

06 November 2025

Australian Energy Market Commission (AEMC)

Via AEMC website: www.aemc.gov.au

Clarifying the treatment of jurisdictional policies and system costs in the ISP

Alinta Energy welcomes the opportunity to provide feedback on the consultation paper proposing changes to the way jurisdictional policies are incorporated into the Integrated System Plan (ISP), the categories of costs considered in the analysis, and the information published regarding costs.

Key points:

- **We support the proponent's proposal to include contingency scenarios that reflect the potential for jurisdictional targets outlined in the ISP to not be achieved as planned.**
- **We consider that consideration of whole-of-system costs may be more appropriately addressed through the AEMC's review of the ISP framework.**
- **We recommend that the costs associated with individual jurisdictional policies should not be included in AEMO's assessment within the ISP.**

We support the inclusion of scenarios that account for jurisdictional targets not being met as planned in the ISP.

Alinta Energy supports the proponent's intention to provide greater consideration in the ISP to the "very plausible future in which these targets are missed, reduced or removed altogether by a jurisdiction"¹.

We continue to hold concerns around the optimistic projections presented in the ISP. As flagged in our submission² regarding AEMO's draft ISP methodology, we noted several areas where we determined AEMO's assessment to be overly optimistic across costs, technology availability and lead times. We agree with the proponent that the impact of this risks AEMO failing to account for "the risks to consumers arising from uncertainty, including over investment, under-investment, premature or overdue investment"³.

The inclusion of jurisdictional emissions targets at face value presents similar concerns. The

¹ Centre for Independent Studies, 'Making the ISP robust to policy change and clear on costs', Rule Change Request, 31 October 2024, p.1.

² Alinta Energy submission to 'Draft ISP Methodology', 14 April 2025.

³ Centre for Independent Studies, 'Making the ISP robust to policy change and clear on costs', Rule Change Request, 31 October 2024, p.1.

Commission notes that, under AEMO's obligations under the NER⁴ in preparing the ISP, "AEMO does not assess the probability that any individual policy will or will not be achieved by the intended date"⁵, and "assumes jurisdictions' emissions reduction policies are achieved as intended in all scenarios"⁶.

We agree with the proponent's proposal to add an amendment to clause 5.22.5(d)(2) in the Cost Benefit Analysis Guidelines to require AEMO to include scenarios reflecting changes in jurisdictional policies alongside a 'baseline' scenario⁷. As outlined above, we do not propose AEMO conduct assessments on the likelihood of these targets being met. Instead, we propose a few scenarios with uniform targets are modelled across all jurisdictions, e.g. all states meeting 100% of set targets; all states meeting 80% of set targets.

We believe this would add the requisite pragmatism to the ISP's assessment without requiring AEMO to conduct extensive additional analysis or assessment.

Potential consideration of 'whole-of-system' costs is better addressed as part of the AEMC's review of the ISP framework

It would be more appropriate to consider the scope of 'whole-of-system' costs as part of the AEMC's review of the ISP framework under clause 11.126.10 of the NER, rather than within the scope of this rule change. This is accounted for within the scope of the AEMC's review as established under rules 5.16A, 5.22 and 5.23. We do not consider additional clarification in the NER is required for the 'whole-of-system' costs listed.

With that in mind, should the AEMC consider the proposed examples of 'whole of system' costs as either part of this rule change or its review of the ISP framework, we make the following recommendations for the Commission's consideration:

- Consumer energy resources CER: We agree with AEMO's decision⁸ not to consider CER costs as part of its development of the 2024 ISP as these costs are private purchases and not whole of system costs.
- Distribution network upgrades: we agree with AEMO's rationale⁹ that these costs reside in state and local levels and are not within scope of a centralised planning document such as the ISP.
- Recycling and disposal of renewables: as noted by the 2024 ISP, the purpose of the document is to serve as a roadmap that "identifies an optimal development path (ODP) to secure reliable and affordable power for consumers and to meet emission reduction targets"¹⁰. As such, the ISP decision-making process focuses on the technology required to address the optimal development path in consideration of costs, system requirements, forecast consumption and emissions targets¹¹. As an input to this cost assessment, the GenCost report examines the levelised cost of energy across each technology. As noted by the latest GenCost report, prior stakeholder feedback has proposed decommissioning and recycling costs to be added to this analysis, with the CSIRO concluding that: "Adding these additional parameters would greatly expand the physical and time boundary of the generic

⁴ NER, clause 5.22.3(b).

⁵ AEMC consultation paper, p.8.

⁶ AEMC consultation paper, p.8.

⁷ Centre for Independent Studies, 'Making the ISP robust to policy change and clear on costs', Rule Change Request, 31 October 2024, p.3.

⁸ AEMC consultation paper, p.10.

⁹ AEMC consultation paper, p.10.

¹⁰ AEMO, 2024 ISP, p.21.

¹¹ AEMO, 2024 ISP, p.22.

generation projects assumed in GenCost and require more complicated formulas to implement. Our current understanding is that few of the topics presented in the feedback have a large enough impact on LCOE to warrant a change in the boundary or formula. That is, it would add complexity and cost to the project without significantly changing the outcome of the comparisons”¹².

- Payments to coal generators for life extensions: the potential for these payments is uncertain, and they are ad-hoc and confidential. Therefore, these costs should not form part of the ISP.

Regarding other examples that may be considered, we would advise the Commission to balance the additional time and costs to source, analyse and report new data, with the expected level of certainty and value that can be provided from this data. As noted above, we advise against including any new cost categories if they are duplicative, out of scope, provide insignificant value or are highly uncertain. The NER echoes this, with a requirement for AEMO to consider market benefits *unless* “the estimated cost of undertaking the analysis to quantify the market benefit is likely to be disproportionate given the level of uncertainty regarding future outcomes”¹³.

We do not consider the costs of individual jurisdictional policies should form part of AEMO’s assessment in the ISP.

Whilst we understand the proponent’s intention for AEMO to provide the costs of individual jurisdictional policies in the aim to demonstrate whether they are “optimal for achieving emissions reduction objectives while delivering the lowest cost, reliable system for consumers”¹⁴, we do not believe this is within the scope of AEMO’s role in developing the ISP as per the Cost Benefit Analysis Guidelines in 5.22.5 of the NER.

Inserting a new subclause in the NER to clarify the ISP must include costs each energy and environmental jurisdictional policy would add additional reporting burdens and costs on AEMO, expanding the scope of the ISP to an assessment of the merits of policy. We do not consider that this is AEMO’s role, nor the function of the ISP. Assessment of the costs of individual jurisdictional policies is a state-led activity as part of its budgetary process and would involve considerations beyond what AEMO and the ISP is best placed to incorporate. If such information is available, we support the publishing of this in parallel with the ISP to provide jurisdictional context to complement the assessment of prospective development paths.

Thank you for your consideration of Alinta Energy’s submission. If you would like to discuss this further, please get in touch with Isidora Stefanovic at isidora.stefanovic@alintaenergy.com.au.

Yours sincerely,

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¹² CSIRO, GenCost 2024-25, p.111.

¹³ NER, Clause 5.22.10(c)(3).

¹⁴ Centre for Independent Studies, ‘Making the ISP robust to policy change and clear on costs’, Rule Change Request, 31 October 2024, p.3.