

Ref: 06112025 AS:HP

06 November 2025

Anna Collyer  
Project Lead  
Australian Energy Market Commission  
SYDNEY NSW 2000  
Submitted Online

Dear Ms Collyer,

## **ESSENTIAL ENERGY SUBMISSION – CLARIFYING THE TREATMENT OF JURISDICTIONAL POLICIES AND SYSTEM COSTS IN THE ISP (ERC0406)**

Essential Energy welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) consultation on the rule change request *Clarifying the treatment of jurisdictional policies and system costs in the Integrated System Plan (ISP)*. Essential Energy is the regional distribution network service provider (DNSP) for NSW and manages more than 183,000 km of powerlines, covering 95% of the State serving 900,000 households across regional, rural and remote communities. Our network includes substantial 66 kV and 132 kV sub-transmission assets capable of hosting utility-scale renewable generation and storage alongside consumer energy resources (CER).

We support the intent of this rule change. In our view, any reforms that improve the transparency and accuracy of the ISP are squarely in the long-term interests of consumers. Clearer treatment of jurisdictional policies and whole-of-system costs will strengthen investment signals, reduce ambiguity, and facilitate coordinated delivery across both transmission and distribution.

We particularly highlight the value of better integrating distribution level network projects into the ISP. In NSW, the three DNSPs are currently preparing a *Distribution System Plan Opportunities Report* for NSW, a collaborative strategic document that sets out practical distribution network opportunities to reduce overall system costs and support the efficient uptake and integration of consumer and distributed energy resources. We see strong benefit in the ISP drawing upon this distribution-level perspective to inform project options, staging and costs.

### **The opportunity in distribution: faster, lower-impact capacity that complements transmission**

Unlocking latent capacity in distribution and sub-transmission networks can deliver material system benefits quickly and at lower community impact. Essential Energy has identified significant underutilised hosting capacity across multiple bulk supply points. Where modest augmentations are targeted at existing brownfield corridors, medium-sized utility projects and storage can be connected more rapidly than greenfield transmission, supporting reliability while major transmission builds proceed. This is not a

substitute for large-scale transmission; it is a complementary pathway that reduces delivery risk, brings on generation diversity across regions, and provides ‘breathing room’ for critical backbone transmission projects.

In practical terms, distribution-level solutions can minimise new easements, reduce engagement complexity with landholders, and lessen community impact by building within known brownfield corridors. They also diversify geography and technology, improving resilience to local weather events and increasing the stability of variable renewable output over time.

**Distribution-System Plan Opportunities Report for NSW.** The three NSW DNSPs are jointly developing a strategic opportunities report that identifies distribution network augmentations, operational improvements and CER enablement initiatives that can unlock capacity, de-risk delivery and lower total system costs. This distribution-level perspective can provide the ISP with a richer candidate project options set, realistic staging and credible cost tranches for near-term capacity. We encourage the AEMC to signal, through this rule change, that AEMO should draw upon the report’s data and methods when preparing ISP inputs and outputs, so distribution opportunities are visible and assessed on a like-for-like basis with transmission options. This is a view Essential Energy will also be putting forward in the ISP’s statutory review due to be undertaken in 2026.

#### **Current ISP modelling methodologies underrepresent distribution level project options – this rule change can help**

Through our recent engagements various in national and NSW planning processes, we have observed that elements of current modelling frameworks are not well configured to evaluate distribution-level opportunities. For example, minimum project size thresholds of 500MW used in some tools such as AEMO’s ENOR can exclude the medium-sized projects typically viable on distribution networks. This can skew least-cost portfolios toward large units even where a portfolio of medium projects would deliver earlier, lower-risk capacity at comparable or better whole-of-system cost once timing and community impact are considered.

We therefore support the rule change’s emphasis on clarity and completeness in ISP inputs and outputs. As the AEMC considers drafting, we recommend requiring AEMO to:

- ▶ Publish the key methodological thresholds and screening criteria that affect which candidate options enter modelling (including any minimum size filters and locational screens);
- ▶ Present, alongside transmission-scale options, distribution-scale candidate options that reflect realistic augmentations on existing 66 kV and 132 kV corridors and sub-transmission assets; and
- ▶ Include simple, comparable metrics that capture both export transfer and local load-serving benefits of upgrades (for example, a "system capacity unlocked per dollar" indicator), so decision-makers can understand total value, not just export capability.

These measures would make the ISP’s portfolio selection more transparent and enable a fairer comparison between transmission and distribution pathways.

## Clarifying treatment of jurisdictional policies and system costs will improve planning coherence

Broadly, Essential Energy also supports considering how jurisdictional policies are currently interpreted in the ISP. Clear definitions and disclosure of how these policies are translated into scenarios, constraints and candidate options will reduce confusion about whether outcomes are policy-driven or economics-driven and will help align DNSP planning and community engagement with the same footing.

Similarly, clearer guidance on which cost categories are treated as 'system costs' in the ISP (e.g. transmission and distribution augmentations, congestion, curtailment, system services and integration costs) will promote apples-to-apples comparisons across options. We particularly encourage visibility of distribution augmentation costs when those augmentations unlock both export and local load benefits in regional areas.

This being said, it may be necessary to establish some practical limitations on the number of scenarios modelled for inclusion in the ISP. The suggestion in the rule change proposal for the ISP to model "scenarios representing plausible changes in jurisdictional policies"<sup>1</sup> could be demanding, as the number of possible scenarios and permutations of jurisdictional policy-driven changes could be very large, leading to an increase in the time and complexity involved in production of each ISP. Any additional modelling of jurisdictional policies should be designed in a way that focuses on an outcome of advice that is clear, deliverable and will ultimately help to enhance strategic decision-making about the energy transition.

## Conclusion

Essential Energy supports this rule change as a timely opportunity to improve the transparency and accuracy of the ISP, which in turn supports efficient delivery of Australia's energy transition in the long-term interests of consumers. We particularly welcome measures that ensure distribution-level opportunities are visible and fairly assessed alongside transmission solutions.

If you have any questions in relation to this submission, please feel free to contact Mr Anders Sangkuhl, Regulatory Strategy Manager at [anders.sangkuhl@essentialenergy.com.au](mailto:anders.sangkuhl@essentialenergy.com.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read "Hilary Priest".

Hilary Priest  
**Head of Regulatory Affairs**

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<sup>1</sup> Centre for Independent Studies 2024, Rule change request: Making the ISP robust to policy change and clear on costs, p. 3.