

Draft ISP Methodology submission

Etrog Consulting

The Draft ISP Methodology Consultation Paper (13 March 2025) notes on page 20¹:

“Etrog Consulting recommended the Integrated System Plan (ISP) should include cost of investments required by consumers for Consumer Energy Resources (CER) noting this will allow a more realistic co-optimisation of how people and the grid can work together.”

AEMO’s response (page 22) states:

“Finally, regarding feedback **from Etrog Consulting** regarding the inclusion of costs for CER for the co-optimisation of how people and grid can work together, AEMO considers that it is not appropriate to optimise uptake of CER within a broader system-wide optimisation, as CER investments are driven by household and consumer drivers that sit outside of the ISP’s cost-benefit analysis. Rather, AEMO recognises the range of potential CER uptake levels (and their costs) through the forecast uptake diversity across scenarios, observing the impact of such diversity on system-wide investments that are optimised.”

Etrog Consulting’s response now to AEMO is as follows:

The response of AEMO is: “AEMO considers that it is not appropriate to optimise uptake of CER within a broader system-wide optimisation, as CER investments are driven by household and consumer drivers that sit outside of the ISP’s cost-benefit analysis.” What that appears to be saying is that CER investments are not optimised in the ISP’s cost benefit analysis because they are outside what is optimised in the ISP’s cost-benefit analysis. That is simply a circular statement that in our view doesn’t really address our submission.

We recognise that CER investments are driven by consumer drivers (where those consumers include households but not only households). We see that as being analogous to renewable energy developers’ investments being driven by their own investment and shareholder objectives. There is no reason why distinction should be drawn between investments driven by consumers and investments driven by larger commercial investors. Renewable energy investors are guided by the ISP model results. The ISP does not mandate where they should invest. Similarly, consumers could be guided by the ISP model results without being mandated where to invest.

Regards

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¹ https://www.aemo.com.au/-/media/files/stakeholder_consultation/consultations/nem-consultations/2024/2026-isp-methodology/consultation-paper---draft-isp-methodology.pdf