

13 November 2025

Matthew Tsikrikas
Project Lead
Australian Energy Market Commission
Integrated Distribution System Planning rule change proposal
Via email: submissions@aemc.gov.au

Dear Mr Tsikrikas

Ausgrid response re Integrated Distribution System Planning Directions Paper

Ausgrid welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) Directions Paper for the integrated distribution system planning (IDSP) rule change under the National Electricity Rules (NER). Ausgrid operates a shared electricity network that powers the homes and businesses of more than 4 million Australians living and working in an area that covers over 22,000 square kilometres from the Sydney CBD to the Upper Hunter.

Of the three policy options outlined in the AEMC's Directions Paper, Ausgrid supports the direction of policy option three. This option would replace the existing distribution annual planning process with a new five-yearly strategic plan with a 20-year planning horizon aligned with the revenue determination process, as well as targeted annual reporting. While we indicate our support for the direction of policy option three here, Ausgrid requests that the AEMC provide further detail on the scope of strategic plan.

This direction recognises the role Distribution Network Service Providers (DNSPs) are already playing as strategic planners for our networks and brings the long-term vision for our networks into the revenue determination process for consideration by the Australian Energy Regulator (AER). We expect that this approach would go towards improving the current planning process while moderating implementation costs by leverage our existing planning and consultation processes when developing our regulatory proposal.

We do not support policy option one, where the five-yearly strategic plan is introduced while also retaining a reformed distribution annual planning report (DAPR)). We do not believe the rationale for retaining the DAPR under this option has been robustly justified. Similarly, we do not support policy option two, where the existing annual distribution planning process is reformed to be more 'strategic' and the strategic plan is not introduced. We consider that the 'strategic' DAPR solution would not address the issues identified by the rule change proposal and, as a result, misses an opportunity for constructive reform.

The proposed rule change represents a potential major reform to the distribution planning framework. The AEMC should provide greater clarity in a range of areas as part of the Draft Determination, especially regarding the new network data reporting requirements that are proposed under all options (where DNSPs would have a new obligation to publish data to improve network visibility under a new guideline prepared by the AER).

Our submission highlights the following key points:

- **The proposed strategic planning framework that would support the revenue determination process should operate in parallel to the system planning framework under the ISP and NSW frameworks:** The strategic and system planning processes serve different, but interrelated, purposes. Strategic planning is focused on the optimal mix of investments to meet demand and other risks and ensure a reliable, safe and resilient network as part of the revenue determination process.

System planning, by contrast, should remain focused on identifying the network hosting capacity and investment options that support additional renewable and storage connections. The latter should continue to be delivered separately at the regional level through the NSW framework and at the National Electricity Market (**NEM**) level through the Electricity Network Options Report (**ENOR**) processes.

- **The alignment between the new strategic plan and the revenue determination process has merit:** Ausgrid recognises the advantages of leveraging the existing planning and consultation processes used when developing our regulatory proposal for preparing the strategic plan. We encourage the AEMC to carefully consider the integration between this new document and the revenue determination process to reduce regulatory uncertainty and minimise compliance burden, as well as maximise the value of combining the processes.
- **The new data reporting requirements should provide net benefit and the AER guideline should be developed closely with DNSPs:** Ausgrid proposes that any new data reporting requirements must have a clear use case, reduce duplication, and provide net benefit to customers, especially given recent efforts already undertaken by DNSPs to improve data availability. We strongly recommend that the AEMC require the AER to work closely with DNSPs and establish a working group to develop the new guideline and consider the feasibility, value and cost of any new requirements proposed under the guideline.
- **The DAPR should be superseded by network data provision and targeted annual reporting options, rather than being reformed and retained:** DNSPs undertake robust annual network planning processes irrespective of a requirement to publish an annual report document. DNSPs can provide transparency and share the outcomes of our annual process to connection applicants, non-network providers and other customers in ways that are targeted, flexible, user friendly, and minimise the reporting burden. Providing information digitally, such as through our website, online portals or data downloads, also enables information to be regularly updated, ensuring users have the most current and accurate information available.
- **We are concerned that the AEMC's preferred policy option (option one) may not provide benefits that outweighs its costs:** We emphasise that new capabilities, consultation and reporting requirements come with new costs and the regulatory burden for this reform should be predicated on analysis demonstrating net benefits to consumers.

