

16 April 2025

Andrew Turley
Group Manager, Forecasting AEMO
Level 22, 530 Collins Street
Melbourne, VIC 3000

Submitted via: ISP@aemo.com.au

Dear Mr. Turley

Re: Draft ISP Methodology Consultation

Thank you for the opportunity to comment on the Australian Energy Market Operator's (AEMO) consultation paper and Draft ISP Methodology. This submission does not contain confidential information and can be published in its entirety.

Do you agree with AEMO's proposal for the ISP Methodology, considering responses to stakeholder feedback received from the ISP Methodology issues paper and the scope and limitations of the ISP modelling process described in this consultation paper? If not, what alternatives do you suggest?

ElectraNet supports the wide-ranging consultation process AEMO undertakes. However, we are concerned to ensure that there is not an over-reliance on the outcomes of consultation that might prevent AEMO from making reasonable adjustments to the input assumptions and methods when the practical application may demonstrate flaws in the method. The role of consultation should be to encourage and seek feedback to test methods and assumptions but should not restrict the experts within AEMO applying their judgement to critical decisions that can and must be made to develop a resilient optimal development path (ODP). Where AEMO has applied its judgement, this should be accompanied by demonstratable reasons for the application of discretion, thereby ensuring an appropriate level of consultation and transparency over time.

Gas Supply Development Model

ElectraNet supports AEMO's conclusions regarding the gas supply development model presented in the ISP Methodology Consultation Paper. Given the new requirements of the ISP, we applaud AEMO for striving to increase transparency on the configuration and inputs to the gas supply development model.

We recognise that AEMO is giving all stakeholders the opportunity to provide feedback on gas infrastructure input parameters. Gas infrastructure investment will in some cases be presented as alternatives for electrical transmission and renewable energy investments. Inclusion of gas infrastructure investments outside of the ISP's core remit for the purposes of modelling optimal electrical transmission and generator investments, should meet the same high threshold for inclusion as other *committed* projects. Applying a different threshold for inclusion will skew investment assumptions and planning outcomes and undermine the integrity of the analysis supporting the ODP.

Assessing the resilience of the ODP is critical, and therefore the effect of gas supply development options should not be assumed unless they have undergone the same level of rigour as ISP investments. If AEMO is unable to assess the gas supply development options iteratively or in the cost benefit analysis (like the rest of the ISP), AEMO should only consider investments that can be relied on with high confidence otherwise the resilience of the ODP will be compromised.

ElectraNet understands that AEMO is not planning to consider gas sector development costs explicitly in the ISP cost benefit analysis process. This reinforces the need to include only projects where the status is *committed*.

Hydrogen transportation

As raised in our submission to the Draft 2025 IASR Stage 2 consultation, ElectraNet has concerns with the change in electrolyser location methodology. We understand that there is a component to account for pipeline transportation costs in electrolyser costs. However, we consider it critical to make sure these costs are reflective of the unique challenges of pipelines in hydrogen service compared to natural gas service. At present there are no operating hydrogen pipelines that support the conclusion, and we should be cautious in our application of assumptions that will impact on the ODP. We note that hydrogen pipeline costs are likely to be materially higher than natural gas pipeline costs.

There are other challenges, including securing pipeline access and easements in REZs, concerns with the safety of hydrogen pipelines, and other first-of-its-kind complexities that will be incurred in building high-capacity hydrogen transmission pipelines in Australia. These are complexities that are in large part shared with the development of the electrical transmission network and have proven to be difficult to overcome.

ElectraNet would be happy to share further details with AEMO and we encourage AEMO to remain open to new information in hydrogen project siting decisions and pipeline costs across the industry.

What further enhancements could be made to the ISP Methodology, considering the scope and limitations of the ISP modelling process described in this consultation paper?

Policy Uncertainty

We note the inclusion of the 100% net renewable target for South Australia has been included in the AEMC emissions target statements and expect this target to be included in the upcoming modelling.

ElectraNet supports a more comprehensive analysis of whether achieving all state and federal policy targets in their stated timeframes is feasible given current economic conditions. More specifically, we would support sensitivities exploring the impact on the NEM if some targets are not met, delayed or if they are reversed by incumbent or new governments. Achievement of offshore wind targets in Victoria by 2032 is a notable example. While there appears to be a very low and decreasing likelihood these targets will be achieved on time, the impact of these assumptions on the outcomes of the ISP modelling are understood to be substantial.

Equally, within South Australia government policies are driving a reindustrialisation of the State and this will have implications for the demand outlook. Inclusion of these policies and subsequent testing of these time frames either explicitly or via sensitivities to demand will enhance the resilience of the ODP. This includes identified developments associated with green copper and green iron production, both of which are backed by government policy and substantial funding commitments in both the latest South Australian and Commonwealth Budgets. The updated draft demand forecasting methodology identifies an alternative path for inclusion of expected demand via anticipated loads. We consider loads that are aligned with government policy should be given greater weight for inclusion in the demand forecast.

We thank AEMO for the opportunity to comment on AEMO's Draft ISP Methodology. We applaud and encourage AEMO to continue to engage in an open and transparent manner.

Should you wish to discuss any of the above matters please contact me on 08 8404 7568 or harrison.bradley@electranet.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'B Harrison', followed by a long horizontal line.

Brad Harrison
Manager Network Planning