

To: AEMC

From: 2026 ISP Consumer Panel

**Topic: AEMC Consultation Paper:
National Electricity Amendment (Clarifying the
treatment of jurisdictional policies and system costs
in the ISP) Rule 2025**

2026 ISP Consumer Panel is

Bev Hughson

Craig Memery

Jarra Hicks

Mark Henley (Chair)

(email: ISP@aemo.com.au)

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Acknowledgement of country

The 2026 Integrated System Plan Consumer Panel acknowledges the Traditional Custodians of the land, seas and waters across Australia. We honour the wisdom of Aboriginal and Torres Strait Islander Elders past and present and embrace future generations.

We acknowledge that, wherever we work, we do so on Aboriginal and Torres Strait Islander lands. We pay respect to the world's oldest continuing culture and First Nations peoples' deep and continuing connection to Country; and hope that our work can benefit both people and Country.

The 2026 ISP Consumer Panel (2026 Panel) appreciates the opportunity to respond to the AEMC’s Consultation Paper that considers the rule change proposal by the Centre for Independent Studies (CIS).

Background and Summary

The Centre for Independent Studies submitted a request for a rule change to the AEMC in. The rule change request states that it:

“seeks to clarify the role of the ISP as a whole of system plan serving the long-term interests of consumers by:

- *requiring AEMO to model and publish a ‘baseline scenario’ with no jurisdictional policy constraints,*
- *requiring AEMO to model and publish scenarios considering plausible future policy changes,*
- *requiring AEMO to model and publish the effect of policies on system costs, and*
- *requiring AEMO to model and publish whole of system costs for the ISP. has sought the following amendments to the National Energy Rules (NER)”¹*

[Note: more specific details on the proposed rule changes are set out in pp 3-4, and pp 8-9 of the CIS request]

The 2026 Panel recognises the issues raised by the CIS in its request to amend the NER. While we agree in principle with some of the issues raised by the CIS, including the need for greater transparency on the impact of government policies and targets, the Panel does not support the proposed rule changes requested by the CIS.

We contend that the recent developments in the 2026 ISP process are progressively addressing many of the issues raised by the CIS², and others are better addressed as part of the AEMC’s statutory review of the ISP commencing later this year³, without the need for the CIS’s proposed changes.

If implemented, the proposed rule changes, will require a significant investment of AEMO’s time and money (which the CIS admits), and add considerable complexity to the ISP. Moreover, the proposed changes will be of little additional value for consumers and policy makers given the proposal’s focus on costs while ignoring:

- the benefits of the policies and targets to the long-term interests of consumers as required in the NEO
- the value of certainty to investors about the transition path to net zero

¹ Centre for Independent Studies (CIS), Rule Change Request, October 2024, <https://www.aemc.gov.au/sites/default/files/2024-11/New%20rule%20change%20proposal%20-%20Centre%20for%20Independent%20Studies%20-%2020241031.pdf>. p 3.

² For example, the 2026 ISP includes assessment of the opportunities and costs of greater CER access to the distribution system, and the impact of this on more efficient use of the energy system; a process that will be further expanded in the 2028 ISP.

³ The AEMC has a statutory obligation under the NER (clause 11.126.10) to review the ISP framework, with the review to be completed by July 2027. The AEMC has advised this review will commence in late 2025.

- the costs of building additional resilience in the energy system to ameliorate the potential impacts of climate change
- the costs of remediating the harm to the energy system from climate change

In its Consultation Paper, the AEMC has indicated that it has three options in responding to the CIS proposal namely:

- *not to make a rule*
- *to make the rule proposed by the proponent*
- *to make a rule that is different to the proposed rule (a more preferable rule).*⁴

The 2026 Panel concludes that the proposed rule change, in the form presented, is not in the long-term interests of consumers. We recommend that of the three options listed above, the AEMC does ‘not make a rule’ as proposed by the CIS.

We have come to this conclusion based on the assessment of the CIS proposal discussed below.

