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Ms Anna Collyer
Chair
Australian Energy Market Commission
Submitted via www.aemc.gov.au
Project reference: EPR0092

Dear Ms Collyer,

Submission to the Discussion Paper — Review of the Integrated System Plan Framework

The Centre for Independent Studies (CIS) welcomes the opportunity to respond to the Discussion Paper for the Review of the Integrated System Plan (ISP) framework.

This is a short submission. Its purpose is to register our objection to what appears to be the Commission's choice to treat the role of jurisdictional policy inputs as already settled by the final determination in ERC0406, and therefore outside the proper scope of the ISP framework Review.

We regard that as a regrettable outcome. It excludes the issue that most determines whether the ISP can still function as a coordinating plan for the efficient development of the power system.

CIS set out its construction of the National Electricity Law and the National Electricity Objective at length in its rule change request of 31 October 2024 and in its subsequent submissions on ERC0406, including its submission on the draft determination. We will not repeat that argument in detail here, other than to note that the proper interpretation of the National Electricity Objective was laid out by Tom Koutsantonis in debate around the Second Reading Speech where the third limb of the objective (jurisdictional policies) was being adopted on 31^{st} of August 2023:

"I love all my children equally, and all those principles are as important, and one shall not be taken into consideration over another."

It is our opinion that the final determination contradicts this principle, and elevates consideration of jurisdictional policies above other limbs of the objective.

An ISP that binds every scenario to every target on the Targets Statement, and cannot show the cost of those targets against price and reliability, does not treat 'the children' equally. It holds one limb of the objective above the others. That is the defect ERC0406 declined to remedy. It remains the defect this Review must confront if it is to have meaning.

What has happened since the rule change

The only new matter we wish to place on the record is what occurred between the Draft and Final 2026 ISP. It shows, more clearly than any further legal submission could, why the relationship between the ISP and jurisdictional policy cannot be set aside.

In the Draft 2026 ISP, AEMO included only Stage 1 of the New England REZ network in the proposed optimal development path (See Appendix 5). It stated that further analysis and stakeholder engagement were needed to ascertain whether a second stage would optimise benefits to consumers.

In the Final 2026 ISP, the New England REZ Network Infrastructure Project was re-categorised as anticipated, on information provided by the New South Wales Government, and treated as progressing under the Electricity Infrastructure Investment Act 2020 (NSW). Anticipated status treats the project as a sunk cost in the ISP. It removes the opportunity for further consumer-benefit analysis that AEMO had itself said was still required.

The same pattern appears in the south-west of the State. AEMO's 2026 analysis in Appendix 5 of the Final 2026 ISP "reconfirmed the relative efficiency of delivering VNI West as a single integrated project rather than staging the South West NSW REZ component ahead of the interconnector upgrade."

Notwithstanding that finding, the South West NSW REZ component was re-categorised as an actionable NSW project, moved onto the tate framework, and given an earlier delivery date. AEMO recorded the jurisdictional choice and recorded its own contrary efficiency finding in the same document.

A related last-minute change occurred for the Expansion of the Central-West Orana REZ, which was made 'actionable' in the Final 2026 ISP, where it was regarded as 'future' with little explanation beyond an acknowledgement that EnergyCo is the appointed planner responsible for coordinating delivery.

Across the major New South Wales renewable energy zones, the document that is supposed to test efficient timing has been overtaken by jurisdictional instruction. Processes that might have optimised staging have been cut short. Projects the ISP had not yet found to be in consumers' interests, or had found it inefficient to accelerate, have been placed on a path that the ISP then absorbs and continues to describe as optimal.

CIS does not dispute that jurisdictions may legislate and may build, or ignore a finding about what is 'optimal' in the ISP. But this fundamentally changes the nature of what the ISP can claim to be. If a jurisdiction can convert an ISP finding that further analysis is required into a sunk or anticipated project, or bring forward a stage the ISP has just found to be inefficient, then the ISP is not coordinating investment. It is annotating decisions taken elsewhere.

The ISP may have a legitimate and useful role to play by annotating decisions taken elsewhere; by providing clear and objective analysis of what the flow-on implications of those decisions actually are. It would be constructive for the ISP to have a prominent role in assessing the consequences of those decisions in those domains where ISP-style analysis is fit for purpose — such as on system cost to consumers, or how the ideal schedule or scope of neighbouring jurisdictions' projects or plans might be impacted. This could and should consider counterfactuals where different jurisdictional decisions and policies are not taken.

But the ISP must not simply abandon any analysis of counterfactuals and alternatives to jurisdictional plans — even when finding them to be inefficient — and re-badge whatever decisions are taken elsewhere as part of the 'optimal development path'. In doing so, the ISP is becoming nothing more than a wrap-around for jurisdictional policy. That is an existential threat to the credibility of the ISP.

Either the ISP is competent to judge efficient timing in the long-term interests of consumers, in which case these over-rides act against that judgement; or it is not, in which case it cannot perform the role claimed for it.

We urge the Commission to put the relationship between the ISP and jurisdictional policies back at the centre of this Review. The legal argument we made in ERC0406 has not gone away because no rule was made. The 2026 ISP has since shown why that argument matters. Any review of the future role of the ISP that treats this question as already closed will be futile.

Yours sincerely,

Aidan Morrison
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Centre for Independent Studies