

Review of the Integrated System Plan framework

19 February 2026

Justice and Equity Centre
ABN 77 002 773 524
www.jec.org.au

Gadigal Country
Level 5, 175 Liverpool St
Sydney NSW 2000
Phone + 61 2 8898 6500
Email contact@jec.org.au



About the Justice and Equity Centre

The Justice and Equity Centre is a leading, independent law and policy centre. Established in 1982 as the Public Interest Advocacy Centre (PIAC), we work with people and communities who are marginalised and facing disadvantage.

The Centre tackles injustice and inequality through:

- legal advice and representation, specialising in test cases and strategic casework;
- research, analysis and policy development; and
- advocacy for systems change to deliver social justice.

Energy and Water Justice

Our Energy and Water Justice work improves regulation and policy so all people can access the sustainable, dependable and affordable energy and water they need. We ensure consumer protections improve equity and limit disadvantage and support communities to play a meaningful role in decision-making. We help to accelerate a transition away from fossil fuels that also improves outcomes for people. We work collaboratively with community and consumer groups across the country, and our work receives input from a community-based reference group whose members include:

- Affiliated Residential Park Residents Association NSW;
- Anglicare;
- Combined Pensioners and Superannuants Association of NSW;
- Energy and Water Ombudsman NSW;
- Ethnic Communities Council NSW;
- Financial Counsellors Association of NSW;
- NSW Council of Social Service;
- Physical Disability Council of NSW;
- St Vincent de Paul Society of NSW;
- Salvation Army;
- Tenants Union NSW; and
- The Sydney Alliance.

Contact

Michael Lynch, PhD
The Justice and Equity Centre
Level 5, 175 Liverpool St
Sydney NSW 2000

T: +61 2 8898 6500
E: mlynch@jec.org.au

Website: www.jec.org.au

The Justice and Equity Centre office is located on the land of the Gadigal of the Eora Nation.

Contents

- 1. Introduction.....3**
- 2. JEC rule change proposal3**
 - 2.1 The ISP remains a transmission plan 3
 - 2.2 New actionability mechanisms..... 4
 - 2.3 The rule change proposal should be considered alongside this review 5
- 3. Thematic approach to the review.....5**
- 4. Purpose of the ISP.....6**
 - National Electricity Rule (NER) 5.22.2..... 6
 - National Electricity Rule (NER) 5.22.14..... 6
- 5. Prescription and flexibility for AEMO7**
- 6. The economic assessment process8**
- 7. Meaningful stakeholder engagement8**
- 8. Adapting to new information in a timely way.....9**
- 9. Reform priorities.....9**

1. Introduction

The Justice and Equity Centre (JEC) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) consultation paper for the Review of the Integrated System Plan framework (the consultation paper).

The JEC supports the aims of the Integrated System Plan (ISP), which we understand as identifying the least cost pathway to develop a whole of system plan for the development of the energy system in line with emissions reduction targets listed in the Targets Statement and the power system needs with respect to reliability and security.

Notwithstanding this clear intent, the ISP remains, in important respects, a plan for the development of the transmission infrastructure in the Nation Energy Market (NEM). Consequently, it cannot identify the lowest cost pathway to develop the energy system. The result of this is a higher cost – and potentially slower - transition and higher energy costs for consumers over the coming decades.

We have submitted a rule change to the AEMC – *Co-optimisation of all energy resources in the Integrated System Plan* – squarely aimed at addressing this issue. If implemented it would require the Australian Energy Market Operator (AEMO) to co-optimize augmentation of all elements of the energy system – including generation, storage, transmission, distribution, and demand side developments – in its identification of a genuinely optimal development path (ODP).

This rule change proposal is directly relevant to the ISP framework and we request that it be considered in conjunction with this review and the *Clarifying the treatment of jurisdictional policies and system costs in the ISP* rule change proposal already initiated.

In this submission we summarise the rule change proposal, as well as responding directly to questions raised in the consultation paper.

2. JEC rule change proposal

The JEC has submitted a rule change proposal that would enable and require AEMO to co-optimize the augmentation of all elements of the energy system – including generation, storage, transmission, distribution, and demand side developments – in its identification of the ODP.

2.1 The ISP remains a transmission plan

The ISP plan started life in 2011 as a transmission plan – 'NEMLink'. While it has grown as an analytical and engagement exercise, its essence as a transmission plan has never wavered. This focus on transmission has remained despite the introduction in 2020 of rule 5.22, which defined the purpose of the ISP as a whole of system plan (NER 5.22.2).