Assessment of the CIS proposal

Changes to how policies and targets are considered in the ISP

In considering the proposed rule changes relating to policies and targets, the 2026 Panel’s starting point is the 2023 amendments to the national energy objective (NEO) in the national energy law (NEL). The amendment requires a decision maker to act in the **long-term** interests of consumers including:

- “...the achievement of targets set by a participating jurisdictions –*
- i. for reducing Australia’s greenhouse gas emissions, or*
 - ii. that are likely to contribute to reducing Australia’s greenhouse gas emissions”*

Under the NEL, the AEMC is tasked with publishing a ‘targets statement’, being a list of jurisdictional targets to be considered when a market body such as AEMO applies the NEO. AEMO must consider ‘as a minimum’, the policies identified in the AEMC’s most recent targets statement.

The most recent targets statement was published by the AEMC in June 2025.⁵ Table 1.1 includes jurisdictional targets directly relating to reduction in greenhouse gas (GHG) emissions. Table 2.1 includes targets and policies likely to contribute to reductions in GHG emissions. These latter policies and targets include CER related policies, electric vehicle and energy efficiency plans and policies.

⁴ AEMC, Consultation Paper, pp 20-21.

⁵ AEMC, Targets Statement, June 2025 <https://www.aemc.gov.au/sites/default/files/2025-06/Targets%20statement%20June%202025.pdf>

Relevantly, AEMO indicates in the 2025 IASR:

- The ISP rules do not require AEMO to assess the merits or feasibility of such policies
- AEMO may explore the impacts of the policies, using sensitivity testing including testing the impact of delays in achieving the policy outcome
- Incorporate a change in policy, or a removal of a policy, in the assessment process, depending on whether the change is material, consultation outcomes, and the timing of the policy change announcement.⁶

The 2026 Panel notes that the option to incorporate a change in policy or target, together with the ISP's 2-year cycle which updates all the ISP inputs and assumptions, allows AEMO to adapt the ISP to changing policy directions. However, for AEMO to impose its own *ex-ante* view on the level of uncertainty or 'plausible' future policy changes by jurisdictions, as set out in the CIS's proposal⁷, will pose a much greater risk to consumer and investor confidence in the ISP outputs.

Setting policy 'targets' provides a clear signal to investors and consumers about the commitment to and direction of the transition process. As stated in the Federal Government's recent sector plan report: "*Electricity and Energy Sector Plan 2025*":

*"We need the private sector and the community engaged, investing, thinking, innovating and employing. The energy transformation will be driven by private investment at a scale not seen since the mining investment boom."*⁸

The 2026 Panel would add to this, that consumers also need this certainty as they, as investors in CER and DER also play a crucial role in the energy transition.

The current state of the energy market's emissions also necessitates ambitious GHG reduction targets over the next decade or so. A slow transition, with low or even moderate ambition, is not in the long-term interests of consumers even with a net-zero target as the slower the transition of the energy system, the greater the level of GHG accumulation in the atmosphere (absent a very strong and expensive investment in carbon capture and storage) driving up average temperatures.⁹

The 2026 Panel considers a slow transition process, particularly one which lacks clear policies, plans and targets, will increase the risks to the security, affordability and reliability of electricity supply to consumers. Existing infrastructure (such as coal

⁶ See AEMO, *2025 Inputs, Assumptions and Scenarios Report*, July 2025, p 29.

<https://www.aemo.com.au/energy-systems/major-publications/integrated-system-plan-isp/2026-integrated-system-plan-isp/2025-26-inputs-assumptions-and-scenarios>

⁷ CIS, *op cit.*, p 8.

⁸ DCCEEW, *Electricity and Energy Sector Plan*, 17 September 2025, p 18.

<https://www.dcceew.gov.au/climate-change/emissions-reduction/net-zero/electricity-and-energy-sector-plan>

⁹ This is because GHG, particularly CO² emissions that are in excess of the ability to store these gases either naturally or by man-made actions, can remain in the atmosphere for thousands of years.

generation) becomes less reliable and incurs higher maintenance and operating costs, and the signals for efficient investment in new generation investment will be muted.

