

SUBMISSION TO THE AUSTRALIAN ENERGY MARKET COMMISSION

- REVIEW OF THE INTEGRATED SYSTEM PLAN FRAMEWORK

BY

[REDACTED]
Barrister-at-Law LLM B Comm (Hons)

[REDACTED], Townsville QLD 4810

[REDACTED]
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Reference: EPR0092

1. SUMMARY

1.1 This submission is made by [REDACTED], Barrister-at-Law to the Australian Energy Market Commission (AEMC). The submission is made as part of the AEMC's Review of the Integrated System Plan framework required by National Electricity Rule 11.126.10 (**Review**) (reference EPR0092).

1.2 The principal contentions of this submission are:

- There is a fundamental structural defect in the ISP framework that existing consultations have not resolved: this is the requirement in National Electricity Rule (NER) 5.22.10(a)(3) that AEMO must adopt the inputs, assumptions and scenarios in the Inputs, Assumptions and Scenarios Report (IASR) when preparing the ISP.
- That requirement — as currently constructed —not only ensures that all ISP scenarios assume the successful achievement of present government greenhouse gas reduction targets, it then turns the ISP into a document that seeks to achieve them. The effect is to remove from the ISP any scenario in which current policy is not achieved and unlawfully elevate the GHG reduction element of the National Electricity Objective (NEO) above all other elements.
- The Commission should repeal the current Rule 5.22.10(a)(3) and substitute a new rule requiring:
 - (i) modelling which does assume and seek the achievement of current government policies;
 - (ii) inclusion of a "no change" baseline scenario in the IASR;
 - (iii) modelling and identification of the cheapest and most reliable forms of electricity generation are not beholden to current policy constraints.

2. THE AUTHOR

2.1 This submission is made by [REDACTED], Barrister-at-Law, LL.M, B Comm (Hons). I have practised in commercial and administrative law for over three decades. Although my principal area of practice is commercial equity I have also advised and appeared in matters involving energy regulation and the legal framework governing Australia's National Electricity Market (NEM).

2.2 I have an interest in the subject matter of this submission as an adviser to clients who are consumers and participants in the NEM and as an electricity consumer in my own right.

3. LEGISLATIVE FRAMEWORK

3.1 The National Electricity Law is a law of each participating jurisdiction in the Australian Energy market, i.e. the law is a code passed by each relevant state or territory. The AEMC is empowered under the NEL to amend the National Electricity Rules (NER) or make further rules.

3.2 Under NER 11.126.10 the AEMC is obliged to complete, by 1 July 2027, a review of the Integrated System Plan framework as set out in NER 5.16A, 5.22 and 5.23. The focus of this submission is sub-rule 5.22.10(3).

3.3 Rule 5.22.10 provides as follows:

5.22.10 Preparation of ISP requirements

(a) In preparing an Integrated System Plan, AEMO must:

(1) comply with any requirements set out in the Cost Benefit Analysis Guidelines under clause 5.22.5(c);

(2) comply with any requirements set out in the Forecasting Best Practice Guidelines under clause 5.22.5(j);

(3) adopt the inputs and assumptions, material issues and scenarios identified in the Inputs, Assumptions and Scenarios Report, or provide reasons where AEMO has used updated information; (emphasis added)

(4) seek to deliver power system needs;

(5) consider the following matters:

(i) the efficient integration of ISP development opportunities;

(ii) the risks to consumers arising from uncertainty, including over investment, under-investment, premature or overdue investment;

(iii) fuel security;

(iv) credible options (including non-network options);

(v) outcomes of joint planning with Transmission Network Service Providers under clause 5.14.4;

(vi) relevant intra jurisdictional developments and any incremental works that may be needed to coordinate the Integrated System Plan with intra

- jurisdictional planning;
- (viA) outcomes of the general power system risk review;
- (vii) the forecast quantity of electricity that is expected to flow, and the periods in which electricity is expected to flow, and the magnitude and significance of future network losses on interconnectors, as projected in the Integrated System Plan over the Integrated System Plan planning horizon;
- (viii) the projected capability of the national transmission grid, and the technical requirements of the power system (such as frequency, voltage, inertia and system strength) required to support the secure and reliable operation of the national transmission grid;
- (ix) good electricity industry practice; and
- (x) such other matters as AEMO considers relevant.

3.4 This obligation under sub-rule (3) is effectively mandatory. AEMO must adopt the IASR scenarios or explain any departure. It cannot substitute alternative scenarios — including a baseline "no change" scenario — at its own initiative other than by way of “update”. And it is AEMO itself which is the author of the IASR, it is produced by AEMO pursuant to NER 5.22.8.

3.5 Sub-rule 5.22.10(3) needs to be understood in the context of the entire NEL and NER. Under NEL s.49 the AEMO has broad and differing statutory functions. In particular, under sub-section 49 (3) “AEMO must, in carrying out functions referred to in this section, have regard to the national electricity objective”.