This came about, in part, because it was assumed transmission augmentations would provide the basis for efficient decarbonisation of the NEM. Since the production of the first ISP, however, transmission costs and build times have exponentially increased, well beyond those originally anticipated (and often well beyond the benefits cases on which they were established). This has mostly been blamed on supply constraints, stemming from both national and global economic

pressures. The dynamic has been recognised by AEMO with these constraints not expected to ease in the foreseeable future.

Nonetheless, the ISP has continued to be transmission-centric. There are two broad reasons which have likely contributed to this.

- The planner needs to have a degree of certainty its recommendations will be enacted. This is a necessary part of its remit to enable a smooth energy transition in which baseline requirements, such as the reliability standard, are never breached. AEMO's preferences regarding the form of the ISP, therefore, are influenced by the existence of a clear actionability mechanism for transmission projects identified as needed in the ISP. As it stands, there is no corresponding actionability mechanism for other elements of the national electricity system (such as storage, DER, electrification or demand flexibility projects).
- AEMO has also likely felt constrained in its treatment of jurisdictional policies on supply and demand – for example jurisdictions' policies on utility renewable generation and storage, or demand side developments. It has tended to treat these as inputs to its cost benefit analysis, but not as potential outputs to be adjusted from candidate development path to development path. This is because of both the NER definition of development path, and guidelines regarding cost benefit analysis.

While there has been an incremental development of the ISP over time which has added individual elements to the ISP or involved greater granularity of analysis of certain resources, in terms of the definition of the short list of candidate development paths (CDP) and the core outputs of the ISP, the plan remains transmission-centric. The ISP does not co-optimize the various available resources, namely – generation, storage, transmission, distribution and demand side developments, in the sense of considering paths comprised of different combinations of all the available and relevant elements in the energy system.

This narrow focus results in the selection of a sub-optimal development path and higher energy costs for consumers than could otherwise be the case. This fundamentally fails to best promote the long-term interest of consumers.

2.2 New actionability mechanisms

Expanding the ISP outputs beyond transmission would have to be accompanied by actionability mechanisms. Specifically:

- **with respect to developments pertaining to the distribution networks** – we propose the planner recommend to Distribution Network Service Providers (DNSP) actionable distribution projects;
- **with respect to other ISP development opportunities**, meaning generation, storage, and demand side developments – we propose AEMO make recommendations to jurisdictional governments. Ultimate decision-making power in respect of outcomes relating to generation, storage and demand side development within each NEM jurisdiction would remain with jurisdictional governments. But jurisdictions would be required to make meaningful

commitments to progress the outputs developed by the planner within their jurisdiction, or meaningfully respond to them.

2.3 The rule change proposal should be considered alongside this review

In the rule change, we propose a number of changes that relate directly to issues pertinent to this review. These include:

- changing the purpose of the ISP to focus on better planning a national electricity system to meet the needs and promote the interests of consumers;
- expanding the scope of the cost benefit analysis undertaken when identifying the ODP in the ISP, and require co-optimisation of generation, storage, distribution, transmission, and demand side and flexibility developments;
- expanding the output of the ISP to include recommendations on generation, storage, distribution, transmission and demand side developments based on the optimal development path as identified by the cost benefit analysis;
- making recommendations on ISP Development Opportunities -
 - on distribution to DNSPs, and
 - on generation, storage, and demand side developments (including CER, DER, electrification, demand side participation, and demand reduction achieved using energy efficiency measures) to participating jurisdictions;
- requiring Ministers of participating jurisdictions to report on progress with respect to recommendations on ISP Development Opportunities (or respond to those recommendations), and the Energy and Climate Change Ministerial Council (ECMC) to discuss these progress reports.

We recommend that the rule change is considered concurrently with this review and the *Clarifying the treatment of jurisdictional policies and system costs in the ISP* rule change proposal already initiated.

3. Thematic approach to the review

Question 1: Do stakeholders agree with our proposed thematic approach to the Review?

We recommend adding a seventh theme to capture the adequacy and appropriateness of ISP outputs for the needs of stakeholders. This should be titled 'Outputs' for short and 'Adequacy of outputs for stakeholders' needs' in full.

Currently, outputs and potential outputs of the ISP in the themes are limited to transmission planning. This is both not in consumers' interests – as we have detailed – and presupposes the outcome of the exercise before analysis has begun.

4. Purpose of the ISP

Question 2: Do you consider that the purpose of the ISP is accurately reflected in the rules? Are changes needed to the rules to reflect this?