We have provided further information on our response to the Directions Paper in **Appendix A**.

Please contact Tom Clark, Senior Regulatory Advisor at tom.clark@ausgrid.com.au should you wish to discuss this further.

Regards,

A handwritten signature in black ink, appearing to read "Junayd Hollis".

Junayd Hollis

Group Executive, Network & Digital

Appendix A: Ausgrid detailed response to Directions Paper

Strategic distribution planning process

Ausgrid position: The proposed strategic planning process that supports the revenue determination process should operate in parallel to system planning processes taking place through the NSW framework at the regional level and ENOR at the NEM level.

Ausgrid sees the proposed strategic planning process as fulfilling a different, but interrelated, purpose to the system planning process because of the separate frameworks the two processes serve.

The proposed strategic planning process would consider the optimal mix of investments to meet demand and other risks and ensure a reliable, safe and resilient network. This formalises the strategic planning role that DNSPs already perform in preparing our regulatory proposals for AER each five years. Given the proposed 20-year planning horizon, it also provides DNSPs the opportunity to situate and explain our proposals to the AER within the long-term vision for our networks and the evolving energy system.

In parallel, system planning would primarily seek to identify the network hosting capacity and investment options that would support additional renewable and storage connections, especially through Distribution REZ projects. DNSPs are contributing to this planning through the *demand side factors* rule change as part of the ENOR process at the NEM level, which the AEMC has appropriately acknowledged should be out of scope for this rule change process. Similarly, we expect NSW DNSPs to begin contributing to regional system planning under the NSW framework in future years. This follows the NSW Government's in-principle acceptance of a recommendation from the *NSW Transmission Planning Review* that EnergyCo develop a NSW System Plan to coordinates strategic projects across the State.

Planning horizon

Ausgrid position: We plan over a 20-year horizon for zone substation and major network areas, which is appropriate for long-term, strategic decisions. At lower network levels, shorter horizons are more practical because these parts of the network are highly sensitive to local developments that can change quickly.

While Ausgrid can model 20-year forecasts for network capacity, demand and CER down to the distribution substation and low-voltage network, it would be imprudent to use these forecasts to commit to any major investments. Such forecasts are more valuable in understanding long-term system needs and trade-offs between behind-the-meter, distribution and transmission options.

We encourage the AEMC to recognise this distinction between long-term strategic planning – which supports investment decisions down to the zone substation level – and long-term forecasting at lower voltage levels, which is better suited to informing system-level assessments and trade-offs.

The AEMC is proposing that the strategic plans should adopt a 20-year planning horizon because this will encourage DNSPs to proactively plan their network in the long term and align with projections under the ISP. Ausgrid is comfortable with this horizon, provided it recognises the distinction between strategic planning down to the zone substation level, and long-term forecasting at lower voltage levels to inform system level assessments and trade-offs.

At the zone substation level, a 20-year view allows Ausgrid to identify the short-term investments that enable the lowest cost long-term outcomes. This level of planning sits closest to the transmission planning, such as the ISP, and allows us to take a strategic view of investment given there is greater certainty around large, long-life investments required to maintain reliability, safety and resilience. Ausgrid's strategic planning at this

level is set out in our Network Area Plans, as presented in our Distribution Transmission Annual Planning Reports (DTAPR).

Below the substation level, however, planning horizons must shorten as network conditions become more variable and locally driven. This is due to changes such as new customer connections, property developments and local electrification choices that can quickly alter load profiles and network investment needs.

To illustrate, forecasting aggregate rooftop solar or EVs across post codes is feasible, but policy decisions may significantly alter the course of forecasts at the household level over short periods of time. For instance, the Commonwealth's Cheaper Home Batteries Program has driven substantial uptake of behind-the-meter battery storage in the months since launch.

