

13 August 2024

Mr Daniel Westerman  
CEO  
Australian Energy Market Operator

Submitted via: [forecasting.planning@aemo.com.au](mailto:forecasting.planning@aemo.com.au)

Dear Mr Westerman,

### **Draft 2025 Inputs, Assumptions and Scenarios Report (IASR)**

Nexa Advisory welcomes the opportunity to share our views and insights on AEMO's Draft 2025 IASR Consultation Paper.

Nexa is a 'for purpose' advisory firm. Our unwavering focus is accelerating the clean energy transition in a way that provides secure, reliable, and affordable power for consumers of all types. Nexa Advisory is a team of experienced specialists in the energy market, policy and regulation design, stakeholder engagement, and advocacy. We work with public and private clients including renewable energy developers, investors and climate impact philanthropists to help them get Australia's clean energy transition done.

AEMO's scenario development is a critical process which shapes forecasting, planning and system design – informing the Electricity Statement of Opportunities, Gas Statement of Opportunities and the Integrated System Plan, and presenting a vital signal for investors, policy makers and broader industry to understand the pathway forward through Australia's transition to a clean energy economy.

The IASR underpins AEMO's critical role in identifying the key transmission projects and providing the investment certainty around coal closure needed to underpin the clean energy transition and is an essential roadmap for industry, government, investors and consumers. Our recent work has identified that there remain roadblocks<sup>1</sup> to delivering the energy transition in line with AEMO's Integrated System Plan (ISP), and that there are significant costs associated with delayed transmission delivery<sup>2</sup> due to the uncertainty around these challenges.

### **Clear and ambitious scenarios lead to market certainty**

It is critical that AEMO ensures plausible scenarios that represent a pathway to decarbonise the National Electricity Market (NEM), adhering to Australia's international commitments and the emissions objective in the National Electricity Objectives. This means that the NEM needs to transition away from fossil fuels, while operating a clean,

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<sup>1</sup> Nexa Advisory, [We Plan and then Don't Build](#), June 2024

<sup>2</sup> Nexa Advisory, [The consumer cost of transmission delays](#), July 2024

reliable and secure electricity system and meeting the need to limit global temperature increase below 1.5 °C.

While the IASR attempts to reflect existing policies and ‘states of the world’, AEMO’s forecasting and planning functions provide an increasingly strong signal which drives government and industry collaboration, policy development and investment towards these modelled outcomes. As such, we believe that the scenarios should reflect an ambitious, yet achievable future state of the world – creating the certainty required to underpin investment, the timely development of renewable energy infrastructure and the orderly exit of coal-fired generation.

### **Parameter selection**

Nexa Advisory believes that the ability to meet our emissions and renewable generation targets is best underpinned by a suite of inputs, assumptions and scenarios which provide ambition to reflect climate and renewable energy targets, while providing market confidence necessary to underpin the investment required to build the required generation, storage and transmission.

Given Australia’s legislated emission reductions targets of 43 per cent by 2030 and net zero by 2050 - which support the Paris Agreement commitment to pursue efforts to limit global warming to 1.5 °C – we would support AEMO’s exploration of an investor- and policy-maker-credible scenario which aligns with this target.

We note support across previous stakeholder submissions to the ISP Methodology and Inputs, Assumptions and Scenario consultations around AEMO’s inclusion of a 1.5 °C *Rapid decarbonisation* sensitivity – and consider this tighter carbon budget should be explored under the *Step Change* scenario.

We agree with AEMO’s current positioning around:

- the retention of the broad scenario narratives, and current ‘spread’ across the scenario set; and
- the operational benefits of retaining three scenarios – allowing for better exploration of sensitivities, as well as the qualitative delivery risk assessment of these coming to fruition.

In addition to our key recommendation above:

- We support the reflection of economic challenges only in the *Progressive Change* scenario – namely through the exploration of weaker electrification, weaker emerging commercial loads, and industrial loads closures given the significance of these loads. However, where possible, these parameters should be identified and

supported through joint planning<sup>3</sup> with Network Service Providers, and engagement with relevant industry participants and other key stakeholders.

- We support the distinction between Consumer Energy Resources (CER) uptake and investments, and separately, their coordination. The social licence needed to orchestrate CER remains unsecured, and there is significant work needed to gain the necessary trust for coordination.

Thank you for the opportunity to provide input on the Draft 2025 IASR. We welcome the opportunity to further discuss any aspect of our submission - please contact either myself or Jordan Ferrari, Director - Policy and Analysis, [jordanferrari@nexaadvisory.com.au](mailto:jordanferrari@nexaadvisory.com.au).

Yours Sincerely,

Stephanie Bashir  
CEO and Principal  
Nexa Advisory

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<sup>3</sup> We recently discussed joint planning within the context of demand-side considerations as part of [our submission](#) to the AEMC's *Enhancing the Integrated System Plan to support the energy transition* Consultation Paper.