



6 November 2025

Submission: Rule Change Request – Clarifying the treatment of jurisdictional policies and system costs in the ISP

The Australian Pipelines and Gas Association (APGA) represents the owners, operators, designers, constructors and service providers of Australia's pipeline infrastructure. APGA members ensure safe and reliable delivery of over 1,500 PJpa of gas consumed in Australia alongside over 4,500 PJpa of gas for export.

APGA welcomes the opportunity to provide feedback on the Australian Energy Market Commission's (AEMC) consultation on Clarifying the treatment of jurisdictional policies and system costs in the Australian Energy Market Operator's (AEMO) Integrated System Plan (ISP).

AEMO is required to produce the ISP as part of its role as the National Transmission Planner, defined in section 49 (2) of the National Energy Rules. In energy discourse, the role of the ISP has expanded far beyond its legislated one; as acknowledged by the AEMC, "the ISP now plays a central role in the energy sector, informing planning and investment decisions for major transmission projects as well as being used across a range of other processes."

The ISP's predictive modelling effectively acts as the gold standard for the National Energy Market (NEM), against which all other modelling is compared. It is used as the basis for determining energy policy across both state and federal jurisdictions. This may result in self-fulfilling prophecies in how the ISP is both developed and used. Given the innate complexity of the energy system and the challenge inherent in translating its inputs and outputs into a predictive model, this bears a much larger risk of potential over- (or under-) investment in transmission infrastructure.

In fulfilling its legislated function, AEMO must have regard to the National Energy Objectives, which sets out the relevant considerations when considering the long-term interests of consumers. Among other things, since 2023 this includes the achievement of targets set by participating jurisdictions for reducing Australia's greenhouse gas emissions.

In preparing the ISP, AEMO has interpreted this such that its models assume the achievement of any legislated emissions reduction targets or policies as the *outcome*, rather than an input. AEMO is not required to judge whether or not these targets are

reasonable, or feasible; instead it assumes that all legislated targets are achieved on time. It does not account for what happens when plans meet the first battle.

APGA agrees with the ambition of current jurisdictional emissions reduction targets, including the Commonwealth target 82% renewable generation by 2030. But as we get closer to that date, the market does not appear to be responding at a pace sufficient to meet that target. While these targets provide a strong signal for investment, that signal has been attenuated by separate challenges in the energy market, which the NEM Review Panel is attempting to solve.

Given this, APGA agrees with the proponent that the ISP does not adequately account for uncertainty as to when jurisdictions' emissions reduction and renewable energy targets will be met or whether they may change in the future. Many of these targets are predicated on a pace of investment that the market has yet to match, or a perfect intersection of project and logistical externalities that even legislated targets cannot guarantee.¹

In the meantime, the 2026 ISP is being drafted on the assumption that these targets *are* met. This will mean a planning document that recommends inefficient investment which is not in the long-term interests of consumers.

To discuss any of the above feedback further, please contact me on +61 409 489 814 or crafael@apga.org.au.

Yours sincerely,



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¹ For example, the Victorian Government's offshore wind generation target requires port and ship infrastructure to be in place to support construction, which is looking increasingly unlikely to happen on a timeframe necessary to deliver the target. The planned competitive auction for investment support for the first 2 GW has also been indefinitely delayed.



Consultation questions

AEMC question	APGA response
1. What are your views on AEMO's current approach to incorporating jurisdictional targets and policies into the ISP and its alignment with the NEO?	• The current approach risks inefficient overinvestment in transition infrastructure where it assumes that the reality of investment matches legislated targets. • The current approach also risks circularity: the ISP is used to justify the very policies and targets that it is required to include as an end goal.
2.1 Do you consider that the current approach increases the risk of overinvestment or early investment in transmission? Do you consider that this risk is material? What evidence supports this view?	• Yes. The current pace of utility-scale generation projects reaching FID does not match the pace required by current targets.
2.2 Do you consider the requirements set out in clause 5.22.10(a)(5)(ii) of the NER - which requires AEMO to consider the risks to consumers arising from uncertainty, including over investment, under-investment, premature or overdue investment - are sufficient to address this issue?	• This is clearly not sufficient given the ISP continues to optimise its modelling assuming all legislated targets and policies are achieved on time. • AEMO is not able to make a judgement call on the likelihood of achieving any of these policies or targets that would prevent over/under/premature/overdue investment.
3.1 Do you consider that the categories of costs included/excluded in the ISP analysis are appropriate? If so, how material is this?	• The exclusion of certain costs could be material to the way the model selects certain pathways. • APGA agrees with the proponent that there are substantial unaccounted for costs that could lead to different trajectories. • For example, APGA has long been sceptical of the assumptions AEMO has used for Consumer Energy Resources, both for general uptake and on the amount of coordination that would be realistic and acceptable to consumers. • Upgrades to the electricity distribution network are also costs that are not well accounted for, particularly from bottom-up