3.6 The National Electricity Objective (NEO) is defined in section 7 of the NEL as follows:

- "The objective of this Law is to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to—
- (a) price, quality, safety, reliability and security of supply of electricity; and
 - (b) the reliability, safety and security of the national electricity system; and
 - (c) the achievement of targets set by a participating jurisdiction—
 - (i) for reducing Australia's greenhouse gas emissions; or
 - (ii) that are likely to contribute to reducing Australia's greenhouse gas emissions."

3.7 Plainly the NEO is a multi-element objective. Section 49(3) of the NEL requires AEMO to have regard to it in its entirety, no single element paramount. Price, reliability and security of supply under paragraph (a) are co-equal with greenhouse gas targets under paragraph (c). I shall return to this point later in this submission.

3.8 AEMO’s obligation to publish the ISP arises under NER 5.22.1:

5.22.1 Duty of AEMO to make Integrated System Plan

AEMO must publish an Integrated System Plan every two years by 30 June in accordance with the Rules.

3.9 Other pertinent elements of Rule 5.22 are:

5.22.2 Purpose of the ISP

The purpose of the Integrated System Plan is to establish a whole of system plan for the efficient development of the power system that achieves power system needs for a planning horizon of at least 20 years to contribute to achieving the national electricity objective.

5.22.3 Power system needs

(a) The power system needs are:

- (1) the reliability standard;
- (2) power system security;
- (3) system standards; and
- (4) standards or technical requirements in Schedule 5.1 or in an applicable regulatory instrument.

(b) In determining power system needs and in determining how the Integrated System Plan would contribute to achieving the national electricity objective, in relation to participating jurisdictions, AEMO:

- (1) must consider the emissions reduction targets stated in the targets statement; and
- (2) may consider a current environmental or energy policy of a participating jurisdiction, including an emissions reduction target which is not set out in the targets statement, where that policy has been sufficiently developed to enable AEMO to identify the impacts of it on the power system and at least one of the following is satisfied:

- (i) a commitment has been made in an international agreement to implement that policy;
- (ii) that policy has been enacted in legislation;
- (iii) there is a regulatory obligation in relation to that policy;
- (iv) there is material funding allocated to that policy in a budget of the relevant participating jurisdiction; or
- (v) the MCE has advised AEMO to incorporate the policy.

3.10 The NER set out other processes which AEMO must follow before the ISP is published. These include:

5.22.4 ISP timetable

(a) AEMO must publish an ISP timetable within 3 months of the publication of the most recent Integrated System Plan published by AEMO.

(b) This ISP timetable must set out the timing for the establishment of the ISP consumer panel and the dates of publication for the following matters:

(1) the Inputs, Assumptions and Scenarios Report;

(2) if AEMO is not using an existing ISP methodology, the ISP methodology;

(3) the draft Integrated System Plan; and

(4) the Integrated System Plan in accordance with clause 5.22.1.

....

5.22.8 Preliminary consultations

(a) AEMO must, in accordance with the ISP timetable and the Forecasting Best Practice Guidelines, develop, consult and publish a report on the inputs, assumptions and scenarios to be used for the Integrated System Plan (**the Inputs, Assumptions and Scenarios Report**).

....

(d) AEMO must, in accordance with the Forecasting Best Practice Guidelines, develop, consult and publish a cost benefits analysis and modelling methodology to be used for Integrated System Plan ("**ISP methodology**") which is consistent with the Cost Benefit Analysis Guidelines.

4 – Factual background: The 2026 ISP and the 2025 IASR

4.1 AEMO published the 2025 IASR in August 2025 for use in the 2026 ISP. The 2025 IASR defined three scenarios and said the following about each of them:

- **Step Change** — "this scenario achieves the objectives of Australia's government policies in transitioning the energy system."
- **Slower Growth** — "this scenario achieves the objectives of Australia's government policies in transitioning the energy system."
- **Accelerated Transition** — "this scenario achieves the objectives of Australia's government policies in transitioning the energy system."

4.2 The IASR states expressly that "AEMO does not assess the merits or feasibility of these targets and policies." All three scenarios presuppose not merely that government policy is a relevant consideration but that it will be achieved.

4.3 The 2026 ISP purports to identify the "optimal development path" (ODP) *"to meet power system needs and consumers' long-term interests at least cost through to 2050, as coal plants retire and while meeting government policies"* (emphasis added). The phrase "while meeting government policies" in the 2026 ISP makes explicit that compliance with current government policy is a design constraint of the ISP, not a

factor to be balanced against cost and reliability. This is contrary to the NEO, which does not place any ranking on its several elements.

