

6 November 2025

Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2000

Lodged electronically

Dear Ms Collyer,

Clarifying the treatment of jurisdictional policies and system costs in the ISP

Nexa Advisory welcomes the opportunity to respond to the AEMC's *Clarifying the treatment of jurisdictional policies and system costs in the ISP* Consultation Paper (ERC0406).

Nexa is an advisory firm with an unwavering focus to accelerate the clean energy transition in a way that provides secure, reliable, and affordable power for consumers of all types. Nexa Advisory is a team of experienced specialists in the energy market, policy and regulation design, stakeholder engagement, and advocacy. We work with public and private clients including renewable energy developers, investors and climate impact philanthropists to help them get Australia's clean energy transition done.

Introductory remarks

The Integrated System Plan (ISP) remains a critical planning and system design roadmap for the National Electricity Market (NEM) and a vital tool which informs investors, policy makers and broader industry as we progress Australia's clean energy transition.

We've recently discussed that jurisdictional targets have provided a clear anchor for investment decisions and a measurable trajectory for emissions reduction¹. However, jurisdictional derogations have resulted in a divided approach to system planning – where NEM states are developing their own transmission plans. This risks less transparent and rigorous planning compared to the national ISP process. Additionally, a lack of alignment with the ISP could increase project duplication, raise consumer costs and create inefficiencies in grid development.

However, the onus for developing and legislating policies which best meet the needs of Australians must remain on governments; it is not the role of the AEMC or AEMO to hold government policy to account.

We support the AEMC in upholding the purpose of the ISP as a planning document, rather than to inform or set policy. This reflects the importance of AEMO remaining independent within its system planning and operation roles, and policies of the state or federal governments being informed by their own cost-benefit assessments.

¹ Nexa Advisory, [Nexa Advisory Submission – Queensland Energy Roadmap Amendment Bill 2025](#), October 2025

Additionally, while we agree that there is need for AEMO to continue to develop the ISP Methodology to provide more holistic whole-of-system costs – this is possible through the development of the ISP Methodology, without need for this rule change.

Certainty around coal closures

There is broad recognition in Australia of the urgent need to build adequate capacity to replace our ageing and unreliable coal-fired generation fleet and ensure energy security, reliability and affordability.

There also remains uncertainty around coal-fired power station retirement - a key barrier which continues to be adversely impacted by state government decisions^{2,3} and rule changes⁴. The lack of clarity around coal retirements is also deterring investment in the storage assets because revenue streams are uncertain and difficult to model.⁵

While the ISP should provide a clear roadmap of the investment in transmission and generation needed to manage these coal exits, we note there is currently no accountability structures established, or a strategic roadmap that outlines what it would take to close the coal power stations when they reach end of life.

We have previously recommended that a ministerial declaration on the dates for coal-fired power stations to cease operation is needed to address this uncertainty for owners and operators, AEMO (as the power system and market operator), and developers of new generation and storage projects⁶. Additionally, this should be coupled with a closure framework mechanism that facilitates a transparent and coherent process for managing the retirement of thermal generators.

Certainty around transmission delivery

The factors contributing to the slow transition are many and complex, but a key issue is the ongoing delays to delivering new transmission projects, particularly interconnectors^{7,8}.

We have previously discussed that although the ISP provides a plan of the key transmission project we need, there remains no accountability to deliver these projects in line with the optimal timing identified by AEMO⁹. Our previous work outlined that delivery dates of actionable ISP projects have continued to slip from when they have been originally identified – by an average of 3 years¹⁰.

We have argued that these changes to timings reflect a lack of accountability for Transmission Network Service Providers (TNSP) to deliver on time.

The ISP's Optimal Development Pathway (ODP) provides a transmission network development outlook which maximises net benefits for consumers and remains robust across the range of modelled scenarios. These timelines are not 'nice-to-haves' but are needed to connect the renewable generation and storage capacity that will replace coal-fired power stations and

² Nexa Advisory, [Orderly Exit Management Framework Draft Exposure Bill and Rule submission](#), July 2024

³ For example, the [NSW Government decision to extend Eraring coal power station](#)

⁴ AEMC, [Allowing AEMO to accept cash as credit support](#), October 2024

⁵ Nexa Advisory, [Energy Storage Financeability in Australia](#), March 2024

⁶ Ibid

⁷ Nexa Advisory, [We Plan and then Don't Build](#), May 2024

⁸ Nexa Advisory, [Supercharging Transmission Buildout](#), September 2024

⁹ Ibid

¹⁰ Nexa Advisory, [We Plan and then Don't Build](#), May 2024

ensure energy reliability after their closure. That is, uncertainty around the timing of transmission delivery remains a key investment risk and a major roadblock to ensuring an orderly and timely energy transition for Australian electricity consumers.

