

# Written record of verbal feedback session for consumer advocates on Integrated System Plan (ISP) Methodology Issues Paper

## Purpose of the feedback session and this document

On 1 February 2021, AEMO commenced consultation on an ISP Methodology Issues Paper. Submissions in response to the Consultation on the ISP Methodology Issues Paper were due on 1 March 2021.

In response to a stakeholder request, AEMO held a session with energy consumer advocates on 25 February 2021 to provide verbal submissions to the ISP Methodology Issues Paper consultation. In scheduling the session, AEMO expressed its preference that verbal comments would generally supplement rather than replace written submissions.

AEMO staff did not give attendees new or additional information, but rather provided an opportunity for verbal submissions to be provided, and sought clarifications from advocates to ensure that these submissions had been properly understood.

AEMO produced this written record of stakeholder comments, which has [not yet] been agreed with attendees. AEMO will consider the issues raised in the session, as recorded below, along with all other submissions to the ISP Methodology issues paper in developing its Draft ISP Methodology.

## Attendees

| NAME               | ORGANISATION                                 |
|--------------------|--|
| Gavin McMahon      | Central Irrigation Trust                     |
| Andrew Richards    | Energy Users Association of Australia (EUAA) |
| Warren Males       | Canegrowers                                  |
| David Headberry    | Major Energy Users (MEU)                     |
| David Havyatt      | Havyatt Associates                           |
| Kellie Caught      | Australian Council of Social Service (ACOSS) |
| Joy Thomas         | National irrigators' Council                 |
| Miyuru Ediriweera  | Public Interest Advocacy Centre (PIAC)       |
| David Prins        | Etrog Consulting                             |
| Sharon McIntosh    | Queensland Farmers' Federation               |
| Jennifer Brown     | Cotton Australia                             |
| Melissa Perrow     | Brickworks                                   |
| Bev Hughson        | Darach Energy Consulting Services            |
| Lyndal Bubke       | Energy and Water Ombudsman Queensland (EWOQ) |
| Andrew Nance       | ISP Consumer Panel Chair                     |
| Gavin Dufty        | ISP Consumer Panel                           |
| Mark Grenning      | ISP Consumer Panel                           |
| Stephanie Bashir   | ISP Consumer Panel                           |
| Antara Mascarenhas | AEMO   |

|               |      |
|---------------|------|
| Nicola Falcon | AEMO |
| Andrew Turley | AEMO |
| Eli Pack      | AEMO |
| Neale Scott   | AEMO |
| Oliver Derum  | AEMO |

## Topics for comment

At the start of the session, all attendees were given the opportunity to nominate any aspect of the ISP methodology about which they wished to provide comment. All attendees were then given the opportunity to comment on each topic, including via the written chat function.

The topics identified were:

1. Avoiding over-investment in the transmission network
2. Transparency and clarity in transmission capex
3. The impact of multiple state-based approaches
4. Possible ways to smooth the delivery of infrastructure projects
5. Distribution network considerations and the impact of DER
6. Gas price assumptions
7. Consideration of micro-grids, non-network solutions and generation and storage optimisation against network investment
8. Use of reserve margins and testing the investments against time-sequential market modelling
9. Specifying an 'identified need' that ISP projects should meet
10. Other

## 1. Comments on avoiding over-investment

Central Irrigators Trust:

- With respect to Project EnergyConnect (PEC), the most regretful scenarios are the ones where consumers end up paying more than expected. The project is progressing with several financial red flags and that's a cause of concern for consumers.
- There needs to be some assurance around consumers not paying more than they have to for an efficient ISP.

EUAA:

- There needs to be consideration of the issue of stranded assets as there's an assumption of high levels of usage rate across the interconnectors.
- PEC picks up several renewable energy zones. Addressing the mismatch in lifecycles of the generators and the potential stranded asset underutilisation is important.

- ISP 2020 identified what the capex range would need to be for PEC to have a net benefit for consumers and that's a good approach. Recommendation is to know the range and put forth a stronger requirement from TNSPs for a more accurate capex range to aim for a more robust ISP.