4. RESPONSE TO THE DISCUSSION PAPER

5.1 I advance six grounds in support of the repeal or amendment of sub-rule 5.22.10(a)(3). Each ground is also a reason why the reform of the Planning Workstream is essential to the success of whatever future purpose the Commission adopts for the ISP.

Ground 1: AEMO has converted the IASR from a planning tool into a planning constraint.

5.2 The 2025 IASR does more than “assuming” government policies will be achieved, each of its scenarios actively seeks their achievement. In other words, government policies are transformed from being an exogenous factor to be modelled into an objective to be achieved. This transformation is made plain in the IASR Executive Summary where it is said of each of the three modelled scenarios “Step Change”, “Slower Growth” and “Accelerated Transition” that the scenario “achieves the objectives of Australia’s government policies in transitioning the energy system”. The other elements of the NEO, efficiency, price, quality, safety, reliability and security are thereby relegated to a position which is subordinate to the achievement of government-desired GHG reductions.

5.3 The Commission's own assessment criteria — which treat Safety, Security and Reliability and Emissions Reduction as co-equal criteria — are inconsistent with a planning Rule that makes emissions targets paramount. The Rule as it stands conflicts with the Commission's stated assessment framework for the Review.¹

5.4 Because it is bound to follow the IASR in the ISP, AEMO can defend it doing so on the ground that it has no choice. But because it is AEMO itself that writes the IASR, AEMO has abused its position as author to take upon itself the role of achieving government GHG policy at the expense of the other elements of the NEO.

Ground 2: The rule assumes governments will not change policies even when unworkable

5.5 Sub-rule 5.22.10(a)(3), read with the IASR, proceeds on the basis that the policies embedded in the IASR scenarios will endure. AEMO acknowledges it does not assess the feasibility of those policies. This is totally unrealistic, particularly over a 20-year planning horizon. Governments routinely revise, moderate, defer, and abandon policies when they prove technically unworkable, economically unsustainable, or politically unacceptable. The costs of offshore wind development, the difficulties of securing social licence for transmission infrastructure, the challenges of building sufficient dispatchable capacity to firm intermittent renewables, and the financial pressure on

¹ AEMC Consultation Paper, 18 December 2025, pages 33-34. Discussion Paper EPR0092, 23 July 2026, section 1.4.2 and Summary page 28.

battery storage supply chains all present material risks of policy revision over the planning horizon.

5.6 One particularly concrete example should suffice: the 2026 ISP in its final version differed from the published draft to reflect an announced delay in the retirement of the Eraring Power Station from August 2027 to April 2029. Eraring is the single largest electricity generator in NSW and the extension of its life was publicly predicted by the Centre for Independent Studies before the 2026 ISP was published. The AEMO's adherence to policy achievement blinded it to the fact that the extension of Eraring was inevitable in light of the inability of any suite of renewable generation assets to replace it, certainly within the stated time frame. A credible energy planning authority would never have modelled such an unrealistic assumption without at least also modelling the alternative.

Ground 3: The Rule Assumes unrealistically assumes policy continuity

5.7 The 2025 IASR scenarios each assume that current energy transition policies will be implemented and will succeed. This necessarily assumes that governments committed to those policies — or governments with materially similar policies — will govern throughout the 20-year planning horizon. This is an assumption that no responsible planner in a democracy should make.

5.8 Australia's political system features viable opposition parties at federal and state levels that have proposed policies that would materially alter or abolish net zero targets and the current energy transition framework. A planning instrument that cannot model any scenario in which current political commitments to net zero change is not doing its job of considering all reasonably feasible developments. The risk of a change of government or a change of energy policy over 20 years is not negligible; it is, in Australia's constitutional democracy, inevitable.

Ground 4: The Rule Is Premised on an Unrealistic Assumption that Government Policies Will Be Achieved

5.9 Sub-rule 5.22.10(a)(3), read with the IASR framework, requires the ISP to be prepared on the assumption that current government energy transition policies will be achieved. History demonstrates that ambitious policies in the energy sector are frequently not achieved in the manner or on the timetable contemplated. Experience in Australia with renewable energy targets, battery storage programs, transmission projects, and offshore wind development has repeatedly shown that technical, financial, community, and regulatory obstacles intervene to delay or curtail planned outcomes.

5.10 A planning instrument for 20 years that is required to assume policy success, without any testing of scenarios in which policies are not achieved, produces investment recommendations that may be neither efficient nor in the long-term interests of consumers. A change of even modest assumptions about the pace of the energy transition produces very different conclusions about the optimal generation and transmission mix.

5.11 This is not to say that every or even many political and regulatory policy combinations should be tested in the IASR. Rather, a “reality check” should be applied that presumes outcomes will be avoided or reversed when they lead to changes that the body politic is unlikely to receive favourably.

