

Submission to the Australian Energy Market Commission's Review of the Integrated System Plan framework

Response to the AEMC Discussion Paper

September 2026

About Community Power Agency

Community Power Agency (CPA) is a not-for-profit independent organisation working to empower communities across Australia to participate in and benefit from a fairer and more accessible renewable energy system. CPA brings more than 14 years' experience in community energy, shared ownership, benefit sharing, community engagement and energy-transition planning, working with regional communities, governments, industry and civil society organisations to improve community engagement, benefit sharing, community ownership, regional collaboration and social outcomes associated with renewable energy development.

Executive summary

Community Power Agency welcomes the AEMC's Review of the Integrated System Plan (ISP) framework and supports maintaining the current role of the ISP as the main planning framework and roadmap for the National Electricity Market (NEM) to inform policy making, investment, and infrastructure planning. The ISP is increasingly important as the energy transition becomes more complex, distributed and contested.

This submission focuses on strengthening and adapting the ISP to ensure that it is capable of identifying pathways that are not only technically and economically efficient, but socially achievable and desirable for consumers and communities.

CPA supports the direction represented by Strawperson 3 and 4; a wider plan with a faster national pathway. However, we consider that the AEMC's proposed expansion should go further in recognising the social and institutional dimensions of system planning.

In particular, the ISP should explicitly recognise mid-scale community energy as a potentially material system resource and should account for social licence, distributional impacts, participation and benefit sharing as factors that influence the cost, timing and feasibility of the Optimal Development Path (ODP). Local and community energy refers to everyday people coming together to develop, own, and/or manage local renewable energy projects, such as a shared solar garden, a neighborhood battery, or a local wind turbine. There is both significant precedent and appetite in communities for participating in community energy projects across Australia. Community energy falls squarely within scope of the National Energy Objectives since these projects can drive localised, renewable generation that meets emissions targets while minimising overall system costs, embed resilience into the grid as well as make renewable energy accessible to more than 2.5 million consumers currently locked out of solar, ensuring the transition genuinely serves the long-term interests of all consumers.

In considering community energy, the ISP should not treat community energy simply as another form of consumer energy resource (CER), nor should community- or neighbourhood-scale projects be conflated with community-owned projects. Community-led and community-owned generation and storage can provide system services while also creating local investment, participation, resilience, economic development and lasting support for the energy transition that commercially-led

projects can not deliver. The ISP should identify where these resources could materially contribute to system outcomes and actively make recommendations to establish the policy and delivery pathways required to unlock them.

CPA therefore recommends an ‘SP3 plus community’ approach that broadens the ISP to include mid-scale community energy alongside other distribution-level energy resources, demand response and energy efficiency; ; make social licence and equity explicit considerations in the planning framework; strengthen the ISP’s role as a NEM-wide reference point; and broaden actionability so that the ISP identifies the policies, institutions, incentives and coordinated actions needed to achieve the ODP.

Summary of recommendations put forward in this submission

1. Retain and strengthen the ISP as the NEM’s national, whole-of-system planning framework, with its purpose explicitly framed around the long-term interests of consumers and achievement of climate targets.
2. Adopt Strawperson 3 as the minimum direction of reform, supplemented by the broader actionability approach contemplated by Strawperson 4.
3. Explicitly include mid-scale and community-owned energy among the resources considered in the ISP where they could be material to the ODP, including generation, storage, demand flexibility and other locally embedded resources.
4. Distinguish community energy from generic community-scale infrastructure so that ownership, governance, participation and benefit-sharing characteristics are not lost in the planning framework.
5. Make social licence, distributional impacts, consumer preferences, equity and community participation explicit considerations in assessing least-cost and deliverable pathways.
6. Develop a more proactive approach to early community participation and ground-truthing of social, environmental, agricultural and First Nations information used in ISP planning.
7. Expand actionability to include delivery recommendations identifying the policies, funding, incentives, market mechanisms, institutional responsibilities and coordination required to achieve the ODP.
8. Strengthen integration between the ISP, distribution network planning and jurisdictional planning, including clear pathways for community energy and other distributed resources to access networks.

9. Require future ISPs to communicate consumer impacts more clearly, including distributional effects, indicative bill implications and assumptions about participation by different consumer groups.
10. Continue to build on the quality of community and consumer engagement with ISP processes, including creating opportunities for deliberative discussion and deeper understanding of consumer preferences.
11. Finally, it is important that this reform of the ISP framework does not delay the delivery of the current ODP or necessary transmission and distribution investment.

