



2022 Integrated System Plan Stakeholder Engagement Strategy

March 2021

AEMO's strategy for stakeholder engagement across the ISP development process to deliver a collaborative approach to working with external stakeholders.

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1. Purpose and objectives of the Stakeholder Engagement Strategy

This Integrated System Plan (ISP) Stakeholder Engagement Strategy outlines the Australian Energy Market Operator's (AEMO) approach to engaging with all stakeholders during the development of the 2022 ISP. Constructive and effective engagement with energy consumers, producers and network service providers, as well as other interested stakeholders, is an essential component of the ISP development process.

The purpose of the ISP engagement strategy is to provide an open and respectful space for stakeholder to share their valuable input and views that will assist AEMO in developing the ISP that provides a roadmap and guide the future of our electricity system.

AEMO intends to give effect to this purpose by achieving the three objectives of this stakeholder engagement strategy, which are to:

- ensure that all stakeholders are given appropriate opportunity to provide meaningful input into the ISP development process and can contribute to a final ISP that best achieves the ISP Objective, as defined in the National Electricity Rules (NER);
- provide stakeholders with an understanding of AEMO's approach to engagement throughout the ISP process;
- support the continued evolution and enhancement of stakeholder engagement as part of the ongoing ISP development cycle.

2. Engagement approach

AEMO is committed to pursuing engagement that is consistent with the principles of co-design¹. Within the overall regulatory², timing and resource constraints, AEMO will seek to ensure that the ISP process is:

- inclusive, with representatives from key stakeholder groups involved in framing issues, developing and testing solutions
- respectful, with the expertise of all stakeholders and their input valued
- responsive, open and empathetic, with open dialogue leading to further engagement
- iterative, with ideas and solutions continually tested and evaluated with participants
- outcomes focused, with the final plan representing the best possible advice to all stakeholders.

In turn, this will improve our decision-making and, ultimately, the outcomes delivered for energy consumers through the 2022 ISP.

AEMO has an obligation to engage with stakeholders in a way that is transparent, so stakeholders can understand what is happening throughout the ISP process and how AEMO comes to our findings.

AEMO is also committed to ensuring our stakeholders' time is used efficiently and effectively. To achieve this, AEMO will:

- Provide clear, accurate and early guidance on consultation priorities and the purpose of individual engagements
- Where possible, provide at least four weeks notice of all consultations
- Provide materials to attendees at least one week before any workshops or forums, to allow attendees to participate from an informed position
- Publishing all non-confidential submissions received

¹ There is no agreed definition of what constitutes 'co-design' of engagement activities or solutions to problems. The elements AEMO has highlighted above draw strongly on the Co-design principles published by the NSW Council of Social Service, as highlighted to AEMO by the ISP Consumer Panel. See: <https://www.ncoss.org.au/wp-content/uploads/2017/06/Codesign-principles.pdf>

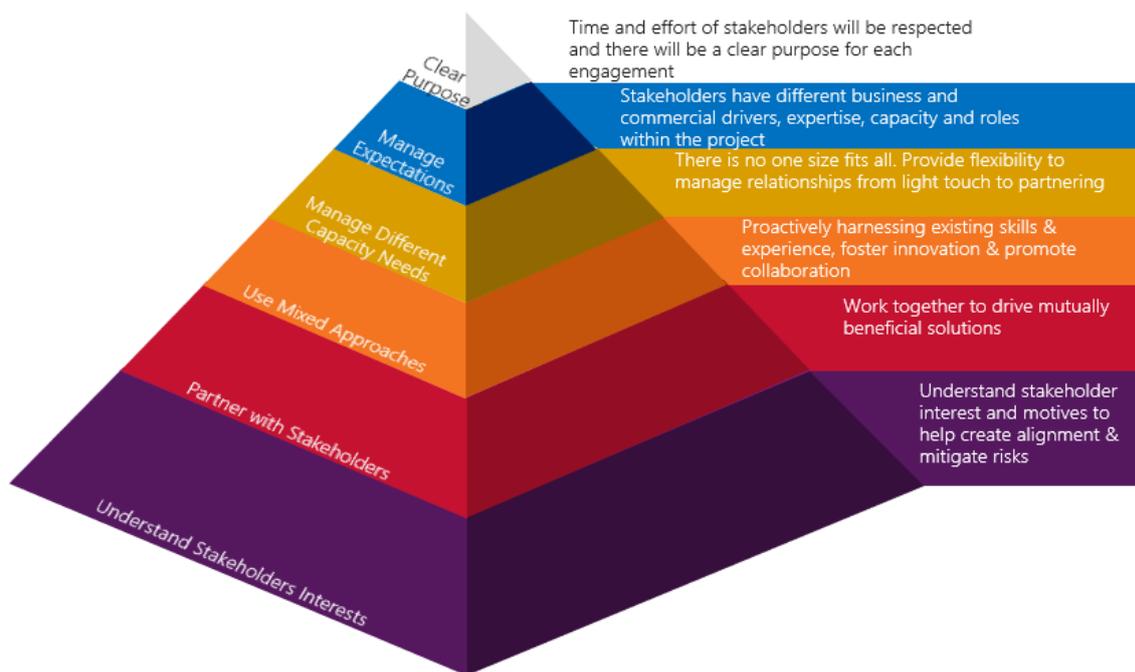
² Section 5 of this Strategy outlines the ISP regulatory framework, including provisions in the National Electricity Rules (NER) and relevant Australian Energy Regulator (AER) guidelines.

