Australian Energy Market Commission

AEMC
Australian Energy Market Commission

REVIEW

Consultation paper

Review of the Integrated System Plan framework

18 December 2025

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About the AEMC

The AEMC reports to the energy ministers. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the energy ministers.

Acknowledgement of Country

The AEMC acknowledges and shows respect for the Traditional Custodians of the many different lands across Australia on which we live and work. The AEMC office is located on the land of the Gadigal people of the Eora nation. We pay respect to all Elders past and present, and to the enduring connection of Aboriginal and Torres Strait Islander peoples to Country.

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Summary

1 The Australian Energy Market Commission (AEMC or Commission) is commencing its review of the Integrated System Plan (ISP) framework (the Review) in the midst of a challenging energy transition. The energy system is undergoing a transformation as it shifts from a generation fleet of predominantly large, thermal generators towards one that is based on more distributed, renewable energy and storage.

2 The Australian Energy Market Operator's (AEMO) ISP has played a central role as a long term guide to, and network plan for, the efficient development of the electricity system since 2018. It has evolved over time and the ISP today, and its place within the broader electricity network planning frameworks, reflects a number of reviews and reform processes. These have aimed to ensure the ISP keeps pace with the evolving context of the energy transition.

3 The ISP is distinct from many other long-term electricity network plans because it includes the actionable ISP framework. This makes it both a long term plan for the future, covering a 20-year plus planning horizon, and a trigger for giving effect to its outputs through the regulatory framework. It is a trusted source of advice for the market, supporting investment decisions and informing business planning.

4 This Review is a National Electricity Rules (NER) requirement and presents an important opportunity to assess how the ISP framework best contributes to achieving the national electricity objective (NEO).

5 We acknowledge at the outset of the Review that coordinating the preparation, development and delivery of the ISP is challenging. We also recognise that because the future energy system is shaped by complex, rapidly changing or uncertain factors – including demand growth, technology costs, consumer behaviours, and market trends – the process of modelling potential futures is complex. However, the ISP's role in a regulatory, policy and investment context means it is critical that AEMO has available and makes use of the best possible information, that its outputs are accurate within reason, and that stakeholders can engage with and understand its conclusions.

6 The Commission published a Terms of Reference for the Review on 9 October 2025.[1] This consultation paper is the first formal stage in our review process, and we are seeking your feedback on how we propose to approach this review, and the key issues that the review should explore to ensure the ISP best contributes to the long-term interests of consumers. We welcome submissions by **19 February 2026**.

We are reviewing the rules that make up the ISP framework

7 We are required to complete a review of the ISP framework by 1 July 2027.[2] This framework is set out in rules 5.16A, 5.22 and 5.23 of the NER and described at a high level below.

1 See the AEMC website for more information.
2 NER clause 11.126.10.

Table 1: Rules constituting the ISP framework and subject to review

Rules	High level description
5.16A	Application of the Regulatory Investment Test for Transmission (RIT-T) to actionable ISP projects
5.22	Content, methodology and governance of the ISP: • Purpose of the ISP • Power system needs • Document requirements • Relevant market benefits and costs • ISP timetable • ISP consumer panel • Transparency review
5.23	Dispute resolution

Source: AEMC.
Note: This is a non-exhaustive list of matters covered by the respective rules.

8 We explore each of those rules that make up the ISP framework, and how they are put into practice, in more detail in this consultation paper, including:

- The origins of the ISP
- Its evolution over time to meet changing needs
- How AEMO brings together information to undertake joint planning and in turn informs other processes
- The multi-step process for developing the ISP
- The interaction between the economic assessment process and the ISP, and
- The importance of consultation, transparency and dispute resolution.

9 We acknowledge that significant work has been conducted in recent years through review and inquiry processes that touch on the ISP, as well as the efficient delivery of transmission infrastructure, such as the Commonwealth Department of Climate Change, Energy, the Environment and Water's (DCCEEW) review of the ISP on behalf of the Energy and Climate Change Ministerial Council (ECMC).[3]

10 Stakeholder views will help inform our scope and approach to the Review. We welcome views throughout this process on potential changes to the ISP, as well as the costs, benefits and implementation considerations of making changes.

11 Equally, we will use the review process to highlight what works well and should be maintained. After completing this stage of the Review we will refine the scope to ensure any recommendations we make can be impactful.

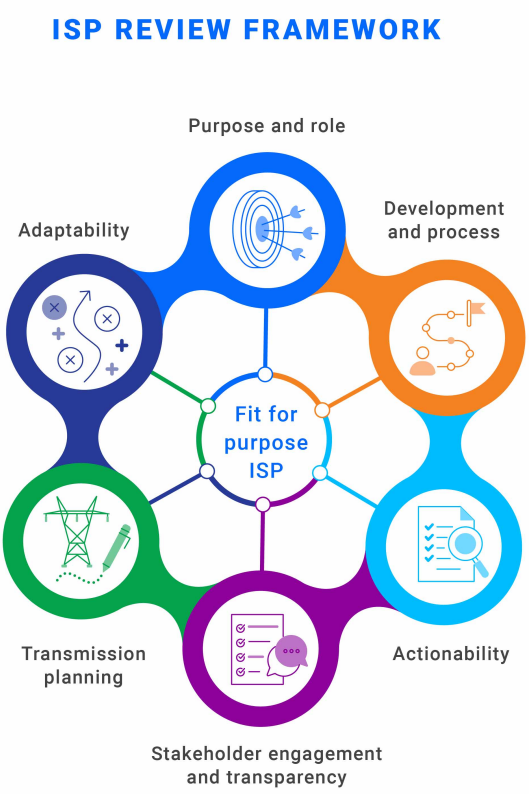
3 Department of Climate Change, Energy, the Environment and Water (DCCEEW), *Review of the Integrated System Plan - Final Report*, January 2024.

We are also seeking your views on our proposed thematic approach to the Review

12 We have outlined a proposed approach to guide our consideration of matters throughout the Review. This framework encompasses the rules that we are required to examine through this process and groups key aspects of the ISP rules framework thematically.

13 Our proposed approach is outlined below in Figure 1:

Figure 1: Thematic approach to the ISP Review



Source: AEMC.

14 We have included some examples below of the types of matters that may be captured under these themes and which are explored further in chapter 3

Table 2: Illustration of matters using our thematic approach to the Review

Themes	Example matters in scope
• Purpose and role	• Rules governing the purpose of the ISP and how this reflects the role or usages of the ISP.
• Development and process	• The contents of the ISP and its preparation, as well as the AER guidelines that support the development of the ISP.
• Stakeholder engagement and transparency	• The role and function of the ISP consumer panel, dispute resolution, as well as consumers' ability generally to engage with the ISP.
• Transmission planning	• Joint planning arrangements and whether they remain fit for purpose in the context of jurisdictional network planning frameworks.
• Actionability	• The economic assessment framework as it applies to actionable ISP projects.
• Adaptability	• The resilience of the ISP to changing circumstances and the ISP update mechanism.

Source: AEMC.

15 The Commission welcomes feedback on our conceptual approach. We acknowledge that stakeholders may raise issues that fall outside the themes we have identified, and we will take this into account.

We consider that there are four assessment criteria that are most relevant to this review

16 Considering the NEO[4] and the scope of the review, the Commission proposes to assess the review's recommendations against four assessment criteria.

17 Please provide feedback on our proposal to assess the review's recommendations against the following criteria:

- **Safety, security and reliability** - We will consider whether our recommendations would enable the reliable, secure and safe provision of energy at an efficient cost to consumers over the long term. We will also consider whether our decisions promote the efficient operation and use of, and investment in, generation facilities, load, storage, networks and other system service capabilities.

4 Section 7 of the NEL.

- **Emissions reduction** - We will consider whether our recommendations would efficiently contribute to achieving government targets for reducing Australia's greenhouse gas emissions.
- **Implementation consideration** - We will consider the practicality of developing and implementing proposed recommendations, including how they may interact with other reforms and how they would apply across NEM jurisdictions. We will also consider the cost and complexity of implementing recommendations, including ongoing regulatory and administrative costs.
- **Principles of good regulatory practice** - We will consider if our recommendations promote predictability and stability in the regulatory framework, underpinned by a principles-based approach. We will also consider the broader direction of our proposals with other reforms underway and whether our recommendations provide transparency for all stakeholders.

Submissions are due by 19 February 2026 with other engagement opportunities to follow

18 We value your feedback and input to the Review and there are multiple options and opportunities to provide your feedback throughout the review process.

19 Written submissions responding to this consultation paper must be lodged with Commission by 19 February 2026 via the Commission's website, www.aemc.gov.au.

20 There are other opportunities for you to engage with us, such as one-on-one discussions or industry briefing sessions. See the section of this paper about "How to engage with us" for further instructions and contact details for how to contact the project team.

We have a package of ISP related work underway

21 This Review is progressing alongside a rule change request on *Clarifying the treatment of jurisdictional policies and systems costs in the ISP*.[5] The rule change request proposes changes to the way jurisdictions' emissions reduction targets and policies are incorporated into the ISP, the categories of costs that are considered in the analysis, and the information that is published regarding costs.

22 The Commission considers that progressing these two projects as a package will enable us to consider issues holistically, and identify and explore relationships between issues. It will also enable issues raised through consultation to be progressed through the most appropriate process and give stakeholders a holistic view of our ISP related work.

5 Centre for Independent Studies, *Rule Change Request: Making the ISP robust to policy change and clear on costs*, 31 October 2024.

Full list of consultation questions

Question 1: Do stakeholders agree with our proposed thematic approach to the Review?

If not, what alternative approach do you suggest?

Question 2: Do you consider that the purpose of the ISP is accurately reflected in the rules? Are changes needed to the rules to reflect this?

What implications would need to be considered if the ISP's purpose were to change?

Do you distinguish between the purpose and role (or uses) of the ISP?

Question 3: Do you think the rules strike the right balance between prescription and flexibility for AEMO in developing the ISP?

If not, what would you recommend changing and why?

What are the potential costs, benefits and implementation considerations of any changes?

Question 4: Do you have views on how the economic assessment process applies to ISP projects and are there opportunities to improve it?

What are the potential costs, benefits and implementation considerations of any improvements?

Do you think the framework sufficiently balances timeliness and flexibility with rigour?

Do you think the economic assessment process reforms included in TPIR are a useful basis for any improvements to the RIT-T? If not, why not?

Question 5: What are your views on the ISP dispute resolution process?

Are there barriers to its use?

Could potential issues be resolved through other consultation processes during the ISP development process?

Question 6: Do you think the rules provide for meaningful stakeholder engagement to inform the development of the ISP?

Do you have views on the role and function of the ISP consumer panel?

Does the increased scope of the ISP present challenges for stakeholder participation? If so, how could they be addressed?

Are the transparency mechanisms in the rules still fit for purpose?

Question 7: Do you have views on the timeliness and quality of joint planning information provided to AEMO?

Are changes needed to improve the joint planning process?

Is there duplication that could be addressed or streamlined?

Question 8: Do you think the ISP framework is flexible enough to adapt to new information in a timely way?

Does AEMO have access to the necessary inputs to develop an ISP that is robust and resilient to changing circumstances?

Are the existing ISP update clauses useful?

Question 9: What do you consider to be the key strengths of the ISP framework that should be preserved through the Review?

What is the importance or value of these aspects of the framework?

Question 10: What reform(s) do you think the Commission should prioritise through the Review?

What are the costs, benefits and implementation considerations of any suggested reform(s)?

Question 11: Are there other issues or areas that we have not identified that you think should be a focus of the Review?

What is the impact and how material is the issue?

How would you suggest resolving it?

Question 12: What do you think about our proposed assessment framework?

Do you agree with the proposed assessment criteria? Are there additional criteria that the Commission should consider or criteria included here that are not relevant?

How to make a submission

We encourage you to make a submission

Stakeholders can help shape the recommendations by participating in the review process. Engaging with stakeholders helps us understand the potential impacts of our recommendations and, in so doing, contributes to well-informed, high quality review recommendations.

We have included questions in each chapter to guide feedback, and the full list of questions is above. However, you are welcome to provide feedback on any additional matters that may assist the Commission in making its decision.

How to make a written submission

Due date: Written submissions responding to this consultation paper must be lodged with Commission by 19 February 2026.

How to make a submission: Go to the Commission's website, www.aemc.gov.au, find the "lodge a submission" function under the "Contact Us" tab, and select the project reference code EPR0092.[6]

Tips for making submissions are available on our website.[7]

Publication: The Commission publishes submissions on its website. However, we will not publish parts of a submission that we agree are confidential, or that we consider inappropriate (for example offensive, defamatory, vexatious or irrelevant content, or content that is likely to infringe intellectual property rights).[8]

Other opportunities for engagement

There are other opportunities for you to engage with us, such as one-on-one discussions or industry briefing sessions. We will also consider other opportunities for engagement, such as stakeholder workshops.

For more information, you can contact us

Please contact us with questions or feedback at any stage, and note the project code.

Email:	aemc@aemc.gov.au
Telephone:	(02) 8296 7800

6 If you are not able to lodge a submission online, please contact us and we will provide instructions for alternative methods to lodge the submission.