Together, these recommendations would help ensure that the ISP evolves from a technically focused infrastructure blueprint into a comprehensive, socially embedded roadmap for Australia's energy transition. By formally integrating mid-scale community energy and accounting for social license, equity, and benefit-sharing, the ISP would better reflect the lived realities of consumers and the importance of inclusive energy models. This shift would not only uncover more efficient and resilient pathways but also help secure the social mandate required to deploy new infrastructure, ensuring that the transition to net zero delivers inclusive economic and social value to communities rather than relying solely on commercially-led, top-down delivery.

1. The ISP should plan for a socially achievable and desirable energy system

The AEMC is right to identify a fundamentally changed operating environment. Governments now play a more direct role in shaping investment, the system is becoming more distributed, and the ISP is relied upon by a much wider range of stakeholders. These changes increase, rather than reduce, the need for a coherent national planning framework.

CPA's experience is that technical optimisation alone cannot determine the least-cost or most deliverable pathway, and there is a robust evidence base emerging to support this (see Appendix 1). Social licence challenges can extend project timelines, increase costs and alter which projects are ultimately feasible. Community experience of REZs and transmission development is shaped not only by individual projects but by the cumulative pattern of development, the quality of communication, opportunities to participate and whether communities perceive benefits and burdens as fairly distributed.

Technical optimisation alone also cannot determine the most desirable and overall beneficial outcomes for consumers. A better understanding of consumer preferences also needs to direct future energy system planning. This involves understanding what people need and want from the energy system, and the diverse ways they would like to participate. For example, it is materially relevant to the ODP if people are keen to participate in mid-scale community energy projects or VPPs or strata solar sharing, but there are a range of barriers that currently prevent broad uptake of these models, and that lock consumers and community groups out of engaging meaningfully in clean energy initiatives to obtain a fair share of benefits. What needs to be done to unlock this potential to deliver an efficient transition as well as a transition that is equitable and delivers local social value?

The ISP should therefore explicitly recognise these factors as part of system planning. This does not mean AEMO should undertake project-level community engagement or substitute for the responsibilities of proponents and jurisdictions. Rather, AEMO should provide a realistic national picture of the social and delivery conditions on which the ODP depends, support conditions allowing for diverse entry

points and forms of participation, and identify where additional coordination, policy or institutional action is required to enable them.

[CPA's February 2026 submission to AEMO](#) similarly argued that socio-political dimensions of the transition influence least-cost outcomes, delivery risk and the distribution of demand growth, and are therefore fundamental to the long-term interests of consumers.

2. Broaden the ISP to recognise community energy

CPA supports the AEMC's proposed expansion of the ISP to better incorporate distribution networks, CER/DER, flexible demand and other distributed resources. We recommend that this expansion explicitly include mid-scale community energy.

There is an important distinction between community-scale energy and community energy. A 1–5 MW project may be physically local without being community-owned, community-led or designed around local participation and benefit. The governance and ownership model materially affects social outcomes and the degree to which a project contributes to local support for the wider transition.

Mid-scale community energy is a 'missing middle' between household CER and utility-scale generation. Community-led projects can enable local ownership and investment, create local revenue streams, support community infrastructure and provide communities with a tangible role in the energy transition. They may also reduce network requirements and can provide alternatives to some centralised infrastructure. [CPA's 2026 ISP submission](#) identified untapped distribution capacity that AEMO estimated could accommodate around 2 GW of grid-scale generation and storage, and recommended using this as a basis for a 2 GW target for local and community energy.

In addition, community energy projects are collective responses to locally pertinent energy needs. They help to overcome barriers to CER faced by some individuals (e.g. renters, apartment dwellers) and can help to address growing equity issues in the energy system.

The AEMC framework should require AEMO to assess the potential contribution of mid-scale and community-owned resources where they are material to the ODP (e.g. by virtue of capacity for additional mid-scale generation or benefit of additional

mid-scale storage in the distribution network), and to identify barriers that prevent those resources from being delivered.

Community energy should therefore be treated as both a potential system resource and a mechanism for participation, increasing equity and delivering benefits to consumers, as well as a social licence intervention for the energy transition.

3. Make consumers and communities visible in the ODP

The ISP should be more explicit that consumers are both participants in and beneficiaries of the future energy system. Demand is not simply an exogenous input. Household and commercial choices about electrification, energy efficiency, flexible demand, storage and generation can materially alter system needs.

