3 September 2026

Anna Collyer
Chair
Australian Energy Market Commission
Sydney NSW 2000
Lodged electronically

Dear Ms Collyer,

Review of the Integrated System Plan framework

Nexa Advisory welcomes the opportunity to provide input to the Commission's Review of the Integrated System Plan (ISP) framework. This submission builds on Nexa's submission to the Consultation Paper, which called for a stronger focus on transmission deliverability, better pathways for non-network and market-led alternatives, and deeper integration of distribution and demand-side resources within the ISP.

Nexa is an advisory firm with an unwavering focus to accelerate the clean energy transition in a way that provides secure, reliable, and affordable power for consumers of all types. Nexa Advisory is a team of experienced specialists in the energy market, policy and regulation design, stakeholder engagement, and advocacy. We work with public and private clients including renewable energy developers, investors and climate impact philanthropists to help them get Australia's clean energy transition done.

Nexa supports the ISP as the National Electricity Market's (NEM) whole-of-system investment roadmap. It identifies the generation, storage, transmission and other resources required to maintain a secure, reliable and least-cost electricity system as ageing coal-fired generation retires. However, we reiterate that the key challenge across successive ISP cycles is the widening gap between what is planned and what is delivered on time and on budget. This 'plan vs build' implementation gap is not a critique of the ISP's modelling ambition; it is a reflection that the transition now requires an implementation discipline that sits alongside the ISP. A least-cost roadmap on paper will not translate into least-cost outcomes for consumers if delivery falters, sequencing slips or substitute pathways are not developed early.

Nexa supports the ISP's role as a national planning framework that has, over successive cycles, provided an important evidence base for investment decisions. Maintaining the ISP's credibility is therefore critical. While governments remain responsible for developing and legislating policy, the ISP should continue to provide a robust, transparent and trusted whole-of-system outlook that informs those decisions and supports efficient investment across the transition.

However, given the scale of the delivery challenge - and its impact on consumer outcomes - Nexa recommends governments and market bodies progress reforms which complement the ISP to deliver the ODP as planned.

At the same time, jurisdictional policies and planning frameworks increasingly shape the environment the ISP is seeking to model. Nexa has previously noted that jurisdictional targets can provide a clear anchor for investment decisions and a measurable trajectory for emissions reduction.[1] However, the growth of jurisdiction-specific transmission planning and derogations has also created a more fragmented planning environment, with risks of duplication, inconsistent assumptions and reduced transparency relative to a nationally coordinated approach.

This does not mean the ISP can be developed in isolation from the jurisdictional policy and planning environment it is seeking to model. The Review should consider how the ISP interacts with jurisdictional policies and with jurisdictional and distribution planning processes as these frameworks evolve for the ISP to remain credible. In particular, there should be greater transparency over how changes in the jurisdictional planning environment are translated into ISP modelling assumptions, costs and development pathways, and how these inputs interact with the national whole-of-system outlook. Without this visibility, there is a risk of inconsistent assumptions, duplication and reduced confidence in the ISP's ability to meaningfully contribute to the National Electricity Objective (NEO) and the long-term interests of consumers.

Importantly, transparency is also required over how changes in the jurisdictional planning environment are translated into ISP modelling assumptions and costs. We have previously cautioned against simply adding costs to transmission options to reflect delivery challenges such as social licence and community engagement.[2] AEMO should also capture the upside of alternative pathways, including virtual transmission and market-led intra-regional solutions that may be faster, lower risk and better able to incorporate community engagement into project design. More broadly, material changes in jurisdictional planning should be transparently reflected in the ISP in a way that allows alternative solutions to compete on equal footing, rather than simply increasing the assumed cost of conventional transmission development.

Separately, a recurring challenge across successive ISP cycles is the gap between what is planned and what is ultimately delivered. This Review should therefore focus on resolving implementation gaps, rather than initiating another cycle of incremental and overlapping framework reform.

Broader planning must be matched by a credible national actionability and delivery framework. Actionability should establish clear pathways, responsibilities and accountability for delivering major investments in line with the ODP. However, extending this framework beyond transmission to major regulated distribution investments, as contemplated under Strawperson (SP) 4 proposed by the AEMC, risks introducing a new regulatory pathway before the underlying incentives and accountability for efficient delivery have been resolved. This intersects directly with the Electricity Network Regulation Review (ENRR), including its consideration of NSP incentive arrangements, efficient service delivery, risk allocation and incentives for network investment.

