**) model.
- The role that can be played by distribution networks in cost-effectively hosting renewable generation, either via individually connected projects or in dedicated DREZs.

This rule change also offers AEMO the opportunity to leverage existing data collection, processing and analysis already being undertaken by DNSPs. For example, NSW DNSPs are working with both the NSW and Commonwealth Governments to increase energy-sector understanding of how existing capacity across the distribution network could be maximised.[7] The projects will provide a trustworthy source of information for industry participants looking for cheaper and faster connection of their utility-scale renewables and storage. It will also provide an evidence-base for Government and market body decision makers on the smaller augmentations they could support through regulatory and policy change that would offer even more opportunities to connect renewables and storage in a faster and lower cost way, with less impact on the community.

8b: What are the costs DNSPs might incur in complying with requirements to provide further information? Do the benefits outweigh the costs? Should DNSPs be required to provide further information in their DAPRs or elsewhere?

Ausgrid strongly supports a rule change that is high-level, principles-based and flexible. The AEMC should not, through the NER, prescribe the types of data required from DNSPs, or the form or frequency with which this data should be provided to AEMO. It should instead empower these decisions to be determined in Guidelines, co-designed by AEMO and DNSPs.

DNSPs have varying levels of understanding of their network's hosting capacity. Ausgrid is likely to be at the higher level of this spectrum, due to a concerted internal effort to increase oversight of our low voltage systems, and capabilities to process this information. For example, Ausgrid's Load Information System (**LIS**) and network analysis platform allows us to generate load scenarios for our entire customer base and run load flow simulations to understand network limitations. We are also in

[7] NSW Office of Energy and Climate Change, Electricity Supply and Reliability Check Up: NSW Government Response (September 2023), recommendation 14

the process, and have secured funding for the 2024-29 regulatory period, to use this information base to run hosting capacity assessments at a customer level.

Collecting, processing and analysing data at this level of detail is time, resource and cost intensive. Ausgrid has developed its LIS program and network assessment platform over almost a decade, including an intensive period over the past two and a half years (at an estimated cost of over $2.5 million) to develop a prototype simulation system to assess CER uptake and impact. Rapidly requiring other DNSPs to provide similar analysis, who may not have the same levels of network and customer data, or analytical engines as Ausgrid, would impose significant cost burdens on them. In the case of NSW DNSPs, these costs would need to be absorbed internally until the regulatory reset in 2029 unless material enough to trigger a pass-through event.

Instead, Guidelines co-designed by AEMO and DNSPs would ensure the data needs of AEMO are balanced against what is reasonable and achievable for DNSPs to provide in the timeframes required. Our response to Question 9a suggests some guiding principles the AEMC could apply to the development of these Guidelines that would promote this balance.

Further, on the matter of costs, Ausgrid accepts there will be some necessary costs incurred by DNSPs to meet this rule change request. Where these costs are proportionate, we believe the benefits of this rule change outweigh them. However, DNSPs have diverse capabilities and internal resources, which means the costs incurred are likely to vary significantly across the businesses. To help alleviate this potentially unequal cost burden**, funding should be made available for AEMO to engage a consultant to determine a consistent and clear data methodology and format in collaboration with DNSPs.** This is an efficient way to ensure data provided is comparable and readily useable by AEMO for its required purpose. It would also reduce the cost and resource burden for AEMO in completing due diligence checks of the data provided.

8c: Would the proposed solution impose costs on any other stakeholders? If so, how might these costs be minimised?

DNSP costs in complying with this rule change request will be passed through to energy consumers as it will form a new regulatory obligation. Ensuring the requests for information from DNSPs is reasonable is therefore critical for reducing consumer costs.

As noted above, due to the timing of NSW regulatory determination periods, NSW DNSPs would be required to absorb any costs associated with the next two ISPs, in 2026 and 2028, unless material enough to trigger a pass-through event. The cost burdens caused by this rule change are likely to impact businesses differently over this period and are therefore hard to estimate at this early stage. Engaging a consultant, as suggested in our answer to Question 8b, to support the cleaning and standardisation of data could reduce this potentially unequal cost distribution as well as help alleviate costs in the future by establishing a consistent approach to data collection and processing.

Question 9: Are there important implementation considerations for the Demand-side rule change request?

9a: What implementation issues should be considered? For example, are DNSPs likely to face any challenges in complying with new information obligations?

As already noted, DNSPs are at varying stages of understanding their network's hosting capacity. In progressing this rule change, the AEMC should account for this disparity across the businesses, or it risks AEMO being faced with implementation delays to its ISP due to difficulties in collating comparable data, and unreasonable cost burdens on consumers, via DNSPs, forced to rapidly cooperate with new mandatory data requirements.