At the same time, consumers have very different capacities to participate. Renters, apartment residents, low-income households, small businesses and others may be unable to install individual CER even where it would be beneficial. [CPA's 2026 ISP submission](#) highlighted the risk that CER uptake can produce regressive outcomes where network costs fall disproportionately on customers unable to adopt CER, and called for explicit consideration of equity in least-cost pathways. A planning framework that assumes widespread individual uptake without considering these differences risks embedding inequity. Rather, the planning framework should model ideal levels of these resources and make recommendations where policies, incentives and programs are needed to broaden the scope of participation to include those currently locked-out.

CPA recommends that future ISPs explicitly examine distributional impacts and the practical capacity of different consumer groups to participate. This should include consideration of collective pathways such as shared solar, community batteries where community-owned, community energy projects and other aggregation models (including community-led VPPs).

The ISP should also communicate the implications of different pathways in terms that consumers can understand: indicative impacts on bills and costs, who bears investment costs (i.e. the split between residential, commercial and industrial customers), who receives benefits, and what assumptions are being made about consumer participation.

Because consumers and communities are a critical audience for the ISP, it is essential to produce materials they can easily digest. Providing short, non-technical summaries, supported by accessible links to deeper information, will help build understanding and support among what is currently an underrepresented stakeholder group.

4. Social licence should be incorporated earlier in planning

The ISP should move beyond treating social licence primarily as a downstream project-development issue that can be accommodated through local and state planning frameworks. AEMO's national planning role gives it an important opportunity to help identify and reduce social and delivery risks before projects become locked into particular pathways. It also has a role to build a national narrative for the energy transition that people understand and can get behind.

CPA recommends a more proactive and participatory approach to early planning. AEMO should work with jurisdictions, network businesses, First Nations organisations, community organisations and other stakeholders to improve the evidence base on local social, environmental, agricultural and cultural contexts. Where appropriate, this should include targeted community-level ground-truthing of datasets used in early planning and selection of potential REZs and network pathways.

Early engagement should not be understood as seeking acceptance of predetermined infrastructure. Its purpose should be to identify opportunities, constraints and alternatives early enough that community knowledge can influence planning. Engagement at this phase can be highly targeted to key local informants, and can be highly valuable for future social licence outcomes. This early engagement can also open opportunities for approaches that can better target positive local impacts such as innovative benefit sharing, local investment and co-ownership.

The objective should be to move from a model of 'social licence for projects' toward a model of 'social legitimacy for the transition'. This requires a coherent national narrative, accessible information and meaningful opportunities for communities to influence, participate in and benefit from energy development.

5. Expand actionability beyond transmission

CPA supports the AEMO ISP Consumer Panel's suggestion to have a distinction between regulatory actionability and broader delivery recommendations. The ISP should identify not only which regulated transmission projects are required, but what needs to happen, by whom and through what mechanism to achieve the ODP.

This broader concept of actionability is particularly important for community energy. Community projects can face barriers including complex grid access, limited routes to market, insufficient development finance, lack of institutional support and inconsistent policy settings. These barriers will not be solved by identifying community energy as a modelling variable alone.

AEMO should therefore be able to identify delivery gaps and recommend that governments, market bodies, DNSPs or other responsible institutions investigate appropriate policies, funding mechanisms, market arrangements, technical support, aggregation pathways, incentives or regulatory reforms. AEMO would remain the planner rather than the decision maker or implementer, while the ISP would make visible the enabling conditions needed for the ODP.

This approach is consistent with the AEMC's recognition that the ISP now operates alongside multiple jurisdictional planning and delivery pathways. A national plan becomes more valuable when it can identify where those pathways need to connect.

6. Strengthen the ISP's role as the national reference point

The growth of jurisdictional planning does not diminish the case for a national ISP. It strengthens it. As states and territories develop REZ frameworks, procurement schemes, transmission plans and other interventions, there is a growing risk that individually rational decisions produce a less coherent NEM-wide outcome.

The ISP should therefore remain the consistent national reference point against which jurisdictional pathways can be understood and assessed. It should transparently identify where material jurisdictional policies, projects or assumptions align with or depart from the ODP and explain the implications for whole-of-system cost, reliability, emissions and consumers.

This should not mean overriding legitimate jurisdictional policy choices. Rather, the ISP should make the system-wide consequences of those choices visible. This is particularly important for regional communities, where multiple generation, storage and transmission projects can interact and where cumulative impacts may not be visible within individual planning processes.

7. Continue to improve consumer and community engagement

We support AEMO's current efforts at community engagement via the ISP Consumer Panel, the Consumer and Community Reference Group, webinars, verbal submissions and so on. However, there are opportunities to strengthen engagement to better enable consumer and community participation, and to better understand consumer preferences.

There is scope to improve the accessibility of ISP content for lay audiences, for example via producing short summaries of key documents in plain language, explanatory videos and podcasts.

