

7 November 2024

Ms Anna Collyer  
Chair  
Australian Energy Market Commission

By online submission

Dear Ms Collyer,

**Better integration of gas and community sentiment into the ISP – Draft Determination (ERC0395)**

The Australian Energy Market Operator (AEMO) welcomes the opportunity to comment on the AEMC's draft determination: *Better integration of gas and community sentiment into the ISP*, in response to the rule change request submitted by The Honourable Chris Bowen, Minister for Climate Change and Energy.

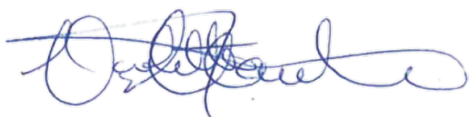
The Integrated System Plan (ISP) plays a critical role in guiding investment in electricity infrastructure to meet energy demand in the NEM and to meet Australia's emissions reduction targets. AEMO welcomes the opportunity to improve the assumptions and analysis underpinning the ISP to ensure that the outputs are reliable and the decisions that rely on it are well-informed.

AEMO broadly supports the draft electricity rule subject to clarification of wording as described in Appendix 1 below. AEMO supports the draft gas rule and recommends a minor drafting change.

Concurrent to this rule change process, AEMO will be consulting on the methodology for the 2026 ISP which outlines the proposed approach for implementing the actions identified by Energy Ministers in response to the Review of the ISP. The ISP Methodology Issues Paper was publicly released on 23 October 2024 and is available here: <https://aemo.com.au/consultations/current-and-closed-consultations/2026-isp-methodology>

If you would like to discuss anything further, please contact Hannah Heath, AEMO Group Manager – Strategic Market Reform ([hannah.heath@aemo.com.au](mailto:hannah.heath@aemo.com.au)).

Yours sincerely,



Violette Mouchaileh  
**Executive General Manager – Reform Delivery**

## APPENDIX 1: AEMO'S COMMENTS ON THE DRAFT DETERMINATION

### 1. Definition of 'gas development projections'

AEMO supports the proposed changes that aim to improve the quality and transparency of the gas analysis that underpins the ISP's Optimal Development Path (ODP) and enable better decision-making in relation to electricity investments.

The draft electricity rule (proposed clause 5.10.2 of the NER) defines gas development projections as:

Projections of developments in the covered gas industry used by AEMO as inputs, assumptions or scenarios in the development of an Integrated System Plan and which may include projections over the relevant period of:

- demand for and available supplies of one or more covered gases
- prices for one or more covered gases
- capacity and utilisation of covered gas industry facilities.

AEMO requests the removal of the words 'as inputs, assumptions or scenarios'. The gas development projections will not form part of the Inputs, Assumptions, and Scenarios Report (IASR) but will be consulted on as part of the draft ISP. The inputs and assumptions that underpin the preparation of the gas development projections will be included in the IASR, but not the projections themselves.

AEMO notes that the proposed definition of 'gas development projections' is broad in nature and doesn't require that the gas development projections developed by AEMO are necessarily a combination of assets that are assumed to maintain gas adequacy and meet customer needs over the planning period. It seems that the definition would plausibly allow a gas development projection that is not assumed to maintain gas adequacy over the planning period. For the avoidance of doubt, AEMO's view and intention is that all gas development projections developed will be a portfolio of investments that are assumed to maintain gas supply adequacy under different scenarios.

### 2. Proposed methodology for inclusion of "gas development projections" in the ISP

AEMO is currently consulting on the proposed approach to including gas development projections in the ISP from 2026. The ISP Methodology Issues Paper can be viewed here:

<https://aemo.com.au/consultations/current-and-closed-consultations/2026-isp-methodology>

AEMO proposes to:

- In consultation with the gas industry, develop a database of pipeline, storage and/or production augmentation options as well as a database of gas costs,
- Develop a gas supply expansion model,
- Apply the gas supply expansion model to develop at least one plausible gas development projection per ISP scenario,
- Compare gas development projections against the counterfactual transmission development path, and
- Optimise the electricity infrastructure investment required under each scenario with the gas development projection as a static input.

AEMO proposes to account for gas sector costs in the ISP but exclude them from the cost-benefit analysis that is used to evaluate the benefits of electricity transmission – as is required under the AER’s Cost Benefit Analysis Guidelines.

### **3. Description of gas development projections to be included in the ISP - relevant period**

In the proposed electricity rule, in proposed new clause NER 5.22.6(8)(i), instead of “the gas development projections covering the period relevant to the Integrated System Plan”, AEMO prefers “the gas development projections covering the period of development of the *power system* to which the Integrated System Plan relates”. It is relevant for AEMO to consider historical data in preparing the ISP, but the relevant period referred to here is the 20+ year planning horizon covered by the ISP. This change would clarify this policy intent.

### **4. Description of gas development projections to be included in the ISP – interaction with the Gas Statement of Opportunities (GSOO)**

The draft electricity rule requires AEMO to outline where there are differences, and the reasons for any differences, between the gas development projections and the most recent gas industry information publications, particularly the GSOO. AEMO agrees with the intent of this requirement, that is, that there should be alignment with the gas data inputs published by AEMO or an explanation of any differences.

However, the GSOO does not contain gas development projections. The GSOO identifies committed and anticipated gas developments and identifies gaps in the current demand of the gas system. In contrast, the gas development projections will identify a combination of assets that could plausibly maintain gas supply adequacy over the planning period. The projections will by their nature be an extension of the ‘current state’ information contained in the GSOO.

AEMO requests that the final determination makes clear that the gas development projections will be an expansion of the information provided by AEMO through the GSOO and other gas information publications. Also, it would be more appropriate for the draft rule to require AEMO to ‘outline where there are differences, and the reasons for any differences between the **inputs and assumptions underpinning** the gas development projections and relevant information in the most recent gas industry information publications.’

### **5. Definition of “gas industry information publication”**

The draft electricity rule proposes to insert a new definition of “gas industry information publication” in NER clause 5.10.2. Paragraph (b) of the definition should specify the date falling twelve months before the “**publication of**” the relevant Integrated System Plan.

### **6. Consultation on changes to AEMO’s ISP Methodology required as a result of these rule changes**

AEMO requests that a transitional provision be included in the final rule to provide that, to the extent that AEMO has taken consultation steps under NER clause 5.22.8 to update the ISP Methodology to take account of the Amending Rule prior to the commencement of the Amending Rule, AEMO is taken to have satisfied the relevant requirements of both clause 5.22.8 and proposed clause 11.[XXX].2(b) upon the commencement of the Amending Rule.

### **7. Providing for additional gas information received by AEMO**

The draft gas rule proposes the insertion of a new definition for **covered gas industry information** in rule 136. For the sake of completeness, AEMO requests that the following are added to the list in the draft rule:

(d) Division 2 of Part 27 (in relation to East Coast Gas System functions)

(e) Part 6, Division 6, Subdivision 1 of the National Gas Law (Market Information Instruments)

This will cover information provided to AEMO for our east coast gas system functions and information provided if AEMO issues a market information order or market information notice (which can be for our east coast gas system functions, declared system functions or the GSOO).