- Provide transparency to all stakeholders about forum attendees, by including these in the minutes of such events
- Provide stakeholders with transparency on the progress of key issues throughout the ISP process, including when and how decisions are made. The Forecasting Approach Register³ will be used to record and track issues raised outside formal submission processes
- Clearly responding to stakeholder input, including submissions, by explaining any changes AEMO makes or stakeholder recommendations/arguments have not been accepted.
- Where practicable, incorporate relevant learnings and insights from all AEMO forums and engagements that could benefit the ISP (not just insights from ISP-related forums)

AEMO is also aware that different stakeholders have different capacities to engage in the ISP process, which contains a number of highly technical elements. Where practicable, AEMO will seek to work with any such cohorts of stakeholders, such as consumer representatives, to tailor engagement activities to their needs, to ensure that all important perspectives are considered as part of the ISP development process.

The figure below illustrates how effective engagement contains a number of important elements, which build upon each other.

Figure 1: Building effective engagement



³ <https://www.aemo.com.au/energy-systems/electricity/national-electricity-market-nem/nem-forecasting-and-planning/forecasting-approach>

3. About the Integrated System Plan

3.1 ISP objective

Clause 5.22.2 of the NER states that the purpose of the ISP 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 for the long term interests of the consumers of electricity”. That is, the ISP aims to minimise costs and the risk of events that can adversely impact future power costs and consumer prices, while also maintaining the reliability and security of the power system.

In practice, the ISP identifies investment choices and recommends other essential actions to optimise consumer benefits over the plan’s twenty-year horizon. To manage the risk associated with long lead times and the rapidly changing energy landscape, the ISP models a distinct collection of scenarios and sensitivities in order to allow the well-reasoned selection of the ‘optimal development path’. The optimal development path is a sequence of investments that promote the efficient development of the power system, based on a quantitative assessment of the costs and benefits of various options across a range of scenarios. The optimal development path may include decision rules, which allow the plan to adapt to changing circumstances and ensure any investments only proceed where they continue to deliver strong consumer benefits.

3.2 Overview of the ISP development process

The 2022 ISP will be the first developed under the ‘Actionable ISP’ regulatory framework. Energy Ministers agreed to a new Actionable ISP regulatory framework in March 2020, as developed by the Energy Security Board (ESB). The Actionable ISP rules outline the process that AEMO must follow to develop the ISP, including phases for stakeholder engagement on:

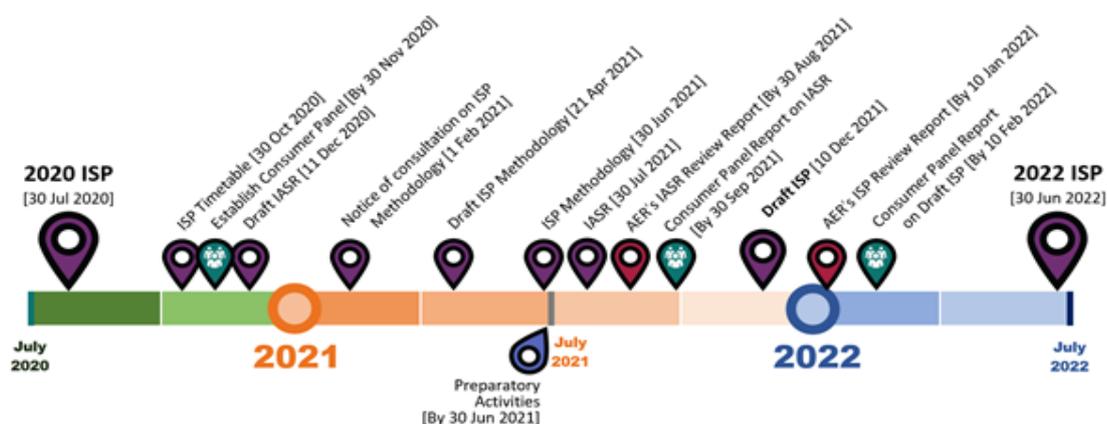
- The Inputs, Assumptions and Scenarios that will be modelled;
- The methodology used to model the chosen ISP scenarios;
- The production of draft and final ISPs.

