HANNERGRID
ENERGY. ENGINEERING. ADVISORY

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Australian Energy Market Commission (AEMC)
GPO Box 2603
Sydney South NSW 2001

Lodged via AEMC website

RE: Submission on the Draft Determination – Enhancing Distribution Network Planning and Reporting (ERC0410)

Hannergrid Consulting welcomes the opportunity to provide a submission on the Australian Energy Market Commission's (AEMC) draft determination and rule on Enhancing Distribution Network Planning and Reporting (formerly the Integrated Distribution System Planning rule change). We thank the AEMC for the comprehensive and well-structured consultation process it has undertaken and for the opportunity afforded to stakeholders to engage with the draft determination prior to finalisation.

About Hannergrid Consulting

Hannergrid Consulting is an independent energy, engineering and advisory business specialising in energy network strategy, regulation, and planning. The business was founded by Greg Hannan, who has over 20 years of senior executive experience across distribution and transmission network service providers, regulatory bodies, policy and consulting. Hannergrid Consulting aims to support Australia's energy transition by providing expert, evidence-based advice that helps network businesses, governments, regulators, and investors navigate the complex challenges associated with decarbonisation, grid modernisation, consumer energy resource (CER) integration and network investment planning.

Greg Hannan's credentials in long-term distribution network planning are directly relevant to this rule change. He delivered the Vision 2030 Update for Victorian Energy Networks Corporation (VENCorp) in 2009. This which was a landmark 20-year strategic planning exercise for Victoria's electricity and gas transmission networks and a portent to current documents such as VicGrid's Victorian Transmission Plan (VTP) and the Australian Energy Market Operator's (AEMO's) Integrated System Plan (ISP). Greg has also been involved in carbon price scenario modelling for generation assets and in network strategy roles he has used scenario planning to develop 20-year strategic asset management and investment plans for gas and electricity distribution networks.

Greg is also a former Board member of C4Net, where he actively supported the development of the Enhanced System Plan for Victoria (ESP-V)[1] project, which represented a significant step forward in integrating distribution planning with system-level outcomes. His experience on this subject includes scenario development, horizon scanning and long-term demand forecasting, investment prioritisation, stakeholder engagement and strategic optionality assessment. This depth of practical industry knowledge underpins the perspective offered in this submission.

[1] See https://c4net.com.au/projects/enhanced-system-planning-project/

General support for the Rule change

Hannergrid Consulting supports the intent of this rule change with the shift to a five-yearly Distribution Network Development Plan (DNDP) aligned with the regulatory control period, supported by targeted annual updates, representing a sensible and proportionate reform (and one some networks are already undertaking internally). We also support the introduction of a distribution network data reporting framework supported by AER guidelines – this is a further step towards improving network visibility for consumers, developers, and system operators and notes that progress is also already underway by DNSPs in this space already.

We endorse the alignment of the DNDP with a 20-year planning horizon and AEMO's Integrated System Plan (ISP) Inputs, Assumptions and Scenarios Report (IASR) as a baseline, and the creation of AER guidelines rather than mandated compliance requirements with these processes. Sufficient flexibility must be preserved to avoid timeline clashes and rigid compliance that stifles meaningful insights being developed by DNDPs. With a 20-year forecast horizon, divergent future states are inevitable and expecting alignment to a central orthodoxy will be counterproductive.

Scenario design: The importance of optionality

Hannergrid Consulting encourages the AEMC and the AER to ensure that, in giving effect to the DNDP framework, DNSPs retain meaningful latitude to scope and design their own scenarios. While the adoption of the IASR as a baseline provides essential consistency and comparability across the NEM, it is important that this is treated as a floor rather than a ceiling for scenario analysis.

Distribution networks serve geographically and demographically diverse communities. The transition pathways relevant to a densely populated Melbourne network differ materially from those facing a regional network in outback Queensland or a rapidly growing peri-urban corridor. No single national scenario set, however well-constructed, can adequately capture all relevant local demand dynamics, topological constraints, community expectations, and customer energy resource (CER) CER penetration trajectories that characterise individual network areas.

Scenarios should also be encouraged to be sufficiently divergent to allow DNSPs to understand a range of possible outcomes, rather than creating a false sense of certainty around such a long-term investment framework. It is also crucial that a credible base scenario is developed with alternative scenarios showing how different assumptions and end-states would play out in practice.

These scenarios should be seen as possible future states as envisaged by their design assumptions. They should not be seen as forecasts but rather, framing a future state boundary set. This will ensure that the scenarios do not simply become minor variants to a base or central case (e.g. +/- 5% increase in demand) and further compound a sense of certainty that is likely unrealistic. This approach however will allow DNSPs to internally establish frameworks to understand how changes could play out and understand "no-regrets" options and decisions to de-risk uncertainty and create a greater ability to navigate change as it occurs.

