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**AEMO Draft 2021 IASR
Response to Scenario feedback forum**

The Major Energy Users is pleased to respond to the AEMO request for input to its draft 2021 Inputs, Assumptions and Scenarios Report (IASR) scenario feedback forum held on 3 March 2021. This commentary should be read in conjunction with the MEU submission on the IASR provided on 1 February 2021.

As a headline issue, the MEU considers that AEMO needs to provide a clearly defined central scenario and not an amalgam of two scenarios – the “Current Trajectory” and “2050 Net Zero”. The MEU highlights that most stakeholders consider a central scenario is an essential element in how they approach the market and use this as the default position. Further, the MEU points to the AER requirement that AEMO provide a “central scenario” as the most likely outcome against which other options can be assessed and weighted.

In its submission to the IASR, the MEU highlighted that the central scenario should reflect the decisions and aspirations of all governments as depicting the most likely outcome. The Current Trajectory scenario is effectively based on legislated outcomes and will result in a scenario that understates the most likely emission reduction outcome considering that aspirations, backed by government investments (as has occurred in NSW and Victoria in recent months), are more likely to deliver the emissions reductions aspired to than what has just been legislated.

Further, it is also clear that from announcements made by a wide range of industry that they are also targeting net zero carbon emissions by 2050 and they are investing to achieve this outcome. These aspirations must also be reflected in the central scenario. The MEU points out that industry aspirations have been noticeably absent from the developments of scenarios by AEMO, yet they have a significant impact on outcomes.

With this in mind, the MEU considers that there be a single central scenario which the MEU considers must be based on the “2050 Net Zero” as this provides a view of the

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most likely scenario based on clearly stated aspirations and investments made by state governments and industry more widely. A scenario based on current legislated decisions (ie Current Trajectory) is not a likely scenario, considering the changes that are already in train, but nor is it a boundary scenario which are used to test the outer limits of plausibility. Its inclusion would appear to be unnecessary, especially as it is a more likely scenario than the other boundary scenarios.

The MEU disagrees with AEMO that the Diversified Technology scenario should be deleted as it provides a (just) plausible boundary scenario, which is what the other boundary scenarios encompass, with a reasonable degree of unlikelihood embedded in each of them.

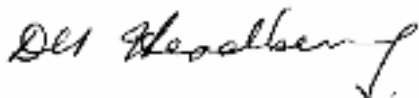
The MEU notes that the Diversified Technology scenario reflects possible lower gas pricing (which AEMO proposed to incorporate through sensitivity analysis) but also CCS (which has already been funded and is being further funded by the Federal Government), with less DER (reflecting constraints already occurring in distribution networks), and includes other technology changes which fit in with the Federal government view that emissions will be reduced by the introduction of new technology. While the MEU agrees with AEMO and others that this scenario is unlikely, it does reflect government stated ambition coupled with some investment, leading to the view that while it is at the boundary of plausibility, it is seen by the Federal government as a solution and so should therefore be retained.

In its response to the IASR, the MEU also pointed out that it is not necessarily the actual definition of a scenario that is critical, but its weighting used in the development of the likely outcomes and it this weighted outcome that that provides the basis of outturn sensitivity surrounding the central scenario.

The MEU notes that AEMO has identified 8 themes for further discussion and the MEU points out that some of its views on these is included above and in its initial response to the IASR. In particular, the MEU welcomes more discussion on fuel prices, discount rates and hydrogen generation locations and approaches.

The MEU is happy to discuss the issues further with you if needed or if you feel that any expansion on the above comments is necessary. If so, please contact the undersigned at davidheadberry@bigpond.com or 0417 397 056

Yours faithfully



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