

Reference: EPR0092

3 September 2026

Australian Energy Market Commission (**AEMC**)
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Submitted online at: <https://www.aemc.gov.au>

Dear Australian Energy Market Commission (**AEMC**)

Submission: Review of the Integrated System Plan

CS Energy welcomes the opportunity to provide a submission to the *Review of the Integrated System Plan* discussion paper, released for consultation on 23 July 2026.

About CS Energy

CS Energy is a Queensland-owned and based energy company that provides power to some of the State's biggest industries and employers. We generate and sell electricity in the wholesale and retail markets, and we employ almost 700 people who live and work in the regions where we operate.

CS Energy owns thermal power generation assets, and we are building a more diverse portfolio. We also have a renewable energy offtakes portfolio of almost 300 megawatts, which we supply to our large commercial and industrial customers in Queensland. CS Energy is developing a 400 MW gas-fired peaking generator at Brigalow near Kogan Creek in Queensland.

Overall views

The Integrated System Plan (**ISP**) remains a valuable tool for industry, providing a centralized source of modelling inputs and assumptions, whilst forecasting the necessary action required to meet the many policy objectives embedded within the National Electricity Market (**NEM**).

In recent years, the ISP has grown in scope and complexity; reflecting the volume and frequency of change in the market. This has been a logical and welcomed progression for the plan. However, the continued growth in policy intervention, coupled with diverging transition strategies and planning frameworks across jurisdictions has begun to threaten the credibility of the policy-constrained Optimal Development Path (**ODP**).

■ **Brisbane Office**
PO Box 2227
Fortitude Valley BC Qld 4006
Phone 07 3854 7777
Fax 07 3854 7300

□ **Callide Power Station**
PO Box 392
Biloela Qld 4715
Phone 07 4992 9329
Fax 07 4992 9328

□ **Kogan Creek Power Station**
PO Box 41
Brigalow Qld 4412
Phone 07 4665 2500
Fax 07 4665 2599

This review provides an opportunity to strengthen the credibility and transparency of the ISP which may reduce the reliance on operational intervention, mitigating costs borne by consumers. CS Energy considers that emphasizing broad-based scenario analysis and sensitivity testing (as opposed to a hyper-emphasizing a single ODP), coupled with appropriate co-optimisation and actionability related safeguards, will deliver a plan that provides sustained value to the broadest number of stakeholders.

Purpose of the Integrated System Plan

The ISP's outlook on net-zero and policy-constrained scenarios should be retained. However, it is important to acknowledge that the ISP is referenced by industry for much broader purposes; such as an input into internal modelling, an outlook on reliability, a case for commercial opportunity and so forth.

CS Energy considers that the Australian Energy Market Operator (**AEMO**) should embrace this informal secondary role through shifting the model's emphasis (from a single ODP) to consider the three distinct elements;

- Operability: minimum requirements for system security, reliability and resiliency;
- Policy: potential system configuration and asset mix to maintain operability (above) while satisfying policy objectives in a timely and harmonized manner and;
- Progress: a shorter-term projection of investment pipeline versus above constraints.

The separation of these elements has been partially undertaken in the 2026 Electricity Statement of Opportunities (**ESOO**), where AEMO distinguishes between "Government Schemes and Actionable Developments" and "Committed and Anticipated Projects". This distinction acknowledges that Government (policy) support does not mean a project will successfully complete development. CS Energy sees scope to expand on this progress through the ISP, layering in additional elements such as system security needs.

Further, the 2026 ES00 delivered a 'firm capacity equivalent' analysis, providing an indication on the investment required to replace the existing thermal fleet. CS Energy considers that this framework may be further enhanced through the ISP process by providing greater locational signals for investment in replacement capacity.

If the ISP is to remain the core document for industry reference, it must reflect a system capable of providing reliable and secure energy supply. As such, findings from other more technical documents (E.g. General Power System Risk Report (**GPSRR**), Transition Plan for System Security (**TPSS**), Thermal Audit (**TA**), etc.) should be leveraged to deliver a well-rounded, evidence-based plan.

In the discussion paper, the AEMC have outlined a preferred straw person (**SP3**) for the future evolution of the ISP. SP3 proposes expanded co-optimisation across gas and electricity sectors (both distribution and transmission-connected assets) and an accelerated actionability framework. CS Energy finds this straw person to be acceptable, with some caveats discussed below.

Planning Function Optimisation

The proposal to enhance the planning framework through co-optimisation of gas and distribution-level resources is sound. If undertaken correctly, this proposal will facilitate a more informed and holistic view of the ODP. However, the merit, and therefore the

benefits, of any expanded co-optimisation will be strongly dependant on the strength and credibility of the assumptions that underpin the model.

This becomes especially important in the context of modelling consumer energy resources (**CER**). Accelerated uptake and orchestration of CER through virtual power plants (**VPPs**) or other mechanisms is likely to reduce the required network spend, and hence, reflect a lower overall system cost pathway.

However, there is little evidence thus far to suggest that the electricity industry has obtained the necessary social licence, or effectively communicated the value proposition of behavioural changes, to encourage meaningful participation in these arrangements.

AEMO have estimated that, despite the rapid uptake of home batteries, less than 15% of these assets are currently coordinated in the NEM¹. Moreover, the wholesale demand response mechanism (**WDRM**) has only seen two participants register since its inception. Relying too heavily on CER coordination, and demand response more generally, in the ODP may ingrain uncertainty into the model and risk damaging the credibility of the plan.

