
TERMS OF REFERENCE

INTEGRATED SYSTEM PLAN (ISP) REVIEW

Integrated System Plan (ISP) review

Terms of reference

The Australian Energy Market Commission (the AEMC or Commission) is required to complete a review (the Review) of the Integrated System Plan (ISP) framework by 1 July 2027 under clause 11.126.10 of the National Electricity Rules (NER or rules).¹ The ISP framework is set out in rules 5.16A, 5.22 and 5.23 of the NER which include the application of the regulatory investment test for transmission (RIT-T) to actionable ISP projects, the content, methodology and governance of the ISP and how disputes relating to the ISP are addressed.

The purpose of the Review is to determine whether the current ISP framework best contributes to achieving the National Electricity Objective (NEO).

Background

The Australian energy system is undergoing a transformation as it shifts from a generation fleet of predominantly large, thermal generators towards one that is based on more distributed, renewable generation and storage. Significant investment in, and delivery of, transmission infrastructure must be coordinated across multiple jurisdictions to enable this transformation, consistent with the NEO. At the same time, consumers are increasingly investing in and utilising consumer energy resources which has implications for the development of large-scale infrastructure.

The Australian Energy Market Operator (AEMO) has been required by the Rules to produce the biennial ISP since 2018. The purpose of the ISP is²:

To establish a whole of system plan for the efficient development of the power system that achieves power system needs for a planning horizon of at least 20 years to contribute to achieving the national electricity objective.

The ISP is a key planning document for electricity transmission businesses, including for actionable ISP projects triggering regulatory processes, such as the RIT-T. It is also a central reference point for jurisdictions and the energy sector more broadly.

The ISP was established following the Finkel Review³, and since its introduction, the approach and methodology have been reviewed and adapted over time. The introduction of the ISP evolved from the previous planning document—the national transmission network development plan—which was an annual plan in place from 2010 to 2018.

Since its introduction, there has been a significant expansion in the inputs and modelling in the ISP, arising from other review and reform processes. This has resulted in the ISP now including:

- Information on demand-side factors
- Emissions targets
- Greater detail on gas infrastructure and demand
- Expansion of renewable energy zone (REZ) information
- Delivery risk and social licence information.

This Review will be informed by and build upon these previous reforms. The landscape of network planning has also become more complex since the ISP's inception as a result of jurisdictional

¹ The timeframe for this review was extended from 1 July 2025 under the *Bringing early works forward to improve transmission planning* rule change (ERC0380), made on 5 September 2024. See the [AEMC website](#) for further information.

² Clause 5.22.2 of the NER.

³ Commonwealth of Australia, *Independent Review into the Future Security of the National Electricity Market – Blueprint for the Future*, <https://www.dcccew.gov.au/sites/default/files/documents/independent-review-future-nem-blueprint-for-the-future-2017.pdf>, June 2017.

reforms, such as the development of jurisdictional REZ frameworks. The Review will consider these changes and their impacts on the national framework and ISP.

Objective

The objective of the Review is to assess whether the ISP framework best contributes to achieving the NEO.

The Review will provide recommendations to improve the ISP and the RIT-T for actionable ISP projects, including recommendations on changes to the NER and other regulatory instruments (if required).

Scope

The Review is mandated under clause 11.126.10 of the NER, which requires the AEMC to complete a review of the Integrated System Plan framework as set out in rules 5.16A, 5.22 and 5.23:

- Rule 5.16A covers the application of the RIT-T to actionable ISP projects
- Rule 5.22 covers the content, methodology and governance of the ISP. Rule 5.22 is wide-ranging, and it includes (among other provisions):
 - the purpose of the ISP
 - its timetable
 - document requirements
 - the ISP consumer panel, and
 - the transparency review performed by the Australian Energy Regulator (AER)
- Rule 5.23 covers dispute resolution for ISP-related disputes.

The scope of the Review may also include other sections of the rules or instruments, such as AER guidelines, where they are directly relevant to the Review.

Stakeholder input to our consultation paper will inform the specifics related to the breadth and depth of issues to be covered in the Review.

Our approach to the ISP review

The AEMC will take the following approach to the review:

- the Review will meet the requirements as outlined in clause 11.126.10 of the NER.
- the Commission will be guided by the NEO.
- we will undertake stakeholder consultation according to the Rules consultation procedures (set out in NER rule 8.9), allowing for feedback to our published documents and any other engagement. A timeline will be available on the project webpage.
- previous or current reviews that are relevant to the scope of the Review will be considered for input.
- recommendations will consider the current context of the energy transition and future requirements.

Key outputs and deliverables of the review

The output of the Review will be a report that may include:

- a description of recommended changes to the NER (note that we do not propose to include suggested rule drafting)
- recommended actions for regulatory agencies and market operators, for example, revisions to guidelines or procedures
- advice on any identified issues relating to how the ISP interacts with jurisdictional frameworks
- consideration of implementation pathways, including timing and sequencing of proposed changes.

The Commission intends to publish the following papers:

- consultation paper
- draft report
- final report

Subject to feedback from stakeholders and the prioritisation of issues to be addressed by the Review, the AEMC may publish additional papers for consultation as needed, and this may influence the proposed timeline. We are required to complete the review by 1 July 2027.