6 November 2025

Anna Collyer
Chair
Australian Energy Market Commission

Lodged via email: www.aemc.gov.au

Dear Ms Collyer,

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

Origin Energy Limited (Origin) welcomes the opportunity to provide feedback on the *Clarifying the treatment of jurisdictional policies and system costs in the Integrated System Plan (ISP)* rule change consultation paper.

The ISP plays a central role in the National Electricity Market (NEM) by identifying an optimal, least-cost development path (ODP) for the transmission projects necessary to support Australia's energy transition. As state-led schemes and national policy objectives increasingly shape investment across the power system, this role has become more complex and important for ensuring coordination and efficiency.

Origin supports the intent of this rule change to strengthen the transparency and robustness of the ISP, particularly given its influence in guiding investment decisions and system planning across the NEM. We also support the AEMC's decision to consider this rule change alongside the broader ISP Review, as many of the issues raised necessarily go to the core of AEMO's role and the purpose of the ISP under the National Electricity Rules (NER).

The ISP remains an essential planning document for coordinating interconnector development, identifying long-term system needs, and providing the system-wide view required for an efficient transition. Within the existing scope of the ISP framework, the plan's robustness and transparency can be enhanced through:

- More comprehensive scenario and sensitivity testing to better reflect delivery and policy risks;
- Continued publication and collation of credible cost information; and
- Clearer communication of the practical and implementation challenges affecting the ODP.

However, any fundamental change to AEMO's role or the ISP's purpose—such as assessing policy deliverability or modelling whole-of-system costs—should be addressed through the ISP Review to ensure reforms are necessary, feasible, and consistent with AEMO's statutory remit.

Origin looks forward to working with the AEMC and AEMO through both this rule change and the broader ISP Review to ensure the ISP continues to serve as a transparent, robust and coordinated planning framework for the NEM.

1. The ISP's Role and Scope *(addresses Questions 1, 2 and 5)*

Current Approach and Context

The treatment of jurisdictional policies in the ISP has evolved considerably. Initially, because such policies were outside the scope of the NER, AEMO did not incorporate them into the ISP. This led to a lack of coordination between generation and transmission investment and a disconnect between state, Commonwealth and NEM-level planning. As a result, transmission development often lagged behind generation investment signals, leading to sub-optimal outcomes for the market.

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To address this, subsequent ISPs began incorporating committed jurisdictional policies to improve alignment between transmission planning and state-based renewable energy and decarbonisation initiatives. However, since that time, the landscape has shifted substantially. New South Wales, Victoria and Queensland have each introduced their own transmission planning frameworks—such as Renewable Energy Zone (REZ) development schemes and dedicated transmission authorisations—that now drive most intra-regional investment. Interconnectors remain primarily within AEMO's remit, but even here state governments have taken a more active role (for example, Project EnergyConnect forming part of the NSW South-West REZ, and Victorian derogations for the VNI West project).

As a result, transmission investment is now largely determined by jurisdictional frameworks, reducing the ISP's direct influence over timing and scope. Many of the issues identified in the consultation paper—including perceived risks of over- or early-investment—therefore stem from this evolving governance environment rather than from AEMO's current treatment of jurisdictional policies.

<u>Role of the ISP and Policy Integration</u>

Origin considers that the ISP should continue to incorporate jurisdictional policies, recognising their central role in shaping future market outcomes. Excluding them would risk:

- Producing a transmission plan misaligned with real-world investment drivers;
- Undermining coordination between jurisdictional and national planning processes; and
- Encouraging further derogations from the NER framework.

However, the ISP should also model plausible alternative futures, including delayed, modified, or partially delivered policies and targets. This would provide a more realistic view of risks and improve the resilience of system planning.

Origin supports the AEMC's consideration of how scenario and sensitivity testing can best reflect these practical risks. We do not support requiring AEMO to assess the *deliverability* or *probability* of jurisdictions meeting their policy targets, as this would represent a material and inappropriate expansion of its remit. AEMO's focus should remain on the system implications—for example, how different rates of transition affect transmission needs and reliability—rather than policy credibility.

2. **Scenario Modelling and Sensitivity Analysis** *(addresses Questions 2 and 6)*

The ISP is designed to plan for an uncertain future. Its strength lies in testing multiple credible scenarios for plausible futures rather than predicting a single outcome.

Origin does not consider that AEMO's current approach to incorporating jurisdictional policies in the ISP materially increases the risk of over- or early-investment in transmission. As mentioned, transmission build is now primarily driven by jurisdictional planning and targets. The underlying risk of over- or early-investment, to the extent it exists, would largely rest with these plans, and not the ISP.