	assumptions like electrification of household and commercial gas demand. These costs could be considerable and influential – the ‘last upgrader on the street’ hypothetical which sees the last remaining household or business on the hook for the cost of upgrading the local network. • APGA concurs with the proponent’s recommendation to consider whole-of-system costs for the ISP, and with their specific recommendations on additional cost categories to be included.
4.1 Is the range of cost information published as part of the ISP sufficient, or do you consider it too limited? If you consider it is too limited, then how material is this problem?	• Related to Q2.1, the current cost information published with the ISP does not really reflect the actual costs of jurisdictional policies. • While consumers are not directly making large-scale investment decisions, they are better served through an understanding of exactly what they are being asked to pay for, and the costs of specific policies relative to their benefits.
5.1 What are your views on the role the ISP should play in the development of the energy sector and the way it can best support achievement of the NEO?	• The ISP’s role has extended from its legislated transmission planning role to one that projects the energy system as a whole and is used to justify emissions reduction policies. • This broader role must be acknowledged given the current constraints built into the ISP – not just in how it handles jurisdictional policies and targets, but also in how it handles separate but related energy systems (namely gas). • APGA has previously argued² that this broader role warrants expansions to the ISP’s modelling capacity, although not necessarily to its <i>planning</i> capacity. Gas and electricity markets being very different, APGA does not consider a centralised <i>planning</i> approach to gas markets to be necessary or efficient.

² APGA, 2023, *Submission: Integrated System Plan Review – Directions Paper*, <https://apga.org.au/submissions/integrated-system-plan-review-directions-paper>

	• That being said, a broader appreciation of the gas market through an expanded modelling scope would help avert over-investment in electricity transmission infrastructure and hence increase achievement of NEOs by determining genuine least-cost transition.
6.1 What are your views on the proposed solution to include a 'baseline' scenario and plausible changes in government policy in the ISP? Do you consider that the proponent's proposed solution addresses the identified problem?	• The additional scenario and baseline scenario approach is reasonable, and would allow for a realistic exploration of target and policy counterfactuals. • This would however increase the number of scenarios and hence modelling complexity for AEMO. APGA agrees with AEMC identifying a more reasonable approach to instead consider plausible changes in government policies to be sensitivities on the central scenario.
6.5 What is AEMO's role, if any, in assessing the deliverability or likelihood of emissions reduction targets being met on time as intended? What impact could a change in AEMO's role have?	• It is not presently AEMO's role but given the potential impact of missed targets and policies against a transmission plans that assumes otherwise, it could be prudent to allow AEMO a degree of discretion in assessing how those policies are included. • The risk of overinvestment in transmission infrastructure is considerable if the pace of investment doesn't meet targets, and this may also crowd out alternatives.
8.1 Should AEMO publish additional information on policy costs as part of the ISP? What are your views on the proponent's proposed solution?	• Yes. Consumer interests would be served by understanding the real costs of these policies, noting that cost/benefit analysis are typically part of policy decision-making but not always made public.
9.1 What are the key costs and benefits of the proposal and alternatives? Do you agree with the costs and benefits identified by the proponent?	• APGA concurs with the proponent that the likely additional costs of to AEMO of modelling divergent scenarios (or sensitivities) would be outweighed by the benefits of a more realistic planning picture. • The AEMC's observation that the ISP's usefulness as a planning document could be diminished by adding multiple additional

	scenarios is probably an accurate one. But its current usefulness is also called into question if it is required to model futures aligned with targets or policies that are not possible or even plausible to achieve – especially where the ISP is itself used as a justification for those targets.
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