



EnergyAustralia

LIGHT THE WAY

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Ms Nicola Falcon
General Manager Forecasting
Australian Energy Market Operator
GPO Box 2008
MELBOURNE VIC 3001

EnergyAustralia Pty Ltd
ABN 99 086 014 968

Level 19
Two Melbourne Quarter
697 Collins Street
Docklands Victoria 3008

Phone +61 3 8628 1000
Facsimile +61 3 8628 1050

enq@energyaustralia.com.au
energyaustralia.com.au

Submitted electronically: ISP@aemo.com.au

Australian Energy Market Operator – consultation on new and revised ISP scenarios – March 2021

EnergyAustralia is one of Australia's largest energy companies with around 2.5 million electricity and gas accounts across eastern Australia. We also own, operate and contract a diversified energy portfolio across Australia, including coal, gas, battery storage, demand response, wind and solar assets, with control of over 4,500MW of generation capacity.

We appreciate AEMO providing stakeholders the opportunity to further engage on its scenario development, and its willingness to adapt to feedback and suggest improvements outside of the scheduled opportunities for consultation previously communicated. As AEMO recognises, its scenarios run to the core of the ISP and are critical in the development and selection of optimal development paths.

Our key comments are related to the following matters:

- the proposal to undertake and include multi-sector modelling into the 2022 ISP
- changes to the scenarios to be modelled and their definitions
- the desire for some supplementary information to clearly understand the intended design of the scenarios and how they differ from each other, and from those used in the 2020 ISP.

EnergyAustralia supports AEMO committing resources to and considering the integration of multisector modelling into the ISP. We appreciate this is highly challenging and look forward to understanding in more detail how AEMO intends to overlay the impacts on the energy sector from potential changes in other high emission sectors.

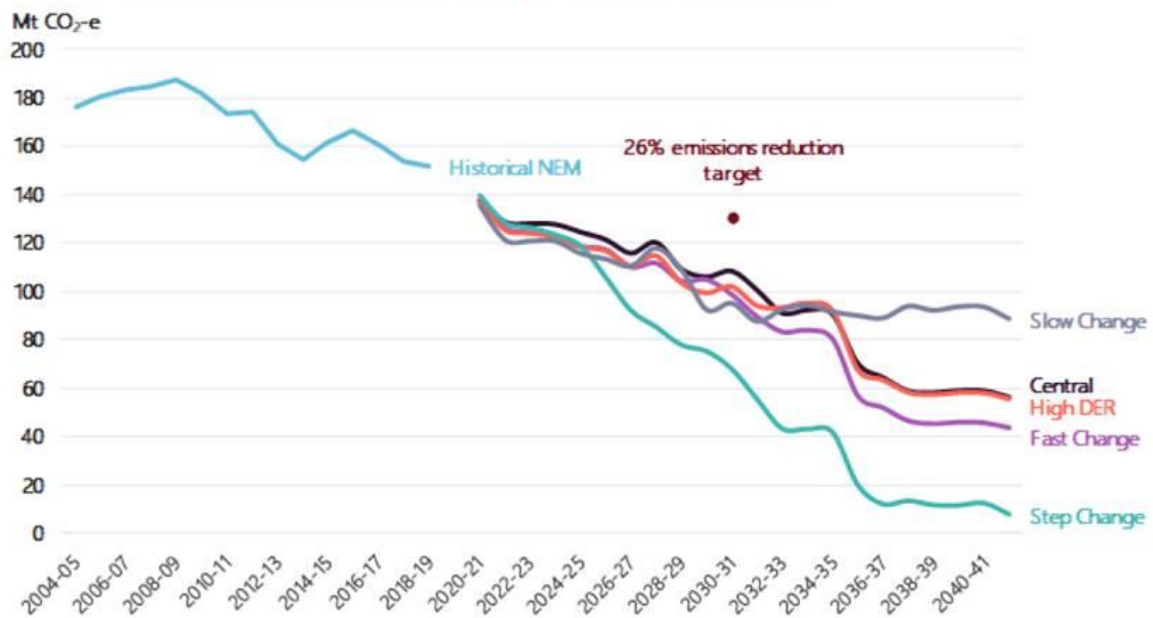
We appreciate that sectoral interactions and feedbacks are complex and may not be as material depending on the pace of change in certain scenarios, however we do not see any reason to limit the use of integrated multisector modelling to the Net Zero 2050, Sustainable Growth, Export Superpower and Rapid Decarbonisation scenarios. That said, AEMO should be mindful of risks associated with a broader scope of work, and not let

this come at the expense of its 'core' ISP modelling and other higher priority refinements.

We also support AEMO's proposal to split the Central scenario in its treatment of emission reduction trajectories into a 'Current Trajectory' and a '2050 Net Zero' scenario. As AEMO highlights there is currently no legislated national commitment to a net zero target, although all states and territories (and indeed many market participants) have some form of net zero target or plan.

We also note that the determined emission reduction trajectories from the 2020 ISP scenarios for the energy sector may be instructive on how quickly it can achieve net zero emissions relative to other sectors in achieving economy-wide targets. For example, a '2050 Net Zero' emissions trajectory may not be significantly different from AEMO's 2020 Step Change scenario, as shown in Figure 31 reproduced from the Final 2020 ISP below.

Figure 31 Australia's emission reduction target is met under all scenarios



Source: AEMO, 2020 ISP.

Regarding the design of other scenarios:

- noting AEMO's justification for proposing a Rapid Decarbonisation sensitivity, and given the relative plausibility and credibility of underlying assumptions, it may be appropriate that this becomes its own scenario, incorporating limitations on use of domestic hydrogen consumption as the base, with Export Superpower being run off this as a sensitivity
- in terms of settings for the Export Superpower study, we question the use of hydrogen for domestic consumption and how this might interact with, and be consistent with, electric vehicle and higher distributed energy resources forecasts
- we also support the Diversified Technology scenario being treated as a sensitivity

- in line with our earlier submission, we perceive considerable doubts around the funding arrangements for Marinus Link, which also infers doubt as to whether the Tasmanian Renewable Energy Target meets AEMO's criteria for inclusion. We therefore believe a more appropriate event-driven scenario would be where funding arrangements are resolved, rather than the reverse as AEMO is contemplating.
- while it is clear this is work in progress, AEMO should outline its process for determining which scenario will be designated the 'most likely' scenario as per NER clause 5.22.5(e)(3), including guidance on any deadline for when this decision will be made.

We are appreciative of the details AEMO released in its stakeholder presentation¹ on 3 March, particularly the tabulated scenario settings information in the Appendix. Supplementary information would be useful to stakeholders in understanding the significance of some of the changes contemplated, namely:

- some dimensions or further information to gauge the range of the scenario settings e.g. what does low, moderate and high mean for 'Energy efficiency improvement'?
- equivalent data to understand the Rapid Decarbonisation sensitivity (or scenario as we would suggest), including the internal consistency of limiting domestic hydrogen consumption but with hydrogen export opportunities
- an equivalent version of settings for the 2020 ISP scenarios, to show the transition proposed for 2022
- some justifications for the identified changes to the scenario settings.

If you would like to discuss this submission, please contact me on 03 8628 1655 or Lawrence.irlam@energyaustralia.com.au.

Regards

Lawrence Irlam
Regulatory Affairs Leader (acting)

¹ <https://aemo.com.au/-/media/files/major-publications/isp/2022/iasr-consultation-feedback.pdf?la=en&hash=BD6466B72F3E51F5D961BB84B0AD997D>