This uncertainty may be somewhat minimised through increasing the number of sensitivity/ scenario analysis conducted and rigorously reviewing the inputs and assumptions that underpin the model. Again, this may be reinforced through separation and more thoughtful analysis of operability and policy elements (demonstrated in the ESOO).

CS Energy considers that the proposed co-optimisation should be leveraged to capture system costs more holistically and diligently. For instance, in development pathways where behavioural changes are assumed of CER owners, and these changes form a foundational pillar in the path's integrity, the costs of the asset purchase (although borne directly by the consumer) should be reflected in the cost/benefit analysis. This transparency will be valuable in obtaining social licence with consumers.

Furthermore, gas-powered generation requirements will fluctuate year-on-year, dependant on the prevailing weather conditions. There has been some evidence to suggest the ISP may be materially under-forecasting the required investment in gas infrastructure, given these fluctuations². Improved co-optimisation between gas and electricity sectors may alleviate some of these concerns, providing transparency and assurance that the level of gas infrastructure shown in the ISP is sufficient to insure the NEM.

Actionability Framework Expansion/ Acceleration

CS Energy does not consider that the actionability framework should be expanded to apply to gas and distribution-level projects. The risks and level of uncertainty faced by these projects are less clearly defined and mitigated. This may lead to more frequent changes in the ODP, unnecessarily damaging the model's stability.

As Australia continues to pursue the objective of net zero, the gas sector will be forced to undergo a significant transition. As such, there is a greater inherent stranded asset risk faced by large gas infrastructure projects that is simply not reciprocated to the same degree for electricity (transmission) projects.

This does not diminish the crucial role that gas will play in supporting the energy transition and Australia's broader economic prosperity, nor does it minimise the value in co-

¹ AEMO 2026 Electricity Statement of Opportunities

² Long-term back-casting of wind & solar capacity factors for the ISP Renewable Energy Zones, Dr Joe Lane

optimising the planning function. However, given the distinctly different environments and risks faced by gas infrastructure assets, it is the natural project proponents (market-based) who should decide when and if these assets should be built, not AEMO.

CS Energy does not support actioning capital intensive distribution projects based on unproven assumptions regarding the ability for CER to respond in a coordinated, timely and compliant manner, at a sufficient scale, to address system needs. This may risk a duplication in costs; where forecast behavioural changes do not come to fruition, requiring more transmission-level investment to facilitate grid-scale generation to back-fill this shortfall. It is consumers who will bear the cost of this misstep.

It is also valuable to reiterate that it is not AEMO's job to perform policy evaluation or formation. In instances where co-optimisation of gas or CER may deliver benefits from a system cost perspective, AEMO should not be compelled to identify *policy solutions* for delivering these benefits. Likewise, AEMO must not look to propose or deliver incentives for behavioural change/ investment that sits outside the existing actionability framework.

As it pertains to the proposals under SP3 to *accelerate* the existing actionable project assessment process, CS Energy does not consider there to be tangible benefits. Accelerated assessment may further bias, and lock in, potentially sub-optimal regulated transmission projects, dampening the signal for investment in more innovative practices, technologies or non-network solutions.

Moreover, there are more significant challenges contributing to the delayed delivery of these projects, which sit *external* to the ISP framework. For example, environmental planning obligations, access to labour, social licence management and supply chain constraints. These are core issues that will not be resolved by accelerating the assessment frameworks.

CS Energy supports the actionability framework remaining flexible enough to incorporate new information as its emergences, particularly where there may be a material change in circumstances (**MCC**). As such, re-prosecuting actionable ISP projects through the RIT-T is a positive backstop in demonstrating a project remains effective in addressing market need at least cost.

However, CS Energy recommends that the AEMC consider more clearly defining the conditions that constitute a MCC; as unforeseen changes in project status impacts stakeholder decision making and internal analysis. Clearer guidance on these triggers may combat challenges with reduced plan stability.

Transparency and Credibility of the Plan

As the NEM continues to undergo a significant period of change and the ISP's scope continues to broaden, it is important to ensure symmetry and transparency of information across AEMO-produced planning documents. Assumptions made in one document should be carried forward to the next, unless explicitly stated otherwise. Changes in assumptions or inputs should also be justified with some degree of academic rigor.

To this point, it is crucial that the ISP remains an iterative process; leveraging the findings from other AEMO-produced documents. CS Energy considers that these documents (E.g. GPSRR, TPSS, TA, etc) should have a more clearly defined role in setting appropriate parameters for sensitivity/ scenario analysis within the ISP. This ensures any AEMO-endorsed pathways are sufficiently resilient; thus, providing credibility.

CS Energy supports proposals by other stakeholders to expand the inputs, assumptions and scenarios report (**IASR**) (or repurpose/ create another document) to act as a live record of current assumptions. Moreover, a 'tracked changes' document would be valuable to identify, and provide justification for, changes in assumptions and inputs between plans.

Further, CS Energy considers that the benefits of optimisation should not come at the expense of providing the market with regular, transparent data and planning documents for reference and analysis. AEMO's current two-year ISP cycle should not be jeopardised to facilitate additional co-optimisation. As such, it is critical that AEMO's resource constraint is considered with any proposal for expanded planning arrangements.

Closing Remarks

CS Energy commends the commission on the work undertaken on the review thus far and looks forward to the opportunity to consult on future stages.

If you would like to discuss this submission, please contact Hunter Finlay, Policy Analyst, at hfinlay@csenergy.com.au.

Yours sincerely



Dr Alison Demaria
Head of Policy and Regulation