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Australian Energy Market Commission (AEMC)

Via AEMC website: *www.aemc.gov.au*

Review of the Integrated System Plan framework – Discussion Paper

Alinta Energy welcomes the opportunity to provide feedback on the 'Review of the Integrated System Plan (ISP) framework' discussion paper.

The ISP has evolved into an increasingly influential tool for policy planning and should more explicitly communicate this role to stakeholders. Before any consideration is given to expanding its scope, the ISP should develop a more robust and transparent assessment of assumptions, delivery risks and costs, including a 'base case' scenario and enhanced sensitivity analysis. For these reasons, Alinta Energy supports SP1 and considers strengthening the existing framework should be prioritised ahead of any broader expansion of the ISP's remit.

Our key points are set out below, followed by our detailed response.

Alinta Energy's key points:

The context in which the ISP operates has changed over time

- **The ISP should clearly articulate its policy-driven purpose to the public.**

Future purpose of the ISP

- **A base case scenario should be included to provide a comparison against the relevant ISP planning scenario.**
- **The ISP should enhance the robustness and transparency of its cost projections, sensitivity analysis and scenario modelling.**
- **SP1 in the actionability framework should be adopted at this time.**

The context in which the ISP operates has changed over time

The ISP should clearly articulate its policy-driven purpose to the public.

Alinta Energy agrees with stakeholder sentiment that the evolution of the ISP over recent years has led to its current application diverging from its historically stated purpose.[1]

[1] Discussion paper, p.19.

As AEMO CEO Daniel Westerman stated following a Senate inquiry, "*The ISP is not a tool to evaluate government policy. It's a tool to say **what needs to be delivered for that government policy to succeed***".[2] This clarification is a key driver of the ISP's purpose, one that requires clear and continued communication to its readers. As identified in ECA's response to the Consultation Paper, "…*some public bodies, stakeholders and media outlets appear to incorrectly view the ISP as a forecast of the future of the NEM, missing reference to the policy assumptions that underpin the scenarios*".[3]

The Commission notes the ISP is "*indirectly supporting the coordination of…policy decisions*".[4] We consider the ISP's stated outcome of the optimal delivery pathway (ODP) meeting "*all relevant government energy and environmental policies and targets*"[5] implies it plays a more *direct* role in the coordination of policy decisions.

For this reason, the ISP should clearly articulate its role as a policy planning document. This is further reinforced by the recent ECMC endorsement[6] to amend AEMO's constitution to establish 100% government ownership, per the AEMO Governance Review's recommendations.

A more explicit expression of the ISP's policy-driven purpose would therefore assist stakeholders in understanding the role of the ODP as a pathway for achieving policy objectives, rather than as a projection of the most likely future state of the NEM.

Future purpose of the ISP

A base case scenario should be included to provide a comparison against the relevant ISP planning scenario.

Alinta Energy considers there is considerable scope to enhance the ISP within its existing framework prior to any greater evolution in its purpose. As drafted, the ISP provides a blueprint for a defined future outcome:

> "*It is a clear plan…that sets out the least-cost way to supply secure and reliable electricity while meeting government policies, as electricity consumption doubles and coal plants retire through to 2050*".[7]

While this approach provides a forward-looking vision for governments in achieving targets and policy objectives, the delineation from prevailing cost pressures, development pipelines and market conditions devalues the usefulness of the ISP as a planning document. To support its planning role, the ISP should include a 'base case' or 'constrained delivery' scenario against the optimal development pathway, consistent with the recommendations outlined in Alinta Energy's submission to the Draft 2026 ISP.[8]

The 'base case' scenario should be evaluated throughout the ISP alongside the ISP's chosen scenario (e.g. Step Change), providing a view of the ODP's plan against likely current-day outcomes. By adopting this approach, gaps, constraints and delivery challenges

[2] Bolded for emphasis. 'Eraring extension exposes Bowen's credibility gap on renewables', Aidan Morrison – AFR, January 20 2026.
[3] Energy Consumers Australia, 'Submission to the Review of the Integrated System Plan Framework: Consultation paper', p.3; Discussion paper, p.19.
[4] Discussion paper, p.10.
[5] 2026 Integrated System Plan, AEMO, p.24.
[6] 'ECMC response to the AEMO Governance Review', Energy and Climate Change Ministerial Council, p.5.
[7] 2026 Integrated System Plan, AEMO, p.28.
[8] For further detail, see Alinta Energy's response to the Draft 2026 Integrated System Plan, 13 February 2026.

would be highlighted, informing where future support may be required.