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[1] Nexa Advisory, Nexa Advisory Submission – Queensland Energy Roadmap Amendment Bill 2025, October 2025

[2] Nexa Advisory, Nexa Advisory Submission - AEMO Draft 2025 Electricity Network Options Report, June 2025

Nexa does not consider distribution actionability should be progressed unless and until these underlying incentive and accountability issues are resolved, and only where a clear additional consumer benefit can be demonstrated.

Similarly, Nexa does not support extending the ISP to co-optimise gas infrastructure investment (i.e., as proposed under Strawperson 5). The ISP should remain focused on the efficient development of the electricity system, with gas considered only to the extent that it materially affects electricity reliability, generation and system costs. The East Coast Gas Market (ECGM) is dominated by LNG exports, meaning gas demand - and much of the infrastructure supporting it - is principally driven by markets outside the NEM. AEMO's 2026 GSOO reports that, in 2025, gas consumption by Queensland LNG export facilities represented 75 per cent of total gas consumption across the ECGM.[3] AEMO also reported 97 PJ of gas consumption for gas generation in the NEM and Northern Territory in 2025. Extending the ISP to co-optimise gas infrastructure would therefore risk turning a national electricity planning framework into a mechanism for planning infrastructure predominantly serving an export-oriented gas market, rather than the needs and long-term interest of NEM electricity consumers.

The ISP should better co-optimise material CER, demand-side and distribution network opportunities alongside transmission, generation and storage, supported by stronger AEMO-DNSP joint planning and more transparent distribution network information.

We consider SP3 as presented in the Discussion Paper to be directionally consistent with Nexa's view of the future role of the ISP, but insufficient as currently framed. Broadening the scope of the ISP without materially strengthening the pathway from planning to delivery risks producing a more sophisticated plan while leaving the underlying implementation failures unresolved. The success of this Review should therefore be judged by whether it closes the gap between the ODP and what is actually delivered - through stronger delivery discipline, clearer accountability and better consumer outcomes.