7 See: https://www.aemc.gov.au/our-work/changing-energy-rules-unique-process/making-rule-change-request/our-work-3

8 Further information is available here: https://www.aemc.gov.au/contact-us/lodge-submission

Contents

Tables

Figures

1 The context for this review

This consultation paper seeks stakeholder feedback on matters relevant to the scope of the Review. This chapter sets out the context for the Review, with further information on the ISP, a proposed thematic framework and preliminary views on relevant issues in chapter 2 and chapter 3.

1.1 The AEMC is required to complete a review of the ISP framework by 1 July 2027

We are required to complete a Review of the ISP framework by 1 July 2027 under clause 11.126.10 of the NER. The purpose of the Review is to determine how the current ISP framework best contributes to achieving the NEO.

The framework is set out in rules 5.16A, 5.22 and 5.23 of the NER, which is described in Table 1.1.

Table 1.1: Rules constituting the ISP framework and subject to review

Rules	High level description
5.16A	Application of the RIT-T to actionable ISP projects
5.22	Content, methodology and governance of the ISP: • Purpose of the ISP • Power system needs • Document requirements • Relevant market benefits and costs • ISP timetable • ISP consumer panel • Transparency review
5.23	Dispute resolution

Source: AEMC.
Note: This is a non-exhaustive list of matters covered by the respective rules.

The Commission published a Terms of Reference for the Review, as required in the rules, on 9 October 2025.[9]

The review requirement was included in the minister-made rules in 2020 to make the ISP framework actionable.[10] The completion date for the review was later adjusted from the end of June 2025 to 1 July 2027 as the result of a rule change process.[11] At the time, we considered that a two-year delay would allow the AEMC to embed a suite of rule changes resulting from our Transmission Planning and Investment Review (TPIR) and then assess in detail how the reforms have performed when considering further reform.[12]

9 See the AEMC website for further information.
10 COAG Energy Council, *Energy Security Board: Converting the Integrated System Plan into Action*, March 2020.
11 AEMC, *Bringing early works forward to improve transmission planning*, 5 September 2024.
12 Ibid, pp. 18-19.

1.2 The ISP is a whole of system plan to achieve power system needs over a 20-year horizon

1.2.1 The origin, purpose and uses of the ISP

AEMO has produced an ISP every two years since 2018. The ISP was introduced following the *Independent Review into the Future Security of the National Electricity Market* (Finkel Review),[13] and since its introduction, the approach and methodology have been reviewed and adapted over time. The ISP evolved from AEMO's previous planning document - the national transmission network development plan (NTNDP) - which was an annual plan in place from 2010 to 2018.

The purpose of the ISP under the NER is:[14]

> To establish a whole of system plan for the efficient development of the power system that achieves power system needs for a planning horizon of at least 20 years to contribute to achieving the national electricity objective.

The ISP is a key planning document for electricity transmission businesses. It triggers regulatory processes for actionable ISP projects including the RIT-T. It is also a central reference point for jurisdictions and the energy sector more broadly.[15]

The ISP has been used as a guide for investment and also informs jurisdictional network planning frameworks, such as Renewable Energy Zones (REZs) or transmission infrastructure that sits outside the NER regulatory assessment framework. For example, the NSW *Infrastructure Investment Objectives Report* largely aligns with the Inputs, Assumptions and Scenarios Report (IASR) published by AEMO prior to, and adopted in, the ISP.[16] ISP assumptions and projections are also used for other processes, such as in the evolving system security frameworks in the National Electricity Market (NEM).

The ISP plays an important role in setting out the long-term development plan for the electricity system that meetings emissions reduction targets that are part of the NEO. AEMO is required to consider jurisdictional emissions policies alongside other components of the NEO, including price, safety, reliability and security.[17]

1.2.2 The ISP framework

The NER establishes the key features of the ISP framework and includes specific requirements that AEMO must meet in developing the ISP. These rules are:

- **5.22:** Integrated System Plan - prescribes the key requirements and components of the ISP; for example the purpose, timing, preparation and contents of the ISP and preceding documents, guidelines and requirement for a consumer panel. The AER is also required by the rules to publish and maintain guidelines which AEMO must have regard to, and to conduct certain transparency reviews.
- **5.23:** Disputes in relation to an ISP - prescribes the process by which the AER must consider and address any disputes, as defined in the rule.

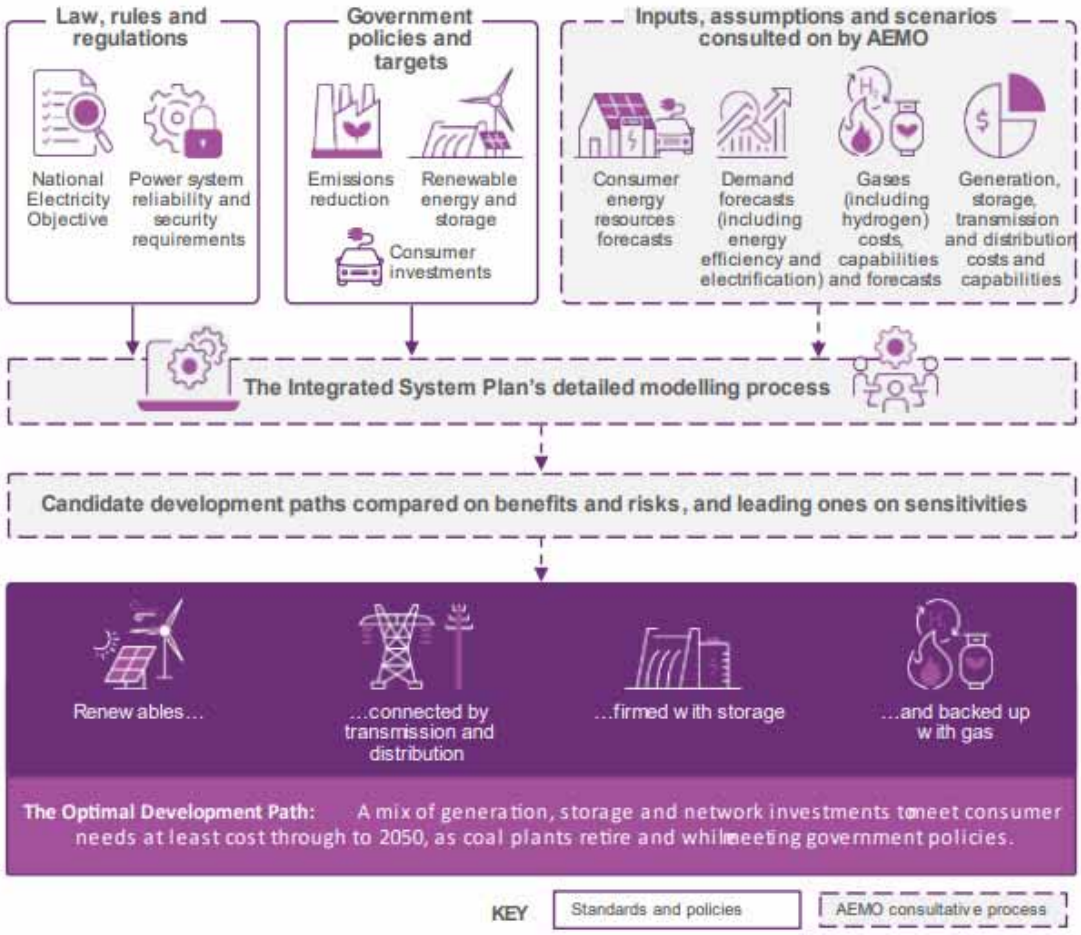
The ISP is the result of a comprehensive process that encompasses developing or obtaining a wide range of inputs, developing scenarios and sensitivities, and extensive power system and

13 Commonwealth of Australia, *Independent Review into the Future Security of the National Electricity Market: Blueprint for the Future*, June 2017.
14 NER clause 5.22.2.
15 DCCEEW, *Review of the Integrated System Plan - Final Report*, January 2024, p. 16.
16 AEMO Services, *2025 Infrastructure Investment Objectives Report*, August 2025, p. 22.
17 AEMC, *Harmonising the national energy rules with the updated energy objectives*, 1 February 2024.

market modelling. Through all stages of the process, there is stakeholder consultation on scope and outputs. The methodology and approach to developing the ISP have evolved over time through adjustments by AEMO and reforms to expand the scope of requirements. We expand on these changes in section 2.2.

We explore the ISP framework in further detail in chapter 2. Figure 1.1 below outlines in general terms the key inputs and outputs of AEMO's ISP.

Figure 1.1: Key inputs and outputs of AEMO's ISP



Source: AEMO, Draft 2026 Integrated System Plan, p. 46. Available at: https://www.aemo.com.au/-/media/files/major-publications/isp/draft-2026/draft-2026-integrated-system-plan.pdf?rev=01e6116c8dbd473a954928253886791c&sc_lang=en

1.2.3 The ISP is an actionable plan

The ISP differs from many other long-term electricity network plans as it includes the actionable ISP framework. This requires AEMO to identify, and then for TNSPs to progress, actionable transmission projects through the economic assessment framework, including the RIT-T. Rule **5.16A** of the NER provides the link between the ISP and these requirements. This makes the ISP distinct as both a long term plan for the future and providing a trigger for giving effect to it. The plan is expressed in an optimal development path (ODP) which:[18]

18 AEMO, *2024 Integrated System Plan for the National Electricity Market*, 26 June 2024, p. 44.

> ...aims to deliver reliable and affordable power to meet NEM needs for at least 20 years, fulfil the NEM's security and reliability requirements, meet government policy settings and manage risk through the energy transition.

The inputs, assumptions, and modelling outputs for the ISP also define a number of parameters used in the RIT-T, creating alignment between the ISP and subsequent cost-benefit analysis under the RIT-T.[19] The inputs and assumptions developed for the ISP, as set out in the IASR and associated documents are also used in other regulatory and planning processes such as:

- RIT-T processes for transmission projects that are not actionable ISP projects.[20]
- Long-term electricity supply adequacy forecasting under the Electricity Statement of Opportunities (ESOO)[21]
- Long-term gas supply adequacy forecasting under the Gas Statement of Opportunities (GSOO).[22]

1.3 The Review is an opportunity to examine the ISP's ongoing contribution to the transition

The energy system is undergoing a transformation as it shifts from a generation fleet of predominantly large, thermal generators towards one that is based on more distributed, renewable energy and storage. The ISP's central role as a long term guide to, and network plan for, the efficient development of the electricity system is a critical aspect of the transition.

We consider that this review is an opportunity to examine potential enhancements and refinements to the framework, ensuring it best contributes to achieving the NEO. Clarity and consistency for stakeholders is important as we navigate the transition in the long term interest of consumers.

We welcome stakeholder views throughout this process on potential changes to the ISP, as well as costs, benefits and implementation considerations of making change. Equally, we will use the review process to highlight what works well and should be maintained.

1.4 The AEMC is undertaking a package of ISP related work to consider issues holistically

The Commission published its Terms of Reference for the Review[23] alongside a rule change request from the Centre for Independent Studies that relates to the ISP. The *Clarifying the treatment of jurisdictional policy and treatment of system costs in the ISP* rule change request proposes changes to the way jurisdictions' emissions reduction targets and policies are incorporated into the categories of costs that are considered in the ISP's analysis, and the information that is published regarding costs.[24] Given the inter-related nature of the rule change request with matters relevant to the Review, the Commission decided to undertake the Review in parallel with the rule change process.

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19 For example, when undertaking steps in the RIT-T for actionable ISP projects, transmission network service providers (TNSPs) must adopt: the identified need set out in the ISP; the most recent ISP parameters (unless they can demonstrate why variation is necessary); and the market modelling from the ISP (as far as practicable). Source: NER clause 5.15A.3(b)(7) and AER, *Regulatory Investment Test for Transmission Instrument*, 2024, section 1, points 2(b), 2(d) and 2(f).

20 AER, *Regulatory Investment Test for Transmission Instrument*, 2024, section 1, point 3(a).

21 AEMO, *Forecasting Approach - Electricity Demand Forecasting Methodology*, August 2023.

22 AEMO, *Gas Demand Forecasting Methodology Information Paper*, March 2025.

23 See the AEMC website for further information.

24 Centre for Independent Studies, *Rule Change Request: Making the ISP robust to policy change and clear on costs*, 31 October 2024.

We consider that this approach will enable us to consider issues holistically, and identify and explore relationships between issues. It will also enable issues raised through the consultation to be progressed through the most appropriate process. This could include issues raised in response to the consultation paper for the rule change that are not directly related to the rule change request being considered through this Review. Further information on the rule change request is available on our website.

We acknowledge that the ISP framework has been the subject of other recent review processes, including the ECMC review of the ISP which made 15 recommendations to 'supercharge' the ISP.[25] The Commission's TPIR also examined the regulatory frameworks for transmission investment and planning to support efficient investment in and timely delivery of major transmission projects, including interactions with the actionable ISP framework.[26] The TPIR resulted in seven rule changes which were made in 2023-24. Our Review will consider the findings of previous or current reviews where relevant to build on this work.

