

09 February 2024

TO:

ISP@AEMO.com.au

FROM:

ElectraNet's Consumer Advisory Panel*

*Members' names listed on page 4

To whom it may concern

RESPONSE TO AMEO'S DRAFT INTEGRATED SYSTEM PLAN

This submission has been prepared by ElectraNet's Consumer Advisory Panel (CAP) following a workshop with ElectraNet management, and input from AEMO on the Draft ISP.

About the Consumer Advisory Panel

ElectraNet's Consumer Advisory Panel brings together representatives from 10 different organisations and / or individuals who can contribute meaningfully to ElectraNet's planning and decision making. The Consumer Advisory Panel is independently facilitated.

Key objectives of the Consumer Advisory Panel are to:

- Provide considered advice, feedback, and solutions to ElectraNet on significant current or future operational, industry and strategic issues that are of relevance to electricity consumers;
- Provide considered advice, feedback, and solutions to ElectraNet on electricity consumer needs, concerns, issues, and services across areas including the energy transformation, network planning and operations, regulated revenue proposals, and transition to future energy markets; and
- Promote the delivery of lowest long-run cost services to consumers and their communities.

The Consumer Advisory Panel's response to AEMO's Draft ISP

The CAP acknowledges the significant effort by AEMO in developing the ISP as a national plan that seeks the lowest-cost pathway of essential generation, storage and transmission infrastructure to meet consumers' energy needs for secure, reliable and affordable energy, and to achieve net zero emissions targets. Ultimately, the costs and risks of this plan will be borne by consumers and as such consumer preferences and concerns must be central to its development.

The CAP recognises the complexity involved in developing the ISP, especially in an environment of great market upheaval and volatility, meaning there will always be a level of uncertainty about the outcome. Due to the complexity of the ISP it is extremely difficult for members of the CAP to be fully across all relevant details. However, the CAP wishes to raise a number of concerns about how the 2024 Draft ISP may result in SA consumers carrying an increased degree of risk in relation to future energy security. Further, we are concerned the current Draft ISP appears to lack sufficient consideration of potential load growth in South Australia.

The ISP needs to look to the particular consumer impacts of the transition currently being experienced in South Australia (and the NEM in general). The CAP would like to see any planning associated with the transition to consider distributional cost impacts and equitable considerations. We want least long-term costs for consumers, including businesses – acknowledging that not all consumers are equally placed to reduce / avoid / or afford additional costs.

The Small Business Retail Tariff Tracker Australia demonstrates that Electricity bills increased in most jurisdictions over the period October 2022 – October 2023 with the greatest increase in South Australia (23%).

The CAP is acutely aware of the rapidly changing circumstances impacting Australia's energy markets and understands that new information is constantly being brought forward. We have been advised by ElectraNet that new, relevant information is now available, post draft ISP 2024 development that may have an impact on the final 2024 ISP.

This new information includes:

- Rapidly increasing probability of significantly increased generation from the Mid North (Southern & Northern) of South Australia that will be seeking connection to the transmission network.
- Potential for additional large industrial loads in South Australia, that are not currently factored into AEMO's demand forecasts. ElectraNet has identified 12 large industrial loads in South Australia, equating to approx. 2000MW of additional load seeking to connect to the network. These large industrial loads include mining projects, electrification, hydrogen projects, and a SA Government project.

In this regard we are pleased to see this statement on page 59 of the Draft ISP:

"AEMO notes that transmission capacity required within South Australia is highly related to load commitment in that region. AEMO and ElectraNet will undertake joint planning between the Draft 2024 ISP and final 2024 ISP on this matter."

These considerations hold significance in shaping the Optimal Development Path. **We urge AEMO and ElectraNet to make decisions in the final version that draw on this latest data.**

The CAP encourages ElectraNet to provide all relevant information to support their growth conclusions and urges AEMO to also consider the inclusion of these high probability outcomes in the final 2024 ISP, and their impact on the chosen final Optimal Development Path (ODP).

The CAP observes that one of the greatest areas of uncertainty is the significant impact that policy commitments of other national energy market (NEM) participating states (which change over time, typically with change in political leadership) and is concerned about the impact these changes have on the final form of the ISP every two (2) years. While the CAP understands that AEMO is required to consider these changes, it appears they carry significant weight in determining the ODP. In many cases these changes do not appear to be in the best interests of South Australian consumers as they result in a devaluation of what we believe to be important transmission augmentation in this state.

The CAP believes there is potential risk that a number of jurisdictional commitments currently modelled for the 2024 Draft ISP may not be fulfilled as presented, increasing energy security concerns and delaying needed state-based energy developments. Based on information provided to the CAP, this additional risk is not adequately addressed, nor catered for in the current Draft ISP.

