

7 November 2024

Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2000

Submitted via: <https://www.aemc.gov.au/contact-us/lodge-submission> (ERC0395)

Dear Ms Collyer,

**Better integration of gas and community sentiment into the ISP rule change (ERC0395):
draft determination**

Nexa Advisory welcomes the opportunity to provide a submission on the AEMC's *Better integration of gas and community sentiment into the ISP* draft determination (ERC0395).

We appreciate the AEMC's narrowed focus around gas integration within this rule change and decision not to make specific rule amendments relating to community sentiment in the Integrated System Plan (ISP), acknowledging that complex rule changes and effort by market bodies is not necessary to better consider community sentiment.

However, we note that AEMO has already commenced consultation on the ISP Methodology¹ and has acknowledged the AEMC's current rule change. While AEMO will respond accordingly to the AEMC's final determination² (which will take effect in December) before publishing its Draft ISP Methodology in March 2025, there is a clear duplication of effort between the AEMC and AEMO. Additionally, AEMO's consultation has pre-empted the AEMC's draft determination discussion of the need to consult on gas development projections as part of the regular ISP consultation process.

Though outside of the scope of this rule change, this illustrates the need for improved governance through greater clarity around the roles of government and market bodies³.

AEMO's Issues Paper outlines that the gas supply expansion model is not a co-optimisation of gas and electricity sector developments, which aligns with the AEMC's interpretation of the Energy Ministers' response to the *Review of the ISP* which informed the current rule change. We agree with the AEMC's discussion in Section 3.1.4, that:

...improving gas analysis in the ISP would support a more robust ODP for electricity but would not alter existing market arrangements in place for gas investments.

This is the key factor informing the scope for gas development projections outlined in the draft determination, as it ensures that:

¹AEMO, [Integrated System Plan Methodology Issues Paper](#), October 2024

² Acknowledged in the Q&A of the ISP Methodology webinar held 1 November 2024

³ Nexa Advisory, [Submission on the Select Committee on Energy Planning and Regulation in Australia](#), October 2024

- the scope of the ISP remains on electricity sector modelling, and does not expand to provide investment planning or Optimal Development Path for gas infrastructure; and
- the ISP remains an electricity sector planning document, which is not intended to support or direct policy development (either in electricity or gas).

We support the AEMC in upholding the purpose of the ISP as a planning document, rather than for informing and setting policy. This reflects the importance of AEMO remaining independent within its planning and operation roles, and government policy being informed by their own cost-benefit assessments (e.g., undertaken by government departments or Treasury), rather than the ISP. As part of its advisory role to governments, the AEMC must continue to uphold the principle of independence to ensure clarity and accountability between policy and rulemaking.

Concluding remarks

Nexa Advisory believes that the ability to meet our emissions and renewable generation targets is best underpinned by an ISP that focuses on electricity, which considers gas fuel and gas generation only as an augmentation to meet electricity demand and reliability requirements. While gas has a key role to play in the energy transition, we note that two submissions⁴ suggested that emissions reduction should be included in the AEMC's assessment criteria for this rule change - and agree with the AEMC's draft determination that this is already accounted for under the existing rules. While we consider that the current rule change is compatible with the emissions reduction objective, the AEMC must continue to ensure alignment with the emissions reduction objective to prevent any unnecessary expansion of gas infrastructure.

Thank you for the opportunity to provide input on these rule change requests. 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.

Yours Sincerely,

Stephanie Bashir
CEO and Principal
Nexa Advisory

⁴ Draft determination, p.6