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[3] AEMO, 2026 GSOO

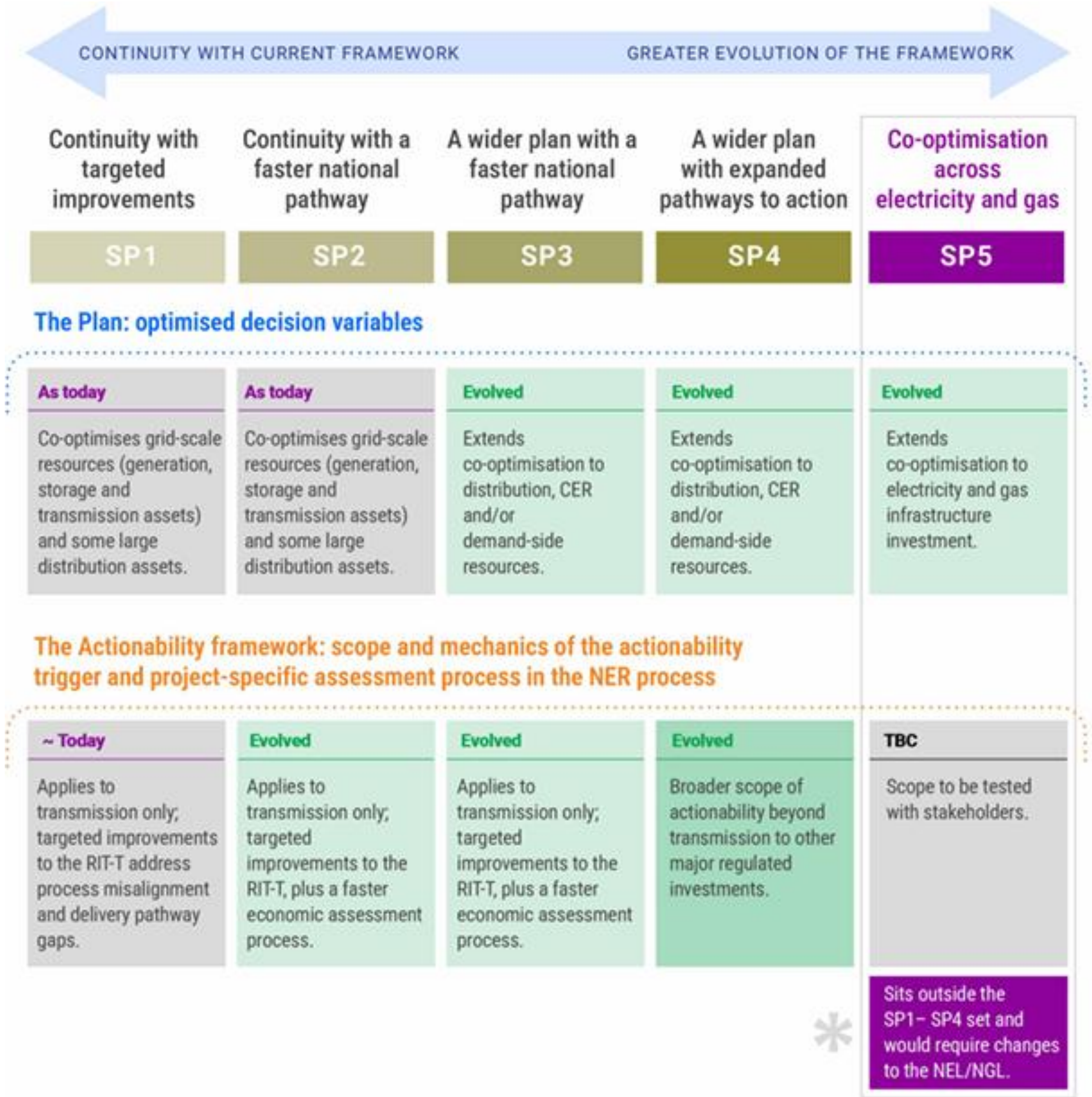
Key asks

Nexa urges the AEMC to use this Review to close the gap between planning and delivery**,** while evolving the ISP to better reflect the changing electricity system. In particular, the AEMC should:

1. **Use SP3 as the starting point for reform**, broadening the ISP to co-optimise CER, demand-side and distribution-connected resources where they can materially affect the timing, scale or need for major system investment.
2. **Do not extend ISP actionability to major regulated distribution investment (as proposed under SP4)** unless and until the ENRR and related reforms have resolved underlying incentive and accountability issues, and a clear additional consumer benefit can be demonstrated.
3. **Strengthen AEMO–DNSP joint planning through the new DNDP framework**, with two-way information flows, minimum public distribution network datasets and coordinated assessment of distribution investment, CER and flexible demand as substitutes for, or complements to, transmission and utility-scale investment. The DSOO should complement rather than duplicate these arrangements.
4. **Strengthen the actionability framework to create clear accountability for timely delivery.** This should include clear responsibility for delivery outcomes, transparent project milestones, an enduring transmission cost and schedule register, appropriate materiality thresholds, and complementary performance-based regulation and contestable delivery for major projects.
5. **Make the consumer cost of delays visible**, by requiring the ISP to quantify the consumer cost and emissions consequences where generation, storage and transmission are delivered more slowly than assumed in the ODP.
6. **Create a credible pathway for non-network and market-led options**, ensuring NNOs are identified and market-tested early, supported by sufficient information and a transparent pathway from assessment through to procurement and delivery.
7. **Do not expand co-optimisation to include gas infrastructure (as proposed under SP5).** Gas should continue to inform electricity planning where relevant, but the ISP should remain focused on the efficient development of the electricity system rather than become a central gas infrastructure plan.
8. **Make openness and transparency a core principle of the ISP**, including publication of material modelling inputs, assumptions, sensitivities and outputs, together with accessible network datasets that allow stakeholders to test ISP conclusions and develop credible investment and non-network alternatives.

SP3 is the right starting point, but reform must improve delivery

We note the AEMC has proposed five strawperson options (SP1–SP5) for how the ISP framework could evolve, ranging from incremental changes to broader co-optimisation across distribution and gas infrastructure.



Nexa considers that of these options, SP3 best reflects the future direction of the electricity system. A plan that continues to optimise predominantly grid-scale generation, storage and transmission will become less useful as CER, flexible demand, and distribution-connected resources increasingly shape least-cost outcomes. For this reason, we consider SP1 and SP2 are too incremental as neither materially broadens the planning scope of the ISP to better account for CER, flexible demand and distribution resources.