Further detail is provided below on additional targeted improvements to the existing ISP framework.

The ISP should enhance the robustness and transparency of its cost projections, sensitivity analysis and scenario modelling.

As AEMO outlines in the ISP disclaimer, "*Modelling work performed as part of preparing this publication inherently requires assumptions about future behaviours and market interactions, which **may result in forecasts that deviate from future conditions***".[9]

In consideration of the ISP's progressively influential role in informing policy and investment decisions, continued focus should be given to improving the robustness and transparency of its assumptions, modelling inputs and outputs.

In particular, a more complete representation of the costs underpinning the ODP should be provided. For instance, the ISP specifies that committed and anticipated transmission projects are excluded from the ODP cost-benefit assessment[10], providing challenges to stakeholders in assessing whether the ODP represents the lowest-cost pathway. A more comprehensive overview of network and system costs in the ISP would thus enhance transparency and increase confidence from stakeholders in the plan.

Sensitivity analysis across key cost assumptions should be undertaken. As documented by recent reports on major infrastructure projects, material divergences between forecast and realised costs can frequently arise. For example, the estimated costs of projects such as VNI West and Snowy 2.0 have escalated significantly over time: from $2.28 billion to $7.6 billion for VNI West,[11] and $2 billion to at least[12] $12 billion for Snowy Hydro 2.0.[13]

Noting these consequences, enhanced scrutiny of the assumptions underpinning capital and financing costs, construction timelines and other key inputs would afford stakeholders with an increased understanding of the magnitude of risks and array of potential outcomes.

Additionally, the ISP should consider modelling a variation of pathways that would satisfy the ODP's objectives. While the ISP specifies an optimal or preferred development pathway, scenario modelling would provide an overview of optionality to stakeholders and the associated trade-offs with certain approaches. Alternative pathways could consider different timelines for delivering certain technologies and additional options such as solar-plus-battery projects.

Finally, enhanced transparency is required on the assumptions and underlying data underpinning the ISP's forecasts. This would support stakeholders in understanding, testing and validating modelling outcomes. Examples[14] include:

- Providing further detail underpinning the bottom-up projections that inform retail price inputs – such as the specific 'blend' of ASX futures, scenario inputs and wholesale

[9] Bolded for emphasis. 2026 Integrated System Plan, AEMO, p.2.
[10] 2026 Integrated System Plan, AEMO, p.115.
[11] 'VNI West: a multi-billion dollar question', Australian Energy Council, 27 August 2026.
[12] 'Bloody hard': Snowy Hydro CEO on troubled 2.0 build', Angela Macdonald-Smith – Australian Financial Review, 3 June 2026.
[13] 'It's not too late – getting infrastructure right for the energy boom', Amy Auster, Henry Williams and Nicholas Tarrant - Policy Institute Australia, March 2026, p.32.
[14] For further detail, see Alinta Energy's response to the Draft 2026 Integrated System Plan, 13 February 2026, pp.2, 3, 5.

price trends[15];

- Specifying how AI-related load growth has input into data-centre projections;
- Outlining detailed substantiation of CER uptake assumptions; and
- Transparency on the underlying data and assumptions behind each graph.

Overall, increasing the robustness of assumptions, expanding sensitivity testing and enhancing transparency would strengthen stakeholder confidence in the ISP and support more informed decision-making.

SP1 in the actionability framework should be adopted at this time.

For the reasons listed above, Alinta Energy considers SP1 in the actionability framework[16] to be the most appropriate option at this time.

The existing scope of the ISP should be retained until improvements are made to the robustness, analysis and transparency of the current framework. Expanding the ISP's remit to include additional areas, such as distribution assets, before these concerns are addressed risks increasing modelling complexity and uncertainty without materially improving decision-making.

Without implementing these improvements, there is a risk that - in the case of including distribution assets - investment pathways and augmentation decisions may be informed by insufficiently tested assumptions, reducing confidence that proposed investments deliver net benefits to consumers. Any future expansion should therefore be preceded by stronger analytical foundations and greater transparency of assumptions, costs and outcomes.

Thank you for your consideration of Alinta Energy's submission. If you would like to discuss this further, please contact Isidora Stefanovic at isidora.stefanovic@alintaenergy.com.au.

Yours sincerely,

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[15] '2025 Inputs, Assumptions, and Scenarios Report', AEMO, 28 August 2025, p.115.
[16] Discussion paper, p.29.