

27 May 2026

Ms Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

Email: submissions@aemc.gov.au

Dear Anna,

**Clarifying the treatment of jurisdictional policies and system costs in the ISP – ENA
submission on AEMC draft rule determination**

Energy Networks Australia (ENA) welcomes the opportunity to comment in response to the AEMC's draft determination on the rule change proposal submitted by the Centre for Independent Studies (CIS).

ENA represents Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business in Australia. This submission is made on behalf of ENA's electricity transmission members.

ENA supports the AEMC's draft determination not to make a rule in response to CIS's rule change request and reiterates the need to strengthen sensitivity analysis as a critical tool to support a robust and credible Integrated System Plan (ISP) and Optimal Development Path (ODP).

ENA agrees that it is the role of jurisdictions to set energy and emissions reduction policies and determine what targets should be in the AEMC Targets Statement and therefore taken into account by AEMO in preparing the ISP. This approach is consistent with the governance arrangements of the national electricity framework. It avoids AEMO 'second-guessing' which targets may not be met, which would inevitably politicise the ISP process and undermine its effectiveness.

Within this framework, the role of the ISP is to support the NEO by providing a robust roadmap for major network development in the NEM that consolidates committed government policies and provides a broader signal for generation/storage investors. This roadmap, and the inputs, assumptions and scenarios that sit behind it, provide a central view of the optimal pathway for the sector to provide reliable electricity supply and meet emissions targets, given government policies.

ENA supports the AEMC's call for governments to actively consider, as part of each ISP cycle, whether policy targets, particularly those near-term, continue to be achievable and should remain in the Targets Statement. Without this discipline, there is a material risk of unrealistic planning outcomes that could undermine the ISP's credibility and effectiveness.

Notwithstanding this, as highlighted by the AEMC, it is fundamental that the ODP is robust to future uncertainties. Under the existing rules, AEMO is required to use sensitivities to test the robustness of the ODP, including risks that jurisdictional policies may not be met on time. Explicitly incorporating these risks into ODP selection supports more stable and credible investment signals across ISP cycles.

A key tool in achieving this robustness is sensitivity analysis that identifies where a project's inclusion in the ODP is invariant to delays in meeting policy targets or changes in key assumptions

(such as the extent and location of new loads). Conversely, it can reveal where inclusion (or exclusion) depends on specific assumptions. This 'what if' analysis allows AEMO and stakeholders to better understand the risks of progressing (or not progressing) projects, and supports more informed ODP decisions consistent with a least regrets approach.

The robustness of the ODP and stakeholders' understanding and acceptance of the risk trade-offs that AEMO has made in determining the ODP in the face of inevitable uncertainty, would be strengthened through clearer and more extensive sensitivity analysis in the ISP and an explanation of how it informs ODP selection.

The AEMC's draft determination highlights the importance of AEMO conducting such sensitivity analysis to ensure the ODP remains robust to future uncertainties, including jurisdictional policy uncertainty.¹ This does not require any policy judgement to be exercised by AEMO but relies on prudent, risk-based assessment to support robust planning. This is in-line with the approach applied by AEMO to all other major inputs and assumptions, such as transmission costs, project timing, generation costs and demand forecasts.

ENA acknowledges the AEMC's preference for principles-based guidance. The draft determination's emphasis on sensitivity analysis helpfully reinforces its importance within the existing framework. ENA expects this to be a constructive focus of future ISP stakeholder engagement and the AEMC's ISP Review.

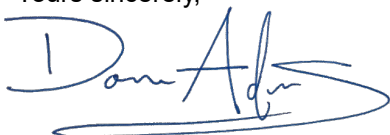
ENA also supports greater transparency for consumers on the costs associated with jurisdictional policies, given their material impact. ENA agrees this is not the role of AEMO or the ISP and is more appropriately undertaken by agencies equipped for that purpose (as recommended by the Productivity Commission). ENA also notes the opportunity to consider broader transparency on ODP robustness as part of the ISP Review.

Finally, ENA supports the AEMC's draft determination not to expand the categories of costs required to be considered in the ISP, which remain fit-for-purpose and sufficiently flexible to accommodate any additional material cost impacts.

ENA's previous submission highlighted the importance of the AEMC's response to the CIS Rule change and the broader ISP Review outcomes aiming to be proportionate rather than seeking wholesale change. This avoids increasing uncertainty around the transition pathway, which would risk disrupting timeframes for investments. ENA agrees with the AEMC's observation that the risks to consumers of early investment in transmission are likely to be outweighed by the risks of late or under-investment. The AEMC's draft determination not to make a rule in response to the CIS Rule change request is consistent with avoiding wholesale changes to the current ISP framework.

ENA looks forward to working with the AEMC as it continues with the broader review of the ISP framework. If you would like to discuss this submission, please contact Catherine Gip (cgip@energynetworks.com.au) in the first instance.

Yours sincerely,

A handwritten signature in blue ink that reads "Dominic Adams". The signature is stylized with a large initial 'D' and a long horizontal stroke at the end.

Dominic Adams

Chief Operations Officer

¹ AEMC Draft Determination, paragraph 17, p. iii.