That said, the ISP could more effectively capture credible risks to the delivery of jurisdictional policies and targets—including delays driven by supply chain constraints, workforce limitations, approvals, and community engagement. While AEMO includes some delay sensitivities, they are often narrow and insufficient to convey the full range of outcomes.

An explicit requirement to enhance the scenario framework and sensitivity analysis to better reflect these credible risks would strengthen the robustness of the ODP, improve transparency, and provide valuable insights for investors and governments—without extending AEMO's role into assessing government policy effectiveness. Scenarios and sensitivities should test:

- Delays or partial achievement of jurisdictional policies (both state and national policies);
- Variations in renewable build trajectories due to supply-chain or workforce constraints; and
- Alternative technology pathways reflecting shifts in cost, policy, or social licence.

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This expanded scenario and risk analysis approach would strengthen the ISP's credibility and provide actionable insight for governments and investors to help achieve jurisdictional targets and mitigate against potential delivery risks.

Origin also supports including a scenario where some policy elements are delayed or absent provided it is used for comparative analysis. AEMO should remain neutral and avoid assessing the likelihood of any specific government target being met.

3. **Costs and Transparency** *(addresses Questions 3, 4, 7 and 8)*

Consideration of Costs

The ISP's cost-benefit framework, derived from the Regulatory Investment Test -Transmission (RIT-T), appropriately focuses on identifying the least-cost transmission pathway.

Expanding the analysis to include "whole-of-system" costs—such as consumer energy resource deployment, distribution network investment, or recycling and decommissioning—would represent a major shift in the ISP's role and purpose. It could blur the boundaries between transmission system planning and broad policy setting.

Related work underway through the *Integrated Distribution System Planning* (IDSP) rule change[1] should also be considered in parallel, to minimise duplication and ensure a coherent approach across system levels. The IDSP rule change is focussed on enhancing distribution network transparency—particularly around cost reporting and data availability—through the distribution network service providers (DNSPs), which may be a more appropriate body to lead such work given their direct role in local network planning and investment.

Origin recognises the value of understanding broader system costs but considers these issues more appropriately explored through the ISP Review. Any potential expansion must be evaluated for feasibility, desirability, and consistency with AEMO's statutory role.

Publication of Cost Information

Origin supports greater cost transparency where this can be achieved using credible and accessible data. The ISP already publishes substantial information through the *Inputs, Assumptions and Scenarios Report (IASR)*, transmission cost database, and supporting reports such as CSIRO's GenCost Reports.

Additional publication of cost information could enhance stakeholder understanding, provided it remains practical and proportionate. However, AEMO is not best placed to estimate the costs of jurisdictional policies, given the scope of its system planning role. Jurisdictional policies are broader in scope than transmission planning (e.g. they can involve costs associated with underwriting schemes) and rely on modelling including confidential inputs that may not be available to AEMO.

A pragmatic approach would be for AEMO to reference or collate cost information published by jurisdictions, rather than attempting to estimate these costs itself. This would improve transparency without expanding AEMO's mandate or duplicating existing work.

4. **Implementation and Assessment** *(addresses Questions 9 to 11)*

Costs and Benefits

[1] Integrated distribution system planning, AEMC, *https://www.aemc.gov.au/rule-changes/integrated-distribution-system-planning*

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Potential benefits of the proposed changes include improved transparency and stakeholder understanding of system costs. These benefits must be weighed against the risk of increased complexity, extended modelling timeframes, and blurred accountability.

The principal cost of expanding AEMO's remit would be greater resource demands and potential confusion about roles between AEMO, jurisdictions, and the AER. These trade-offs should be carefully examined through the ISP Review before any rule changes are made.

<u>Implementation Considerations</u>

Key implementation factors include:

- Alignment and sequencing with the ISP Review and the 2026/2028 ISP timetable;
- Coordination with jurisdictional planning frameworks and AER guidelines;
- Clarity around AEMO's remit and resourcing; and
- Avoiding reforms that could undermine investor confidence through uncertainty in planning roles.

<u>Assessment Criteria</u>

Origin supports the AEMC's proposed assessment criteria as appropriate and comprehensive, and recommends that their application prioritise practicality, proportionality, and alignment with the broader objectives of the ISP Review.

If you wish to discuss any aspect of this submission further, please contact Megan Findlay at Megan.Findlay@originenergy.com.au.

Yours sincerely,

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