Continuing to debate policies and targets regarding the pace and even necessity of reductions in GHG emission, and/or focussing on costs without consideration of the overall benefits (see following section) reduces investor and consumer confidence. It is likely to result in a ‘disorderly’ transition. Ultimately, this disorderly transition will impose higher – and increasing – energy and other costs which will largely be borne by consumers, while also increasing the risks to security and reliability of supply.

The CIS proposal, in contrast, seeks rule changes that would require AEMO to develop scenarios that include ‘plausible changes in policies’ and a ‘baseline scenario’ with no policies or targets.¹⁰ However, there is no indication on how AEMO would objectively assess the plausibility of each of the policies and targets or the potential impact of AEMO making such ‘political’ decisions on consumer and investor confidence in the ISP analysis.

The 2026 Panel does, however, believe there is a case for AEMO to establish more specific and rigorous criteria for determining if policies or targets **not specified** in the targets statements to be included in the ISP. For example, in its recent modelling of a pathway to net zero by 2050, Net Zero Australia adopted the following approach to inclusion of jurisdictional policies in its scenarios:

“The Current Policies Scenario (CPOL) models our assessment of the impact of current, significant policies on Australia’s projected energy system and its emissions. To do this, we do not attempt to model every announced State and Australian Government policy. Rather we include policies that we consider are likely to have a material impact on modelled emissions trajectories according to the following two criteria:

- 1. Include a funded mechanism to implement the policy..*
- 2. Make a significant contribution to the decarbonisation task...¹¹*

The 2026 Panel sees some benefit in AEMO introducing a ‘filter’ on the number of policies and targets included in the ISP although this filter should be objectively defined (e.g., define what counts as a significant contribution to the decarbonisation task). The Panel also believes there is value in AEMO requiring (for items not included in the target statement) a published cost-benefit study on any policy/target before it is included in the additional list. This too would add some transparency in the decision making while maintaining AEMO’s independence.

¹⁰ See CIS, op.cit., pp 8-9 for details of the proposed rule change.

¹¹ Net Zero Australia, *Methods, Assumptions, Scenarios and Sensitivities*, 24 September 2025, p 19. See also Table 11, pp 21 for details of policies and targets included in the analysis.
<https://www.netzeroaustralia.net.au/wp-content/uploads/2025/09/NZAu-Methods-Assumptions-Scenarios-and-Sensitivities-24-09-2025.pdf>

System Costs

CIS's proposed rule changes require AEMO to assess the 'whole of system costs' of the total package of policies and targets, and to also assess the individual energy and environmental policy costs. The 2026 Panel considers the proposed rule changes are both too complex and too narrow in the scope of the cost analysis.

For example, any proposal or analysis that merely focusses on costs, is too narrow to be useful for decision makers and consumers alike. The appropriate analysis should include an assessment of **both the costs and the benefits of the policy**, as set out for instance in the AER's Cost Benefit Guideline (CBA).¹² The 2026 Panel also points to the extensive ISP Methodology Review that AEMO conducted in early 2025 with significant consultation on changes to the methodology. The review included a substantial section on AEMO's 'cost benefit analysis' methodology. The final report states:

"The appropriate test for that investment [in the optimal development path] is a transparent CBA approach that considers the costs and benefits of alternative development paths, and the robustness of those paths to different futures."¹³

Moreover, the 2026 Panel prefers that the overall responsibility for assessing the individual policy costs and benefits sits with the jurisdiction proposing the policy, rather than with AEMO. The 2026 Panel therefore supports the recommendation of the August 2025 Productivity Commission's (PC) report which states:

"The Australian, state and territory governments should improve the transparency of emissions-reduction policies by consistently including estimates of their cost-effectiveness in impact analysis."¹⁴

and

"The Australian Government should require that all significant new emissions reduction policies are accompanied by a published cost-effectiveness estimate that clearly identifies:

- *the costs created by the policy, such as those associated with switching from emissions-intensive activities to clean ones as well as any fiscal costs*
- *any benefits created beyond emissions reduction such as innovation spillovers, fuel cost savings and in the case of electricity reliability benefits*