1.4.1 There are other AEMC projects that may intersect with the Review

The AEMC intends to initiate a review in July 2026 to examine the future of electricity network regulation in the NEM. The review will consider the important role of electricity network regulation in providing consumers with a low cost, reliable supply of electricity as the NEM transitions to a net-zero system. A draft terms of reference was published on 18 December 2025 and the AEMC is currently consulting on the scope and areas of focus for the review.

Separately, we are undertaking a rule change in response to a rule change request from Energy Consumers Australia ECA, which raised concerns that there is a lack of alignment between distribution planning and the ISP, creating a risk that the future distribution system would not meet the ISP's assumptions.[27] We published a directions paper on 16 October 2025 which outlined our assessment that while the *Improving consideration of demand side factors in the ISP rule change* will strengthen the ISP as a guide for distribution network planning, there is not a requirement for DNSPs to consider how their annual distribution network plans align with the ISP.

We proposed in our directions paper to address this gap by requiring DNSPs to adopt AEMO's IASR as a baseline input for their network planning. Stakeholders were generally supportive of this approach, provided that DNSPs had sufficient flexibility to adopt alternative scenarios and inputs that are relevant to their specific, local circumstances. We will consider any interaction between matters raised in the Review relating to distribution network planning and the rule change in response to stakeholder feedback.

We are also cognisant that the final report of the National Electricity Market wholesale market settings review may make recommendations relevant to the Review. We understand the expert panel is due to provide its final report to the Commonwealth Government and energy ministers by late 2025. We will consider any relevant recommendations, as necessary.

25 Commonwealth of Australia, *Response to the Review of the Integrated System Plan*, 2024.
26 AEMC, *Transmission Planning and Investment Review: Final Report*, 4 May 2023.
27 AEMC, *Integrated distribution system planning*, 16 October 2025.

1.5 The purpose of this paper is to seek stakeholder feedback on matters for further exploration in the Review

The purpose of this consultation paper is to seek stakeholder feedback on the ISP framework. To support stakeholder consideration of the ISP, we have structured this paper to:

- describe the ISP framework, its history and evolution over time (chapter 2)
- outline our approach for the Review and some preliminary views on potential issues in scope (chapter 3).

In addition to this consultation paper, there will be many opportunities for stakeholder engagement throughout the Review process, including providing feedback on our draft report and any other papers and stakeholder workshops. The Review must be conducted in accordance with the rules consultation procedure.[28]

We welcome feedback on this consultation paper. Submissions are open until **19 February 2026**. Feedback received through submissions will inform our draft report and any other papers published over the course of the Review. After completing this stage of the Review, we will refine the scope to ensure our recommendations can be impactful.

28 NER clause 11.126.10(b)(2).

2 Overview of the ISP

The ISP is a key part of a coordinated system of transmission planning and investment, informing planning and investment decisions across the NEM.

This chapter provides an overview of the ISP.[29] In this chapter:

- Section 2.1 notes the origins of the ISP as part of recommendations in the Finkel Review
- Section 2.2 outlines how the ISP and its role within and outside the NEM frameworks has evolved over time
- Section 2.3 outlines the joint planning process for transmission planning and the ISP's interaction with jurisdictional planning
- Section 2.4 provides an overview of how the ISP is developed, including key modelling steps
- Section 2.5 outlines the framework through which the ISP triggers investment in transmission projects
- Section 2.6 outlines the consultation requirements for the development of the ISP.

2.1 The ISP was developed in response to the Finkel Review

The ISP came out of the Independent review into the future security of the NEM ('Finkel Review'), instigated by the COAG Energy Council in 2016 and completed in 2017. It built on the previous NTNDP process conducted by AEMO.

The NTNDP was 'an independent, strategic assessment of an appropriate course for efficient transmission grid development in the NEM',[30] looking over a 20 year timeframe. It was one of a suite of annual publications (alongside the National Electricity Forecast Report, the ESOO and GSOO) and considered the most recent transmission annual planning reports from TNSPs, any intra-jurisdictional developments and network support and control ancillary services (NSCAS) needs declarations.

The Finkel Review recommendations recognised the need for a further shift away from state-based planning as the NEM's generation mix continued to change. Transmission planning could no longer be determined by proximity to large generation assets, but needed a whole of system approach that proactively planned for a new paradigm in advance of thermal generation exit. It particularly noted the need to connect REZs in a coordinated way.[31] [32]

> 'Proactively planning key elements of the network now in order to create the flexibility to respond to changing technologies and preferences has the potential to reduce the cost of the system over the long-term'.

The recommendations pertaining to the ISP were recommendations 5.1 and 5.2:[33]

- Recommendation 5.1: By mid-2018, the Australian Energy Market Operator, supported by transmission network service providers and relevant stakeholders, should develop an integrated grid plan to facilitate the efficient development and connection of renewable energy zones across the National Electricity Market.

29 Refer to section 1.1 for the NER clauses that relate to the ISP (and are subject to review).
30 *National Transmission Network Development Plan*, December 2016, p. 3.
31 Refer to *Independent review into the future security of the National Electricity Market: Blueprint for the future*, chapter 5.
32 Quote from Ibid, p. 123.
33 Ibid. p. 24.

- Recommendation 5.2: By mid-2019, the Australian Energy Market Operator, in consultation with transmission network service providers and consistent with the integrated grid plan, should develop a list of potential priority projects in each region that governments could support if the market is unable to deliver the investment required to enable the development of renewable energy zones. The Australian Energy Market Commission should develop a rigorous framework to evaluate the priority projects, including guidance for governments on the combination of circumstances that would warrant a government intervention to facilitate specific transmission investments.

2.2 The ISP has evolved over time to meet changing needs

The ISP is an important feature of the planning and investment process for transmission projects in the NEM. Under the NER, its purpose is:[34]

> To establish a whole of system plan for the efficient development of the power system that achieves power system needs for a planning horizon of at least 20 years to contribute to achieving the national electricity objective.

Over time it has expanded in both its scope and uses. We explore the process for developing the ISP further in section 2.4 to section 2.6.

Box 1: Overview of transmission planning in the NEM

Broadly speaking, the planning and investment framework for transmission projects under the NER comprises four steps.

These are:

1. Identifying the need for investment and potential options to address the need. This is either done by AEMO through the ISP or by TNSPs through network planning processes such as transmission annual planning reports and project specification consultation reports (PSCR) (the first step in the RIT-T for non-ISP projects).
2. Determining the preferred option to meet the identified need. Options are assessed through the economic assessment framework, including the RIT-T process. The precise nature of this process looks different for actionable ISP and non-ISP projects. In particular, actionable ISP projects are also required to complete the feedback loop assessment process which is described in sections 2.4 and 2.5.
3. Receiving a regulatory revenue allowance to implement the preferred option, which is typically sought through the contingent project application (CPA) process. This also looks different for actionable ISP and non-ISP projects.
4. Implementing the preferred option. This process is common across all major transmission projects (that is, ISP and non-ISP).

Jurisdictions also have their own network planning frameworks, some of which go to matters outside the NER.

34 The purpose of the ISP is set out in NER clause 5.22.2.

2.2.1 The ISP Rules reflect changes made through a number of reviews and reforms

The ISP today, and its place within the broader planning frameworks, reflects a number of reviews and reform processes. These have aimed to ensure the ISP keeps pace with the evolving context of the energy transition. Appendix B summarises the history of ISP-related work. Jurisdictions have also developed and implemented their own network planning and environmental reforms which the ISP must have regard to and inform.[35] We explore how the ISP is used in jurisdictional planning further in section 2.5 below.

The first ISP was published in 2018, following the Finkel Review's recommendations. It was positioned as 'a cost-based engineering optimisation plan by AEMO that forecasts the overall transmission system requirements for the NEM over the next 20 years.'[36] Through the first ISP process, AEMO identified three priority ('group 1') projects,[37] which were subsequently allowed to be progressed through a streamlined regulatory process. This laid the foundation for the actionable ISP project framework developed by the Energy Security Board (ESB) through a minister made rule change in 2020.[38]

Since this time, rule changes and reviews have altered the framework. These include:

- reviews by the AEMC, such as the **TPIR** conducted from 2021 to 2023.[39] TPIR considered the role that the ISP should play in the transmission economic assessment process to promote timely and efficient investment decisions. The TPIR Stage 3 final report identified a preferred option for further investigation that would bring all benefits modelling that currently happens in the RIT-T forward to occur in the ISP. TPIR also recommended a number of other reforms which were subsequently made through rule changes.[40]
- reviews by government, such as the **ECMC's Review of the ISP** conducted from 2023 to 2024.[41] The review made 15 recommendations regarding the scope, function and purpose of the ISP. The resulting reforms included increased reflection of demand-side participation and clarified the treatment of jurisdictional policies. Three of the ECMC review recommendations were implemented through the AEMC's **Better integration of gas and community sentiment** and **Improving consideration of demand-side factors in the ISP** rule changes in December 2024.[42] These changes will result in a more robust ISP by strengthening AEMO's analysis of demand-side factors, increasing transparency of AEMO's assumptions around distribution network developments and improving the gas information that AEMO can utilise and includes in the ISP.[43]
- changes made to the ISP and RIT-T frameworks, such as through our **Harmonising the national energy rules with the updated energy objectives** Rule in 2024. Amendments were made under this rule to reflect the inclusion of emissions reduction as a component of the NEO through reform to the energy laws. This change updated the ISP purpose under cl.5.22.2

35 Refer to NER clauses 5.22.3(b), 5.22.6(b) and 5.22.10(a)(5)(vi).

36 AEMO, Integrated System Plan for the National Electricity Market, July 2018, p. 3.

37 The three priority projects were upgrades to QNI and VNI, and Project EnergyConnect.

38 The first priority projects from the 2018 ISP were progressed through a streamlined process allowed by the National Electricity Amendment (Early implementation of ISP priority projects) Rule 2019. This was followed by the ESB's Actionable ISP projects rule change in 2020, which put in place the streamlined RIT-T process for actionable ISP projects and replaced the requirement for AEMO to prepare the NTNDP with a requirement for AEMO to prepare an ISP every two years.

39 AEMC, *Transmission planning and investment review: final report*, May 2023.

40 See appendix B.

41 DCCEEW, *Review of the Integrated System Plan - Final Report*, January 2024.

42 AEMC, *Better integration of gas and community sentiment into the ISP*, 19 December 2024 and AEMC, *Improving consideration of demand-side factors in the ISP*, 19 December 2024.

43 The Commission did not make any amendments specific to community sentiment as it was determined that the NER is already sufficiently flexible to enable AEMO to enhance its consideration of community sentiment in the ISP.

from being "for the long-term interest of consumers" to contributing "to achieving the NEO".[44] It also added 'changes in Australia's greenhouse gas emissions' as a class of market benefit to be considered as part of the ISP and RIT-T. In practice, this means that the ISP now identifies the development path that optimises benefits to consumers while meeting the emissions reduction targets covered by the NEO.[45]

AEMO's implementation of more recent reforms, including some of the recommendations of the ECMC review, is ongoing. Table 46 of the 2025 IASR provides the status of AEMO's implementation of actions in response to the ECMC's review.[46] The AEMC is also currently considering a rule change request from the Centre for Independent Studies, which has proposed changes to the way jurisdictional policies are incorporated into the ISP, the categories of costs considered in the analysis, and the information published regarding costs.[47]

2.2.2 The ISP's role has evolved since its inception

The ISP and its associated documents influence other processes both within and outside the NER framework, demonstrating its evolution into a prominent document that has reach beyond its stated purpose in the Rules. Appendix A of the AEMC's consultation paper for *Clarifying the treatment of jurisdictional policies and system costs in the ISP* summarises public statements on the role of the ISP from a range of energy industry stakeholders.[48]

ISP assumptions and projections are used for other processes and by other actors in the NEM. An example of this is the role of ISP projections in the evolving system security frameworks.

Box 2: The ISP's role in the system security frameworks

Since the inception of the ISP, its purpose under the NER has been defined with respect to achieving *power system needs,* one of which is *power system security* (refer to NER clauses 5.22.2 and 5.22.3).

The security frameworks in the NEM have evolved significantly over the last five years to ensure sufficient security services are provided as the power system continues to transition to higher penetrations of inverter-based resources (IBRs). This has included through the AEMC's *Efficient management of system strength on the power system* and *Improving security frameworks* rule changes.[1]

AEMO reports future system security needs on an annual basis, including by publishing system strength, inertia and NSCAS requirements for the next five to 10 years.[2] It also reports on system security in an appendix to its ISP - building on these existing processes and extending their outlook period to 20-years.

The build out of specific networks assets and contracting by AEMO or NSPs for system security is informed by this reporting, and may take into account ISP forecasts. For example, IBR forecasts in the ISP and ESOO inform the "efficient level" of system strength to be procured by system strength service providers under the system strength framework.[3] Security needs are also managed in operational timeframes and can influence the dispatch of particular generation.

