

15 December 2023

AEMO's *Integrated System Plan* (ISP) is a roadmap for the transition of the National Electricity Market (NEM) power system. This ISP update is published to update the optimal development path (ODP) identified in the 2022 ISP with the ODP identified in the Draft 2024 ISP.

Australia's energy transition continues to drive economic and technological change, including investment in consumer energy resources (CER) and the electrification of various sectors to meet Australia's decarbonisation commitments.

This has led to several changes in the inputs, assumptions and scenarios used to prepare the Draft 2024 ISP¹, published 15 December 2023, when compared to those used in the most recent ISP (the 2022 ISP²). The latest inputs, assumptions and scenarios are described in the *2023 Inputs, Assumptions and Scenarios Report* (IASR).

The Draft 2024 ISP assesses the impact of these changes on AEMO's plan for the efficient development of the power system to ensure safe, reliable and affordable electricity through the energy transition.

An update to the 2022 ISP is needed to allow the latest inputs, assumptions and scenarios to be considered in regulatory approval processes for existing actionable ISP projects.

The Draft 2024 ISP is an update to the 2022 ISP

AEMO publishes this ISP update in accordance with clause 5.22.15 of the National Electricity Rules (NER), which requires AEMO to include a description of the new information requiring the update and the impact of that new information on the ODP.

The impact on the ODP of changes to key inputs and assumptions set out in the 2023 IASR is the new information requiring an update of the ISP. Key inputs and their impact on the ODP are discussed in detail in the Draft 2024 ISP³.

This ODP is updated immediately.

The 2022 ISP is updated as follows:

- The ODP, including all actionable and future projects set out in the 2022 ISP, is replaced with the ODP set out in the Draft 2024 ISP.

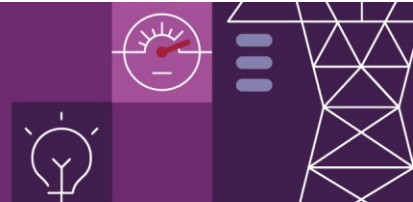
This ISP update is effective on and from 15 December 2023, the publication date of the Draft 2024 ISP, and will remain effective until release of the Final 2024 ISP, currently scheduled for 28 June 2024⁴.

¹ At <https://aemo.com.au/energy-systems/major-publications/integrated-system-plan-isp/2024-integrated-system-plan-isp>. The Draft 2024 ISP was prepared using the inputs, assumptions and scenarios in the *2023 Inputs, Assumptions and Scenarios Report* (IASR), at <https://aemo.com.au/consultations/current-and-closed-consultations/2023-inputs-assumptions-and-scenarios-consultation>. An addendum to the 2023 IASR was also published on 15 December 2023 and is at the same location.

² At <https://aemo.com.au/en/energy-systems/major-publications/integrated-system-plan-isp/2022-integrated-system-plan-isp>. 2022 ISP outcomes were based on inputs, assumptions and scenarios set out in the 2021 IASR, at <https://aemo.com.au/en/energy-systems/major-publications/integrated-system-plan-isp/2022-integrated-system-plan-isp/current-inputs-assumptions-and-scenarios>.

³ See Draft 2024 ISP Executive Summary and Section 5.

⁴ The *2024 ISP Timetable* provides information to stakeholders about the publication dates and timing of key milestones in the 2024 ISP development process; see <https://aemo.com.au/-/media/files/major-publications/isp/2022/2024-isp-timetable.pdf?la=en>.



The ISP update allows the latest inputs to be considered in feedback loops

Transmission network service providers (TNSPs) are required to apply the Regulatory Investment Test for Transmission (RIT-T)⁵ to actionable ISP projects.

Following completion of the RIT-T and selection of the preferred option, a TNSP may seek written confirmation from AEMO that the RIT-T preferred option remains aligned with the ODP in the most recent ISP⁶. This process is called the ‘feedback loop’.

An update to the 2022 ISP is needed to allow the latest inputs, assumptions and scenarios to be considered by AEMO when performing the feedback loop prior to the release of the 2024 ISP next June.

HumeLink, Project Marinus and Victoria – New South Wales Interconnector West (VNI West) remain actionable ISP projects in the Draft 2024 ISP, and all three projects have completed the RIT-T. AEMO understands a feedback loop may be requested for one or more projects prior to the release of the final 2024 ISP. By issuing this ISP update, AEMO enables feedback loops to be assessed against the Draft 2024 ISP rather than the 2022 ISP. Any feedback loops undertaken after the issue of the final 2024 ISP will be assessed against that ISP (as the most recent ISP).

Extensive consultation has been completed in preparing the Draft 2024 ISP

AEMO consulted with the Australian Energy Regulator (AER) to develop a workable process to update the 2022 ISP in a timely way to allow the assessment of feedback loops based on the latest inputs, assumptions and scenarios.

AEMO carried out extensive consultation to prepare the 2023 IASR and update the *ISP Methodology*, which form the most recent information base on which

both this ISP update and the Draft 2024 ISP have been prepared⁷.

HumeLink, Project Marinus and VNI West were identified as actionable ISP projects in both the 2020 and 2022 ISPs, and the inclusion of these projects on the ODP has been the subject of considerable consultation. Further consultation and processes would not substantially improve an ISP update separate to the development of the Draft 2024 ISP.

The 2024 ISP will re-test project actionability

The feedback loop confirms alignment with the ODP and that the cost of the project does not change its status as part of the ODP. If confirmed, the prudence and efficiency of those costs are independently assessed and consulted on by the AER before project funding can be approved.

Further, if the cost of the project increases after AEMO has provided feedback loop confirmation, the feedback loop must be repeated before any cost increases can be assessed by the AER⁸.

Importantly, a project that receives feedback loop confirmation is not “locked in”. The ISP re-tests all projects identified as actionable in a previous ISP and which have not yet had costs approved in the AER’s contingent project process⁹. Therefore, unless a project has received all relevant contingent project approvals, AEMO will reassess the actionability of that project in the 2024 ISP, taking into account submissions on the Draft 2024 ISP.

AEMO welcomes written submissions from all stakeholders on the Draft 2024 ISP. Submissions will help inform any further updates that may be required in finalising the 2024 ISP.

⁵ The RIT-T is a cost benefit analysis test that TNSPs must apply to prescribed regulated investments in the transmission network. The purpose of the RIT-T is to identify the credible network or non-network options to address the identified network need that maximise net market benefits to the NEM.

⁶ Clause 5.16A.5(b) of the NER.

⁷ Clause 5.22.15(c) of the NER specifies that an ISP update and any preceding assessment requires consultation.

⁸ Clause 5.16A.5(d) of the NER requires the cost of the preferred option set out in a contingent project application to be no greater than the cost considered by AEMO in the feedback loop.

⁹ Consistent with binding obligations in the AER’s *Cost Benefit Analysis Guidelines* (p.17), at <https://www.aer.gov.au/industry/registers/resources/guidelines/guidelines-make-integrated-system-plan-actionable>.