In addition to investment uncertainty, the risk of delayed delivery of actionable ISP projects also flows through to consumers. We have previously discussed that the delays result in higher wholesale electricity prices than ‘on time’ delivery, flowing through to higher consumer bills.¹¹

It is critical that AEMO clearly identifies the cost impacts of any delays in the timing of actionable projects, if expected timing continues to slip. While this is not intended to directly inform policy decisions, it should provide a clear signal that the failure to deliver transmission projects on time must be addressed^{12,13}.

As such, rather than undertaking ad hoc reviews on the ISP, we encourage the AEMC to focus on how AEMO can flag these delays and reforms that ensure these critical projects are delivered on time.

Recent changes to the ISP

Table 2 from the ISP Methodology Issues Paper¹⁴ demonstrates the areas which are being implemented following the previous Review of the ISP.¹⁵

Table 2 Proposed implementation for actions in the Energy Ministers’ response to the Review of the ISP

Action in the response to the Review of the ISP	Process for implementation				
	ISP Methodology	2025 Inputs, Assumptions and Scenarios Report (IASR)	2025 Network Expansion Options Report ^A	Enhanced Locational Information report ^B	Electricity Demand Forecasting Methodology
Integrating gas into the ISP	✓	✓			✓
Enhanced demand forecasting	✓	✓	✓		✓
Better data on industrial and consumer electrification		✓			✓
Optimising for the demand-side	✓	✓	✓		✓
Coal-fired generation shutdown scenarios	✓				
Improving locational information				✓	
Enhanced analysis of system security	✓	✓			
Jurisdictional policy transparency		✓			
Clarifying policy inclusions		✓			
Improving the accessibility of the ISP ^C					
Incorporating community sentiment		✓	✓		
Additional planning inputs		✓			

¹¹ Ibid

¹² Nexa Advisory, [The Consumer Cost of Transmission Delays](#), July 2024

¹³ Although not directly related to the ISP Methodology, this is an important consideration in AEMO amending their approach to actionable ISP project timing.

¹⁴ AEMO, [ISP Methodology Consultation](#)

¹⁵ Australian Government, [Review of the Integrated System Plan](#)

In line with these areas, we have previously discussed that there is an urgent need to better reflect the costs of augmenting the distribution network – to better reflect the value of CER and how it can be used to avoid capital-intensive network augmentations.¹⁶

Additionally, we recommended AEMO to consider whether a ‘near-end-of-life’ premium should be added to the outage rate of unreliable coal generators – given significant volatility and cost impacts of unplanned outages for these assets as they approach the end of their lives.¹⁷

We have also previously called for AEMO to clearly identify the cost impacts of any delays in the timing of actionable projects, if expected timings continue to slip¹⁸ (summarised below).

Costs of transmission delays and benefits of non-network solutions should be outlined in the ISP

As discussed above, uncertainty around the timing of transmission delivery remains a key investment risk and a major roadblock to ensuring an orderly and timely energy transition for Australian electricity consumers. In addition to investment uncertainty, the risk of delayed delivery of transmission projects also flows through to consumers¹⁹. These delays result in higher wholesale electricity prices than ‘on time’ delivery, flowing through to higher consumer bills.

However, rather than just imposing a cost on transmission options to reflect these drivers, we urge AEMO to reflect the upside opportunity and benefit of alternative non-network solutions. This should include virtual transmission options and market-led intra-regional proposals, which offer faster, lower-risk pathways to unlocking hosting capacity remain sidelined. AEMO’s treatment of these options is largely consultative and conceptual, rather than collaborative and embedded within scenario modelling.

Costs of distribution network development and benefits of CER

While AEMO has recently progressed towards better incorporating demand-side factors in the ISP, the benefits of CER and potential distribution services they provide are not substantively integrated into the planning framework or cost assessments.

Given the network is currently under-utilised (with average utilisation of 47 per cent in 2023²⁰), there is a clear need to ensure network assets are used more efficiently before additional investment is made by Distribution Network Service Providers (DNSPs), at a cost to their customers.

¹⁶ Nexa Advisory, [Nexa Advisory Submission - AEMC Improving consideration of demand-side factors in the ISP](#), November 2024

¹⁷ Nexa Advisory, [Nexa Advisory Submission – AEMO Draft 2025 IASR Stage 1](#), February 2025

¹⁸ Nexa Advisory, [AEMO ISP Methodology Issues Paper](#), November 2024

¹⁹ Nexa Advisory, [The consumer cost of transmission delays](#), July 2024

²⁰ Source: AER, [2024 Electricity and gas networks performance report](#), September 2024

Our extensive engagement to date has occurred within the existing ISP consultation process undertaken by AEMO. This demonstrates the ability for the ISP process to adapt over time, without needing ad hoc rule changes.

As such, we urge the AEMC not to proceed with this rule change and focus its efforts on the multitude of other reform areas currently underway.

Thank you for the opportunity to provide input into the Consultation Paper. We welcome the opportunity to further discuss any aspect of our submission - please contact either myself or Jordan Ferrari, Director - Policy and Analysis, jordanferrari@nexaadvisory.com.au.

Yours Sincerely

Stephanie Bashir
CEO and Principal
Nexa Advisory