Ausgrid considers most implementation concerns can be addressed through principles-based rules consistent with the following:

The purpose of the Guidelines is to facilitate the collection of sufficient data to support AEMO identifying, through its ISP, the lowest cost path for Australia's energy transition: As already noted throughout our submission, Ausgrid supports a flexible, principles-based rule change that empowers Guidelines to make decisions as to the types of data required from DNSPs and the form and frequency with which it is to be provided.
Clearly articulating the purpose of the Guidelines through the rules will help AEMO and DNSPs through co-design process. For example, it will support discussions around the timing needs of both parties in obtaining, processing and providing required data:

- DNSPs need sufficient time to process hosting capacity information. In Ausgrid's case, it can take up to a month to clean data relevant for its load flow simulation system analysis. This process can also be resource intensive, sometimes requiring significant manual asset checks. Some businesses may be further advanced in their internal processes, so timeframes required for data requests could vary substantially.
- AEMO, to meet ISP timelines, needs data at certain points well in advance of the release of the final Plan. As such, the Distribution Annual Planning Reports (**DAPR**) are unlikely to be an appropriate vehicle for many data sets relied on by AEMO in its ISP and IASR. Most distribution businesses across the NEM release their DAPRs in December, the same month AEMO's IASR. This timing makes it difficult for AEMO to properly collect and consider data as an input to its IASR.

Reduce duplication and inconsistencies by maximising and aligning existing data sets: Ausgrid sees whole-of-system value in enabling sufficient analysis of CER and distributed resources within the ISP. As noted above, we believe the possible benefits of this rule change outweigh the costs attached to data requests that are reasonable and achievable.

Ausgrid already responds to a wide range of data requests throughout the year, including standing annual data requests set out in the NER:

- the standing data request (in accordance with NER rule 3.13.3A(d)) in February; and
- the demand-side participation submission (in accordance with NER rule 3.7D) in April.

We encourage the AEMC to consider a principle within the NER that encourages AEMO and DNSPs to first identify opportunities to maximise use of, or alignment with, existing data sets. This will reduce the risk of duplicative requests and promote consistency across all data requests. It will also help to keep cost burdens low, which is relevant to the following proposed principle.

Cost burden should be proportionate to the needs and opportunities of customers: As noted throughout this submission, DNSPs are at varying levels of understanding their network's hosting capacity. Being rapidly required to collect, process and analyse these data sets would be time and resource intensive. It would also likely impose a heavy cost burden to DNSPs that would ultimately get passed onto consumers.

In determining what data will be required from DNSPs, the cost burden acquiring this data would create for consumers should be considered. A principle within the rules to require costs to be considered will help DNSPs and AEMO achieve a balance of benefits complex data sets could provide with the potential resource burden this level of detail might impose on DNSPs.

This will ensure data requests are reasonable, achievable and proportionate to the opportunities the data would create.

9b: Are there any transitional measures that should be considered to support the implementation of the rule in time to inform the 2026 ISP?

A rule change that simply empowers the development of co-designed Guidelines would reduce the need for transitional measures, provided they can be developed in time to meet AEMO's 2026 ISP timeframes. Guidelines can be amended more easily than provisions within the NER and could be updated from time to time to suit the data needs of AEMO and the internal capabilities of DNSPs.

As noted, DNSPs are already working closely with AEMO to identify and share relevant data that would enable incorporation of CER and distributed resourced within the upcoming IASR. As part of this rule change, the AEMC should confirm with AEMO when Guidelines would be required to meet 2026 ISP timeframes. This will help shape and progress discussions between AEMO and DNSPs.

9c: If adopted, should the development of guidelines be subject to the Rules Consultation Procedures under NER Rule 8.9?

Ausgrid supports the development of **co-designed Guidelines**. The Rules Consultation Procedures under NER Rule 8.9, proposed by the AEMC in its consultation paper, are not appropriate to govern the close collaboration that will be required between AEMO and the DNSPs to achieve this. While the Rules Consultation Procedures would ensure DNSP views are heard through mandated consultation opportunities, we strongly believe DNSPs need to be empowered to jointly make pertinent decisions relevant to the Guidelines. In progressing this rule change, Ausgrid considers the AEMC should instead consider NER amendments that mandate a co-design approach.