Note: 1: Refer to AEMC, Efficient management of system strength on the power system, Rule determination, 21 October 2021 and AEMC, Improving security frameworks for the energy transition, Rule determination, 28 March 2024.
Note: 2: From December 2025, system strength, inertia and NSCAS reporting was done through the Transition plan for system security (TPSS).

44 AEMC, *Harmonising the national energy rules with the updated energy objectives*, 1 February 2024, p. 18.
45 AEMO, ISP methodology, June 2025, p. 6.
46 AEMO, *2025 Inputs, Assumptions and Scenarios Report*, August 2025, Table 46, p. 215.
47 AEMC, *Clarifying the treatment of jurisdictional policies and system costs in the ISP*, consultation paper, November 2025.
48 AEMC, *Clarifying the treatment of jurisdictional policies and system costs in the ISP*, November 2025, p. 22-23.

Note: 3: The use of ISP and ESOO data is not specifically a requirement under the NER - the NER simply requires that AEMO uses IBR forecasts for the purpose of forecasting system strength requirements (clause 5.20C.1(c)).

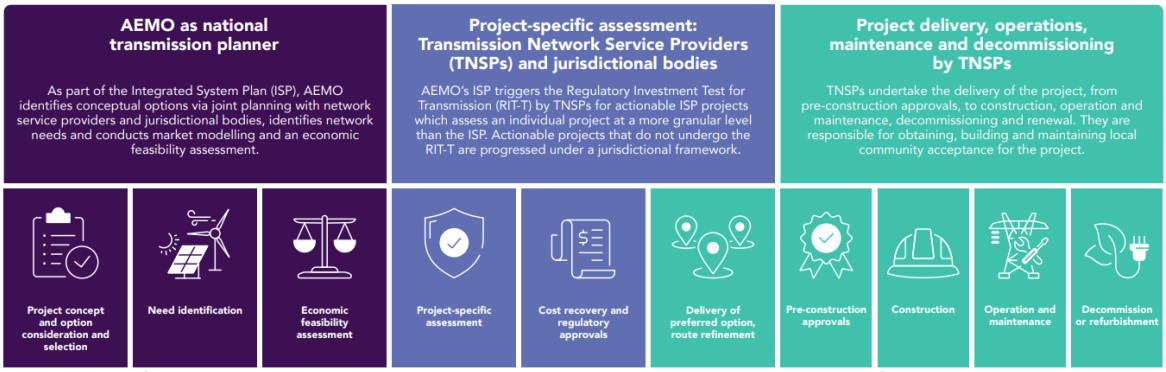
The AEMC also understands that many sectors rely on AEMO's ISP and ISP modelling as a trusted source of information. For example, the Climate Change Authority's 2025 Annual Progress Report used projections from AEMO's step change scenario to comment on the pace of renewables build-out, informing its advice to Ministers.[49] In addition, the Commonwealth Government's Capacity Investment Scheme, which is designed to support the entry of 6GW of dispatchable capacity into the NEM by 2030, is based on modelling from the 2024 ISP Step Change scenario.[50] Other jurisdictional planning processes also align with the ISP and IASR assumptions, such as the NSW *Infrastructure Investment Objectives Report* which largely aligns with the IASR.[51]

2.3 The ISP is a coordinated effort, bringing together information from, and informing, other processes

One of AEMO's roles is to perform the function of National Transmission Planner (NTP). It fulfils this role by preparing a variety of forecasting plans and reports in consultation with governments, regulators, network service providers and industry, including the preparation and publication of the ISP.[52] [53] It is critical that other parties are involved in the ISP process and contribute up-to-date and accurate information to the process in a timely way given the importance of the ISP and the range of roles and responsibilities for network planning in the NEM.

Figure 2.1 outlines the roles of AEMO, TNSPs and jurisdictional bodies in relation to the ISP.

Figure 2.1: Roles of parties involved in delivering the ISP



Source: AEMO, Information Toolkit, The Integrated System Plan, p. 14. Available at: aemo.com.au/-/media/files/major-publications/isp/2025/isp-toolkit.pdf?rev=63d2321634dc4e7dbbdd609b7165032a&sc_lang=en

2.3.1 Joint planning between AEMO and TNSPs is necessary to develop the ISP

It is necessary for AEMO to cooperate and consult with TNSPs to develop the ISP and perform its NTP functions. There are joint planning arrangements in the NER to help ensure that this consultation occurs.[54]

49 Climate Change Authority, 2025 Annual Progress report, p. 29.

50 DCCEEW, *Capacity Investment Scheme: Public Consultation Paper*, August 2023, p. 4.

51 AEMO Services (now AusEnergy Services Ltd), *2023 Infrastructure Investment Objectives Report*, December 2023, p. 69.

52 NER clause 5.22.18.

53 AEMO, National Transmission Planner fees, 1 July 2025 - 30 June 2026, p. 2.

54 NER clause 5.14.4. Note that this clause is not one of the clauses we are required to consider under this ISP review. There are also joint planning arrangements for TNSPs and DNSPs required under NER clause 5.14.1 to 5.14.3.

Box 3: Joint planning arrangements - NER Clause 5.14.4(a)

...Transmission Network Service Providers and AEMO (the joint planning parties) must take reasonable steps to cooperate and consult with each other to enable preparation of a draft or final Integrated System Plan or an ISP update, including each joint planning party (as applicable):

(1) providing, and consulting on, a Transmission Annual Planning Report prior to its publication;

(2) providing, in accordance with the ISP timetable, the latest available information in relation to the development of a Transmission Annual Planning Report required for the purpose of preparing a draft or final Integrated System Plan or ISP update;

(3) providing information in relation to non-network options for the purpose of preparing a draft or final Integrated System Plan or ISP update;

(4) conducting a preliminary review of non-network options submitted to AEMO following a draft Integrated System Plan;

(5) sharing a draft optimal development path to be included in the draft and final Integrated System Plan or an ISP update before its publication;

(6) considering whether a credible option in a draft optimal development path is reliability corrective action; and

(7) sharing information reasonably necessary to prepare a draft or final Integrated System Plan or an ISP update.

Source: Clause 5.14.4(a) of the NER v 240.

Joint planning informs key aspects of the ISP, and requires that TNSPs share information necessary for preparing the ISP with AEMO. For example, TNSPs must provide the latest available information in relation to transmission annual planning reports required for the purpose of preparing a draft or final ISP or ISP update. In the 2024 ISP, "joint planning investigations" contributed to progressing the Hunter-Central Coast REZ Network Infrastructure project to actionable status between the draft and final ISP.[55]

Aside from the requirements outlined above, the NER do not otherwise specify the type and quality of the inputs provided by TNSPs into the ISP process.

2.3.2 Jurisdictional planning both has regard to and informs the ISP

Jurisdictions have their own network planning frameworks separate to the ISP. Planning at the local level is performed by jurisdictional planning bodies, who are defined entities under the NER.[56] This function may be performed by AEMO if there is no body or representative for a NEM jurisdiction.[57]

Currently, there is a close interplay between jurisdictional planning and the ISP, and information flows both ways. AEMO notes in its *Consultation with jurisdictions for the ISP Guideline* that:[58]

> Efficient investments in the energy transition therefore must have visibility of, and regard to, the direction that is provided through government policy.

55 AEMO, *2024 ISP*, 26 June 2024, p. 19.

56 Under the NER, a jurisdictional planning body is the entity nominated by the relevant minister as having transmission system planning responsibility in that participating jurisdiction.

57 NER clause 5.22.17(b).

58 AEMO, Consultation with jurisdictions for the Integrated System Plan, Guideline, June 2025, p. 2.

Under the Rules:

- AEMO's role includes:
  - considering the emissions reduction targets in the targets statement, in determining the *power system needs* and how the ISP contributes to the NEO (NER clause 5.22.3(b)(1))
  - considering environmental or energy policies of participating jurisdictions where certain criteria are met, in determining the *power system needs* and how the ISP contributes to the NEO (NER clause 5.22.3(b)(2))
  - considering relevant intra jurisdictional developments and incremental works that may be needed to coordinate the ISP with intra jurisdictional planning (NER clause 5.22.10(a)(5)(vi)).
- NER clause 5.22.17 requires that jurisdictional planning bodies must provide assistance as reasonably requested by AEMO in connection with its performance of its NTP functions (that is, including for the purpose of preparing and publishing the ISP).

Historically, the jurisdictional planning body was the relevant TNSP in that jurisdiction, apart from in Victoria where AEMO performed the rule of the Victorian transmission planner. However, there have been some changes to who performs this function since the ISP's inception.[59] The AEMC published a report in December 2024 that consolidates information on the designs of jurisdictional REZ frameworks, prepared by Reform Matters.[60] The report highlights that jurisdictions are implementing state-based REZ frameworks to meet their own emissions reduction targets and to address perceived shortcomings in the national electricity framework's ability to deliver the transmission, generation and firming in time to meet energy needs in the respective states.[61]

Recent reviews have also highlighted the need for clearer arrangements for planning between AEMO, jurisdictional planning bodies and TNSPs.[62]

How the ISP and jurisdictional planning works in practice

Generally, the ISP will identify where network investments need to be built under jurisdictional frameworks or the ISP, and jurisdictions also use the ISP as an evidence base to support investment in electricity infrastructure. REZ candidates that were initially developed for the 2018 ISP have been updated through both the ISP and state-based consultation processes.

AEMO published a *Consultation with jurisdictions for the ISP Guideline* in June 2025.[63] [64] It sets out how consultation with jurisdictions informs the ISP process:[65]

> Before publication of the Draft IASR and the final IASR, AEMO:
>
> - outlines to jurisdictions any policies that AEMO considers might meet the requirements to be considered in the ISP,

59 For example, jurisdictional planning functions sit with VicGrid in Victoria and the NSW government has indicated plans for them to sit with EnergyCo in NSW rather than TNSPs.

60 The report is available here.

61 Refer to Reform Matters, Jurisdictional REZ frameworks: Final report, 18 December 2024, p. 7.

62 Refer to NSW Department of Climate Change, Energy, the Environment and Water, *NSW Transmission Planning Review: NSW Government response to Final Report*, 14 October 2025, pp. 4-5.

63 AEMO, Consultation with jurisdictions for the Integrated System Plan, Guideline, June 2025.

64 This guideline was published in response to Recommendation 9 from the ECMC's Review of the ISP, January 2024.

65 Ibid, pp. 2-3.

- provides jurisdictions with an opportunity to identify and provide further details of policies which may support AEMO to determine if it must or may choose to consider the policies,
- outlines to jurisdictions the policies which AEMO believes qualify under the NER criteria and its approach to modelling the policy (e.g. include both as modelling constraints or as an input to key forecasting data – such as jurisdictions' emissions reduction targets), and
- in publishing the Draft and final IASR, publishes a table of all policies that are considered.

...Subsequent to the publication of the final IASR, AEMO consults with jurisdictions during development of the Draft ISP and final ISP. AEMO will:

- seek, where feasible, to consider new policies that have met a NER 5.22.3(b)criterion since the final IASR,
- seek updates and supporting material from jurisdictions on policies anticipated by jurisdictions to meet a NER 5.22.3(b) criterion before publication of the final ISP,
- incorporate any updates to government policies that are considered in the ISP, where feasible, to ensure that they are considered in the most accurate way possible,
- provide feedback to jurisdictions to confirm how their policies have been considered,
- in publishing the Draft and final ISP, publish a table of all policies that are considered and outline how each policy is given effect in the model.

The assessment processes for progressing investments differs between ISP projects and jurisdictional frameworks - that is, actionable ISP projects are progressed through the RIT-T while projects identified through jurisdictional frameworks will be subject to requirements for economic assessment and approvals as outlined in the relevant legislation. The number of projects being considered through jurisdictional pathways have grown in recent years. In the 2024 ISP, of the 11 actionable projects, seven were through the ISP, with four going through jurisdictional frameworks. Moving forward, it is anticipated the number progressing under the jurisdictional framework will continue to grow. In chapter 3, we discuss the importance of alignment for the flow of information between jurisdictional planning bodies and AEMO.

The REZ planning framework in the NER

The NER also includes a REZ planning framework which allows AEMO to trigger the preparation of a REZ design report where a REZ is on the optimal development path in its ISP.[66] The framework has not been used to date with jurisdictional governments choosing to develop their own REZ frameworks. It could potentially be used in future. For example, the ISP could identify a REZ that is not being progressed under a jurisdictional framework.[67]

2.4 The development of the ISP is a complex multi-step process conducted over two years

This section is focused primarily on rule 5.22, which provides the requirements for AEMO in developing the ISP. It does not cover every aspect of the development process, but focuses on the key aspects to inform stakeholder feedback.

66 Refer to Rule 5.24.

67 The REZ planning framework in Rule 5.24 is not subject to review in this ISP review process. We note it was recently the subject of a review by the AEMC, for which a terms of reference and conclusions report was published on 19 June 2025. The report is available here.