We therefore recommend the AER's planning guidelines:

- require DNSPs to align where it makes sense to the IASR baseline scenarios and disclose any material departures from those scenarios;
- specifically permit DNSPs to develop additional network-specific scenarios where these provide greater insight into local investment needs, provided the rationale for such scenarios is clearly articulated;
- encourage DNSPs to consider low-probability, high-consequence scenarios (for example accelerated and decelerated CER uptake, extreme weather events, and technology disruption) as part of a robust stress-testing framework; and

- avoid prescribing a maximum number of scenarios, leaving this to the judgement of the DNSP while referencing AER guidelines.

These principles are broadly consistent with approaches adopted by regulators such as Ofgem in Great Britain and the Netherlands Authority for Consumers and Markets (ACM). In Great Britain, network planning and price-control frameworks require network operators to justify investment decisions in the face of uncertain future demand and to demonstrate that proposed investments are robust under a range of plausible future conditions, while retaining flexibility in the development and application of planning scenarios.

Similarly, ACM assesses network operators' investment plans through a structured review process focused on transparency, evidence, and justification of investment choices rather than prescribing a single set of planning assumptions. Such principles-based approaches seek to support efficient investment decisions under uncertainty while mitigating the risks of both premature investment and under-investment in network infrastructure.

Public and confidential versions of the DNDP

Hannergrid Consulting contends that the draft rule should expressly provide for DNSPs to submit both a public version and a confidential version of their DNDP, consistent with the approach already established in the National Electricity Rules for regulatory proposals.

This is not a novel or controversial proposition. The revenue determination process has long recognised that DNSPs hold commercially sensitive information – relating to procurement strategies, third-party negotiations, specific asset failure risks, and security-sensitive network data. The same considerations apply, often with even greater force, in the context of long-term network planning. A 20-year investment plan will necessarily contain material that is market-sensitive, operationally sensitive, or subject to third-party confidentiality obligations and ultimately relevant to DNSP valuation.

In the absence of a clear framework for managing confidential content, DNSPs may be incentivised to limit the analytical depth of their public DNDPs to avoid inadvertent disclosure. This would be counterproductive to the transparency objectives of the reform. A two-version model – a full version provided to the AER under appropriate confidentiality protections, and a public version that discloses all non-sensitive content – would resolve this dilemma.

The concern here is not about reducing accountability – it is about creating a framework that is fit for purpose and that does not inadvertently limit the quality of planning analysis that DNSPs are willing to disclose. We urge the AEMC to address this matter in the final determination, either by amending the draft rule or by explicitly directing the AER to address it in its planning guidelines.

Regulatory burden and transitional arrangements

Hannergrid Consulting supports the AEMC's recognition of the need for proportionate transitional arrangements. The phased implementation approach, including the exemption for DNSPs with regulatory proposals due prior to 2030 from the requirement to include low voltage network metrics in their initial DNDP, is a practical and sensible accommodation of differing network circumstances.

We would, however, encourage the AEMC and the AER to be mindful of cumulative regulatory burden in designing the guidelines. The DNDP represents a significant new planning obligation. If the guidelines layer additional prescriptive requirements – on top of the new annual update, the data reporting framework, and the existing regulatory proposal process – the net result could be a planning regime that is administratively burdensome without commensurate improvements in decision-making quality. We recommend that the AER conduct a regulatory burden assessment as part of its guideline development process and engage directly with DNSPs and relevant stakeholders on the practical costs of compliance.

Distribution Network data reporting framework

Hannergrid Consulting supports the introduction of the distribution network data reporting framework. The potential lack of consistent, accessible data on distribution network capacity and performance could become a significant barrier to effective CER integration, market development, and consumer decision-making in the current environment.

We endorse the three-limbed purpose articulated in the draft rule – covering the current state, historical state, and expected future state of distribution networks – as a sound framework for guiding the AER's guideline development. DNSPs should also continue to provide long-term constraint information for low voltage constraints to allow third parties to plan for and respond to and have the confidence to commercially secure the resources needed to do this.

We would encourage the AER to consider, as part of its guideline development, whether machine-readable formats and open data standards, such as the Common Information Model (CIM) already used in some international jurisdictions, could be incorporated into the framework to maximise the utility of disclosed data for developers, aggregators, and consumers.

Conclusion

Hannergrid Consulting commends the AEMC on the draft determination consultation process, including the recent stakeholder forum. The reform represents a significant improvement to the distribution planning framework and will, if implemented well, materially improve the quality of long-term investment decisions across the NEM.

We respectfully ask the AEMC to consider the substantive matters raised in this submission: the need to preserve DNSP flexibility in scenario design, and the importance of providing a clear framework for public and confidential versions of the DNDP. We believe both matters are capable of resolution within the framework of the draft rule and its associated guidelines.

Hannergrid Consulting would welcome the opportunity to discuss any aspect of this submission with the AEMC at the Commission's convenience.

Yours sincerely,

Greg Hannan

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