We encourage the AEMC to conclude that long-term low voltage forecasts cannot be used to commit local investment. They may nonetheless be helpful to inform broader system planning and investment trade-offs between behind-the-meter, distribution and transmission investments. Without clear guidance on how to treat or use these forecasts, Ausgrid is concerned there is a risk that customers, connection applications and non-network providers may glean a level of confidence in these outputs that is not reasonable.

Purpose of 'strategic distribution planning' defined in the NER

Ausgrid position: Defining the purpose of the 'strategic distribution planning process' in the NER is appropriate to provide clarity amongst stakeholders, though it should accommodate the approach taken to high and low-voltage distribution network planning in practice.

The AEMC is proposing that the purpose of 'strategic distribution planning' should be included in the NER to provide clarity for stakeholders and has proposed a definition that the AEMC notes as consistent with the National Electricity Objective (NEO).¹

While Ausgrid recognises that the AEMC is seeking to align with the NEO, we are concerned that the proposed definition, by emphasising a long-term perspective, would be impractical for DNSPs to meet in the context of high voltage and low-voltage network planning, which is undertaken on near-term time scales (as discussed in the section above). As a result, we are concerned that this may leave DNSPs not able to achieve the purpose as it is currently drafted in practice. We propose the following amended purpose:

To require DNSPs to plan efficient investment in those electricity network services that maximise the long term interests of consumers under a credible range of scenarios and balancing for reasonable uncertainty at different network levels.

Ausgrid considers that the definition should be qualified, as above, to be flexible for how DNSPs undertake distribution network planning. That is, while DNSPs will make *investment decisions* in our networks in the long-term interests of customers, we will make *investment plans* at the low voltage level over a shorter-term horizon.

The AEMC has also proposed to clarify the purpose of the 'distribution annual planning process' in the rules under policy option one as: *To inform stakeholders of the current state of a DNSP's distribution network and the expected near term changes.* Ausgrid does not support policy option one, which includes retaining a 'reformed' DAPR. Instead, we only support annual reporting that is targeted, flexible, user friendly and

¹ AEMC, *Directions Paper - Integrated distribution system planning*, October 2025, p.19: "To require DNSPs to plan efficient investment in those electricity network services that maximise the long term interests of consumers under a credible range of scenarios".

minimises compliance burden (discussed in the annual reporting section below). We do not see value to introducing this additional purpose into the NER, as it is broader than the specific information proposed to be reported on annually under policy option three, which is our preferred direction.

Scenarios, inputs and assumptions

Adopting AEMO's *Inputs, Assumptions, and Scenarios Report (IASR)* for distribution planning

Ausgrid position: AEMO's IASR forms a good re-calibration point for our existing scenarios and assumptions to be nationally and jurisdictionally consistent, though ensuring flexibility through justifiable deviations is essential to reflect local conditions.

Ausgrid currently has three planning scenarios that align with the IASR as part of our distribution planning process. While having nationally and jurisdictionally consistent scenarios and assumptions is valuable, Ausgrid strongly agrees that DNSPs should have the flexibility to make justifiable deviations from the IASR scenarios to create more granular scenarios based on local conditions. For instance, we currently make reasonable adjustments to our assumptions based on the nature of our network that are different from AEMO's scenarios, including in our electric vehicle (**EV**) adoption rate, energy efficiency uptake, and data centre growth.

In addition to adjusting the scenarios from the IASR where justified, we consider that DNSPs should continue to have the ability to craft alternative scenarios and sensitivities, where there is a clear rationale and appropriate consultation has been undertaken. There may be circumstances where DNSPs wish to test alternative scenarios to those in the ISP, including potentially in collaboration with other jurisdictional DNSPs. An example of an alternative scenario may be where technology and coordination develop in way that enhances flexibility on the grid, such as greater vehicle-to-grid deployment and higher levels of customer CER orchestration.

