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Integrated distribution system planning – Directions Paper

EnergyAustralia is one of Australia's largest energy companies with around 2.2 million electricity and gas accounts across eastern Australia. We also own, operate and contract a diversified energy generation portfolio across Australia, including coal, gas, battery storage, demand response, wind and solar assets, with control of over 5,000MW of generation capacity.

We appreciate the opportunity to provide feedback on the AEMC's Integrated distributed system planning directions paper.

Consistent with our submission to the AEMC's stage one consultation, we agree that the existing distribution annual planning process is unable to meet the emerging challenges in distribution network planning and that successfully addressing these challenges will improve transparency for all distribution network users, promote efficient investment and usage of networks, and be in the long-term interests of consumers.

We are broadly supportive of the AEMC's preferred policy option (Option 1) described within its directions paper. This would involve the implementation of a new strategic planning process to directly address the emerging challenges in distribution planning, while also reforming the existing distribution annual planning process to improve transparency and data availability. Data visibility would be best supported by regulatory reform which incentivises distribution businesses to work with industry to the benefit of customers. We believe that over time this would create cultural uplift within distribution businesses to meet community expectations.

Despite our broad support of better coordinated planning, we do not believe the AEMC's proposed options adequately address the near-term need to improve transparency of CER hosting capacity and other network data.

AEMC's preferred policy option 1

We consider that, despite possibly resulting in some duplication, the AEMC's preferred option 1 is the most robust of the proposed approaches to undertaking reform and delivering the changes required to facilitate the energy transition.

Purpose of the proposed policy

The proposed 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'* is broad, which allows flexibility. This can be useful to ensure it remains applicable to a sector in transition.

Outlining the purpose of the proposed strategic planning process in the Rules could assist ensuring consistent interpretation of the intent of that process over time. The main benefit of doing so is ensuring the intent of rule change is not lost over time, particularly when rules are revised or reviewed in relation to the original intent. It is possible that including the purpose in the Rules could result in less flexibility as the market evolves. However, if this is the case then it is likely that a revision process or rule change proposal would arise because of any unnecessary barrier in the process. This appears to reflect good governance practices.

It is debatable whether the broader regulatory environment for distribution businesses incentivises this proposed purpose. We consider that the proposal made by the AEMC does go some way to supporting transparency required by industry to respond to customer needs, and to ensure that distribution businesses are able to be held accountable to community expectations for connecting customer energy resources. However, other regulatory decisions (undertaken particularly by the AER) can serve to undermine existing market structures and the establishment of a dynamic and efficient competitive market. Creating an IDSP alone will not resolve this issue.

Planning horizon timelines

The AEMC proposes a 20-year planning horizon to support distribution businesses to strategically plan their networks. This timing is proposed largely because it would be convenient for the distribution businesses, as it aligns with existing planning timelines.

The original rule change was raised focused on the needs of customers and industry, which the DNSP ought to be proactive in meeting and are currently failing to meet. This suggests that the existing planning horizons are insufficient for the short- to mid-term needs of customers and the energy transition more broadly, because they provide insufficient data disclosure to allow non-network solutions. For this reason, we would prefer a 10-year planning horizon as this would focus the DNSPs on the most congested areas where there is also most demand for CER; this would also support transition to net zero for other sectors. Additionally, we utilize a 10-year planning horizon when assessing project investment. As an example, 10 years is the most useful horizon when assessing commerciality and benefit of community batteries. This means access to data which describes the anticipated future state in 10 years would improve the ability of the competitive market to propose solutions.

We recognise the merits of a 20-year horizon. Network investments have lives exceeding 20 years. Having a 10-year payback would potentially bias towards those longer-term solutions because annualised cost of a network option would tend to be low. However, we do not believe that these planning horizons cannot be concurrent, and in fact this may better illustrate where market options provide a better overall approach than a network solution, delivering an outcome far sooner at an efficient cost.

For instance, the DNSP can have a 20-year forward plan (which the directions paper notes some distribution businesses already do) with a supporting and ideally more detailed 10-year plan for specific items which would support greater immediate transparency and integration. The directions paper suggests that this would occur from the existing 5-year planning if you overlaid a 20-year plan. We consider this may not

work in practice as there is a significant difference between 5 and 20 years which needs to be more thoughtfully managed; this overlay currently occurs with reset capex proposals. We believe it would be more effective if planning timelines integrated to demonstrate meeting community expectation and the technical demands of the distribution network.