Nexa does not support the AEMC's proposed SP4, which would extend the ISP actionability framework beyond transmission to major regulated distribution investments. This would introduce a new national trigger into an area where the roles, responsibilities and incentives of DNSPs are already being reconsidered through parallel reforms. The ENRR is examining NSP incentive arrangements, efficient service delivery, risk allocation, network investment incentives and the boundary between regulated and contestable services, with potential implications for how distribution investments are delivered and for future DSO arrangements.

Expanding ISP actionability before these issues are resolved risks layering another assessment pathway onto existing shortcomings without addressing the incentives and accountability that ultimately determine whether projects are delivered efficiently. The AEMC itself recognises that SP4 would require new mechanisms across a wider set of parties, including DNSPs, and would be the most demanding implementation pathway of SP1-SP4.[4] It is also unclear that broader actionability would deliver projects faster or more efficiently, particularly given the Commission's acknowledgement that changes to the actionability framework cannot, on their own, overcome wider delivery constraints.[5]

Nexa therefore does not support extending ISP actionability to major distribution investment unless and until these parallel reforms have clarified the underlying incentives and responsibilities, and a clear additional consumer benefit can be demonstrated.

We consider SP3 the best starting point for reform. Broader co-optimisation should be a means of identifying a demonstrably lower-cost electricity system, not an objective in itself. The Commission should prioritise resources capable of materially changing the timing, scale or need for major investment - including significant distribution augmentations, CER, demand flexibility, and distribution-connected storage or generation - rather than attempting to centrally optimise every local resource or consumer decision.

This requires stronger joint planning between AEMO and DNSPs, supported by better information on distribution constraints, opportunities and investment needs.

Use the ISP to strengthen joint planning with distribution networks

The AEMC's recent Enhancing distribution network planning and reporting rule change provides an important foundation for SP3 – namely in replacing the existing annual distribution planning process with a new Distribution Network Development Plan (DNDP) framework. DNSPs will prepare 20-year plans, publish a DNDP alongside each regulatory proposal and provide annual updates between DNDPs. Where practicable, DNSPs must also adopt inputs, assumptions and scenarios consistent with AEMO's Inputs, Assumptions and Scenarios Report (IASR), explain departures, and provide information on network limitations, future development needs and non-network opportunities. [6]

Nexa has previously recommended more frequent 'mini-DAPR' style outputs because existing Distribution Annual Planning Reports (DAPR) were not sufficiently timely or granular for effective joint planning, including information on network utilisation, hosting limits, export

[4] AEMC, Review of the integrated system plan framework Discussion Paper, July 2026, p.35

[5] Ibid, p.27

[6] AEMC, Enhancing distribution network planning and reporting, Final Determination, 16 July 2026, p.15-16.

constraints and local constraint drivers. Rather than creating a parallel national distribution planning process through the ISP, the Review should build on the new DNDP framework and ensure it supports genuine two-way joint planning between AEMO and DNSPs.

The information flow should be two-way:

- The ISP and IASR should provide nationally consistent scenarios and system development signals that DNSPs must use in their long-term plans to ensure national consistency and minimise duplication in distribution network planning.
- DNDPs and their annual updates should provide AEMO with timely and consistent information on local constraints, hosting capacity, export capability, development needs and credible non-network opportunities; and
- AEMO, TNSPs and DNSPs should jointly test where distribution investment, CER and flexible demand can substitute for, defer or complement transmission and utility-scale investment.

Nexa has consistently argued that simply requiring DNSPs to provide data to AEMO is not enough. The framework must establish clear joint planning responsibilities and minimum public distribution network datasets so that third-party CER providers can respond to identified needs – including through flexibility and non-network solutions.[7]

The proposed Demand-side Statement of Opportunities (DSOO) could provide a further complementary input. The DSOO is intended to identify demand-side opportunities across the energy system, including where flexible demand could avoid unnecessary network or generation investment, although its relationship with the ISP is still being developed.[8]

The priority should be to make these emerging frameworks work together - with the DSOO identifying demand-side opportunities, the DNDP providing robust local network information, and the ISP assessing their material whole-of-system value - rather than creating additional overlapping planning processes.

Actionability must mean more than triggering another assessment

The Discussion Paper's distinction between the plan and the actionability framework is useful, but the current delivery framework does not create clear accountability for timely delivery. As Nexa identified in *Supercharging Transmission Buildout*, the ISP establishes timeframes for TNSPs to commence preparatory activities and then requires a further project-specific assessment through the RIT-T. It does not create a direct obligation to deliver the project by the

[7] Nexa Advisory, Submission to AEMC Integrated Distribution System Planning Directions Paper, November 2025; Nexa Advisory, Submission to AEMO Demand-side Factors Information Guidelines, 11 September 2025.