Havyatt Associates:

- There isn't a choice between extra transmission and active DER, it is just about how big and where the additional transmission is required

## **2. Comments on transparency and clarity in transmission Capex**

EUAA:

- It's important to build greater trust in the ISP and there will be consistent support for AEMO to get the optimum level of accuracy to results.

Canegrowers:

- Recommend a standing feedback mechanism that can incorporate changing estimates and adjust the forecasts through the ongoing evolution of the ISP.

MEU:

- Clarity is needed as to whether, as better capex estimates become available, these will be considered in the next ISP or incorporated into the 'current' plan.

## **3. Comments on the impact of state-based approaches to renewable generation investment**

Havyatt Associates:

- Sub-regions are considered for modelling purposes in the ISP. The regional boundary definitions that affect market pricing and dispatch should consider sub-regions too.
- If the ISP generates the conclusion that some of these big sub-regional 'interconnectors' are warranted then the definitions of regions should be changed to match the modelling outcome

## **4. Comments on possible ways to smooth the delivery of infrastructure projects**

EUAA:

- Appropriate consideration must be given to the benefits (that is, possible savings for consumers) of sequencing ISP projects to smooth delivery and to further manage the risk of over-investment/stranded assets.

## **5. Comments on deeper dive into distribution networks including a consideration of other benefits from DER**

### ACOSS:

- Recommend having consideration for the energy coming in from DER, especially with regards to post 2025 design.

### EUAA:

- There is a need to have scenarios and create assumptions that focus on creating a state-based NEM. Assumptions must be made for a feasible future that's more regionalised.

### National Irrigators' Council:

- Increasingly, primary producers see hosting renewable energy installations as an opportunity to diversify income and provide energy to their communities (and beyond).

### PIAC:

- Network planning conversations must include all relevant parties and not just the ones who are owners.

### Havyatt Associates:

- Demand side participation is a consideration. Distribution Network Service Providers (DNSPs) could potentially bid in demand response and be dispatched accordingly.
- Storage is becoming cheaper, more effective and more reliable. Distributed storage has been insufficiently captured in previous ISPs and AEMO must correct this for the 2022 edition.

### Canegrowers:

- It's useful to understand AEMO's view of the future through the scenario development process.
- The future battery storage and the impact of wider adoption on DNSPs should be considered.

### MEU:

- It is critical to define the 'need' that we are seeking to meet through the ISP.

### Etrog Consulting:

- There should be greater focus on the optimal way of building what's needed next.
- Rapid changes in technology and emissions policy pose a continuous challenge to the ISP
- Need to assess if this year's ISP is remarkably different from previous ISP and if not, then is enough being done to reflect the fast-paced changes.

## **6. Comments on gas price assumptions and possible inconsistencies**

EUAA:

- A drive for net zero by 2050 lessens the role of gas and when juxtaposed with government's gas fired recovery plan, there's an obvious conflict.
- Recommend the timing in ISP reflects a decline in gas usage as we move to net zero.

ACOSS:

- Agree with EUAA comments as residential gas is being quickly replaced with electric appliances.
- The Australian Capital Territory is already moving away from gas at the residential level

## **7. Comments on consideration of micro-grids and non-network solutions against network investment**

Etrog Consulting:

- Non-network solutions are getting more diversified. AEMO needs to think about storage as part of the solution.

## **8. Comments on use of reserve margins and testing investments against time-sequential market modelling**

Havyatt Associates:

- The increase or decrease of reserve margins depend on the reliability outcomes we are pursuing.

## **9. Comments on a narrowly identified need leading to narrow solutions**

MEU:

- In the case of the proposed Victoria-NSW Interconnector West upgrade (VNI-West upgrade), the outcome of the relevant considerations was a decision that consumers needed a large augmentation.
- Defining the need and then working out the solutions is a better way forward

Havyatt Associates:

- The identified need for ISP projects seem to focus on whatever the transmission project solved as a consequence of being included in the ISP. That can be managed if the ISP methodology works appropriately.

## **10. Other comments not related to identified topics:**

ACOSS:

- It was noted that the Methodology Issues Paper talks about the complexity of doing more granulated assessment which could be more beneficial but also challenging.