

13 August 2024

Australian Energy Market Operator (AEMO)

Submitted via email (forecasting.planning@aemo.com.au)

Dear AEMO ISP Team,

2025 Inputs Assumptions and Scenarios Report (IASR) consultation

Hydro Tasmania welcomes the opportunity to provide a response to the Australian Energy Market Operator's (AEMO) 2025 Inputs Assumptions and Scenarios Report (IASR) consultation.

The Integrated System Plan (ISP) is an essential tool to provide transparent planning information and strategic guidance to the energy market, along with underpinning the effective transition of the National Electricity Market (NEM). We acknowledge AEMO's continued efforts to consult widely and transparently with stakeholders throughout the ISP development process. Improvements to the ISP methodology, along with iterative updates to core inputs and assumptions, are critical to maintaining and improving confidence in the ISP.

Since the development of the 2023 IASR, the Australian economy continues to be impacted by supply-side shocks, inflationary pressures, and delayed investment timelines; it is Hydro Tasmania's view that these factors will continue to impact scenario development and outcome likelihood for the 2026 ISP. During this period of downward investment pressure and rising consumer costs it is vital that the ISP provides clear economic and policy guidance that identifies the most-efficient projects to deliver positive, long-term outcomes for the energy transition.

In general, Hydro Tasmania supports the scenario narratives proposed by AEMO and the retention of the three scenarios from the 2022 ISP (*Progressive Change, Step Change, and Green Energy Exports*). We share AEMO's view that continuity of scenarios is essential for comparison between different ISPs and that scenarios should not be normative nor explore specific solutions (such as high adoption of a particular technology) – although there is a role for sensitivities in this space.

Although we support most of the changes proposed in the consultation paper, we believe the industrial closure parameter and how government policy is included within the ISP warrants further consideration by AEMO. We also consider that there may be scope to improve the breadth of the analysis by adding a new scenario that lies somewhere between the Step Change and Progressive

Change scenarios. Attachment A provides further comments on the consultation paper, with specific regard to the following:

- *Progressive Change* scenario industrial load closures assumptions;
- Electrification and coordination of consumer energy resources (CER);
- Government policy inclusion; and
- Scenario breadth.

The development of the ISP is a complex, multi-year endeavour, and we commend AEMO on their efforts to consult throughout the process. We support AEMO's efforts to ensure the ISP contains transparent and robust planning information – this is critical in maintaining stakeholder trust in the document.

Hydro Tasmania looks forward to engaging with AEMO throughout the process of developing the 2026 ISP. If you wish to discuss any of the above in more detail, please contact me at Colin.Wain@hydro.com.au

Yours sincerely,



Colin Wain
Manager Policy Development

ATTACHMENT A – Hydro Tasmania response to the 2025 Inputs Assumptions and Scenarios Report (IASR) consultation

***Progressive Change* scenario industrial load closures assumptions**

Hydro Tasmania does not support the assumption of industrial load closures in the *Progressive Change* scenario. It is our view that in the absence of specific announced industrial load closures this (decreased demand) could be better explored as part of sensitivity analysis rather than as a base assumption in a scenario.

Planning for industrial load closures appears contrary to government policy positions and including this as an assumption could have a material impact on modelling outcomes. For example, it is likely this assumption would result in build profiles and transmission developments being contingent on assumed closures – in essence, planning for the eventuality of closures to occur. Whilst including such assumptions may improve depth of analysis, we feel this would be more appropriately explored through sensitivity analysis.

Electrification and coordination of consumer energy resources (CER)

Hydro Tasmania supports AEMO's proposed adjustments to the level of CER coordination in each of the three scenarios.

We agree with the proposed change to increase the level of coordination of CER under the *Progressive Change* scenario from Lower to Low. Hydro Tasmania's internal observations are that there is significant interest in joining VPPs from a variety of customers. We consider that the uptake of coordinated CER will likely be higher than the figures in the 2023 IASR's *Progressive Change* (reaching only 4GW by 2049-50), even under the scenario's assumptions of more challenging economic conditions.

Hydro Tasmania supports AEMO's proposed change to reduce the level of coordination of CER under the *Step Change* and *Green Energy Exports* scenarios to moderate and high, respectively. Under the 2023 IASR *Step Change* scenario, the capacity of coordinated CER reaches 37 GW, more than the peak demand in the NEM. While there is significant customer interest in VPPs, we consider that level of uptake is overly optimistic and that reducing the forecasts for coordinated CER in the *Step Change* and *Green Energy Exports* scenarios is a more realistic forecast.

Government policy

Hydro Tasmania notes AEMO has considered, but is not recommending, changes to the ISP that involve delaying the transition by applying deliverability constraints or ignoring policy timeframes. Whilst we recognise that AEMO is bound by the NER to consider policies that meet the relevant public policy criteria, it is important to note that modelling a variety of futures, including those with unavoidable delays, will improve the rigour of the paper and its credibility with stakeholders.

We understand that a key challenge for AEMO in creating the ISP is finding the balance between having a broad enough range of scenarios to explore different options for the NEM's future whilst also being able to provide the appropriate depth of the analysis within each scenario and accompanying sensitivities. It is for AEMO to decide whether delays in meeting relevant public policy is best to be tested through sensitivities or the inclusion of an additional scenario. However, it is vital

that discussion of the possibility of delays is included in the narrative of the ISP and optimal development path, particularly given the impact these policies have on modelled build profiles. Strict achievement of targets in all scenarios can lead to a degree of homogenisation – the depth of analysis and robustness of the ISP can be further improved through discussion of other future scenarios, including scenarios that do not meet, or have delays in meeting government targets.

Scenario breadth

Having examined scenarios used in the 2022 and 2024 ISPs in detail, Hydro Tasmania considers that these scenarios may not achieve AEMO’s principle of a broad set of scenarios. Two clear groupings have been used:

- 1) *Progressive Change* and *Slow Change* scenarios – both consider low demand outcomes, low consumer engagement and a relatively slower transition.
- 2) *Step Change* and *Green Energy Export* scenarios – both consider high demand outcomes, high consumer engagement and a very rapid transition.

We consider that there is space for a new scenario that takes aspects from these two groupings and broadens the set of possible futures considered and meets AEMO’s other principles for scenario development. This scenario could sit in between the above two groupings: higher demand outcomes and consumer engagement than the *Progressive Change* scenario, and lower demand outcomes and consumer engagement than the *Step Change* and *Green Energy Export* scenarios.