The AEMC suggests that scenario analysis may mitigate the significant uncertainty that exists at the tail end of 20-year forecasts for the low-voltage network. Scenario analysis is core to prudent network planning. It is a valuable tool for network planners to manage uncertainty in long-term forecasts, especially demand growth, CER uptake, EV roll out and electrification. However, Ausgrid cautions that it should not be seen as a solution to this challenge from a network planning perspective. Scenarios are defined at a higher resolution based in broad trends and they cannot resolve the uncertainty driven by street-level considerations (as discussed with respect to planning horizons above).

Guideline for best practice forecasting for distribution networks

Ausgrid position: The AER should set clear expectations for distribution network forecasting as part of the revenue determination process.

The AEMC has proposed that DNSPs perform their forecasting consistently with the AER's Best practice forecasting guideline for AEMO's ISP. The guideline is relevant at a high level for DNSPs, though does not specifically provide guidance for distribution network forecasting as part of the revenue determination process. If the proposed strategic planning process is pursued and forms part of the revenue determination process for DNSPs, then Ausgrid considers it appropriate that clear expectations are set by AER on the forecasting approach that should be taken to reduce mismatched expectations.

In developing that guidance on our forecasting approach, however, the AER should be required to consult closely with DNSPs to ensure that the new requirements are fit-for-purpose, rather than adding compliance

costs without corresponding benefits. This guidance could take the form of updating the existing AER guideline to inform DNSPs on the expectations, or a new separate guideline could be developed by the AER.

Irrespective of the approach, Ausgrid considers that any AER guidance on our forecasting approach should be provided in terms of principles and process, rather than detailed rules. Where DNSPs are expected to consult on our forecasting approach, we propose that this should be targeted and light-touch (given the existing alignment with the IASR) and leverage the consultation process used for the revenue determination process. As noted above, the guideline should provide DNSPs the flexibility to make justifiable deviations from the IASR scenarios and develop alternative scenarios where the rationale is clear and consultation is undertaken.

Annual reporting

New data reporting requirements and AER guideline

Ausgrid position: Any new data reporting requirements must have a clear use case, reduce duplication, and provide net benefits to customers. Guidelines for new data reporting requirements should be developed closely with DNSPs.

The AEMC is proposing that the AER develop a new guideline that sets out the additional network data that DNSPs would be required to publish on an annual basis. The AEMC suggests that the AER is best placed, given their recent *Network Visibility* project, to assess the data that DNSPs should be required to publish to improve transparency as sought under the rule change request. In this way, the AEMC has not clarified the specific ask in terms of the data that would be produced and published. We understand these new data reporting requirements are proposed to apply under all three of the AEMC's policy options.

At a principle-level, Ausgrid understands the purpose for establishing this new guideline as it goes towards standardising data provision across businesses and allowing for flexibility to evolve data reporting requirements over time (including adapting to the *Data sharing arrangements (M2)* workstream under the National CER Roadmap). However, without visibility of the expected requirements under the proposed AER guideline and the specific data gaps that the guideline is expected to target, it is challenging to make an assessment on the value and burden of the guideline. We encourage the AEMC to provide clarity on the data gaps that are sought to be filled for the benefit of customers.

The AEMC has set out a series of principles that the AER would be required to consider when developing the data requirements under the guideline. We emphasise that in addition to the principles proposed by the AEMC that the AER should be required to consider avoiding duplication, the value and materiality of data use cases, sunset periods, and privacy.

We caution against establishing a new reporting framework without consulting with DNSPs to understand the feasibility, value and cost of new requirements, including a transition period to implement the new requirements. We strongly recommend that the AEMC require the AER to work closely with DNSPs on the new guidelines and establish a working group on the initiative.