Ground 5: The Rule Precludes a "No Change" Baseline

5.12 Sound planning practice requires a baseline scenario — a counterfactual against which proposed developments can be assessed. The natural baseline for the ISP is a "no change" scenario: one in which the NEM’s current electricity generation assets are maintained or replaced at their present operating capability with no mandated retirement and minimal new capital expenditure.

5.13 No such scenario is included in the 2025 IASR, and none could be included under the current framework without being inconsistent with the requirement that all IASR scenarios must achieve government policy for the energy transition. Without a "no change" baseline, consumers and policymakers cannot assess the true cost of the energy transition. The AEMC’s Discussion Paper itself acknowledges that the ISP should serve as a "reference point for unregulated investment decisions." It cannot discharge that function honestly without a “no change” baseline.

6. RECOMMENDED REFORMS

Primary Recommendation: Repeal and amend Sub-Rule 5.22.10(a)(3)

6.1 The Commission should repeal Rule 5.22.10(a)(3) as part of the Planning Workstream reforms arising from this Review. In its place, the NER should provide that AEMO must have regard to the inputs, assumptions and scenarios in the IASR in preparing the ISP, but is not bound to adopt them.

6.2 Further, sub-rule 5.22.10 should be amended to require AEMO to include scenarios in the IASR that model departures from current government policy, including scenarios modelling the cost and reliability consequences of delayed, modified or reversed policy commitments and the “no change” baseline described above.

6.3 The “no change” scenario should model the consequences of maintaining all current assets at their present operating capability with no mandated retirement and minimal new capital expenditure, subject only to the normal commercial decisions of private operators about asset life.

6.4 The "no change" scenario should:

- project electricity costs, reliability outcomes and system security indicators on the assumption that current generation assets are maintained at their present capacity and are not subject to mandatory retirement;
- model demand growth in a policy-neutral environment, without the policy-induced demand-electrification assumptions embedded in the transition scenarios; and

- compare costs and emissions outcomes under the "no change" scenario against each of the IASR policy-transition scenarios, making the cost of the transition transparent to consumers and policymakers.

6.5 This amendment is consistent with the Commission's stated concern that the ISP should reflect "consumer outcomes." Consumers are entitled to know what their electricity costs and reliability would look like in the counterfactual in which the transition does not proceed as planned.

Secondary Recommendation: Require Modelling of the Cheapest and Most Reliable Forms of Generation

6.6 The NER should also be amended to require AEMO to include in the IASR and ISP modelling of the cheapest and most reliable forms of electricity generation available to the Australian electricity market, independent of any policy constraint. This should include:

- an assessment and disclosure of the full system cost of energy for all feasible generation technologies, on a consistent and comparable basis;
- identification of the alternative combinations of generation, storage and transmission projects that would achieve the individual elements of the NEO; and
- quantification of the additional cost to consumers of each IASR policy-transition scenario as compared to that unconstrained least-cost result.

6.7 This amendment does not require AEMO to recommend technology choices inconsistent with government policy. It requires only that the information be generated and published so that consumers, investors, regulators **and policymakers** can make informed decisions. Transparency about the opportunity cost of the transition is itself a contribution to the long-term interests of consumers. It is also directly responsive to the Discussion Paper's stated concern about "issues with the plan's ability to inform investment/policy decisions."

7. CONCLUSION

7.1 The Review of the Integrated System Plan framework presents the Commission with an important opportunity. I support reform of the ISP to deliver a broader, more transparent and more effective planning instrument. The Commission's initial preference for SP3 — a wider plan with a streamlined delivery pathway — has merit, subject to the essential condition that the Planning Workstream reforms address the fundamental defects in Sub-Rule 5.22.10(a)(3) addressed in this submission.

7.2 As that sub-rule currently stands, every ISP must be built on scenarios that presuppose the achievement of current government energy transition policy. This:

- assumes, unrealistically, that ambitious policies will be achieved;

- elevates the GHG emissions limb of the NEO above the co-equal elements of price, reliability and security of supply;
- converts the IASR from a planning input into a planning objective;
- precludes any "no change" baseline against which the cost of the transition can be assessed;
- assumes governments will not change policies even when those policies prove unworkable; and
- unrealistically assumes the continuity of current governing arrangements across a 20-year planning horizon in a democracy where opposition parties proposing materially different energy policies command significant electoral support.

7.3 I respectfully request the Commission to:

- **primarily**, substantively repeal sub-rule 5.22.10(a)(3) and amend it in a manner that realistically models departures from government policy and continuation of presently operating generation and transmission assets; and
- **secondly**, amend the NER to require that AEMO model and publicly identify in the ISP the cheapest and most reliable generation mix for the NEM independently of government policy constraints.

7.4 These reforms would restore the ISP to its proper function: an independent, objective, whole-of-system plan for the efficient development of the power system in the genuine long-term interests of consumers, as required by Rule 5.22.2 and section 7 of the NEL.


Barrister-at-Law
Townsville
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