¹² See AER, *Cost Benefit Analysis Guideline*, November 2024. The Guideline does not specifically address the costs and benefits of targets and policies, but it does provide a useful guide to the principles of CBA. <https://www.aer.gov.au/industry/registers/resources/guidelines/cost-benefit-analysis-guidelines>

¹³ AEMO, *ISP Methodology, for the Integrated System Plan (ISP)*, June 2025, p 89. https://www.aemo.com.au/-/media/files/stakeholder_consultation/consultations/nem-consultations/2024/2026-isp-methodology/isp-methodology-june-2025.pdf?la=en

¹⁴ Productivity Commission, *Investing in cheaper, cleaner energy and the net zero transformation*, August 2025, p 29. <https://www.pc.gov.au/inquiries-and-research/net-zero/>

- *the reduction in emissions that the policy will deliver.”¹⁵*

In addition, the proposed rule changes add greatly to the complexity of the ISP without clearly adding value over and above using the existing mechanisms to assess risks of over or under investment.

For example, it requires AEMO to construct a ‘baseline’ scenario with no policies or targets, then to consider the total impact on costs of policies and targets (noting the risk of double counting) and of each policy and target independently. The Panel has noted above, that in contrast to the CIS proposal, the AER’s CBA and the ISP Methodology provide a clear framework for AEMO to assess the cost-benefit impact of inputs and assumptions, including policy inputs if they are deemed significant to the selection of the optimal development path in the ISP.

More generally, the Panel is concerned with the number of reviews of the ISP and the growing complexity of the ISP, accompanied by expectations that the ISP, and the rules associated with the ISP, should be used to address specific objectives outside its remit. We are also concerned that the efficacy of the ISP and the ability of AEMO to deliver quality and well substantiated outcomes might be compromised by an ever-expanding number of items for inclusion.

While the 2026 Panel supports the important changes to the ISP arising from the Energy and Climate Change Ministerial Council response to the 2024 review of the ISP¹⁶, we consider any further ISP related rule changes should be considered as part of the recommendations arising from the AEMC’s 2027 ISP review. We do not see any reason to determine any rule changes arising from the CIS proposal prior to the overall review recommendations,

This advice to the AEMC is consistent with the 2026 Panel’s response to the Final 2025 IASR. The Panel said:

“Growing complexity of the ISP: The Panel is aware of the very substantial increase in the complexity of the 2026 ISP compared to its predecessors and therefore the increased requirements for data collection and modelling frameworks. This increase in complexity arises not only from the increased demands of policy makers and other stakeholders. It also reflects the need to capture the rapid changes in factors that impact on electricity usage. We therefore commend AEMO in its efforts to adapt its approach to accommodate these changes in its forecasting and methodology.

¹⁵ Ibid, p 31.

¹⁶ See Energy and Climate Change Ministerial Council at <https://www.energy.gov.au/sites/default/files/2024-04/ecmc-response-to-isp-review.pdf>

As constructive as AEMO's work has been in responding to the growing complexity of the ISP development process, the growing complexity is also a dilemma for consumers and stakeholders and their capacity to engage with the ISP process. The IASR for the 2026 ISP has generated 4 substantial draft reports (IASR stage 1, IASR stage 2, ENOR, GIOR) where for the 2024 ISP there was a single draft IASR and a Transmission Expansion Options Report what was the pre-cursor to the ENOR. Whilst it is understood that ISP will not become a simpler plan, the diminishing capacity for meaningful consumer and some stakeholder engagement needs to be addressed.”¹⁷

There are other AEMO reports (ESOO, GSOO et al) and various transmission planning documents all of which are subject to consultation and provide information that is relevant to investors and consumers alike.