Continuing opportunities for webinars with Q&A functions and verbal submissions is important. We also encourage further use of deliberative discussions on key topics with consumer and community representatives, similar to the Forecasting Reference Group but tailored to content that is pertinent to community and consumer stakeholders. This targeted engagement is needed for two three reasons:

1. Consumers generally have little time, awareness and background knowledge to engage directly with ISP processes. As the energy system and the ISP becomes more complex and multifaceted, this is magnified.
2. There is very little funding available for professional consumer and community advocates. However, there are relevant consumer and community organisations that could represent their interests well.
3. Consumer and community roles in delivering the ODP is becoming increasingly important, and therefore their views need to be more explicitly and broadly solicited. The AEMO ISP consumer panel plays a valuable role, but should not be relied on in isolation to represent the breadth of consumer and community views and their range of preferences and perspectives.

Conclusion

The energy transition requires more than a technically optimal set of infrastructure investments. It requires a system that can be delivered in practice, supported by communities, accessible to consumers and capable of distributing its benefits and burdens fairly. The ISP is the national framework best placed to provide that perspective.

CPA supports the AEMC's direction toward a wider whole-of-system ISP and a stronger national pathway. We encourage the AEMC to take the next step; to ensure that the future ISP recognises community energy, social licence, participation, consumer preferences and equity as integral components of system planning.

Doing so would strengthen the ISP's ability to identify pathways that are not only least-cost on paper, but achievable, resilient and supported by the communities and consumers who will ultimately live with the energy system it plans.

Community Power Agency would welcome the opportunity to continue working with the AEMC, AEMO, consumer representatives, communities and other stakeholders as the ISP framework evolves.

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Appendix 1

How community engagement and participation in renewable energy affects social value, social licence, development timelines and project costs

1. Community engagement and local benefits shape social licence for renewable energy

Renewable energy projects can create localised non-market externalities (visual, spatial, and land-use impacts) while concentrating revenue among developers and host landholders. Across the world, there is a robust evidence base showing that community support and opposition is influenced by perceptions of negative impacts versus benefits, and the perceived fairness of how these are distributed across a community. Community support and opposition is also influenced by how fair people feel the development process has been, and whether or not they have had a genuine opportunity to provide input and feedback. Globally and within Australia, this phenomenon has driven considerable guidance, policy reform and learning around ensuring renewable energy delivers local and regional social value over the past 20 years.

- An early comparative study in the UK showed that communities are less likely to be supportive of projects that have significant environmental and aesthetic impacts, with benefits going to a small number of individuals in the community; than of projects that are unobtrusive and where the benefits are entirely collective for a village.¹
- A 2022 US study of 53 delayed or cancelled renewable energy projects showed that over 80% of projects faced opposition from unaddressed procedural and distributional community concerns.²

¹ Walker et al., (2010). [Trust and community: Exploring the meanings, contexts and dynamics of community renewable energy](#). Energy Policy, 38(6), 2655–2663.

² Susskind et al. (2022). Sources of opposition to renewable energy projects in the United States, Energy Policy 165: 112922. <https://doi.org/10.1016/j.enpol.2022.112922>

- UK and Canadian large survey-based studies^{3,4} show that public support for local energy innovations is strongly influenced not only by decarbonisation, decentralisation, and digitalisation, but especially by the degree of local control, ownership, and voice in decision-making.
- There is now substantial evidence that communities with a degree of ownership in local renewable energy projects experience higher levels of acceptance, perceive more just and inclusive development processes, and more fairly distributed benefits and impacts, than communities living near projects that are exclusively commercially owned.⁵ In large part, this is because the process of negotiating, and developing community ownership itself requires high levels of community involvement and understanding of projects, which builds relationships, fosters trust and facilitates better decision making, resulting in the development of stable networks of project advocates and a supportive project development context.^{6,7}
- A 2025 Australian survey on community renewable energy (CRE)⁸ demonstrated that people's support for projects is shaped most strongly by their general attitudes toward renewable energy and by whether they believe these initiatives deliver tangible community benefits. In regional and rural areas, long electricity outages made people more favourable to alternative modes of energy provision, such as community-led renewable energy. In urban areas, residents without access to their own rooftop solar or other technologies often showed the greatest enthusiasm for community-led renewable energy, suggesting that community projects are viewed as a pathway to participation in the transition when individual ownership is out of reach.