[8] AEMC, Discussion Paper, Appendix A.3.3, p. 74.

date assumed in the ODP, nor does it clearly allocate accountability between AEMO, governments and transmission proponents.[9]

The existing RIT-T framework is designed to assess the relative costs and benefits of credible options and test prudency and efficiency. It does not, by itself, test whether a proponent has the governance, capability and incentives to deliver a major transition project on time and on budget. Repeated incremental changes have improved individual aspects of the process but have not resolved this accountability gap.[10]

Similarly, jurisdictional planning and delivery frameworks have not removed the underlying delivery challenge. Nexa has recognised the benefits of these frameworks, including accelerated assessment and greater scope for contestable procurement. However, projects progressing through jurisdictional pathways remain exposed to planning approvals, community acceptance and other delivery constraints. For example, the AEMC notes that many actionable ISP projects are now progressing through jurisdictional frameworks, while coordination challenges and practical constraints - including social licence, environmental approvals, workforce constraints, supply-chain pressures and increasing project costs - continue to affect project timing and delivery. Moving a project from the national pathway to a jurisdictional pathway is therefore not, of itself, a solution to the delivery problem.

The Discussion Paper nevertheless proposes not to revisit timely delivery incentives, relying on the TPIR conclusion that existing reforms and jurisdictional levers should first be allowed to work, there is insufficient evidence that the regulatory framework itself causes material delay, and a new incentive framework would be complex to design.[11] This sits uneasily with the AEMC's own acknowledgement that TNSPs "have an exclusive right to build, own and operate transmission solutions in the NEM, but no obligation to deliver transmission projects" and face "no regulatory consequences should it delay or not invest in a major transmission project".[12]

Nexa considers that this is precisely the accountability gap the ISP Review should address, rather than defer. The AEMC should use this Review to strengthen the actionability framework by directly addressing timely delivery incentives and accountability. Where relevant levers sit outside the ISP Rules, the Commission should make clear recommendations for complementary regulatory or policy reform.

The framework should:

- allocate clear responsibility for delivery outcomes across AEMO, governments, planners and proponents;
- set and publish meaningful project milestones, including approvals, procurement, construction, in-service and full-capacity dates;

[9] Nexa Advisory, Supercharging Transmission Buildout, September 2024

[10] Ibid

[11] AEMC, Discussion Paper, p.70

[12] Ibid

- establish an enduring transmission cost and schedule register that reconciles movements against previous ISP assumptions and explains material drivers;
- use clear materiality thresholds so projects are not repeatedly reopened for minor changes, while consumers remain protected from inefficient expenditure; and
- support complementary performance-based regulation and contestable delivery settings for major projects where feasible, rather than relying solely on incumbent incentives.

Make the consumer cost of delays visible

Nexa's previous work has shown that transmission delays can increase wholesale prices and consumer bills, worsen reliability and increase reliance on higher-cost thermal generation. A least-cost plan on paper does not produce least-cost outcomes if generation, storage or transmission is delivered late.[13]

The 2026 ISP's *Constrained Delivery* sensitivity is an important step, but the ISP should more prominently and consistently quantify the consequences of delayed development. A standardised sensitivity could be used to demonstrate slower delivery of generation, storage and transmission, and the resulting impacts on reliability, consumer costs and emissions.

Similarly, the 2026 Electricity Statement of Opportunities includes a *Committed Only* sensitivity, excluding anticipated generation and storage projects to show the reliability implications of slower project progression. The ISP serves a different purpose, but a comparable counterfactual would make the cost of inaction visible to governments, investors and consumers and provide a stronger basis for delivery accountability.[14]

Non-network and market-led options need a credible pathway

The AEMC has acknowledged concerns that non-network options (NNOs) are not placed on an equal footing with network solutions, but proposes that broader incentive questions be considered through the ENRR. Nexa supports the ENRR examining capex/opex incentives, but that does not remove the need for this Review to address planning and actionability.[15]

The ISP, RIT-T and RIT-D frameworks should be tested against whether they create a credible pathway to identify, market-test, assess and progress NNOs early enough to influence investment decisions. Formal obligations to consider alternatives are insufficient where system needs are poorly specified, relevant network data is inaccessible, market testing occurs too late, or there is no clear pathway from assessment to contracting and delivery.