We do not consider the purpose of the ISP to be accurately and fully reflected in the rules.

As we set out above, the ISP does not currently fulfil its stated requirement to establish a whole of system plan for the energy system. While this requirement is established in the rules currently, we consider changes necessary to clarify and strengthen this purpose.

Accordingly, in our rule change proposal, we recommend changes to National Electricity Rule (NER) 5.22.2 and the insertion of a requirement in NER 5.22.14 for the Final ISP to be consistent with the purpose of the ISP.

These recommendations are summarised here, with a more detailed discussion in section 4.2 of our rule change proposal.

National Electricity Rule (NER) 5.22.2

We propose that the purpose of the ISP be changed from that of a whole-of-system plan of the power system for the power system needs, to a whole-of-system plan of the national electricity system for the needs of consumers of electricity.

Specifically, we propose:

The purpose of the *Integrated System Plan* is to establish a whole of system plan for the efficient development of the *national electricity system* ~~power system~~ that meets ~~power system needs~~ *the needs of consumers of electricity* for a planning horizon of at least 20 years to contribute to achieving the *national electricity objective*.

The aim of this proposed change is to ensure the defined purpose of the ISP captures the full breadth of opportunities for investment and changes to the NEM. Further, it stipulates that the planning is undertaken with a focus on the needs of consumers, rather than simply the needs of the power system.

Importantly, the definition of the *power system* in the NER can be interpreted as excluding consumer energy resources (CER) and explicitly excludes Stand-alone Power Systems (SAPS), both of which should be part of an efficient electricity system.

The term *national electricity system*, as defined in the National Electricity Law (NEL) is more comprehensive and so enables the whole of system planning required in NER 5.22.2.

National Electricity Rule (NER) 5.22.14

Currently Rule 5.22.14 which sets out the requirements of the Final ISP does not include an explicit requirement that the Final ISP is consistent with the purpose of the ISP.

An identified criticism of ISPs to date is that they are only transmission plans, whereas the existing purpose defines the ISP as a ‘whole of system plan of the power system’, with power system including more than transmission.

We propose an explicit requirement that the Final ISP is consistent with the purpose of the ISP to make unequivocally clear that there is a requirement for the ISP to address its purpose in full to promote the interests of consumers.

5. Prescription and flexibility for AEMO

Question 3: Do you think the rules strike the right balance between prescription and flexibility for AEMO in developing the ISP?

We note that there are instances in which AEMO currently has the license within the rules to develop elements of the ISP in ways more conducive to consumer interest than their current practices and instances in which AEMO is limited by the rules from developing elements of the ISP in ways more conducive to consumer interest.

On balance – and at this stage of the development of the ISP framework – we consider there are more benefits to providing prescriptive guidance to AEMO on the production of various elements of the ISP than providing AEMO flexibility to determine its own practices. This is largely due to the fact that AEMO faces substantial resource constraints, and this most often shapes decisions in areas where there is currently flexibility, rather than a transparent response to an assessment of what would best serve consumers’ interests.

Significant flexibility already exists but is not exercised. For example, the rules empower AEMO to make recommendations in the ISP on more energy system elements than transmission projects. As discussed, this has not resulted in any such recommendations.

On the other hand, rule 5.22.6(a)(5) requires that AEMO in – ‘the optimal development path, identify the actionable ISP projects, future ISP projects and ISP development opportunities’. However, the definition of ‘development path’ discusses ‘projects’ only and does not mention ‘opportunities’. While this does not formally limit AEMO, it does produce adequate ambiguity to, in practice, result in only projects appearing as formal recommendations from the ISPs. To remove this, we propose that the definition of ‘development path’ is expanded so that each development path represents a set of both actionable ISP projects, future ISP projects and ISP development opportunities.

As another example, the rules do not preclude the shortlist of CDPs – from which the ODP is selected – comprising combinations of developments in all elements of the energy system, rather than requiring them to be defined by their combination of transmission projects. Here, consumer interest would be best served by a rule change prescribing that AEMO select the shortlist of CDPs on the basis of maximising returns to consumers. This is a prescription, but one of objective rather than process or approach.

On the other hand, consumer interest is not served by the rules requiring AEMO to treat government policies as *fait accomplis*. It would be in consumers’ interest that AEMO assessed the risks associated with the policies and their enactment, analysed the potential impacts of them,

and provided this analysis transparently to consumers and governments. AEMO may not – and should not – be able to override government policy, but its analysis would help inform the ongoing implementation and evolution of those policies.