As well as provisions in the NER, aspects of the ISP development process are prescribed in the AER’s Cost Benefit Analysis (CBA) Guidelines and Forecasting Best Practice Guidelines (FBPG). The NER further requires the AER to monitor, and report on, AEMO’s compliance with relevant provisions.

The Actionable ISP framework provides for extensive stakeholder consultation across all phases of the ISP development process. Importantly, AEMO is deeply committed to producing the best possible ISP, including by giving all stakeholders any and every reasonable opportunity to provide input, as well as through fostering respectful and productive relationships. While the ISP process is conducted in full every two years, wherever appropriate, the progress and lessons from each development cycle are carried forward into the next.

The 2022 ISP Timetable is provided in the Figure 2, below. More information about the Actionable ISP framework is provided in section five. The list of formal engagement opportunities in the 2022 ISP development process is in section six.

Figure 2 – ISP Timeline



4. Stakeholders

The table below lists the ISP stakeholder groups that AEMO has identified. AEMO welcomes the opportunity to engage with any stakeholder about the ISP, including any that are not listed below.

Table 1: ISP Stakeholders

STAKEHOLDER TYPE	STAKEHOLDER GROUP
REGULATORY BODIES	Australian Energy Regulator (AER) – key regulatory body, compliance regulator of AEMO’s work in developing the ISP
JURISDICTIONAL BODIES	State and federal governments, and their energy, planning and treasury departments
	Government agencies including the Australian Renewable Energy Agency (ARENA), Clean Energy Finance Corporation (CEFC), Clean Energy Regulator (CER)
CONSUMERS	Small consumers (residential and small business)
	Large consumer (commercial and industrial)
	Energy consumer advocates (residential, low-income and vulnerable, small business, agricultural producers, early adopters, state or region-based groups)
	ISP Consumer Panel
MARKET PARTICIPANTS	Generators
	Retailers
	New and other service providers
NETWORKS	Electricity Transmission Network Service Providers (TNSP)
	Electricity Distribution Network Service Providers (DNSP)
INDUSTRY BODIES	Energy Networks Australia (ENA)
	Australian Energy Council (AEC)
	Clean Energy Council (CEC)
	Smart Energy Council (SEC)
OTHER	Environmental groups
	Nuclear energy advocates
	Local governments and councils
	Financial institutions
	University and research institutions, think tanks
	Media

5. Plan for engagement in the ISP process

This section provides further detail about the ISP development process and AEMO's plans to ensure that stakeholders have diverse and appropriate opportunities to contribute their views. It includes more information about the Actionable ISP framework, the role of the Consumer Panel, the AER's transparency review and engagement channels to be offered.

5.1 Regulatory Framework for the ISP development process

As outlined in section 3.2, the ISP development process is extensively prescribed in both the NER, CBA and FBPG.

Rule 5.22 of the NER outlines aspects of the ISP process, including:

- the purpose of the ISP, including the specific power system needs that the ISP must plan to meet;
- the publication of a timetable for the ISP development process;
- the development, content and application of the CBA Guidelines and the FBPG Guidelines (see below);
- the development of the ISP Inputs, Assumptions and Scenarios Report (IASR);
- the contents and development of the ISP, including the draft ISP;
- the creation, purpose and operation of the Consumer Panel (see below);
- the AER's transparency reviews of the IASR and the draft ISP; and
- the ISP disputes process.

5.2 Relevant guidelines

According to the AER, the CBA Guidelines and FBPG "seek to provide AEMO, in developing the ISP, with flexibility in how it identifies the optimal pathway for the National Electricity Market". The guidelines also provide AEMO with requirements to:

- engage closely with stakeholders;
- be transparent and explain how it applies its judgement; and
- undertake a robust market-wide cost benefit analysis"⁴.

CBA Guidelines

Clause 5.22.5(a) of the NER require the AER to produce the CBA Guidelines, to be used by AEMO in preparing the ISP and by TNSPs in applying the Regulatory Investment Test for Transmission (RIT-T) to projects identified as 'actionable' in the ISP. The AER is empowered to specify that any part of the CBA Guidelines is binding on AEMO or TNSPs. The AER published the first CBA Guidelines in August 2020.