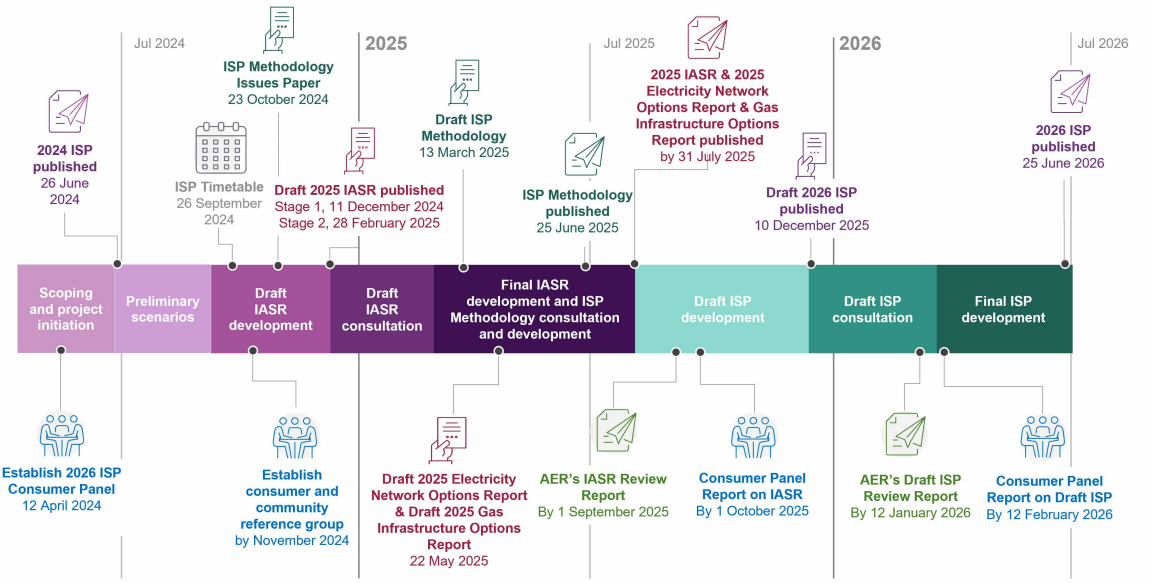
2.4.1 The requirements for developing the ISP are set out in detail in the NER and AER guidelines

The process for developing the ISP is iterative, data-driven and governed by the NER, which prescribes the ISP requirements. This includes specific publications, sequencing, timing and consultation requirements, and features and considerations in the ISP. The NER framework balances a principles-based approach with detailed requirements on the contents and preparation of the ISP.

In addition to the specific steps outlined in the NER, the rules require AEMO to develop key documents in accordance with the Cost Benefit Analysis Guidelines and the Forecasting Best Practice Guidelines published by the AER.[68] The purpose of these guidelines is to provide direction to AEMO in developing the ISP and RIT-T proponents in applying the RIT-T to actionable ISP projects, as well as providing transparency for stakeholders in how AEMO undertakes its forecasting.[69]

Within the bounds of the matters set out in the rules and guidelines, AEMO has flexibility in developing the ISP and must apply its professional judgement and expertise, using the best available information at the time. The AER provides some discretionary principles to inform AEMO's judgement in certain contexts in its guidelines. For example, in developing the IASR, the AER recommends principles of internal consistency, plausibility, verifiable sources, relevance and transparency in developing inputs and assumptions.[70] The rules and guidelines require AEMO to produce documents at specific times. Figure 2.2 below includes the key publications and timing for the 2026 ISP. We describe these in further detail in this section.

Figure 2.2: Key publications and timing for the 2026 ISP



Source: AEMO, 2026 Integrated System Plan Timetable, p. 6. Available at: https://www.aemo.com.au/energy-systems/major-publications/integrated-system-plan-isp/2026-integrated-system-plan-isp/-/media/53353cac94244e6e9427d457bcecee3b.ashx?la=en

68 NER clauses 5.22.8 and 5.22.10(a).

69 AER, *Cost benefit analysis guidelines*, November 2024, p.1 and AER, *Forecasting best practice guidelines*, August 2020, p.5.

70 AER, *Cost benefit analysis guidelines*, November 2024, p.10.

The Inputs assumptions and scenarios report

The IASR is a key publication in the development of a prospective ISP, defining the modelling framework for the planning process. The IASR sets out the inputs, assumptions and scenarios that will be used for the ISP.[71] It is a foundational document for the ISP and it is used for associated processes, including as the ISP parameters for the application of the RIT-T to actionable ISP projects.[72] The document is refined through consultation, as well as an AER transparency review. The AER's review considers whether AEMO has adequately explained the derivation of key inputs and assumptions, changes between versions and that verifiable sources have been used.[73] AEMO must also develop and consult on an ISP Methodology which is the cost benefit analysis and modelling methodology used for the ISP.[74]

The draft ISP

AEMO must publish a draft ISP for stakeholders to provide feedback on. This provides an opportunity to test AEMO's findings and to further refine the outputs before the final ISP is published. The draft ISP must satisfy the content requirements in the rules; however, the focus of the draft ISP clause is on AEMO's stakeholder engagement requirements during the consultation process. These include the duration of consultation, which must be no less than 30 business days, and a requirement to hold a public forum.[75] AEMO must satisfy additional transparency requirements when publishing the final ISP by outlining how it has considered certain stakeholder feedback.[76] AEMO also undertakes further joint planning processes during this period.

The draft, and later final, ISPs are the result of an extensive modelling exercise, drawing on, amongst other things, the comprehensive process and multiple steps outlined above. In developing the ISP, clause 5.22.10 requires AEMO to consider a range of matters and documents, certain classes of benefits, and to quantify certain classes of costs.[77] As an example, Box 2 of the AEMC's consultation paper for *Clarifying the treatment of jurisdictional policies and system costs in the ISP* summarises the costs considered in the ISP.[78] The full range of requirements that AEMO must consider are outlined in the NER. The draft ISP is subject to an AER transparency review within one month of its publication.[79]

Determining the optimal development path

A critical component of the framework is the requirement for AEMO to identify a range of development paths and then identify an ODP. The ODP contains a set of investments to address power system needs and must identify the actionable ISP projects, future ISP projects, and ISP development opportunities for the ODP.[80] In the 2024 ISP, AEMO described its objective as:[81]

71 NER clause 5.22.8(a).

72 NER clause 5.16A.2(c)(3) requires the AER's cost benefit analysis guidelines to outline how the ISP parameters must be applied. The guidelines also provide guidance on the 'demonstrable reasons' which a RIT-T proponent must have to depart from the ISP parameters as required by NER clause 5.15A.3(b)(7)(iv).

73 NER clause 5.22.9(a).

74 NER clause 5.22.8(d).

75 NER clause 5.22.11.

76 This includes requirements in NER clause 5.22.14(b) for an explanation of how AEMO has had regard to the consumer panel report on the draft ISP, the reasons for its decisions in the ISP and responses to stakeholder submissions arising from the AER's ISP review report on the draft ISP.

77 NER clause 5.22.10.

78 See AEMC, *Clarifying the treatment of jurisdictional policies and system costs in the ISP*, 9 October 2025, p. 10.

79 NER clause 5.22.13.

80 NER clause 5.22.6(a).

81 AEMO, *2024 ISP*, 26 June 2024, p.8.

> Determin[ing] an 'optimal development path' that will meet the NEM power system's reliability and security needs, that is aligned with government emissions reduction and other policies, doing so at the lowest long-run cost to consumers.

Actionable ISP projects in the ODP trigger the economic assessment framework and obligations on AEMO to invite submissions for non-network options to assess whether an option could meet, or would be reasonably likely to meet, the identified need.[82] AEMO commences its engagement on non-network options prior to publishing the draft ISP, as required by the AER's *Cost Benefit Analysis Guidelines*. For example, it requested non-network options that could be alternatives to transmission network augmentation in consultation on its *2025 Electricity Network Options Report*.[83] AEMO uses sensitivity analyses to test the robustness and resilience of the ISP's outputs. The economic assessment framework is discussed in further detail in section 2.5.

The Commission notes that AEMO is currently working to include a broader range of cost considerations in the 2026 ISP, including greater consideration of distribution augmentation costs to facilitate forecast CER exports as well as gas infrastructure constraints. These changes are being incorporated following the AEMC's *Improving consideration of demand-side factors in the ISP*[84] and *Better integration of gas and community sentiment in the ISP* rule changes.[85] The 2025 IASR outlines how AEMO intends to increase consideration of demand-side factors in the ISP and publish the first demand-side statement.[86] The AER has indicated that the treatment of demand-side factors will be a focus topic for its transparency review of the draft ISP.[87]

AEMO also published an *Electricity Network Options Report* and *Gas Infrastructure Options Report* for the 2026 ISP to improve its analysis of gas and consideration of distribution network developments for the ODP. These reports are the result of the 2024 rule changes and provide greater transparency for stakeholders on AEMO's conclusions.[88]

The rules require AEMO to establish, maintain and make publicly available an ISP database which includes information used to develop the IASR and ISP.[89] This information promotes transparency and stakeholders' ability to engage with, test and challenge AEMO's reasoning through consultation. AEMO's ISP consultation summary reports outline how it has engaged with stakeholder feedback and where stakeholder feedback has influenced changes in AEMO's approach.[90] Consultation summary reports are produced and published on AEMO's website after each publication milestone. We explore consultation and stakeholder engagement further in section 2.6.

2.4.2 The key milestones in the process are set out in the ISP timetable

Scrutiny and challenge of the ISP throughout its development are important features of the framework. Rigorous stakeholder engagement and consideration of industry expertise ensure the plan is robust and contributes to achieving the NEO. Accordingly, AEMO is required to publish an

82 NER clause 5.22.12.

83 AEMO, *2025 Inputs, Assumptions and Scenarios Report*, August 2025, p. 193-194.

84 AEMC, *Improving consideration of demand-side factors in the ISP*, 19 December 2024.

85 AEMC, *Better integration of gas and community sentiment into the ISP*, 19 December 2024.

86 AEMO, *2025 Inputs, Assumptions and Scenarios Report*, August 2025, p.25.

87 AER, *AER IASR Review Report*, 28 August 2025, p.6.

88 The Electricity Network Options Report replaced the previous Transmission Expansion Options Report and reflects consideration of distribution electricity network opportunities.

89 NER clause 5.22.16.

90 AEMO, *ISP consultation summary report*, June 2024.

ISP timetable for the next ISP within three months of the publication of the most recent ISP.[91] This document sets out the timing for the key publications that will underpin the prospective ISP and are incorporated in Figure 2.2. Effectively, these requirements mean AEMO must have well-developed plans for the next ISP while finalising the current ISP, which contributes to a rolling development and engagement process. In addition, the ISP timetable must include timing for establishing the ISP consumer panel.[92] The function of the panel is discussed in further detail in section 2.6.1.

The Rules provide flexibility for AEMO to include additional information in the ISP timetable that it reasonably considers will assist stakeholders, such as when information will be provided or joint planning is to occur. The document must be kept up to date and explain any changes made to the timetable.[93] For example, the timetable for the 2026 ISP was published on 26 September 2024 and has since been updated twice to incorporate changes made to the timetable.[94]

2.4.3 There is a mechanism for AEMO to update the ISP in certain circumstances

AEMO must issue an ISP update when material changes in circumstances mean the existing ISP may no longer represent the most efficient development path. This includes the following:[95]

(a) AEMO must issue an ISP update if:

(1) a RIT-T proponent's preferred option for an actionable ISP project fails to satisfy the trigger event set out in clause 5.16A.5(b);

(2) there is no credible option for an actionable ISP project that satisfies the regulatory investment test for transmission under rule 5.16A; or

(3) in the course of assessing a preferred option in respect of an actionable ISP project for the purposes of clauses 5.16A.5(b), AEMO considers that there is a material change to the need for, or characteristics of another actionable ISP project.

(b) If, after publication of the most recent Integrated System Plan:

(1) new information becomes available to AEMO relating to the matters set out in clause 5.22.6 and, in AEMO's reasonable opinion, that new information, may materially change the outcome of the regulatory investment test for transmission for an actionable ISP project that has either commenced or is due to commence prior to the publication of the next Integrated System Plan; or

(2) a RIT-T proponent requests AEMO to assess an actionable ISP project or stage of an actionable ISP project under clause 5.16A.5(b).

The update process requires AEMO to reassess key inputs, assumptions and project timings, consult with stakeholders on proposed revisions, and publish updated analysis demonstrating why changes are necessary.[96] While not a full ISP cycle, an ISP update must still meet transparency and consultation obligations to ensure the plan remains robust, credible and aligned

91 NER clause 5.22.4(a).
92 NER clause 5.22.4(b).
93 NER clauses 5.22.4(d) and (e).
94 AEMO, *2026 Integrated System Plan Timetable*, March 2025.
95 NER clause 5.22.15(a) and (b).
96 NER clause 5.22.15.

with the long-term interest of consumers. The intention of this mechanism is to enable timely adjustments between full ISPs where significant policy, market or technical shifts occur.

