



11 February 2022

Mr Daniel Westerman
AEMO
Via email: ISP@aemo.com.au

Dear Mr Westerman

Response to Draft 2022 Integrated System Plan

Tilt Renewables is the largest owner and operator of wind and solar generation in Australia, with 1,313MW of renewable generation, consisting of nine wind and solar farms operating or in the final stages of commissioning, and another wind farm (396MW Rye Park WF in NSW) under construction. We are committed to continuing to play a lead role in accelerating Australia's transition to clean energy.

Tilt Renewables welcomes the opportunity to make a submission to the Australian Energy Market Operator (AEMO) on the Draft 2022 Integrated System Plan (Draft ISP), and firstly we would like to acknowledge the enormous complexity of the ISP process and recognise the dedication of the AEMO team and its stakeholders in its development.

The scale of investments in renewable generation and supporting technologies needed to replace the NEM's aging thermal generation plants over the coming decades is significant. If we get it wrong – and the transformation is haphazard, uncoordinated, and therefore inefficient – consumers will pay more than they need to for electricity, with affordability of electricity already a major issue for many consumers. This accentuates the need for a well-planned approach to drive the investment in renewable generation, supporting technologies and the transmission backbone, to ensure the delivery of these assets is incentivised and accelerated where possible. Acknowledging there is plenty of detail to be fleshed out, the ISP is a robust roadmap for this transformation to occur in the most efficient and cost-effective, enabling the system to continue providing reliable, secure, and competitively priced electricity to consumers.

Step Change Scenario and Optimal Development Plan (ODP)

Tilt Renewables welcomes the *Step Change* scenario and agrees with AEMO and stakeholders who “overwhelmingly nominated” that it is the most likely of the scenario in the Draft ISP¹.

However, the Step Change may not go far enough. Many stakeholders feel the energy transition is moving faster than anticipated in the Step Change scenario and the trajectory is somewhere between the Step change and *Hydrogen Superpower* scenario, as evidenced by recent domestic events and more broadly accelerating global momentum towards Net-Zero. This includes the ongoing announcements of earlier closure dates² and as noted in the Draft ISP, there is now 40% more renewable energy committed or anticipated to be connected to the NEM by 2023-24 than was forecast in the 2020 ISP.

¹ AEMO (2021) *Draft 2022 Integrated System Plan*.

² <https://www.agl.com.au/content/dam/digital/agl/documents/about-agl/media-centre/2022/220210-agl-energy-fy22-half-year-results-presentation.pdf>

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Tilt Renewables supports the ODP and notes the significant net market benefits of \$29 Billion (substantiated by the sophisticated modelling described in Appendix 6).

The network augmentations in the ODP should be undertaken as quickly as practical and agrees with AEMO that the consequences of potentially building network infrastructure a year or two before it's absolutely needed is much less of a problem for consumers than the network infrastructure being built too late causing sharply rising energy prices and potential generation shortfalls causing brown or blackouts. The timely delivery of new transmission to support investment in new renewable generation remains a priority, together with the urgency needed to address the challenges described in AEMO's Engineering Framework.

On a more detail point, reflecting appropriate prioritisation of network projects, Tilt Renewables supports AEMO's plan for staged construction of the Hume Link and VNI West augmentations and agrees with the rationale put forward as to why this is the best approach for the industry and for consumers. AEMO has articulated well the protection afforded to consumers by taking this approach as the risks listed – faster coal retirements, network project delivery delays, slower deployment of long-term storage and Marinus Link uncertainty – are all very real. Mitigating these material risks is a valid justification for building network infrastructure sooner, in general.

Broader Public Benefits to be Considered and the National Electricity Objective (NEO)

Tilt Renewables acknowledges that AEMO states³ that the AER's Benefit Analysis Guidelines do not consider broader public/consumer benefits including the societal benefit of reducing carbon emissions and mitigating the worst impacts of climate change.

This constraint on AEMO's planning and the broader problem of the NEO not allowing any consideration of carbon emission reductions during evaluations of rule changes, is 'past its use by date'. Tilt Renewables proposes that AEMO consider including a reduction in carbon emissions as another objective, alongside economic efficiency and security of supply, so that avoiding catastrophic climate change can be considered as a public benefit in future ISPs as well as for future rule change deliberations by the AEMC and ESB.

Increased Ambition

Tilt Renewables notes that one of the public policies considered for the Draft ISP is the Federal Government's 26-28% emission reduction target in 2030. However, it would be appropriate to consider a more aggressive scenario in the final 2022 ISP, based on the likelihood that Federal / State Governments will adopt carbon emission targets more in line with the rest of the developed world – namely a 40-60% reduction in emissions by 2030 (and more aligned with the need to keep global temperature rise to less than 1.5 degrees Celsius).

Implementation Risks

The considerable implementation risks outlined by AEMO in the ISP are very real, with two material risks in particular being of concern – social licence and supply chain risks. On the social licence risks, Tilt Renewables supports AEMO's push for greater collaboration and planning around social licence at the national level and within states, and the call for proactive engagement and integrated land-use planning at a jurisdictional level.⁴

With regards to the supply chain risks, we acknowledge the important work AEMO has done in partnering with Infrastructure Australia and the research presented in the Draft ISP. The Draft ISP notes that global and national infrastructure and renewable energy investment over the next two decades will

³ Draft ISP, p. 15

⁴ Draft ISP, p. 15



substantially increase demand for skilled and unskilled labour. This increase presents tangible supply chain risks that could drive up project costs while also delaying or stalling delivery. The Draft ISP also notes that development optimisation through the ISP process alone cannot fully secure the strategic sequencing of projects to manage supply chain risks.

With these risks clearly identified, Tilt Renewables recommends in the final ISP AEMO consider that all low regrets planning work commence immediately on all ODP projects (including those identified as future ISP projects). As noted in the draft ISP, some transmission projects are already experiencing delays and this trend may well continue. These early works are relatively low cost in the context of the overall project cost and provide flexibility and better certainty in these changing circumstances.

Tilt Renewables again congratulates AEMO on the draft 2020 ISP and looks forward to release of the final ISP as a roadmap to most efficiently and cost effectively continue the transformation of the Australian electricity system and market.

Thank you for the opportunity to comment and we look forward to continuing to work with AEMO and its stakeholders. Please feel free to contact me to discuss any of the issues raised in this submission.

Yours sincerely

A handwritten signature in black ink, appearing to read "Geoff Dutailis", written over a circular scribble.

Geoff Dutailis
CEO
Tilt Renewables

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