6. The economic assessment process

Question 4: Do you have views on how the economic assessment process applies to ISP projects and are there opportunities to improve it?

Consideration should be given to AEMO comparing the CPDs on the basis of bill impact rather than system cost, per the practice of the NSW Consumer Trustee in the context of the Infrastructure Investment Objectives report.

A formal and transparent framework for identifying the efficient curtailment rate at each stage of the transition should also be developed.

A rising curtailment rate does not necessarily imply decreasing efficiency, as is implied in the Demand-side Factor Statement. In fact, the opposite is true: the optimal rate of curtailment will grow as the penetration of renewable resources increases (and the occurrence of coincident generation increases).

Maintaining the same rates of curtailment in the context of a network hosting increasing generation implies increased network investment. However, as the coincidence of generation rises over time, the economic value of the coincident generation falls. It follows that the marginal returns on investments that enable dispatch from those resources will also fall over time.

The risks associated with enabling increasing levels of coincident generation to be exported on to the grid – namely the risks associated with minimum system load – must be identified and quantified. These should be used to temper the value of distribution network investments aimed at minimising curtailment. A robust framework for identifying and updating the efficient rate of curtailment will be critical to address this.

7. Meaningful stakeholder engagement

Question 6: Do you think the rules provide for meaningful stakeholder engagement to inform the development of the ISP?

We commend AEMO for the ongoing improvements in the quality of their stakeholder engagement across the entire swathe of ISP-related processes and their commitment to constant improvement in this area. We support further evolution and progress to continue to improve the breadth, depth and impact of stakeholder engagement.

The rules are broadly appropriate with regard to stakeholder engagement with one exception. There should be more extensive and effective provision of guidance on engaging with the appropriate stakeholders to a given process or on a given subject area.

For example, in the production of the Demand-side Factor Statement – one of the new elements to the ISP for the current iteration – AEMO’s stakeholder engagement inappropriately focused on distribution network service providers as proxies for demand side stakeholders. While this may be understandable in the context of AEMO’s historical understanding of ‘the system’ as being the transmission infrastructure only, this is no longer the case. AEMO should engage more heavily with consumer advocates, aggregators (who aren’t retailers) and with community and local councils. These would be better representatives of the demand side (as it is understood for the purposes of the Demand-side Factor Statement and the ISP) and consumer interest than distribution network service providers.

Guidance in the rules stipulating the appropriate stakeholders pertinent to each process would minimise the risk of this occurring again in the future.

8. Adapting to new information in a timely way

Question 8: Do you think the ISP framework is flexible enough to adapt to new information in a timely way?

Decisions should be made on the basis of materiality of that information to consumers, not the type of information.

Accordingly, the rules should specify consistency in the treatment of different types of information and whether or not it is integrated into ISP processes. That is, whether an updated piece of data is a government policy or something else should not shape the decision as to whether it makes it into the given process.

Question 9: What do you consider to be the key strengths of the ISP framework that should be preserved through the Review?

The resources devoted to the ISP are substantial and appropriately so given the enormous, long-term investments it relates to.

The framework of interaction between process elements of the ISP provides a good basis for the continuous improvement, which is required, to occur.

9. Reform priorities

Question 10: What reform(s) do you think the Commission should prioritise through the Review?

For the reasons stated in section 1, above, we recommend that the Commission prioritises reforms associated with enabling the co-optimisation of the development of all energy resources in the ISP, and specifically the reforms called for in our rule change.

In any case, we strongly recommend prioritising reforms supporting co-optimisation of the supply and demand sides of the energy system. In particular, this should include developing the Demand-side Statement of Opportunities (DSOO) and integrating it with the ISP.

We propose that for the purposes of the ISP, the DSOO considers the present and future dynamics of markets, leaving the in-depth analysis of the network implications of development of demand-side resources under the purview of the ISP. The DSOO should draw on the IASR and be empowered to make recommendations regarding the development of demand-side resources, which should be treated as inputs to the ISP.

We propose that integration of the DSOO, alongside the Electricity Statement of Opportunities and the Gas Statement of Opportunities, with the ISP enables co-optimisation of the development of resources within the NEM. We see this as in consumers' interests and complementary to our proposed rule change.

10. Continued engagement

We welcome the opportunity to meet with the AEMC and other stakeholders to discuss these issues in more depth. Please contact Michael Lynch at mlynch@jec.org.au regarding any further follow up.