While Ausgrid recognises the need to provide quality and appropriately granular data for both transparency and potential use by customers, we wish to highlight again that DNSPs already publish a substantial amount of data. Ausgrid has a DTAPR portal with an interactive map for existing network hosting capacity information down to the 11kV zone substation busbar, as well as system strength.² In addition, the NSW

² Ausgrid, DTAPR portal: <https://dtapr.ausgrid.com.au/>

Network Hosting Capacity Opportunities Map,³ developed in collaboration with the NSW DNSPs and the NSW Government, provides accessible information on existing and forecast network hosting capacity down to the 11kV zone substation busbar.

More broadly, while publishing raw data is beneficial for customers, connecting parties and non-network providers, Ausgrid believes that providing actionable insights is more important. For example, Ausgrid is undertaking a trial with our customers through the world-leading Project Edith to demonstrate how we can unlock CER flexibility and facilitate the efficient participation of CER in the energy market while staying within distribution network capacity limits. Customers who have opted-into Project Edith have an agreement for their CER to be orchestrated with retailers or aggregators in VPPs. To date, over 1,000 customers have been enrolled in Project Edith. Initial indications from Project Edith show VPP operators are dynamically responding to the near-real-time price signals by changing how they manage their customers' batteries. We will continue to share learnings from Project Edith across the industry.

Distribution Annual Planning Report

Ausgrid position: The DAPR and other annual reports should no longer be required in the context of the proposed new strategic plan and additional data reporting requirements.

The AEMC is proposing that under policy option one a 'reformed' DAPR would be retained in addition to the strategic planning process; under policy option two, the DAPR would be made more 'strategic'; and under policy option three the DAPR would be removed but a 'distribution annual update' would still be required.

Under the proposal to introduce the strategic planning framework, including the five-yearly strategic plan, Ausgrid supports removing the DAPR process (as per the direction of policy option three). DNSPs undertake robust annual planning processes irrespective of publishing an annual report and transparency can be achieved through more appropriately targeted information sharing, such as online interactive portals and data downloads.

Given that the AEMC is proposing new additional network data reporting requirements in all cases, we are concerned that even a 'reformed' DAPR serves a limited purpose. For this reason, Ausgrid is not supportive of policy option one, as we do not consider that the case has been made for retaining the DAPR process, albeit reformed. We further note from a transparency perspective that DNSPs would be providing an extended 20-year visibility of our network plans.

With respect to the proposed 'distribution annual update' under policy option three (Ausgrid's preferred policy direction), we acknowledge that the AEMC is seeking to meet a perceived reporting gap while minimising compliance. The AEMC has proposed that the annual update would include information on historical and anticipated RIT-Ds, joint planning activities, any changes to the strategic plan, and if the 'most likely' scenario has changed. We consider that this information should not be provided in a report form and should instead be provided on DNSPs websites. For instance, an annually updated RIT-D forward plan could be moved to our existing dedicated page for active and historical RIT-D processes, and whether the 'most likely' scenario has changed identified as and when it occurred, potentially in line with AEMO's IASR process.

Dual function asset owners

³ NSW Network Opportunity Maps: <https://www.energy.nsw.gov.au/nsw-plans-and-progress/regulation-and-policy/electricity-supply-and-reliability-check/network-hosting-capacity-opportunities-map>

Ausgrid position: Dual function asset owners should not be required to publish a TAPR under the new proposed arrangements and instead publish relevant information through the proposed strategic planning process and the new data reporting requirements.

In the Directions Paper, the AEMC did not discuss the proposed impact of this rule change process on the transmission network reporting requirements of dual function asset owners who prepare a combined DTAPR under clause 5.13.2 and 5.12.2 of the NER. Currently, Ausgrid, as a dual function asset owner, is permitted under clause 5.12.2(b) of the NER to publish its transmission annual planning report (**TAPR**) as part of the DAPR to align the publication of both reports each year.

Retaining the TAPR in isolation for dual function asset owners would not promote efficiency when the information could be integrated into the new requirements. In line with Ausgrid's position regarding no longer publishing the DAPR document, we propose that, under policy option three (Ausgrid's preferred policy direction) that dual function asset owners should also not be required to publish a TAPR document. Instead, the relevant data and information could be published on online portals or our website (as identified in the annual reporting section above) and through the five-yearly strategic plan.