As a result, if the AEMC decides to proceed with any rule changes (albeit preferable rules), then the 2026 Panel supports the AEMC's approach set out in the Consultation Paper to assess the CIS rule change proposal in the context of the AEMC's statutory requirement to review the ISP by July 2027. The AEMC states:

*“Given this requirement, and the interrelated nature of the rule change request submitted by the proponent, the Commission intends to commence a review of the ISP framework before the end of 2025 to run in parallel with this rule change process”.*¹⁸

The 2026 Panel goes further. We consider the issues raised by the CIS, and the associated rule change proposals, do not warrant a separate and earlier determination of any rule change (other than a determination that says 'no change'). We are therefore somewhat concerned that the timetable set out in Figure 1.1 (p 6) of the Consultation Paper indicates the AEMC plans make a draft determination by 10 March 2026 and a final determination by 23 July 2026.

As stated above, the 2026 Panel does not consider that any rule change is required in the form presented by the CIS. However, if the AEMC considers that a rule change is required to address the issues raised by the CIS, the 2026 Panel would much prefer any rule changes arising from the CIS proposal to form part of a package of recommendations from the AEMC's 2027 Review. In our view, this is preferable to a separate suite of rule changes in mid 2026.

The Panel also recognises that the 2024 ISP Consumer Panel was quoted in the CIS rule change proposal,¹⁹ and confirms that the quotes accurately reflect matters that the 2024 Panel raised in its submission. We agree with CIS that these are important matters that require careful debate. It cannot be interpreted, however, that our common

¹⁷ https://www.aemo.com.au/-/media/files/major-publications/isp/2025/2026-isp-consumer-panel-final-2025-iasr-response.pdf?rev=915d95ccfef44529a59a98928f883364&sc_lang=en. Pages 32,33

¹⁸ AEMC, Consultation Paper, op cit., p 4.

¹⁹ CIS proposal, op cit., pp 2-3.

concerns with the selection of policies for inclusion in the 2026 ISP, and with the importance of assessing the costs – and the benefits - of policies and targets leads to the Panel agreeing with the CIS solutions as identified in its rule change proposal.

This submission focuses largely on the overarching issues raised by the rule change proposal. We do not consider it to be our role to respond in detail to all the questions set out in the Consultation Paper. However, we have responded directly to a few of the questions put by AEMO in the section below. Our responses expand on the commentary above.

In addition, we are happy discuss relevant matters with AEMC and can be contacted through: ISP@aemo.com.au

Response to AEMO's questions

Q1: 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 Panel recognises that AEMO has correctly adopted the jurisdictional targets and policies in the 2025 IASR in line with the items identified in the AEMC's July 2025 targets statement. AEMO also includes jurisdictional policies that align with the requirements for inclusion of policies that are not part of the target statement (as per NER clause 5.22.3(b) 2.)

We note, however, that since the publication of the IASR, there have been significant policy announcements by jurisdictions, including the publication of the following:

- the Victorian Transmission Plan (August 2025) ²⁰
- the Queensland Government's Energy Road Map (October 2025)²¹
- the Australian Government's Powering Australia plan²² including the Electricity and Energy Sector Plan.²³

It is important that AEMO reviews each of these key developments in the Draft ISP (due in December 2025) as part of selecting the relevant policies and targets, despite the limited time available to do this.

Q2: Do you consider that the current approach increases the risk of over-investment or early investment in transmission?

The 2026 Panel considers that AEMO has made considerable progress in its response to recent reviews of the ISP. AEMO has consulted widely on the methodology and the

²⁰ See: <https://engage.vic.gov.au/victransmissionplan>

²¹ See: <https://www.treasury.qld.gov.au/policies-and-programs/energy/energy-roadmap/>

²² See <https://www.dcceew.gov.au/energy/strategies-and-frameworks/powering-australia#energy>

inputs and assumptions in the 2026 ISP. Important changes include updated ‘descriptions’ of the three ISP scenarios, the significant reductions in hydrogen forecasts and the upgraded forecasts of electricity demand for data centres.

AEMO has also undertaken deeper investigation of the CER market and the capacity in the distribution network to host greater levels of CER export, albeit there is more work to be done in these areas.

We also expect that AEMO can test the impact of different policies using existing modelling capabilities such as sensitivity testing. Also, statistical mechanisms such as the ‘least-worse weighted regrets’ and ‘take-one-out-at-a time’ (TOOT) analysis may provide some insights, although not traditionally used for the current purposes. None of these checks require changes in the rules.

