Letter from [redacted]

1 September 2026

To: Australian Energy Market Commission (AEMC)

Email: aemc@aemc.gov.au

Project Reference: EPR0092

Subject: Submission on Discussion Paper – Review of the Integrated System Plan (ISP) framework

Submissions Close: 3 September 2026.

Introduction

I write my submission as an electricity consumer within New South Wales. I hold tertiary qualifications from the University of Sydney, the University of Technology Sydney, and the University of New England in Engineering, Energy Planning and Policy, and Project Management. Furthermore, I bring over 36 years of professional experience across various roles within the electricity supply industry to this assessment.

This submission focuses on four areas where the ISP framework could be strengthened: institutional clarity, modelling governance, economic efficiency, and ISP stress testing.

The Integrated System Plan Framework

The discussion paper correctly identifies the challenge of developing the ISP.

> " The development of the ISP is a challenging task, noting especially that it is distinct from many other long-term electricity network plans because it includes the actionable ISP framework. The future energy system is shaped by complex, rapidly changing and uncertain factors, requiring sophisticated modelling."

In my view, the ISP is often misunderstood and is affected by limitations in modelling, governance arrangements, and policy assumptions that reduce economic efficiency.

The ISP may not fully address the scale of the challenges, complexity and uncertainty associated with the Australian energy system.

The modelling adopted in the ISP fails to align to international benchmarks and the AEMC has resisted helpful and sensible requests for rule changes intended to improve the modelling and improve the ISP.

In its governance role, the AEMC has defined the roles of the AER and AEMO in a way that leaves no institution responsible for the economic efficiency of the national electricity system planning.

The ISP, in its current form and framework is fragile and lacks the robustness required to meet its objectives in producing economically efficient long term electricity development plans for Australia.

This submission makes four recommendations:

1. **Require a formal ISP guideline** to clearly define the ISP's limitations and mandate.
2. **Establish proper modelling within the ISP** by putting an appropriate base-case within the planning framework.
3. **Refer economy-wide efficiency assessments to an independent body**, such as the Productivity Commission.
4. **Implement a Stress Test of the ISP** to examine its fragility to foreseeable changes in jurisdictional policy inputs and changes in national and international political, economic and technological aspects.

1. The ISP

The Discussion Paper seeks stakeholder feedback on the future purpose of the ISP (Chapter 4) to resolve differing views on what the ISP is intended to achieve.

There is a lack of clarity regarding the ISP's institutional role, which creates inconsistency between the AEMC's formal regulatory explanations and public, ministerial characterisations of the ISP as an authoritative "roadmap".

The AEMC's characterisation of the ISP as a purely technical instrument is routinely contradicted by public ministerial statements.

Theme	Ministerial Statements (e.g., Chris Bowen)	AEMC Position	Coherence
ISP as a roadmap	"The ISP is a worldclass document that is a sensible, well crafted roadmap."	Identifies an optimal path given policy inputs, not an authoritative delivery roadmap.	Misaligned
Policy validation	"We base our plan on the experts."	Explicitly rejects that the ISP validates or justifies government policy.	Misaligned
Least-cost outcomes	"The ISP is designed to ensure the lowest cost plan..."	System optimisation given policies, not least-cost policy choices; efficiency tested later via RIT-T/D.	Misaligned

Recommendation: The AEMC must require the publication of a formal, non-binding guideline that clearly defines the ISP as a strictly **technical planning instrument**. This guideline must explicitly state that the ISP does *not* validate, endorse, or evaluate the economic efficiency of government policy, and that it has no inherent implementation mandate.

Improved Alignment with the NEO: Greater institutional clarity would improve transparency and stakeholder understanding, supporting more efficient investment decisions consistent with the National Electricity Objective.

2. Modelling and Governance

In Section 5.1, the Discussion Paper examines issues with the comprehensiveness and transparency of inputs, assumptions, and sensitivities, asking what further prescription is needed to better support investment and policy decisions.

Currently, the ISP lacks a standard analytical tool widely used in economic and regulatory analysis: a proper baseline (counterfactual) scenario.

A policy-off reference case provides a vital frame of reference for comparing system outcomes and understanding the true cost implications of policy settings.

