

13 August 2024

By email: forecasting.planning@aemo.com.au

Re: Input Assumptions and Scenarios – Consultation paper

Thank you for the opportunity to comment on the future Input Assumptions and Scenarios consultation paper. ElectraNet appreciates the substantial effort required in developing the Integrated System Plan (ISP) to the level of quality that accompanied the 2024 ISP.

ElectraNet would like to comment on the following themes

- Support for the simple evolution of the scenario definitions
- Some changes to policy to be included in the Input Assumptions and Scenarios Report
- Scenario weightings
- Scenario weighing in actionable ISP projects

Simple evolution of the narrative

ElectraNet supports the simple evolution of the scenario definitions. ElectraNet considers the scenario narratives assess a wide range of futures that adequately capture the plausible range of future scenarios that should be planned for across the NEM.

The focus of the Green Energy Exports scenario should be to continue a narrative that reflects the significant role that Australia's electricity industry can play in global decarbonisation. ElectraNet supports amendments to the narrative that focus more on domestic development of energy intensive industries exporting higher value products (green steel for example) rather than direct energy exports (hydrogen) if that would lead to a greater acceptance of this scenario.

The scenario parameter 'emerging commercial loads' seems focussed on data centres. ElectraNet agrees that data centres are a single industry that has the potential to materially influence the outcomes of critical inputs. The transition is revealing other industries that too will have this impact on the National Electricity Market (NEM) and we would request AEMO to explore these as well as emerging commercial loads.

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Changes to be incorporated

A number of policy developments within Australia and South Australia need to be included in all scenarios.

The South Australian Government's Prosperity Project¹ and Renewable Energy Act should be incorporated together with the Federal Government's A Future Made in Australia² policy. Policy can also be enacted through bilateral agreements such as the first national Renewable Energy Transformation Agreement (RETA) that has been entered into between the Commonwealth and South Australian Governments to support delivering more reliable renewables in South Australia.³

A Future Made in Australia is expressly seeking to make Australia a renewable energy superpower with objectives such as:

- Powering Australia with cheaper, cleaner, more reliable energy
- Unlocking investment in net zero industries
- Boosting demand for Australia's green exports
- Realising the opportunities of the net zero transformation

A Future Made in Australia has the potential to influence or even reverse trends such as the offshoring of manufacturing jobs that has been occurring for many decades. Such results are being observed in America because of the Inflation Reduction Act. A goal of Future Made in Australia is to do just this over time, transforming our energy base, industrial base and our human capital.

The Inflation Reduction Act is a very significant and complex policy, however, some elements are directly comparable with elements of the Future Made in Australia. Examples of similar elements include policies such as tax credits for hydrogen production.^{4 5} An estimation of the effects on the input parameters of the ISP scenarios needs to be incorporated across the scenarios aligned with the scenario narratives.

Scenario weighting

The role of the scenarios is to assist AEMO make decisions in an uncertain and unknowable future, balancing the risk of over and under investment. Importantly, the scenarios describe futures that are independent of the actions of AEMO.

However, the weightings of scenarios can 'place a hand on the scale' whereby in the 2024 ISP, the weightings of the Green Energy Exports scenario are sufficiently low, that the ISP is incapable of supporting the investment that is required in that future and hence may in fact prevent it.

¹ [State Prosperity Project | State Prosperity Project](#)

² [Investing in a Future Made in Australia | Budget 2024–25](#)

³ [Joint media release: Delivering more Reliable Renewables in South Australia | Ministers \(dcceew.gov.au\)](#)

⁴ [Inflation Reduction Act Anniversary: How the Law Is Reviving Manufacturing | World Resources Institute \(wri.org\)](#)

⁵ [USSC Insights | How does the Future Made in Australia Act compare to the US Inflation Reduction Act? | United States Studies Centre](#)

If the scenarios are equally plausible then they should be equally weighted.

Scenario weighting in actionable ISP projects

ElectraNet considers that the progressive change scenario is not relevant for network development in South Australia, although we support this scenario at the national level.

In many instances, South Australia is achieving well above national averages as we transition to a net zero economy. This scenario does not reflect a realistic rate of development in South Australia.

However, these higher rates of development within South Australia do not materially influence the national outcomes given South Australia's size relative to the national economy. Therefore, Progressive Change remains a relevant national scenario and is useful in the selection of the Optimal Development Path.

The AER's Cost Benefit Analysis Guidelines "the Guidelines" allow AEMO discretion in deciding which scenarios are to be applied to an actionable ISP RIT-T. The Guidelines state "if AEMO determines one or more scenarios in the IASR should not apply in the RIT-T application, it will effectively assign that scenario/those scenarios a zero per cent weighting for the ISP project and will adjust the relative weightings for the remaining ISP scenario/s accordingly". AEMO's discretion is limited to setting the weighting at zero or adopting the relative weighting from the ISP likelihood-based weightings.

To date, ElectraNet does not believe AEMO has chosen to set a zero weighting for an actionable ISP project. ElectraNet requests AEMO provide guidance on how it will exercise its function to apply a zero per cent weighting for a future actionable ISP project RIT-T as allowed for in the AER's Cost Benefit Analysis Guideline.

Should you wish to discuss any of the above matters please contact Brad Harrison on 08 8404 7568.

Yours sincerely

A handwritten signature in black ink, appearing to read 'BMA', followed by a horizontal line extending to the right.

Brad Harrison
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