AEMO also continues to work closely with transmission businesses and jurisdictional planners and increasingly with distribution networks to explore efficient options. The ISP is, after all, an optimisation exercise (producing an optimal development path (OPD) from a set of candidate development paths (CDPs)).

We consider these developments and modelling capabilities, taken together, reduce the risk of over- or under-investment.

Q5: What are your views on the role the ISP should play in the development of the energy sector and the way in which it can best support achievement of the NEO?

The ISP plays an important role in the development of the energy sector, particularly in the face of ageing generators and growing electricity demand. It provides a ‘roadmap’ for the least-cost transition to a renewable energy, low emissions-based economy; a roadmap with constraints and ‘signposts’ to drive orderly investment in the transition.

This is the reason why targets are so important. A road map needs to define the start and the endpoint. Without a target, even if the target seems ambitious, there is nowhere for the road to go to – it wanders, it is disjointed and without direction. It adds to the uncertainty for both consumers and investors.

Q6: What are your views on the proposed solution to include a baseline scenario and plausible changes in government policy in the ISP?

A baseline scenario with no jurisdictional policy constraints serves no purpose in the ISP. If there are no policy directions or targets to define the overall objective for the energy system, there is no need for a transition plan such as the ISP; muddling along will be a sufficient, and we expect the only available approach, albeit it’s an approach that carries considerable risks to consumers and investors.

In terms of ‘plausible changes in policy’, as stated previously, the Panel does not believe AEMO should be making such assessments as part of the inputs to the ISP modelling.

AEMO can, however, test the impact of different policies using existing modelling capabilities such as sensitivity testing for which there is no need for rule changes.

Q7: Should additional cost categories be included in the ISP?

The 2026 Panel supports the ‘relevant considerations’ listed by the AEMC in the consultation paper.²⁴

The Panel also makes the following additional responses to this question.

- (1) The assessment of the costs should be complemented by assessment of the benefits of a proposal. The Panel notes that many benefits extend beyond the electricity sector, which further complicates any assessment by AEMO.
- (2) The proposed inclusion of costs for CER ignores the key elements of consumer decision making which include non-cost factors such as independence from the grid, sustainability and additional supply security.
- (3) The list of cost categories proposed by the CIS is incomplete. For example, the list includes the costs of ‘recycling and disposal of renewables’ but fails to include the cost of end-of-life remediation of coal generators or the costs to consumers of increased maintenance and unreliable performance of ageing coal generators.
- (4) The list does not include reference to the costs of accelerated climate change and the impact of this on the long-term interests of energy consumers, including affordability of energy in the face of growing threats to the integrity of the network and performance of generators.

Q10: What are the key implementation considerations?

From the 2026 Panel’s perspective the key implementation considerations relate to the additional complexity that the proposed rule changes make to the ISP modelling. This complexity is not only about the requirement to test the total ‘whole of system’ of all the policies collectively. The proposal also directs AEMO to test each policy or target individually. This approach could ultimately include an unlimited and unwieldy number of potential policies to analyse, an outcome which would result in less rather than more transparency on the selection of the optimal development path.

While we argue above that the AEMC should not proceed with the proposed rule changes, if it chooses to do so, it should do so only in the context of the statutory requirement to review the ISP (commencing in 2025). This is in preference to the AEMC making a separate (if parallel) determination as suggested in the Consultation Paper.

²⁴ AEMC, Consultation Paper, p 15.

It also places AEMO in the position of determining the of a policy or target when it has no control over the measures required to achieve the targeted outcome. As we highlight above, requiring AEMO to make such an explicit judgement on 'plausibility' risks a loss of confidence in the ISP outcomes.

However, we encourage AEMO to use tools such as sensitivity testing and statistical analysis of the optimal development path to highlight policies with the potential for significant positive or negative impacts.

It is the role of government to set (sensible) policy and to have tested and published the costs and benefits of their policies. In our view, it is the role of AEMO, to work to those policies, while using its current approaches to highlight the impacts of significant policy developments on the transition plan.