Without firm commitments from interstate peers, this would leave SA consumers at considerable risk of being unable to draw upon the benefits of being part of an Integrated National System, as assumed in the modelling underpinning the current Draft ISP to cater for SA requirements.

Therefore, as a prudent risk mitigation for SA consumers, the CAP requests that the Mid North (Southern and Northern) projects in South Australia be urgently reassessed as part of the Final 2024 Integrated System Plan.

We believe this is both necessary and appropriate based the following key points:

- Based on information presented to the CAP, the Mid North (Southern & Northern) projects appear to be essential to South Australia's clean energy future. The CAP has reason to believe that these projects cannot be delayed until a future ISP (2027-28 or even 2045-46 as per Table 7 in current Draft ISP) and should be reconsidered as part of the ODP in 2024 ISP for the current period.
- To move quickly on these projects, Electranet can also pursue an Early Works Contingent Project Application under existing rules. However, projects on the ODP have an ability to recover these costs in a timelier manner, which if prudent and efficient, also has the potential to save time and money for both ElectraNet and SA consumers.
- Recognising the time required for project completion, the CAP favours early delivery to mitigate potential risks associated with late delivery amid escalating demand and limited resources (nationally and globally). The CAP would stress that this should not be seen an indication that costs are not an issue, rather that we are advised that this approach will lead to a least cost, lower risk transition. The CAP would continue to rely on the AER to ensure that all investment is prudent and efficient.
- Given the information presented to the CAP, in the current landscape it is reasonable to envisage that the risk of underinvestment in South Australia poses a greater concern and increases the risk of increased costs longer term to consumers than the risk of overinvestment.
- Based on the current difficult environment many projects face, especially social license issues in other jurisdictions, the CAP is apprehensive about the potential impact of delays in the timely delivery of renewable energy projects in other regions (over which South Australia has no control) and the impact that such delays could have on the energy supply in South Australia. While a key assumption that drove many of the benefits of Project Energy Connect was the facilitation of cross border resource sharing, significant delays in areas such as planning and the uncertainty of asset closure, doubts have been raised about the ability for this to occur, at least in the short to medium term.
- The CAP acknowledges the associated expenses required for the implementation of Mid North (Southern and Northern) projects but based on information presented to us, views this investment as crucial for addressing the risks highlighted in this submission, including the risk of increased costs to SA consumers if project investments were delayed and subsequently then impacted by changes in delivery timelines for other projects in other jurisdictions (e.g. resource competition).
- Over the past decade South Australia has been and continues to be at the forefront of the energy transition and local industry has previously incurred costs associated with regional specific issues, such as islanding, which continue to lead to significant market intervention costs. There is a concern that the current Draft ISP leaves SA consumers at a greater risk of such issues recurring if key projects in other jurisdictions are not completed as planned and modelled. Consequently, there is a strong desire among CAP members to see such risks mitigated through the timely implementation of the additional transmission solutions foreshadowed for action by ElectraNet.

- We encourage ENet to continue to engage with AEMO providing them with the additional information to support their contention that these projects should be included in the 2024 ODP. We await the conclusion of this discussion and release of the Final ISP and stand ready to work with ENet on the next stage of progress regardless of the final outcome.

Given the numerous uncertainties in the proposed future scenarios addressed in the current Draft ISP, and the marginal disparity in the Cost Benefit Analysis among the Optimal Development Path and Candidate Development Paths 10 and 13 (which are inclusive of South Australia's Mid North Southern & Northern projects), the CAP urges AEMO to exercise the discretion available to it under the rules to reconsider these projects as part of the ODP in the final 2024 ISP.

Signed

(Alphabetically listed)

- Andrew Richards *(Energy Users Association Australia)*
- Craig Wilkins *(Consumer representative)*
- Estha van der Linden *(The Australian Industry Group)*
- Georgina Morris *(South Australian Council of Social Services)*
- Greg McCarron *(Central Irrigation Trust)*
- Mark Henley[^] *(Consumer representative)*
- Rebecca Knol *(The South Australian Chamber of Mines and Energy)*
- Simon Maddocks *(Primary Producers SA)*
- Vikram Kenjle *(University of Adelaide)*
- Yarik Turianskyi *(Business SA)*
- And Leanne Muffet CAP Independent Facilitator *(Strategic Matters)*

Note: the CAP members have been appointed in their own right, notwithstanding their links to the organisations / associations listed, and the views expressed by the CAP are not necessarily views endorsed by the organisations / associations so listed.

[^] Mark Henley has abstained from this report as he is a member of the ISP Consumer Panel

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