If circumstances change and AEMO issues an ISP update, that update becomes the reference point for assessing the net market benefits of major transmission infrastructure under the RIT-T framework. This ensures that RIT-T assessments are based on the most current planning assumptions and development pathway, rather than outdated information. Similarly, if a RIT-T proponent's preferred option for an actionable ISP project fails the feedback loop assessment (described in further detail in section 2.5), because it either no longer aligns with the ODP or its costs change the project's status as an actionable ISP project on the ODP of the most recent draft or final ISP, AEMO must issue an ISP update.[97]

This is an important consumer protection to ensure that projects continue to meet the needs of consumers through the regulatory process following the ISP. We explored the feedback loop assessment in detail during TPIR and a subsequent rule change on the alignment of the feedback loop and the ISP.[98] In practice, the link between the ISP update process and RIT-T prevents misalignment between system-wide planning and individual project approvals, supporting efficient and timely investment decisions in the long-term interests of consumers.

2.5 The ISP triggers the economic assessment process for actionable ISP projects

The ISP differs from many other long-term electricity network plans as it includes the actionable ISP framework to deliver on proposed investments. The RIT-T for actionable ISP projects is the key mechanism through which this is achieved.

NER rule 5.16 A covers the application of the RIT-T to actionable ISP projects (and is subject to review under the scope of this ISP review). The rule includes the following key components:

- Requirements for the cost benefit analysis guidelines developed by the AER for use by AEMO in developing the ISP and proponents completing RIT-Ts for actionable ISP projects, including that these should provide guidance on credible options, value methodologies, application of ISP parameters, RIT-T reopening triggers and the definition and treatment of external funding contributions (NER clause 5.16A.2)[99]
- The projects that are subject to the RIT-T, which cover actionable ISP projects and network investments that have been identified as urgent and unforeseen (NER clause 5.16A.3)
- RIT-T procedures which outline the consultation requirements and the need for a project assessment draft report (PADR) and a project assessment conclusion report (PACR) (NER clause 5.16A.4)
- Trigger events for actionable ISP projects (NER clause 5.16A.5)
- Feedback loop timeframes (NER clause 5.16A.6)
- Actionable ISP project and contingent project applications and requirements for applying the RIT-T to actionable ISP projects (NER clause 5.16A.7).

The RIT-T and Rule 5.16A form part of a broader set of activities that we commonly refer to as the "economic assessment process". Given the connected nature of all these steps, we will explore

97 NER clause 5.22.15(b).

98 AEMC, *Transmission Planning and Investment Review - Stage 2 Final Report*, 27 October 2022, pp.45-52 and AEMC, *Improving the workability of the feedback loop*, 7 March 2024.

99 AER, Cost Benefit Analysis guidelines - 2024 - Version 3, November 2024.

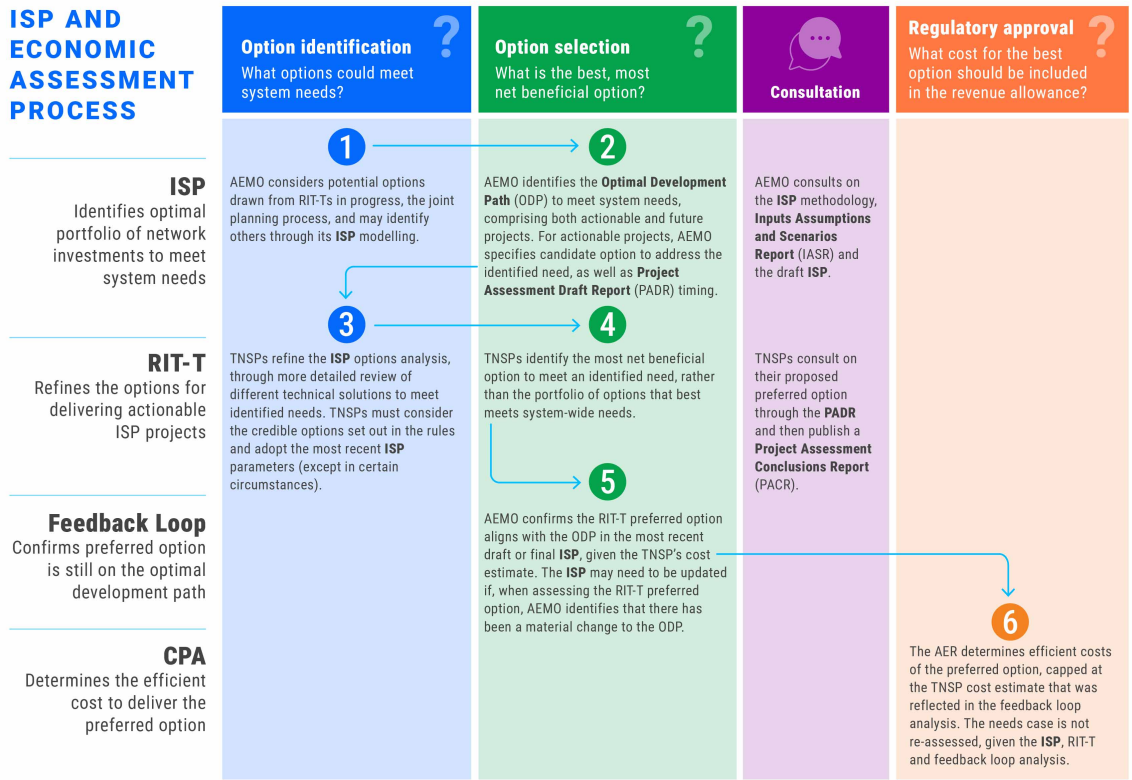
the economic assessment process in detail in this chapter as it provides the appropriate detail through which Rule 5.16A can be best understood.

2.5.1 Overview of the economic assessment process for actionable ISP projects

The economic assessment process for actionable ISP projects begins after the ISP identifies the need and candidate option(s) - that is, one or more credible options that could meet the identified need - at a system level. This is followed by the RIT-T, which governs the project level assessment and consultation that the TNSP must undertake to assess credible options and select a preferred option. AEMO is then required to confirm that the preferred option aligns with the ODP via the feedback loop process so the project can proceed through the contingent application processes to provide funding certainty for the TNSP.

The ISP process and how it progresses into the economic assessment process for actionable ISP projects is summarised in the following diagram:

Figure 2.3: Interaction between the actionable ISP projects and the economic assessment process



Source: AEMC.

In chapter 3 we discuss potential areas of the current RIT-T and economic assessment process for further exploration, particularly drawing on the work undertaken during TPIR.

The RIT-T process identifies a preferred option to meet an ISP identified need

The RIT-T process is a cost benefit analysis designed to identify the credible option that maximises the net economic benefit for an identified need.[100] A credible option is defined under

100 AER, Regulatory Investment Test, accessed 18 November 2025.

clause 5.15.2(a) of the NER and is an option (or group of options) that: can address an **identified need** (which for an actionable ISP project is specified in the ISP); is commercially and technically feasible; and can be implemented in sufficient time to meet the identified need. This may include network augmentations (such a transmission assets) or non-network options (such as contracting with a battery), which should be considered by TNSPs on equal footing in the RIT-T.[101]

Currently, credible options are identified and assessed in both the ISP and RIT-T processes:

- The ISP identifies credible options using information from TAPRs, joint planning with TNSPs (see Table 2.1 below), stakeholder consultation on the IASR (including calls for non-network options), and AEMO's own technical analysis - as described in section 2.4. AEMO is not required to identify all credible options.[102]
- The RIT-T undertakes a more comprehensive review of potential credible options. Credible options considered in the RIT-T must meet the identified need specified in the ISP. However, this does not mean that the RIT-T credible options are only more granular sub-options of the ISP candidate option: they can also be alternatives to the ISP candidate option.

The NER specifies that in the RIT-T, TNSPs must evaluate:[103]

- The ISP candidate option (or options), which may include refinements of the candidate option(s) identified by AEMO.[104]
- Any non-network options the ISP identifies as reasonably likely to meet the identified need.
- Any new credible options that were not previously considered in the ISP.[105]

TNSPs must use scenario(s) and assumptions from the most recent ISP when undertaking the RIT-T unless they can demonstrate reasons for a variation.[106]

The TNSP selects a preferred option, which is the credible option that maximises net market benefits and may or may not be the ISP candidate option. Although TNSPs can consider alternatives to the ISP candidate option, the range of credible options that the TNSP can review in the RIT-T is not completely open. The description of the identified need in the ISP will constrain, to some extent, the credible options that the TNSP can consider.

Currently, TNSPs tend to estimate net market benefits by conducting their own electricity market modelling and developing cost estimates for different credible options. Accordingly, the RIT-T is the mechanism for deciding how to address each identified need. It is applied to actionable ISP and non-ISP projects in different ways, as per NER rules 5.16 and 5.16A, in accordance with guidelines developed by the AER.[107] [108] Under Rule 5.16A, the RIT-T steps for actionable ISP projects are:

1. Prepare a PADR (there is no project specification consultation report stage for actionable ISP projects): Proponents commence with a PADR reflecting ISP analysis and project specific work.

101 AER, Application guidelines, Regulatory investment test for transmission, November 2024, p. 9.

102 Clause 5.22.10(a)(5)(iv) of the NER states that when preparing an ISP AEMO must consider credible options, including non-network options (among other factors). There is no obligation for AEMO to consider *all* credible options.

103 NER clause 5.15A.3(b)(7).

104 The meaning of 'refinements' is not further defined in the NER or AER guidelines.

105 TNSPs may, but are not required to: consider any credible option previously considered in the ISP, that is not on the ODP; consider any non-network options identified in the ISP as not meeting the identified need; seek to identify non-network options in addition to those assessed in the ISP.

106 NER clause 5.15A.3(b)(7)(iv) and AER, *Cost benefit analysis guidelines*, November 2024, pp. 65-66.

107 NER clause 5.16.2.

108 AER, Application guidelines, Regulatory investment test for transmission, November 2024.

2. Consult on PADR (minimum six weeks): The PADR must be open for public consultation for at least six weeks.
3. Publish a PACR: After considering submissions, the TNSP publishes a PACR identifying the preferred option.

The AER's website summarises the key differences between the RIT-T for actionable ISP and non-ISP projects:

Table 2.1: Key differences between actionable ISP projects and other RIT-T projects

Actionable ISP projects	Other RIT-T projects
• are projects identified as actionable in an ISP • use project's identified need, scenarios and name identified by the ISP • are not required to publish a PSCR • use inputs, assumptions, scenarios and modelling consistent with the ISP except in certain circumstances • must consider credible options for the project as identified by the ISP in addition to any other credible options identified by the project's proponent • require an additional 'feedback loop' upon completion of the RIT-T to demonstrate the preferred option remains on AEMO's optimal development path for the ISP • have additional binding engagement requirements, including consideration of community engagement expectations, engagement planning and reporting • PADR must be published by the date specified in the ISP.	• may be referred to as non-actionable projects • apply the RIT-T to transmission projects where the expected cost is over the RIT-T threshold, and where other exemptions do not apply • require the proponent to determine the identified need through annual planning, or in its regulatory proposal • may adopt inputs and assumptions from the ISP as appropriate, but may choose to use others if they can demonstrate why adding, omitting or varying these is appropriate • allow the proponent to identify the credible options, which are then refined through the RIT-T process and through stakeholder engagement • are constrained by some requirements only if appropriate to the project, such as the need to carry out market modelling or demonstrate best practice in engagement • may be large or small scale, such as replacement investment.

Source: AER, Regulatory Investment Test, accessed 18 November 2025.

The feedback loop process and additional oversight ensure the project remains on the ODP and meets the NEO

At the end of the RIT-T process, a process called the feedback loop is used to confirm that the preferred option selected in the RIT-T is still on the ODP, before the TNSP seeks regulatory funding through a CPA. The feedback loop will account for the more accurate cost estimate prepared by the TNSP through the RIT-T and any other changes in AEMO's ISP modelling assumptions since the last ISP. If the RIT-T preferred option does not pass the feedback loop (i.e., if it is not on the ODP), AEMO must issue an ISP update.

Once AEMO confirms alignment and the feedback loop is passed,[109] the 'trigger event' under NER clause 5.16A.5 is met and the AER may approve a CPA after assessing the request from the TNSP for funding to proceed with the preferred investment.

Stakeholders may raise disputes under NER rule 5.16B in relation to the application of a RIT-T. Material changes require a RIT-T proponent to inform the AER and propose an appropriate course of action.

2.6 Consultation and oversight are important features of the ISP framework

Consultation is a key feature of the ISP, providing transparency and helping to ensure the ISP contributes to achieving the NEO. AEMO conducts general stakeholder consultation and consultation with specific stakeholder groups, particularly consumer representatives and the dedicated ISP consumer panel, to ensure their formal involvement in the ISP development process. The scope of stakeholder engagements has expanded over time along with the evolution of the ISP. In section 3.1.4 we discuss some of the challenges for stakeholders in participating in this process. The Commission understands the purpose of the consultation process is to seek stakeholder feedback into key ISP input documents and thereby ensure the final ISP aligns with the long-term interests of consumers.