Alignment with the revenue determination process

Ausgrid position: The alignment between the strategic plan and the revenue determination process has merit. We recommend that the AEMC explore amending to the existing expenditure factors in the NER to require the AER to consider each DNSP's strategic plans when considering expenditure proposals as part of the revenue determination process.

The AEMC has proposed under policy options one and three that the new strategic planning process would be aligned on a five-yearly basis with the revenue determination processes. Under option two the process would remain annual and not aligned with the revenue determination process.

At a principle level, we consider that aligning the strategic plan and the revenue determination process has merit, given the analysis and consultation that DNSPs currently perform for their regulatory proposals. This could be achieved by requiring the AER to have regard to a DNSP's strategic plan – and the long-term vision it sets out – as a capex and opex factor under the NER. Subject to further engagement on this topic, we consider this would ensure the strategic plan plays a substantive role in framing and justifying expenditure proposals, rather than becoming a compliance exercise. The strategic plan is then an opportunity for DNSPs to open a strategic conversation with the AER about the future of our distribution networks.

On a process level, we suggest that the strategic plan would be submitted with the DNSP's initial proposal and would then only be revised after the AER's final decision on the electricity distribution determination. This is because the three-month period between the AER's draft decision and a DNSP's revised proposal is too compact to re-work the strategic plan. The AEMC should consider the implementation of this process in more detail to ensure a practical outcome.

Implementation

Implementation process

Ausgrid position: The implementation process should be provided in further detail as part of the AEMC's Draft Determination, as the current process leaves distribution networks with insufficient clarity and an unclear pathway for cost recovery related to the new obligation.

Ausgrid is concerned that the implementation process is currently not sufficiently detailed and assumes that the AEMC's preferred policy option (option one) is pursued. At the same time, we recognise that the AEMC is seeking high-level directions from stakeholders and agree that an extended multi-year period will be required to implement the proposed major reforms. We encourage the AEMC to provide more detail on the implementation process in the Draft Determination. In particular, the AEMC should provide visibility to DNSPs on the next regulatory proposal for which they would be expected to prepare a strategic plan. Ausgrid does not believe there will be sufficient time ahead of submitting our regulatory proposal for the 2029-34 regulatory reset process. We propose the following principles that the AEMC should consider regarding implementation:

- ensure regulatory certainty through a phased approach with transitional arrangements
- minimise compliance burden in reporting requirements (e.g. the 'implementation plan' should be light-touch)
- permit DNSPs to advance at different rates given the range of existing capabilities, and
- incorporate appropriate cost recovery mechanisms for distribution networks to meet the new requirement.

Implementation costs

Ausgrid position: The AEMC should consider undertaking a cost-benefit analysis of these reforms as part of the rule change process to ensure the benefits to customers are proportionate to the potentially significant implementation costs.

Ausgrid appreciates that the AEMC's intention is to streamline and enhance the distribution planning framework to more fit-for-purpose arrangements, including reshaping the existing DAPR which is currently compliance-focused, technical, prescriptive and not widely read by stakeholders. At the same time, all three policy options proposed by the AEMC represent major reforms that will drive new compliance requirements, capability and systems uplift, and transitional costs.

With respect to the new data reporting requirements, we highlight that there are not only costs in preparing data, but also in processing the data to ensure it meets the quality and standardisation requirements. As Ausgrid highlighted in our last submission under this process, DNSPs have diverse capabilities, internal resources, network topographies and trajectories, which means that the costs incurred are likely to vary significantly across the businesses.

We propose that the AEMC carefully consider the requirements imposed on DNSPs, including from a compliance and reporting perspective, and undertake a cost-benefit analysis (**CBA**) of the proposed reforms. In the end, electricity consumers will bear the implementation costs of any reform and therefore the net benefits must justify the reform. We are concerned that the costs may not outweigh the benefits of the AEMC's preferred policy option and propose that any CBA undertaken should also consider the direction of policy option three for comparison.