For engagement with other stakeholders, Ausgrid strongly supports a process that allows for genuine and meaningful consultation with a wide range of stakeholders. By consulting widely with industry, research and academic institutions, and community groups, DNSPs and AEMO can better understand the value and risks attached to the information being considered for inclusion. It may also allow for the identification of complementary data, not held by DNSPs, but that could improve ISP reporting outcomes. For example, the University of New South Wales, through the School of Photovoltaic and Renewable Energy Engineering, produces regular reports exploring the potential opportunities of rooftop solar which may include broader learnings about consumer behaviour or value. We believe, for stakeholders other than DNSPs, the application of the NER's Standard Rules Consultation Procedure (NER Rule 8.9.2) is appropriate.

Question 10: Are there alternative solutions to those proposed in the Demand-side factors rule change request?

10a: Do you consider alternative, more preferable solutions exist to address the identified issue?

Ausgrid recognises the intent of this rule change is limited to enabling the sharing of data AEMO needs to more sufficiently analyse CER and distributed resources within its ISP. As noted in our response to Question 7a, we believe that **co-optimising the ODP to include generation hosting capacity and utility scale distribution connected resources will ensure the ISP is truly a whole-of-system plan that identifies, in a consistent way, the lowest cost pathway for our energy transition**. AEMO is not prevented by the NER to expand the ISP's ODP and we expect this will be considered by AEMO in its draft ISP Methodology, due for consultation next year.

10b: Should guidance on information required to be provided by DNSPs be set out in an AER or AEMO guideline, or in the NER?

As discussed throughout this submission, Ausgrid strongly advocates for high level NER amendments that empower Guidelines, co-designed by AEMO and DNSPs. Please refer to our previous answers for further detail.

Attachment C: Ausgrid Response to Better Integrating Community Sentiment into the ISP (Electricity) Rule Change

Ausgrid supports an energy transition built around genuine community engagement. The proposed rule change to better integrate community sentiment of transmission projects into the ISP will help achieve this but could extend to the sectors within the industry such as gas and distribution. We agree with the benefits stated in AEMC's Consultation Paper that elevating the status of community sentiment by mandating its consideration in the development of the ISP will result in both:

a) A more accurate ODP by recognising the risks poorly managed community engagement can have to project development timelines; and
b) Better representation for local communities and other affected stakeholders in the development of large-scale energy projects.

Ausgrid believes communities should be at the centre of the energy transition

We know that Ausgrid's success relies on collaborating with, responding to, and acting on our customers' and communities' needs. This is true for all energy sector participants.

Engagement is embedded in the planning, construction, operation, and maintenance of our electricity network. For our 2024-29 regulatory reset we undertook an extensive 18-month engagement process through our Voice of Community Panel, which involved over 80 hours of talking to more than 100 customers. We will continue to engage with consumers over the next five years through three ongoing customer committees, including a Customer Consultative Committee which meets quarterly to provide advice on how to become a better business for our customers.

We also recognise **every community is different**. We use flexible, scalable, and adaptable engagement activities to suit individual projects and communities. For example, to support the recent installation of overhead poles and wires in Belrose, Ausgrid deployed a range of consultation techniques over a nine-month period, such as newsletters and signage, and online and in-person information sessions for residents to enable broad community understanding of the project. We also met with the Local Aboriginal Land Council and community groups to ensure culturally and linguistically diverse groups were adequately informed and listened to.

The rule change should consider all parties responsible for community engagement

While we support the proposed rule change to require transmission network service providers (**TNSPs**) to share relevant community sentiment information with AEMO, we encourage the AEMC to consider a preferrable rule that extends this obligation to all parties responsible for community engagement on significant electricity (transmission and distribution level) and gas projects, where they may have material impact on the ODP.

Firstly, limiting this requirement to TNSPs may create a gap in collecting community sentiment information relevant to Renewable Energy Zones (**REZ**). In many east-coast Australian jurisdictions, the development, design and early planning of REZs are being led by Governments rather than TNSPs. In the case of NSW, REZs are being developed without any TSNP attached. **The proposed rule change should be expanded to ensure community sentiment data held by Government bodies responsible for these major projects is also provided to AEMO.**

For example, the New England REZ is already facing delays due, in part, to local community opposition. We expect the requirement to share relevant community sentiment information be applied to the Energy Corporation of NSW as the Infrastructure Planner for the REZ.

More generally, Ausgrid notes that AEMO, in its 2024 ISP, identified social licence as critical to enabling the success of the energy transition. This is true for all projects, not just transmission. We consider that capturing community sentiment for significant gas and distribution network-level (including CER) to be just as important as it is for transmission projects. As such we request the AEMC consider **expanding the scope to capture community sentiment data from proponents of all significant projects that are considered to have material impact on the ODP.**