³ Walker et al. 2024. Exploring public support for the “four Ds” of energy transitions: Evidence from survey data. *Frontiers in Sustainable Energy Transition*, 3, 1388891. <https://doi.org/10.3389/fets.2024.1388891>

⁴ Walker et al., 2024. The “four Ds” and support for Local Smart Grids: Analysis from national surveys in the UK and Canada. *Oxford Open Energy*, 3, oiae004. <https://doi.org/10.1093/ooenergy/oiae004>

⁵ Hogan et al. (2022). [What makes local energy projects acceptable? Probing the connection between ownership structures and community acceptance](#). *Energy Policy*, 171, 113257.

⁶ McLaren Loring (2007). [Wind energy planning in England, Wales and Denmark: Factors influencing project success](#). *Energy Policy*, 35(4), 2648–2660.

⁷ Hicks, J. (2020). [Generating conditions of strong social support for wind power: Insights from community-owned wind energy projects](#). *Australasian Journal of Environmental Management*, 27(2), 137–155.

⁸ Loengbudnark et al., 2025. How do we energize community energy? An Australian perspective. *Energy Research & Social Science*, 127, 104272. <https://doi.org/10.1016/j.erss.2025.104272>

2. Social licence shapes project development outcomes, cost and public support for the transition

There is an emerging evidence base showing that local opposition to renewable energy influences project development duration, cost and probability of projects progressing to become operational:

- Empirical developer data from the Lawrence Berkeley National Laboratory (LBNL) shows that community opposition causes average project delays of 11 months for solar and 14 months for wind, with over 50% of utility-scale projects experiencing delays exceeding six months.⁹ The study quantifies the financial penalty of these opposition-driven delays at approximately US\$200,000 per Megawatt (MW) across wind and solar projects due to extended land leases, standing capital costs, and administrative overheads. The same study shows that a significant proportion of renewable energy applications facing opposition end up cancelled. In the US, unrecoverable sunk costs have been estimated at average \$2.0 million per canceled solar project and \$7.5 million per canceled wind project.
- Studies on UK offshore and onshore wind deployment indicate that planning friction and local opposition inflated total project deployment costs by 10% to 29% (representing a cumulative cost burden of roughly £23 billion through 2019) due to protracted legal appeals, mandatory re-siting, and prolonged approval timelines.¹⁰

There is also evidence that local experiences and perceptions of renewable energy deployment influence perceptions of utilities and of government climate and energy policy more broadly. Most recently, based on a survey of over 6,700 Australians, CSIRO found that regional communities' direct local experiences (e.g., proximity to transmission lines and engagement transparency) heavily dictate their trust in government transition pathways and energy market authorities.¹¹

⁹ Lawrence Berkeley National Laboratory (2024). Survey of Utility-scale wind and solar developers, Energy Markets and Policy, <https://emp.lbl.gov/publications/survey-utility-scale-wind-and-solar>

¹⁰ Jarvis, S. (2024). The economic costs of NIMBYism: Evidence from renewable energy projects. *Journal of the Association of Environmental and Resource Economists*, 12(4), 983–1022. <https://doi.org/10.1086/732801>

¹¹ CSIRO (2024). Australian attitudes toward the energy transition – Part 2: Attitudes and perceptions of renewable energy infrastructure – Solar farms, onshore windfarms, offshore windfarms, and transmission infrastructure. <https://doi.org/10.25919/g6cj-xv94>

3. Both industry and local communities stand to benefit from better social performance

A recent Ernst & Young report drawing on Canadian and Australian data identifies five commercial benefits for investors who partner meaningfully with First Nations communities¹²:

- Quicker development cycles: First Nations support accelerates planning approvals and prioritisation by councils/governments, streamlines cultural heritage processes, and incentivises completion of Indigenous Land Use Agreements (ILUAs).
- Access to (and lower cost of) capital: Socially responsible projects with strong social value attract broader capital pools (including government underwriting programs like the Capacity Investment Scheme) and carry a lower risk profile.
- Offtake preference and improved terms: Energy offtakers increasingly include First Nations involvement as a requirement or preference in supply tenders, allowing aligned projects to secure superior PPA terms.
- Secondary market premium valuations: Clean energy assets with secured social licence and strong offtaker preference command higher asset valuations and greater buyer interest in secondary markets.
- Local workforce & operational cost optimisation: Partnering with local First Nations groups creates a reliable local workforce and supply chain, reducing ongoing construction, operation, and maintenance costs in remote areas.

¹² First Nations Clean Energy Network & EY (2025). Investor benefits of First Nations participation in clean energy projects, October 2025, https://assets.nationbuilder.com/fncen/pages/10975/attachments/original/1760931221/Investor_Benefits_of_First_Nations_Participation_%281%29.pdf?1760931221