Written record of verbal comments by energy consumer advocates on the draft Methodology 2022 Integrated System Plan (ISP)

1. Purpose of the feedback session and this document

On 30 April 2021, AEMO published a draft Methodology for the development of the 2022 ISP.

Submissions in response to the draft Methodology were due on 28 May 2021.

In response to a request, AEMO held a session with energy consumer advocates on 21 May 2021 to allow verbal submissions on the draft Methodology to be provided. In scheduling the session, AEMO expressed its preference that verbal comments would generally supplement rather than replace written submissions.

AEMO staff were present to provide and seek clarifications from participants to ensure verbal submissions were properly understood.

AEMO produced this written record of stakeholder comments, which has been agreed with attendees. AEMO will consider the issues raised in the session, as recorded below, along with all other submissions to the draft Methodology process.

2. Attendees

NAME	ORGANISATION
Mark Byrne	Total Environment Centre (TEC)
David Headberry	Major Energy Users (MEU)
Tennant Reed	Australian Industry Group (Al Group)
David Prins	Etrog Consulting
Jo de Silva	Energy and Water Ombudsman South Australia (EWOSA)
Mark Henley	Uniting Communities
Sharon McIntosh	Queensland Farmers Federation
Georgine Davis	Queensland Farmers Federation
Andrew Nance	ISP Consumer Panel
Gavin Dufty	ISP Consumer Panel
Mark Grenning	ISP Consumer Panel
Stephanie Bashir	ISP Consumer Panel
Andrew Turley	AEMO
Alicia Webb	AEMO
Elijah Pack	AEMO
Oliver Derum	AEMO

3. Comments on the draft IASR

At the start of the session, all attendees were given the opportunity to nominate any aspect of the draft Methodology about which they wished to provide comment. All attendees were then given the opportunity to comment on each topic. The four topics identified were:

- The treatment of distributed energy resources (DER) in the draft Methodology
- Modelling the counter-factual development path and the impact of government policies on scenarios
- Ensuring ISP expenditure is efficient, necessary and at minimum cost to customers
- Hydrogen modelling

3.1 Treatment of DER in the draft Methodology

TEC:

- There seems to be a 'cultural bias' towards grid-scale investment. Why are we spending billions on the transmission network, but treating DER as 'a problem to be managed' when it can be a cost-effective part of the solution?
- By 2040, the 13 distribution network service providers (DNSPs) will spend a couple of billion dollars to support a doubling or tripling of DER on the grid. That would go a long way towards meeting the future energy needs of the system.

Etrog Consulting:

- A recent Powercor submission to the Victorian Government's Renewable Energy ones (REZ) Development Plan Directions Paper says that Powercor proposes to make investments to allow the introduction of 1.3 GW of DER, with system strength support, and a possible second stage with 1.1 GW of energy storage. It's not clear if they propose to make the investment themselves, which would be subject to numerous rules. It's not clear where this proposal is going and who has to approve it, but it should be taken into account at the appropriate stage in the ISP development process.
- AEMO has a difficult task in determining the most effective way to make investments to benefit consumers and the community. At the same time, others (such as state governments) are making different decisions that aren't necessarily in the ISP.
- The prospect of consumers at the edge of the grid disconnecting can be seen in two ways – as a risk to the whole consumer base, as fewer users will bear fixed costs, or as a reason not to direct investment towards consumers who are expensive to serve and might leave the grid.

Uniting Communities:

- Communities at the edge of the grid are likely to go to stand alone systems, making the grid contract. This needs to be considered.

MEU:

- The ISP does not give sufficient consideration to non-network solutions. If the ISP says something has to be built, the assumption is that it will be built in the identified form. The ISP should take into better account the potential for non-network solutions to achieve the same outcome.

3.2 The optimal development path, the counterfactual and Government Policies

AI Group:

- Where are the boundaries around what policies are included and what aren't? Does AEMO anticipate including net zero by 2050 if the Federal Government makes a stronger commitment? Does that then stop being a variable in future ISPs?
- There is a 'quasi-mystical' power to how scenarios are named. There is a very large significance to what is included in the 'central' scenario. If all state Governments have committed to it, net zero by 2050 should be included in the central scenario.

3.3 Ensuring ISP expenditure is necessary, efficient and as cheap as possible

Uniting Communities:

- ISP projects need to be managed in the regulatory process to deliver good outcomes for consumers. Networks are treating them as pass throughs, contingent projects and RIT-Ts. There seems to be confusion about how ISP projects are managed.
- Projects in the ISP get huge support – Networks and Governments say 'if it's in the ISP it's got to happen'. ISP projects need ongoing scrutiny.
- There needs to be a robust testing process for efficiency and cost effectiveness.
- There are some dilemmas with how we measure the effectiveness of network businesses. I have a hunch that the current benchmarking tools will no longer be appropriate once we start to consider ISP projects.

AI Group:

- Support Mark Henley's submission above
- Emissions benefits should be incorporated into the cost-benefit analysis. There are current and forward price estimates for the social cost of carbon, but these are complex and highly contested.

MEU:

- Support Mark Henley's submission above
- The discount rate is important when considering net benefits. The forecast of future benefits needs to reflect uncertainty about the future.

3.4 Hydrogen forecasting

EWOSA:

- Hydrogen is a rapidly evolving area, both in Australia and overseas. The section on hydrogen in the Draft Methodology Consultation Paper seems a little light on. The Australian Hydrogen Council has around 70 members. AEMO should consult with those members on key questions like where hydrogen sites might be.

MEU:

- Concerned AEMO is trying to second-guess what the hydrogen market might do and build that into the ISP models. We don't do that with other sectors. Hydrogen might be a flash in the pan like other demand industries. We might end up spending money to prepare for something that doesn't happen. There are risks to consumers in trying to guess what might happen in the future with hydrogen.
- We should not try and tell industry where they should be locating (by building a power line), but rather let the hydrogen industry tell us where they need to locate and then provide the supply to them.

AI Group:

- It's important for this process to consider uncertainties, because consumers might lose out if hydrogen is not properly considered. Analysis by Climate Works suggests that hydrogen could obviate the need for some storage and other investment and reduce total system costs.
- We need to distinguish between initial trials and a scenario with a major export industry. AEMO should consider which services the NEM be able to get from the hydrogen sector, which will have its own network and generation assets.

3.5 Comments not related to the four identified topics

- EWOSA – AEMO's work on resilience should consider climate risks and recommend 'no regret' options for interconnection.
- MEU – The 2020 ISP recommends numerous concurrent projects. It's important that the ISP recognise that running these projects side-by-side will increase delivery costs.