The AEMC has historically resisted this, citing risks of ″misinterpretation″ or placing AEMO in a position of ″judging″ policy. However, this stance is inconsistent with international best practice and AEMO′s own past actions:

- **International Alignment:** The Discussion Paper references Great Britain′s Centralised Strategic Network Plan (CSNP) developed by NESO. NESO uses a counterfactual scenario that does not meet statutory carbon targets to provide a documented baseline against which policy-aligned trajectories can be assessed. Australian planning should not remain isolated from these international standards.
- **The Hydrogen Superpower Case Study:** AEMO′s introduction and subsequent quiet downgrade of the ″Hydrogen Superpower″ scenario demonstrates that AEMO *already* makes implicit judgements on policy feasibility and scenario likelihood. Major system-wide assumptions were incorporated and excised without transparent benchmarking or counterfactual analysis, undermining the ISP′s stability.

Recommendation: The AEMC′s review of the ISP must clarify the analytical and legal basis for scenarios and mandate a policy-off baseline scenario to allow for transparent cost comparisons.

Improved Alignment with the NEO: A policy-off baseline would improve the transparency of cost comparisons and provide consumers with a clearer understanding of the implications of alternative pathways.

3. Economic Efficiency

The Discussion Paper touches on governance issues that may reduce consumer and stakeholder trust in the ISP (Section 5.3).

A critical gap in the current governance framework is that no institution is clearly responsible for assessing the economic efficiency of the ISP as a whole, nor its underlying jurisdictional policy inputs.

The absence of any institution responsible for assessing the economy-wide efficiency of the ISP raises questions regarding whether the framework consistently supports the National Electricity Objective.

Under the current framework:

- The ISP operates as a "black box," accepting policy inputs without subjecting them to an economy-wide efficiency test.
- Significant capital investment is influenced without macroeconomic benchmarking.
- While an efficiency principle is applied at the individual project level (via the RIT-T), it is not applied to the overall system design. Efficient projects are merely components of an inefficient system.

Recommendation: The AEMC must acknowledge this systemic gap in institutional accountability. The Final Report should recommend that the economic efficiency of the ISP–and the systemic cost of abatement it implies–be referred for review by an independent body, such as the Productivity Commission.

Improved Alignment with the NEO: Independent efficiency review would help ensure that system-wide planning promotes the long-term interests of consumers.

4. Stress Testing the ISP

The Discussion Paper recognises that the future energy system is being shaped by complex, rapidly changing and uncertain factors, and that the ISP framework must be capable of supporting efficient decision-making under that uncertainty.

However, the current ISP process does not adequately test whether its preferred development path remains robust when major policy, technology, market or geopolitical assumptions change materially.

- The ISP should include an explicit stress-testing framework that examines whether the optimal development path is resilient to plausible high-impact departures from its central assumptions, rather than relying only on marginal sensitivities around an assumed policy-aligned future.
- Stress tests should address foreseeable changes in jurisdictional policy inputs, including delayed coal retirement dates in New South Wales and Victoria, changes to renewable energy zone delivery schedules, changes to storage uptake, and material delays or cost escalation in major transmission projects.
- The framework should also test low-probability but high-impact events, including sustained global supply-chain constraints, higher-for-longer capital costs, fuel security shocks, accelerated demand growth from electrification or data centres, and alternative firming technologies such as small modular nuclear generation becoming available within the planning horizon.
- These tests would not require AEMO to endorse any particular jurisdictional policy or technology. Their purpose would be to expose whether the ISP is robust, flexible and adaptable, or whether the actionable framework locks consumers into a fragile pathway that performs poorly when key assumptions fail.
- The results should be reported transparently, including impacts on reliability, consumer costs, emissions trajectories, transmission timing, generation mix and the ranking of actionable projects. If a project remains efficient only under a narrow set of assumptions, that fragility should be visible before consumers are committed to its costs.

Recommendation: The AEMC should require each ISP to include a formal stress-testing chapter that examines the robustness of the optimal development path against material changes in policy inputs, technology availability, demand growth, project delivery, capital costs and external shocks. The results should be published in a way that clearly identifies whether actionable ISP projects remain efficient and resilient across a wide range of plausible futures, rather than only under a narrow central scenario.

Improved Alignment with the NEO: Stress testing the ISP would improve confidence that future investments continue to support reliability, security and affordability under a wide range of conditions.

Conclusion

To support the future energy system, the ISP framework must be grounded in transparency, analytical completeness, rigour and robust governance.

Addressing the lack of a proper baseline scenario and the absence of an independent efficiency review will ultimately improve the national electricity system for all participants.

I would be pleased to clarify any part of my submission and to discuss it further at a mutually convenient time.

Regards,

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