We suggest this approach as a solution-focussed response to difficulties we encounter when engaging distribution businesses to support the electrification of the transport sector specifically, leading to significant negative constraint impacts on all other customers. As an example, one of our transport electrification projects facilitated the electrification of a bus depot in a Melbourne suburb. The existing substation capacity was completely full at the end of this project. To our knowledge, the distribution business does not have a plan to upgrade this substation, meaning there can be no further electrification of similar sites located in the same area, despite a clear indication that this will be necessary to meet sectoral Net Zero goals¹; (Victoria's is currently in development). Evidently the currently utilised planning horizon does not result in the desired and necessary outcomes. We consider a better integrated short- medium and long-term planning process based on the same modelling scenarios would go some way to resolving these issues.

Additionally, this integrated approach goes some way to addressing uncertainty inherent to long planning horizons. DNSPs would be required to develop and analyse multiple plausible future scenarios for their networks and use these scenarios to test and justify investment decisions in the short-, medium- and long-term, especially in the context of uncertainty around consumer energy resource (CER) uptake, electrification, and demand growth.

We consider the Directions Paper may have departed from the initial concern of the ECA in its original rule change proposal, which was related to DNSPs not releasing the type of data that the competitive market needs to make decisions or establish proposals based on non-network solutions, and not necessarily that the DNSP level planning is deficient.

While option 1 overall is likely to be good for the competitive market and provide better insights in terms of future regulatory design and needs and would improve the transparency of strategic planning to an extent, it would not necessarily encourage consideration of the necessary immediate-term data visibility requirements, as this has not effectively happened to date.

Utility of the IASR for baseline inputs for Option 1

Where practical planning approaches within the sector should be consistent and we note that there is nothing preventing the DNSP from using relevant, allowed data overlays to inform their plan which would reflect local and more granular requirements when preparing their strategic plans. We expect distribution businesses to be required to declare and justify any variation inputs, scenario or assumption from the IASR if they believe it is necessary to do so.

We also agree with the AEMC's proposal to require the proposed strategic planning process to be consistent with a DNSP's regulatory proposal, including its capital plans. This enhances transparency and is more likely to ensure that DNSPs are executing their plans in a manner that could be considered efficient.

The AER must exert caution when it is creating the guidance to accompany this change to ensure that flexibility is preserved, without reducing the ability for these new

¹ [Zero-Emission-Bus-Trial-Evaluation-WSP.pdf](#)

requirements to provide the required transparency to industry. Plainly, this means that any overlaid data must also be transparently available to industry and stakeholders.

Other existing regulatory requirements

The AEMC has sought feedback from stakeholders as to whether existing regulatory arrangements need to be streamlined in response to the implementation of an IDSP. We do not think this is an immediate necessity. It may overcomplicate matters to capture the outcomes of the annual planning review as well as the existing reporting requirements for RIT-D projects and joint planning in Schedule 5.8 of the rules.

Network data, particularly that which would provide visibility into the low-voltage network and CER hosting capacity, should be reported separately to the DAPR and this is ultimately the intended utility of the IDSP as originally proposed. It is a logical extension that this data would be subject to different reporting requirements. We consider that these need to be flexible so that they can reflect the most appropriate data to improve the competitive market's ability to respond to market needs, and for DNSPs to be able to use this response to further update their planning. The requirement to share data must be introduced as immediately as possible, and separately from the planning governance that the directions paper additionally proposes. This will be necessary in the context of an evolving national CER roadmap alongside various jurisdictional schemes.

Costs, benefits, and implementation timeframes

We consider that the proposed principles will elicit the sort of information which would encourage transparency and accessibility of the IDSP and strike an appropriate cost-benefit balance. The benefits to customers and the market of an IDSP with functional governance and oversight to ensure continuous improvement would be difficult to understate, and the costs of reporting quite easy to inflate. The AEMC should focus its attention on the likely benefits to customers and the energy transition more broadly over complaints about the costs of providing basic and necessary transparency.

Finally, we consider that an implementation timeframe of 7 years for the AEMC's preferred option 1 is likely reasonable. We consider this is useful particularly if the AEMC opts for the integrated timeframes for planning which we have suggested, as it would sharpen focus on the mid-term planning which would provide immediate benefit.

However, we would support the prioritisation of near-term, interim solutions which intend to make the necessary capacity information being made available to competitive, third-party providers of customer energy solutions.

If you would like to discuss this submission, please contact me on 03 9060 1130 or Courtney.Markham@energyaustralia.com.au.

Regards

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