This process is comprehensive and occurs throughout the entire ISP development process, requiring a significant resourcing and administrative effort from AEMO. It includes:

- Submissions on reports that contribute to the ISP, as required by the rules (see section 2.4.1)
- Convening an ISP consumer panel, as required by the rules (see below)
- Convening a Consumer and Community Reference Group (not exclusively for the ISP consultation process)
- Workshops
- Public forums
- Forecasting reference groups
- A dedicated ISP newsletter
- ISP stakeholder engagement plan
- A dedicated webpage and online content.

AEMO must review and process a significant volume of stakeholder feedback received through the ISP development process. For example, AEMO considered 63 formal submissions to the Draft 2025 Inputs, Assumptions and Scenarios report.[110] The DCCEEW review of the ISP recommended several actions relating to consultation, including development of guidelines for its consultation processes with jurisdictions on inclusion of policy and to support consumer and community engagement with the ISP planning process.[111]

109 AEMO publishes feedback loop notices on its website, which provide its confirmation that the preferred option identified in a RIT-T addresses the relevant identified need and aligns with the ODP. Refer to: aemo.com.au/energy-systems/major-publications/integrated-system-plan-isp/integrated-system-plan-feedback-loop-notices

110 AEMO, *Draft 2025 IASR Consultation Summary Report*, 31 July 2025, p. 3.

111 DCCEEW, *ECMC Response to the ISP Review*, 2024, p.11.

2.6.1 The ISP consumer panel brings a consumer perspective to the ISP process

The NER requires AEMO to convene an ISP consumer panel.[112] The consumer panel's purpose is to bring a broad consumer perspective to the planning process.[113]

In terms of its functions as provided in the rules: the ISP consumer panel:[114]

> (d) The ISP consumer panel:
>
> (1) must, in accordance with the terms of reference, give a consumer panel report to AEMO within two months of AEMO publishing the Inputs, Assumptions and Scenarios Report and draft Integrated System Plan respectively;
>
> (2) must, in preparing the consumer panel report, have regard to the national electricity objective; and
>
> (3) may carry out its activities, including the giving of a consumer panel report, in the way it considers appropriate but must seek to give the report by consensus.

AEMO must publish a consumer panel report and have regard to it in preparing the ISP, but is not obliged to give effect to its recommendations.[115] For the final ISP, AEMO must also explain how it has had regard to the consumer panel report on the draft ISP.[116] Together these requirements provide transparency for how AEMO has considered advice received from the panel in shaping the final ISP.

2.6.2 The AER oversees the ISP and economic assessment process

The AER has responsibility for overseeing the ISP and ensuring compliance with:[117]

- the NER
- the binding requirements of the AER Cost Benefit Analysis guidelines[118]
- the AER Forecasting Best Practice guidelines.[119]

This is done through transparency and compliance reports provided to AEMO and a formal ISP dispute resolution process. Further information on the transparency review requirements in the rules is outlined in section 2.4.1. The purpose of this oversight is to ensure the ISP is consistent with the rules requirements and protects the long term interests of electricity consumers.

ISP dispute resolution process

In addition to the consultation and oversight process, a formal ISP dispute resolution process has been established in the NER. As outlined in rule 5.23, the AER is the entity responsible for conducting the dispute resolution. The process is prescribed in clause 5.23.1 and the following clauses. The formal process is as follows:

- Any disputing party needs to submit a notice to the AER

112 NER clause 5.22.7.
113 Information on the composition of the 2026 ISP consumer panel is available on AEMO's website.
114 NER clause 5.22.7
115 NER clauses 5.22.10(b)(8) and 5.22.7(g).
116 NER clause 5.22.14(b)(2).
117 AER Compliance activities, accessed 3 November 2025.
118 AER, *Cost benefit analysis guidelines*, November 2024.
119 AER, *Forecasting best practice guidelines*, August 2020.

- If the dispute is about the final ISP, the disputing party must give the dispute notice to AER within 30 days of the publication of the ISP and needs to provide AEMO with a copy of the dispute notice.
- The disputing party needs to satisfy certain requirements, such as whether it did, or why it did not, make a submission to the prescribed ISP process.
- The AER will make a decision about all dispute notices received within 40 business days. [120]

The Commission is not aware that this mechanism has been used at any time since its introduction. The AER dispute register does not currently list any final ISP disputes.[121]

120 AER, ISP and RIT dispute resolution, accessed 3 November 2025.

121 AER regulatory decisions, accessed 3 November 2025.

3 Our approach to the Review

This chapter outlines our conceptual approach to the Review and how we will thematically navigate the issues raised by stakeholders throughout the duration of this process. We acknowledge that significant work has been conducted in recent years through review and inquiry processes that touch on the ISP, as well as the efficient delivery of transmission infrastructure. With that in mind, we also include potential matters for exploration. The matters we have included are not exhaustive and are intended to stimulate feedback from stakeholders. The Commission welcomes feedback on both our conceptual approach and the identified matters. This will help us to refine the scope of the Review.

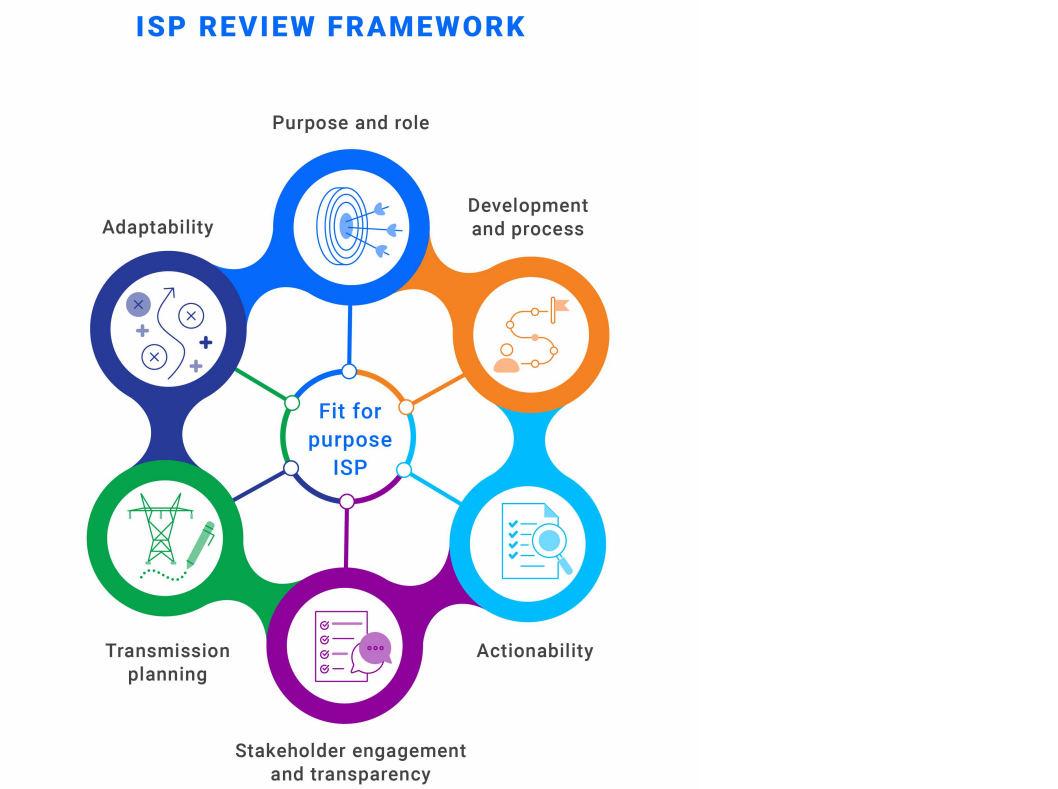
We consider that this review is an opportunity to examine potential enhancements and refinements to the framework, ensuring it best contributes to achieving the NEO. Clarity and consistency for stakeholders is important as we navigate the transition in the long term interest of consumers. We welcome stakeholder views throughout this process on potential changes to the ISP, as well as the costs and benefits of making changes. Equally, we will use the review process to highlight what works well and should be maintained.

3.1 We have developed a thematic approach to guide our consideration of matters throughout the Review

We have included a thematic approach to support our consideration of issues raised during the Review. This framework encompasses the rules that we are required to examine through this process. Our approach groups key aspects of the ISP rules framework thematically and is outlined in Figure 3.1 and then described briefly below.

We have also included potential matters to explore in the Review under the respective heading to promote stakeholder views. We acknowledge that stakeholders may raise issues that fall outside the themes we have identified, and we will take this into account.

Figure 3.1: Thematic approach to the ISP Review



Source: AEMC.

Question 1: Do stakeholders agree with our proposed thematic approach to the Review?

If not, what alternative approach do you suggest?

3.1.1 Purpose and role

This theme encompasses consideration of the ISP's purpose to establish a whole of system plan, as set out in 5.22.2 of the NER, and its contemporary uses.[122] As discussed in section 2.2, the ISP has evolved significantly over time, and AEMO must now have regard to a greater number of inputs in its development and produce additional outputs. In addition, jurisdictional reforms have added to the landscape of network planning documents published in any given year. The role or usages of the ISP have also expanded over time across the sector and inform wider policy, as acknowledged by energy ministers in response to DCCEEW's review of the ISP.[123]

122 NER clause 5.22.2.

123 ECMC, *Response to the Review of the Integrated System Plan*, 2024, p. 5.

It is therefore appropriate to consider the rules governing the ISP's purpose and how this reflects the role or usages of the ISP. This will ensure the foundations of the ISP are fit for purpose to best contribute to achieving the NEO given its evolution.

This includes consideration of the elements which make up the power system needs.[124] The power system needs clause includes provisions concerning direction to AEMO in its consideration of jurisdictional policy in the context of the power system needs. The treatment of jurisdictional policy and system costs is the subject of a related rule change which together with the Review comprises our current ISP package of work.[125]

Question 2: Do you consider that the purpose of the ISP is accurately reflected in the rules? Are changes needed to the rules to reflect this?

What implications would need to be considered if the ISP's purpose were to change?

Do you distinguish between the purpose and role (or uses) of the ISP?

3.1.2 Development and process

As outlined in section 2.4, the ISP is developed through a detailed, multi-stage process guided by the NER, AER guidelines, and AEMO's professional judgement and expertise. This is a complex and dynamic process that has evolved with each iteration of the ISP. Within this theme, we will consider matters including, but not limited to:

- The ISP timetable[126]
- ISP contents[127]
- Preliminary consultations (the IASR)[128]
- Preparation of the ISP (requirements, documents, market benefits and costs)[129]
- Process for identifying potential non-network options[130]
- The draft and final ISPs[131]

We will also consider any recommendations relating to the AER guidelines that support the development of the ISP and its preceding documents within this theme.[132]

The Commission acknowledges that AEMO is currently implementing new rules requirements introduced in December 2024 to expand its analysis of gas and demand side factors and to develop and publish a demand side factors statement alongside the ISP.[133] It may be premature to examine the operation of these rules in detail given the recency of these new requirements. However, we welcome stakeholder views, particularly on whether any gaps remain. For any suggested changes in the scope of the ISP, it will be important to consider the costs and benefits,

124 NER clause 5.22.3.
125 AEMC, *Clarifying the treatment of jurisdictional policies and costs in the ISP*, November 2025.
126 NER clause 5.22.4.
127 NER clause 5.22.6.
128 NER clause 5.22.8.
129 NER clause 5.22.10.
130 NER clause 5.22.12.
131 NER clauses 5.22.11 and 5.22.13.
132 NER clause 5.22.5.
133 NER clause 5.22.6A.

as well as the practical limits of the ISP. For instance, whether an increase in information requirements or inputs would result in a more accurate representation of the future.

We also note considerable work is underway by other parties that seek to provide avenues to better incorporate distribution planning information into and alongside the ISP. This includes the publication of the *Distribution System Plan Opportunities Report* by the three NSW distribution network service providers, identifying opportunities and challenges to efficiently utilising the distribution network and contributing to strategic system planning.[134]

Question 3: Do you think the rules strike the right balance between prescription and flexibility for AEMO in developing the ISP?

If not, what would you recommend changing and why?

What are the potential costs, benefits and implementation considerations of any changes?

3.1.3 Actionability

Captured under this theme is how to best promote the efficiency and timeliness of the economic assessment framework while ensuring the long term interests of consumers are protected. This was a key focus of our TPIR process.

As part of that review, we proposed an alternate model to the RIT-T process which would have centralised the net benefits assessment of credible options in the ISP process. In turn, this would have enabled TNSPs to focus on exploring the credibility and refining the costs of these options in greater detail, in consultation with stakeholders with a strong focus on social licence. Under the proposal, TNSPs would then select the lowest-cost credible option as the preferred option. We considered that bringing forward analysis and consultation from the RIT-T to the ISP would enable AEMO to take a more holistic transmission system perspective.

In turn, this could lead to more efficient decision-making and streamline the TNSP's cost benefit assessment to support more timely delivery of ISP projects. While the Commission ultimately did not recommend proceeding with this model at the time, we recommended exploring it further in this review. This would need to take into account changes in the regulatory framework since that time.[135]

Question 4: Do you have views on how the economic assessment process applies to ISP projects and are there opportunities to improve it?

What are the potential costs, benefits and implementation considerations of any improvements?

Do you think the framework sufficiently balances timeliness and flexibility with rigour?