The CBA Guidelines give AEMO flexibility to exercise its professional judgement in developing the ISP, while also ensuring that AEMO decisions are transparent, informed by stakeholder consultation and subject to consistent and robust economic analysis. This includes requiring AEMO to explain how the recommendations in the final ISP give effect to consumer preferences and support consumers' long-term interests.

In addition, the Guidelines require AEMO to:

- Identify several candidate development paths, and estimate their costs and benefits.
- Rank the development paths in a transparent manner under various scenarios.
- Consider how various development paths mitigate key risks and align with consumer preferences.

⁴ <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/guidelines-to-make-the-integrated-system-plan-actionable>

The Guidelines also require that AEMO use evidence-based decision making when selecting an optimal development path. AEMO may rank development paths differently based on its assessment of risk. AEMO must also be transparent about the final decision-making approach(es) selected and how this/these result in the selected optimal development path. In addition, AEMO is required to benchmark its choice against a maximum net benefit approach and explain how it aligns with consumer preferences.

FBPG

Clause 5.22.5(i) of the NER require the AER to update the FBPG, the publication of which were an existing requirement, to provide guidance for AEMO’s forecasting practices and processes as they relate to the ISP. As well as covering numerous technical aspects of the forecasting process, the FBPG prescribe a number of consultation principles for the ISP. These are summarised in Table 3 below.

Table 2: FBPG – Consultation principles for the ISP

Principle	Effect - AEMO must consider how it can:
Facilitate effective discussion	Facilitate effective discussion at workshops, public forums and engagement with individual stakeholders by providing sufficient time to digest any materials or information provided to them beforehand. This aligns with the principle of recognising that adequate time and resources are necessary for consumers to engage effectively.
Account for stakeholder time and resource constraints	Account for the time and resource constraints that consumer groups and other stakeholders face when developing a consultation strategy or program. For example, it might be valuable to facilitate consumer engagement by dedicating specialist internal resources to this task and/or by sufficiently resourcing the Consumer Panel. This aligns with the principle of proactively building consumers’ capacity when a matter’s complexity is hindering engagement. Capacity building, in this context, should recognise the importance of long lasting relationships with consumers to improve their skills and understanding of the material.
Tailor stakeholder involvement when required	Be aware of when more stakeholder involvement or collaboration is warranted, rather than relying too heavily on more base-level forms of consultation (such as informing/reporting), so AEMO can tailor its engagement approach to achieve desired objectives. Ideally, these factors would form part of a consumer engagement strategy developed in consultation with stakeholders. In any case, it is best practice to be clear about which engagement approach is being adopted and why (for example, via reference to the IAP2 spectrum).
Employ a wide range of engagement strategies	Employ a wide range of engagement strategies to receive appropriate feedback from individual stakeholders with unique detailed perspectives up to and potentially including large facilitated workshops. In doing so, AEMO should be flexible about how it engages, with a view to meaningfully bring stakeholders into the process.
Seek regular feedback	Seek regular considered feedback from stakeholders on the efficacy of the engagement process.
Provide information to serve stakeholder objectives	<p>Make relevant and timely information available to stakeholders with a view to achieving stakeholder-centric objectives. For instance, information provision in the ISP context should be with the view to:</p> <ul style="list-style-type: none"> allowing stakeholders to understand the key inputs and assumptions driving the results, so that they are capable of replicating and/or interrogating the results provide accountability by ensuring the mechanics and assumptions behind AEMO’s analysis are transparent provide stakeholders with the opportunity to provide timely input throughout the process, so they are capable of positively influencing the results

Principle

Effect - AEMO must consider how it can:

subject to confidentiality obligations, allowing stakeholders to access similar data to promote balanced discussion, where otherwise some stakeholders would have materially more influence than others.

5.3 ISP Consumer Panel

Clause 5.22.7 of the NER provide for the creation, by AEMO, of the ISP Consumer Panel. The Consumer Panel must consist of at least three members, who are selected following a call for expressions of interest. The Panel's stipulated function is to provide two written reports to AEMO, in response to each of the IASR and the draft ISP. Each report provides the Panel's assessment of the evidence and reasons supporting the relevant AEMO publication. In preparing its reports, the panel must have regard to the long-term interests of consumers. Each report must be provided within two months of the corresponding AEMO publication, and the Panel must seek to give reports by consensus. The NER empower the Panel to carry out its activities "in the way it considers appropriate". The NER also state that AEMO "must have regard to a consumer panel report but is not obliged to give effect to any recommendations."

