

Australian Energy Market Operator

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13 August 2024

### **Submission to 2025 Inputs, Assumptions and Scenarios Report consultation**

The Australian Energy Council welcomes the opportunity to make a submission to the 2025 Inputs, Assumptions and Scenarios Report (IASR) consultation. The Australian Energy Council (AEC) is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

As stated on AEMO's consultation webpage the 2025 IASR Consultation Paper:

*"... provides indicative considerations of how AEMO expects the existing scenario collection could develop to continue to meet AEMO's scenario planning purposes and to remain relevant for stakeholders' needs..."<sup>1</sup>*

The AEC believes the range of scenarios included in the IASR needs to broaden to include a scenario which provides the best representation of what is likely to occur, including development delays and physical constraints. The IASR underpins the ISP, and currently the scenarios AEMO models use as the starting point the achievement of various Government emissions reductions policies. This provides an illustration of what would need to happen to achieve the government policies absent the physical constraints that are emerging and becoming better understood. However, the scenarios are incomplete because the three scenarios lack a best estimate of what is likely to eventuate.

As the Integrated System Plan is a key document for market participants and Governments to cost effectively manage the energy transition for the benefit of consumers, it behoves AEMO to effectively 'book end' the scenarios by modelling its best estimate of how the future will turn out. Absent this, stakeholders and particularly consumers and governments do not have access to the best available information, which ultimately impacts the integrity of the ISP. AEMO has stated it is following the NER and this precludes it from modelling such a scenario. In our view this is incorrect because NER 5.22.2 states:

#### *Purpose of the ISP*

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

We believe modelling an "efficient development of the power system" that satisfies the NEO requires a baseline scenario that is the best estimate from which other scenarios can be compared with. Given the scale, cost and pace of the energy transition, AEMO should include a scenario of what it thinks is likely and make this available to stakeholders and the public at large.

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<sup>1</sup> <https://aemo.com.au/consultations/current-and-closed-consultations/2025-iasr-scenarios-consultation>

To illustrate how serious this issue has become, The Age published an article (9 August 2024) outlining how the NSW Government formed a view that the ISP scenarios were unrealistic, meaning a key policy decision the NSW Government needed to take required further scenario analysis made available to the NSW Government, but not more broadly. <sup>2</sup>

*“... Energy Minister Penny Sharpe on December 7 last year claimed modelling in the Australian Energy Market Operator (AEMO)’s then-confidential October Energy Security Target Monitor (ESTM) report was “unrealistic”.*

*The departmental briefing note, ... described the models as “unrealistic outlooks”, saying the assumption all projects would be delivered on time was “highly unlikely”*

The NSW government had to request AEMO include an additional sensitivity to include “more realistic assumptions.”

To the NSW government’s credit, it requested AEMO to conduct additional modelling however that modelling is not publicly available. We believe this highlights the importance of including scenarios in the ISP that offer a better guide on what is likely to happen, and that analysis should be available to all market participants, not conducted at the request of jurisdictions who feel they cannot rely on the ISP for policy decisions.

We also note that AEMO have indicated that the scenarios must remain internally consistent. We suggest that there should also be a degree of consistency between the range of scenarios and sensitivities proposed. With regards to the Step Change scenario, we question the proposed choice of both high levels of electrification and consumer energy resources which seem inconsistent with other proposed choices in this scenario. The AEC suggests that this scenario should be more closely aligned with economic adoption of these outcomes as consumers economic choice will drive outcomes in these consumer driven areas. In the Hydrogen Export scenario, it is unclear where AEMO in the ISP has included for stand-alone or non-grid connected facilities. It is also unclear across all proposed scenarios where AEMO has considered the technical needs of the power system to achieve the proposed emissions reductions targets.

We recommend that AEMO undertake more thorough consideration of stakeholder views in this consultation process and demonstrate transparently how this has been achieved. Whilst we accept that the proposed range of scenarios seeks to meet the emissions targets of governments, there must also be at least one scenario that more closely reflects the reality of the challenges to achieve the transition of the energy system to low emissions technology.

The AEC requests AEMO reconsider its scenarios for the 2026 ISP and includes a scenario that represents the best intelligence available on the most likely scenario, inclusive of the various development delays and physical delivery constraints. The ISP should not be limited to a desktop modelling exercise, but rather must evolve into the real world best estimate of an efficient whole of system transition plan.

Questions can be addressed by e-mail to [David.feeney@energycouncil.com.au](mailto:David.feeney@energycouncil.com.au), [peter.brook@energycouncil.com.au](mailto:peter.brook@energycouncil.com.au) or by telephone on (03) 9205 3103.

Yours sincerely,

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<sup>2</sup> <https://www.theage.com.au/politics/nsw/revealed-sharpe-signed-off-on-rewrite-that-helped-keep-eraring-power-station-open-20240808-p5k0qy.html>

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