Do you think the economic assessment process reforms included in TPIR are a useful basis for any improvements to the RIT-T? If not, why not?

134 Ausgrid, Endeavour Energy and Essential Energy, *Distribution System Plan Opportunities Report*, November 2025, p. 1.

135 AEMC, *Transmission Planning and Investment Review: Final Report*, 4 May 2023, pp. 21-26.

3.1.4 Stakeholder engagement and transparency

This theme addresses formal stakeholder engagement mechanisms in the NER, such as the ISP consumer panel, consultation requirements and ISP database.[136] It also includes transparency requirements such as the AER transparency review and dispute resolution process.[137] This will enable the Commission to consider stakeholder engagement and consultation in a holistic way across the ISP development cycle.

The evolution of the ISP may have flow on effects on the ability of stakeholders to test and contribute to its robustness. For example, the ISP consumer panel has identified challenges with stakeholder engagement as the ISP has increased in complexity, noting "the growing complexity is also a dilemma for consumers and stakeholders and their ability to engage with the ISP process."[138]

We will also use this theme to assess any stakeholder views on the dispute resolution mechanism in the rules and whether it remains fit for purpose. We note that its provisions have not been used to date. We are interested in your views on the current stakeholder engagement and transparency mechanisms in the ISP and if the right balance has been struck.

Question 5: What are your views on the ISP dispute resolution process?

Are there barriers to its use?

Could potential issues be resolved through other consultation processes during the ISP development process?

Question 6: Do you think the rules provide for meaningful stakeholder engagement to inform the development of the ISP?

Do you have views on the role and function of the ISP consumer panel?

Does the increased scope of the ISP present challenges for stakeholder participation? If so, how could they be addressed?

Are the transparency mechanisms in the rules still fit for purpose?

3.1.5 Transmission planning

Thistheme focuses on the rules governing processes relating to joint planning and alignment with jurisdictional network planning processes. The ISP Review could consider the information sharing arrangements and inputs that flow from jurisdictions to AEMO to support its development of the ISP. This is timely to ensure that jurisdictional network planning arrangements, developed since the ISP framework was introduced are aligned, where necessary, with AEMO's processes and timing.

The changes resulting from jurisdictional reforms will likely necessitate adjustments to the ISP framework to ensure it effectively integrates new inputs and duplication between the different frameworks is minimised where possible. This extends to consideration of joint planning arrangements in the rules and whether they remain fit for purpose. The final report of the NSW

136 NER clauses 5.22.7 and 5.22.16.

137 NER clause 5.22.13 and rule 5.23.

138 2026 ISP consumer panel, *2026 Integrated System Plan Consumer Panel Report: Final IASR Response*, 7 October 2025, p. 33.

transmission planning review highlighted both of these issues as areas for attention, specifically the integration of state-based planning frameworks with NER planning documents and a review of the existing joint planning provisions.[139]

This reflects the findings in a report we commissioned from Reform Matters on the jurisdictional REZ frameworks. This report found that the interactions between the jurisdictional REZ frameworks and the planning frameworks were unclear, and that there were some overlaps between the NER and jurisdictional frameworks.[140]

Question 7: Do you have views on the timeliness and quality of joint planning information provided to AEMO?

Are changes needed to improve the joint planning process?

Is there duplication that could be addressed or streamlined?

3.1.6 Adaptability

This theme incorporates the elements of the framework that ensure the ISP remains contemporary and adaptable to changing circumstances. The ISP is an important document developed within the context of a broader sector transformation. As we have outlined in this paper, the ISP itself then contributes, in part, to setting the direction and vision across policy, regulatory and investment arrangements. Given the rolling nature of the ISP's development, it is important that the framework underpinning it is resilient and adaptable while providing certainty for AEMO and stakeholders. The ability to incorporate lessons learnt between ISPs, or to adapt during ISP cycles, is an important potential area of focus.

Question 8: Do you think the ISP framework is flexible enough to adapt to new information in a timely way?

Does AEMO have access to the necessary inputs to develop an ISP that is robust and resilient to changing circumstances?

Are the existing ISP update clauses useful?

Question 9: What do you consider to be the key strengths of the ISP framework that should be preserved through the Review?

What is the importance or value of these aspects of the framework?

Question 10: What reform(s) do you think the Commission should prioritise through the Review?

What are the costs, benefits and implementation considerations of any suggested reform(s)?

139 Farrierswier, *NSW transmission planning review: final report*, 8 September 2025, p. 158.

140 Reform Matters, Jurisdictional REZ frameworks review, final report, p. 16. Available here.

Question 11: Are there other issues or areas that we have not identified that you think should be a focus of the Review?

What is the impact and how material is the issue?

How would you suggest resolving it?

4 Making our recommendations

When considering the issues within this review, the Commission considers a range of factors.

This chapter outlines:

- issues the Commission must take into account
- the proposed assessment framework

We would like your feedback on the proposed assessment framework.

4.1 The Commission must act in the long-term interests of consumers

In conducting reviews, the Commission must have regard to the relevant energy objectives.[141] For this review, the relevant energy objective(s) is/are the NEO.

The NEO is:[142]

> to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to—
>
> (a) price, quality, safety, reliability and security of supply of electricity; and
>
> (b) the reliability, safety and security of the national electricity system; and
>
> (c) the achievement of targets set by a participating jurisdiction—
>
> (i) for reducing Australia's greenhouse gas emissions; or
>
> (ii) that are likely to contribute to reducing Australia's greenhouse gas emissions.

The targets statement, available on the AEMC website, lists the emissions reduction targets to be considered, as a minimum, in having regard to the NEO.[143]

4.2 We propose to assess this review using these four criteria

4.2.1 Our methods to analyse the policy issues

Considering the NEO and the issues we have identified, the Commission proposes to use the set of criteria outlined below to assess its recommendations. These assessment criteria reflect the key potential impacts – costs and benefits – of potential review recommendations. We consider these impacts within the framework of the NEO.

The Commission's regulatory impact analysis may use qualitative and/or quantitative methodologies. The depth of analysis will be commensurate with the potential impacts of any recommendations. We may refine these methodologies as this review progresses, including in response to stakeholder submissions.

Consistent with good regulatory practice, we will assess all viable policy options — including not proposing any changes or considering solutions outside of the regulatory framework — using the same set of assessment criteria and impact analysis methodology where feasible.

141 Section 32 of the NEL.
142 Section 7 of the NEL.
143 Section 32A(5) of the NEL.

4.2.2 Assessment criteria and rationale

The proposed assessment criteria and rationale for each is as follows:

- **Safety, security and reliability** - We will consider whether our recommendations would enable the reliable, secure and safe provision of energy at an efficient cost to consumers over the long term. We will also consider whether our decisions promote the efficient operation and use of, and investment in, generation facilities, load, storage, networks and other system service capabilities.
- **Emissions reduction** - We will consider whether our recommendations would efficiently contribute to achieving government targets for reducing Australia's greenhouse gas emissions.
- **Implementation consideration** - We will consider the practicality of developing and implementing proposed recommendations, including how they may interact with other reforms and how they would apply across NEM jurisdictions. We will also consider the cost and complexity of implementing recommendations, including ongoing regulatory and administrative costs.
- **Principles of good regulatory practice** - We will consider if our recommendations promote predictability and stability in the regulatory framework, underpinned by a principles-based approach. We will also consider the broader direction of our proposals with other reforms underway and whether our recommendations provide transparency for all stakeholders.

Question 12: What do you think about our proposed assessment framework?

Do you agree with the proposed assessment criteria? Are there additional criteria that the Commission should consider or criteria included here that are not relevant?

A Other ISP-related issues raised by stakeholders

This appendix notes ISP-related issues recently raised by stakeholders that are not covered in Chapter 3.

Table A.1: ISP-related issues recently raised by stakeholders that are not covered in Chapter 3

Issue raised in previous processes	Stakeholder(s)	Stakeholder views
Consideration of non-network options in the ISP (See sources B and C)	AusNet, Australian Renewable Energy Alliance (RE-Alliance), Community Power Agency, Iberdrola, IPART, Transgrid	These stakeholders would like or increased consideration of non-network options within the ISP process.
ISP focus on net market benefit or least cost to consumers (See source D)	ISP Consumer Panel, ACOSS, CIS	These stakeholders expressed the view that AEMO should consider and publish the costs of the ISP on consumers, particularly vulnerable consumers, in addition to the net market benefit.
Co-optimisation of transmission and distribution planning (See source B)	CEC, ECA, Hydro Tasmania, JEC, SAPN	These stakeholders proposed that there should be full co-optimisation of transmission and distribution planning.
Co-optimisation of gas and electricity planning (See sources A and E)	ATCO, CIS	These stakeholders proposed a requirement for AEMO to undertake co-optimisation between gas and electricity investments in the ISP.
Impact of the ISP on the RIT-T process (See source D)	Energy Grid Alliance, Hume Link Alliance	These stakeholders raised concerns about assumptions from the ISP flowing through to the RIT-T process and its cost-benefit analysis for actionable ISP Projects under the NER Rule 5.16A. These stakeholders claim that this particularly affects environmental externalities for transmission lines.

Sources:

A: AEMC, *Better integration of gas and community sentiment into the ISP*, Final report, 19 December 2024.

B: AEMC, *Improving consideration of demand-side factors in the ISP*, Rule determination, 19 December 2024.

C: Farrierswier Consulting, *NSW transmission planning review - Final Report*, 8 September 2025.

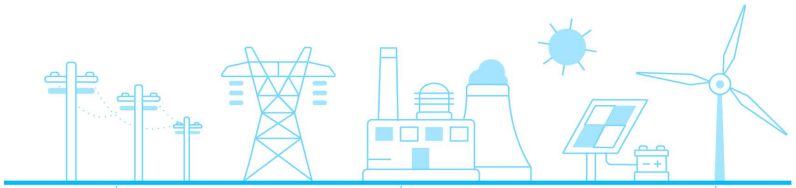
D: The Senate, *Select Committee on Energy Planning and Regulation in Australia - Final Report*, December 2024.

E: The Centre for Independent Studies (ISP), Submission to ISP Methodology Consultation Paper, 29 November 2024.

Note: This is a non-exhaustive list of other ISP-related matters raised by stakeholders in the last 24 months.

B Evolution of the ISP

The ***Integrated System Plan*** (ISP) has evolved since its inception through reviews and rule changes



2018 ISP

4 Apr 2019: Early implementation of ISP priority projects

1 Jul 2020: Actionable ISP rule change (minister made)

In effect 2020 ISP

2020 ISP

29 Oct 2020: Reallocation of national transmission planner costs

2021–23: AEMC Transmission Planning and Investment Review

2022 ISP

22 Dec 2022: Establishing revenue determinations for intending TNSPs

19 May 2023: Energy Ministers agreed to amend the National Energy Laws to include emissions

9 Nov 2023: Enhancing community engagement in transmission building

Jan 2024: DCCEEW ISP review finalised. Considered by Energy Ministers in March 2024

1 Feb 2024: Harmonising the NER with the NEO for emissions

In effect 2024 ISP

7 Mar 2024: Improving the workability of the feedback loop

21 Mar 2024: Sharing concessional finance benefits with consumers

21 Mar 2024: Accommodating financeability in the regulatory framework

2024 ISP

1 Aug 2024: Managing ISP project uncertainty through targeted ex post reviews

5 Sep 2024: Bringing early works forward to improve transmission planning

3 Oct 2024: Providing flexibility in the allocation of interconnector costs

19 Dec 2024: Improving consideration of demand-side factors in the ISP

In effect 2026 ISP

19 Dec 2024: Better integration of gas and community sentiment into the ISP

In effect 2026 ISP

20 Dec 2024: Select Committee on Energy Planning and Regulation in Australia – Final Report

2026 ISP

- Rule changes relating to the RIT-T
- Rule changes relating to the ISP framework
- Reviews undertaken relating to the ISP
- Rule changes relating to actionable ISP project delivery

Abbreviations and defined terms

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
Commission	See AEMC
CPA	Contingent Project Application
DCCEEW	Department of Climate Change, Energy, the Environment and Water
ECMC	Energy and Climate Change Ministerial Council
ESB	Energy Security Board
ESOO	Electricity Statement of Opportunities
GSOO	Gas Statement of Opportunities
IASR	Inputs Assumptions and Scenarios Report
IBR	Inverter-based resources
ISP	Integrated System Plan
NEL	National Electricity Law
NEM	National Electricity Market
NEO	National Electricity Objective
NER	National Electricity Rules
NERL	National Energy Retail Law
NERO	National Energy Retail Objective
NERR	National Energy Retail Rules
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
NSCAS	Network Support and Control Ancillary Services
NTNDP	National Transmission Network Development Plan
NTP	National Transmission Planner
ODP	Optimal Development Path
PACR	Project Assessment Conclusions Report
PADR	Project Assessment Draft Report
PSCR	Project Specification Consultation Report
REZ	Renewable Energy Zone
RIT-T	Regulatory Investment Test for Transmission
TPIR	Transmission Planning and Investment Review
TNSP	Transmission Network Service Provider