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[13] Nexa Advisory, We Plan and then Don't Build, May 2024; Nexa Advisory, The Consumer Cost of Transmission Delays, July 2024.

[14] AEMO, 2026 Electricity Statement of Opportunities, August 2026

[15] AEMC, Discussion Paper, p.67-68

Nexa has previously identified virtual transmission and other flexible solutions as potentially cost-competitive alternatives to network augmentation that can be delivered faster, are modular and have a smaller physical footprint. Yet the current process is not generating a strong pipeline of market-led alternatives. For the Draft 2026 ISP, AEMO called for non-network options for the Switching Station Near Wondalga project but received no submissions.[16] This should prompt examination of whether the current process provides potential NNO providers with sufficiently clear needs, information, timing and a credible commercial pathway to participate - rather than being taken as evidence that viable alternatives do not exist. Under SP3, NNOs should be treated as genuine substitutes or complements to network investment within the ODP, supported by a transparent pathway from identification through to procurement and delivery.

Keep the ISP focused on electricity

Nexa does not support SP5 broadening the ISP to include gas infrastructure. The ISP should remain focused on the efficient development of the electricity system. Gas supply, availability, prices, electrification and gas-powered generation should continue to be reflected where they affect electricity reliability as a source of firming capacity, demand, dispatch and investment.

This is distinct from centrally co-optimising gas pipelines, storage and other infrastructure within the ISP. The East Coast Gas Market (ECGM) is dominated by LNG exports; AEMO reports that Queensland LNG export facilities accounted for 75% of total ECGM gas consumption in 2025.[17] Much of the demand underpinning gas infrastructure is therefore driven by export markets rather than NEM electricity consumers. Expanding the ISP to optimise this infrastructure risks extending an electricity planning framework into investments whose primary purpose may not be to serve the long-term interests of electricity consumers.

SP5 would also require significant legislative and institutional change, create difficult questions about actionability and the relationship between the National Electricity Objective and National Gas Objective, and risk duplicating existing gas planning processes. Nexa has previously argued that gas should inform electricity planning where it affects electricity system outcomes, but the ISP should not become a central gas infrastructure plan.[18] This position was reflected in the AEMC's final rule determination and AEMO's implementation in the 2026 ISP: the AEMC framed gas development projections as an input to support electricity investment decisions, while AEMO expressly notes that gas developments are not co-optimised in the ODP, do not constitute an optimal development path for gas, and remain the responsibility of the gas industry.

[16] AEMO, 2026 Integrated System Plan, Appendix A5: Network Investments, June 2026, p. 48

[17] AEMO, 2026 GSOO

[18] Nexa Advisory, Submission to AEMC Enhancing the Integrated System Plan to support the energy transition, 18 July 2024.

Openness and transparency should remain a core ISP principle

As the ISP becomes a broader whole-of-system planning tool, its credibility will increasingly depend on stakeholders being able to see, test and challenge the analysis underpinning the ODP. In our previous submission, Nexa argued that the ISP should not operate as a 'black box'. AEMO should publish the material inputs, assumptions, sensitivities and modelling outputs that drive ISP conclusions.

Greater transparency is also necessary to support efficient investment outside the regulated network framework. Information asymmetry can weaken competition from non-network and market-led alternatives and reduce investor confidence. This should include accessible network datasets - particularly distribution network information on constraints, hosting capacity and development needs - so market participants can assess ISP outcomes and develop credible alternatives to network augmentation.

Concluding remarks

SP3 provides the strongest basis for the future ISP, but broader planning must be matched by a credible pathway to delivery. The ISP should evolve into a more complete and transparent plan for the electricity system, supported by stronger AEMO–DNSP joint planning through the DNDP and DSOO and a more efficient national transmission pathway.

The priority for this Review should be to close the gap between the ODP and what is actually delivered. Actionability should establish clear responsibility and accountability for timely delivery, make delivery performance and the cost of delay transparent, and provide credible pathways for non-network and market-led alternatives. Reform should be judged by whether it improves delivery and consumer outcomes, not simply by whether the ISP plans across more resources.

Nexa appreciates the AEMC's ongoing work to strengthen the ISP framework. We welcome the opportunity to further discuss any aspect of our submission - please contact either myself on stephaniebashir@nexaadvisory.com.au or Jordan Ferrari, Director - Policy and Analysis, jordanferrari@nexaadvisory.com.au.

Yours Sincerely,

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