



# INFORMATION

AUSTRALIAN ENERGY MARKET COMMISSION LEVEL 15, 60 CASTLEREAGH STREET SYDNEY NSW 2000  
T: 02 8296 7800 E: [AEMC@AEMC.GOV.AU](mailto:AEMC@AEMC.GOV.AU) W: [WWW.AEMC.GOV.AU](http://WWW.AEMC.GOV.AU)

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

### Our final rule supports a more robust ISP and more informed decision-making

The AEMC has made a more preferable final rule that supports a more robust Integrated System Plan (ISP) and better decision-making by improving the quality and transparency of the Australian Energy Market Operator's (AEMO's) analysis of demand-side factors.

The key elements of the final rule are:

- a broad definition of demand-side factors that includes consumer energy resources, distributed resources, demand flexibility, electrification and energy efficiency
- AEMO is required to publish a demand-side factors statement to provide a transparent and consolidated explanation of the expected development of demand-side factors and AEMO's assumptions around distribution network developments
- AEMO is required to develop information guidelines to establish and provide clarity to stakeholders on information requirements and processes. The final rule sets out what the information guidelines must include and principles that AEMO must have regard to in developing them
- distribution network service providers (DNSPs) must comply with the information requirements and processes in the information guidelines, subject to confidentiality obligations
- AEMO is required to publish information provided by DNSPs in its ISP database unless the information is commercially sensitive.

The final rules will come into effect immediately.

### The final rule expands AEMO's consideration of demand-side factors in the ISP

The final rule contributes to the National Electricity Objective (NEO) by supporting security and reliability and efficient market arrangements. It strengthens and deepens the available information and analysis on demand-side factors and provides more transparency to stakeholders. It supports policy decisions by highlighting the necessary conditions for demand-side factors to develop in line with expectations set out in the ISP.

AEMO's demand-side factors statement will give greater consideration to the technical and non-technical factors that influence its forecasts for, and the impact of, demand-side factors on the efficient development of the power system. AEMO will be required to identify relevant demand-side factors, project the impact of these factors on the efficient development of the power system, and conduct a sensitivity analysis to understand the implications of higher and lower forecasts.

The demand-side factors statement will also provide more insight into AEMO's assumptions about distribution network developments and how these assumptions have shaped its identification of the optimal development path. The final rule requires AEMO to identify opportunities for distribution network developments consistent with the efficient development of the power system, and identify which of these it has assumed would occur under the ISP.

AEMO will be able to use information from a wide range of sources to support its analysis and assumptions, including information obtained from DNSPs under information guidelines to be developed by AEMO.

## The demand-side factors information guidelines provide clarity on information requirements and processes

The final rule contributes to the NEO by promoting good regulatory practice and having regard to implementation considerations. It adopts a principles-based approach with high-level requirements and principles in the rules to guide AEMO's development of information guidelines. AEMO will also need to consider the reasonable cost of DNSPs complying with information requests compared to the expected benefits to the market.

The information guidelines will establish and drive a consistent approach for collecting information on demand-side factors from DNSPs and provide clarity about information requirements and processes.

The development of the information guidelines will be informed by high-level requirements and principles in the rules. More prescriptive matters such as the nature and format of the data, and the frequency with which it must be provided will be contained in the guidelines themselves. The intent is to provide flexibility for information requirements and processes in the guidelines to develop over time as data collection and processing capabilities across DNSPs improve.

AEMO has 12 months to develop and publish the information guidelines and must comply with the rules consultation procedures. DNSPs will be required to comply with the information requirements and processes in the information guidelines, and AEMO must publish information provided to it by DNSPs in the ISP database (unless the information is commercially sensitive).

## We made some minor amendments to the final rule from the draft to improve clarity

We have amended elements of the draft rule that are aligned to, and help improve clarity on, our policy intent in response to submissions on the draft determination. These amendments include:

- only requiring the information provided to DNSPs to AEMO to be published in the ISP database, not in both the database and DNSPs' Distribution Annual Planning Reports
- including a transitional provision to allow AEMO to count consultation that occurs from the date of the draft determination (26 September 2024) and that meets the applicable procedural requirements towards the consultation requirements in the final rule. This transitional provision covers AEMO's current consultation on its ISP methodology, and consultation on the information guidelines
- rule drafting changes where stakeholder proposals better reflected the policy intent.

## The final rule implements key recommendations from energy ministers to enhance AEMO's consideration of critical factors that influence the ISP

This final determination covers one of three rule change requests submitted by the rule change proponent that are intended to give effect to recommendations resulting from the Energy and Climate Change Ministerial Council's ISP review. The other two rule changes were consolidated into the *Better integration of gas and community sentiment into the ISP*.

The Commission also published a final rule determination on the *Better integration of gas and community sentiment into the ISP* rule change request on 19 December 2024.

For information contact:

Senior Advisor, **Ashwin Raj** (02) 8296 7800

Director, **Alisa Toomey** (02) 8296 7800

Media enquiries: [media@aemc.gov.au](mailto:media@aemc.gov.au)

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