AEMO appointed the first Consumer Panel in November 2020⁵. AEMO appointed a Chair and four members, who together possess experience in representing consumer interests, as well as experience in areas such as energy policy, market design, regulation, modelling and investment. AEMO is committed to providing the Consumer Panel with the opportunity to not only perform its required function, but to be a constant and vibrant part of the ISP development process. Consistent with the spirit of the NER, AEMO supports the Consumer Panel's discretion to determine how it performs its stipulated functions. AEMO has, therefore, provided the Panel with an overall funding allocation for the entire ISP process, within which the Consumer Panel will prioritise opportunities for engagement, including conducting formal meetings with AEMO.

It is AEMO's intention to work as productively as possible with the Consumer Panel, as its members provide important consumer perspectives into the ISP process and will help provide AEMO with a deeper understanding of consumer preferences that help inform selection of the optimal development path. AEMO expects the Consumer Panel's extensive involvement to contribute to both an improved ISP process and the best possible final ISP.

5.4 Engagement channels and techniques

This sub-section outlines the range of channels and techniques AEMO will use for engagement during the 2022 ISP development process. AEMO currently has over one thousand individual interested parties on its ISP mailing list⁶. This list is not exhaustive and AEMO welcomes suggestions from all stakeholders. Approaches may need to adapt to deal with COVID-19 constraints.

Identified channels and approaches include:

- Forecasting Reference Group (FRG) and other relevant AEMO forums
- Formal rule-based public consultation for IASR, ISP methodology and draft ISP reports.
- Workshops/webinars including digital engagement and collaboration tools
- Preliminary papers with written submission processes
- Broader stakeholder forums on the IASR, ISP methodology, and draft ISP reports
- The Forecasting Approach Register to track ideas or issues not captured through other formal consultation processes

⁵ AEMO. *The ISP consumer panel*, available at <https://aemo.com.au/energy-systems/major-publications/integrated-system-plan-isp/2022-integrated-system-plan-isp/get-involved/consumer-panel>.

⁶ To join the ISP mailing list, please visit: <https://aemo.com.au/energy-systems/major-publications/integrated-system-plan-isp/2022-integrated-system-plan-isp/get-involved>

- Joint planning forums with NSPs
- AEMO Consumer Forum
- Consumer Panel
- Offering verbal feedback opportunities and mechanisms to consumer groups who may struggle to make extensive written submissions
- Government workshops and briefings
- One-on-one meetings with key stakeholders.
- Written updates and newsletters, website updates.

5.5 Engagement evaluation and continuous improvement

While the 2022 ISP will be the third ISP to be published, it will be the first developed under the new Actionable ISP regulatory framework. AEMO seeks to continuously improve engagement in the ISP, both within and across two-yearly cycles. Regular evaluation is required to achieve that improvement, and to continue to understand stakeholder perspectives, imperatives and positions as best as possible.

Evaluation of AEMO's ISP engagement will:

- Be regular throughout the ISP process
- Use a combination of formal and informal methods
- Demonstrate how engagement is influencing our decision-making
- Identify stakeholder satisfaction levels with engagement activities
- Be transparent and shared with stakeholders

AEMO will primarily use the following tools to assess the effectiveness of engagement:

- Stakeholder comment on engagement in formal written submissions
- Discussions with Consumer Panel
- Pulse check surveys, used regularly and specifically after major engagement activity, to understand the effectiveness and quality of the information provided.
- Informal debriefs held with key stakeholders to get direct feedback on the engagement approach.

A comprehensive assessment of engagement across the ISP cycle occurs from February to May 2022.

AEMO will use learnings from this engagement in the development of the Final ISP, and in planning engagement for the 2024 ISP process (which begins immediately following the finalisation of the 2022 ISP).

Ongoing improvement of AEMO's engagement approach

AEMO is committed to offering stakeholders opportunities for engagement that meet the needs of all interested parties. This strategy is designed to accommodate the flexibility necessary to give effect to that intent, and AEMO will continue to look to improve it based on experiences and learnings during its practical operation.

AEMO welcomes any and all stakeholder comments on this strategy. Please contact isp@aemo.com.au, with written feedback or to arrange a discussion about the strategy.

6. Opportunities for engagement

Opportunities for engagement in the ISP process are listed on AEMO's website at <https://www.aemo.com.au/energy-systems/major-publications/integrated-system-plan-isp/2022-integrated-system-plan-isp/opportunities-for-engagement>.

The list is dynamic. New events will be added as they are scheduled and the timing of certain opportunities may change, including in response to stakeholder feedback.

Please refer to AEMO's website for the current list of opportunities for engagement