

Australian Energy Market Operator
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11 February 2022

To whom it may concern,

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RE: Draft ISP Consultation

Thank you for providing the opportunity to comment on the 2022 Draft Integrated System Plan. We appreciate the extensive work that AEMO conducts in setting a plan for the Optimal Development Path (ODP) for the National Electricity Market (NEM) as it undergoes significant transition.

The following submission will respond to AEMO's first question about consumer preferences for the ODP; however, the other questions posed in the consultation paper will remain unanswered as their relevance to our sector is limited. We do however, pose some additional questions further in this submission.

Question posed by AEMO: *Do you consider that the draft ODP appropriately reflects the consumer risk preferences? Is the reasoning for the ODP clear? Are there any other risks that should be quantified?*

In response to the above question about whether the draft ODP reflects consumer risk preference, SACOSS does not believe it is possible to gauge this based on the consultations that have been conducted by AEMO. As SACOSS has noted previously in consultations, if AEMO wishes to understand consumer risk preferences, a broader consultation should take place with a genuine cross section of the community, potentially utilising some deliberative democracy approaches such as citizen juries. We are aware that the nature of AEMO's work is highly technical, but the majority of people in South Australia, are unlikely to have any engagement or awareness of what the risks or benefits to them are as consumers of electricity, or what the reasoning is for the changes. If AEMO wishes to understand the risk preference of consumers, a more collaborative, engagement process with a broader cross section of the community is suggested.

In terms of other risks, that of land use and the social license necessary to accommodate extensive renewable energy and transmission infrastructure across Australia is necessary, and we understand that this is a priority for AEMO. This has been discussed in more detail by other groups in consultations with AEMO, and SACOSS would support those groups in calling for further consultation with landholders, traditional owners and communities, developers, and transmission network service providers. This would assist in developing a solid understanding of the benefits and risks to communities of these developments, and a strategy for working with communities to mitigate any detrimental outcomes and improve beneficial outcomes. In addition, an understanding of the long-term costs to consumers of delayed projects would be beneficial for AEMO to discuss, if these risks are not addressed in a timely manner.

SACOSS does not have anything further to add to the additional questions posed by AEMO in the draft ISP, however we do have some points to make about the modelling conducted on the optimal development path and the forecasted impact of wholesale electricity prices for all jurisdictions.

A further understanding of forecasted wholesale electricity prices (adjusted seasonally) with increased renewable energy generation and additional transmission infrastructure would be beneficial. Questions such as what are the likely seasonal import/export points between jurisdictions with increased renewable energy zones and transmission infrastructure, and how will this affect market prices, will enable a better understanding of the benefits and risks of the planned investments. This will also enable an understanding for consumers of the tangible benefits that are purported to accrue with cheaper wholesale electricity prices, which are ideally are passed on to consumers by retailers.

We understand that there are a number of variables that make this type of projection difficult, but to understand the benefits of the Integrated System Plan, it would be helpful to have a model of what the projected benefits to wholesale electricity prices are, and how this would potentially mitigate increased transmission costs, or other costs to consumers associated with the Frequency Control Ancillary Market (FCAS), in the instances of when FCAS costs are passed to consumers. If the ODP after this modelling is seen as being less than optimal for long term pricing and energy security, then a change in the ODP should be encouraged.

SACOSS understands that the most likely scenario that AEMO predicts through extensive consultation with various sectors is that of Step Change, which sees rapid transformation of the NEM, largely driven by increased household PV and utility scale renewable energy projects, electrification, increased digitalisation, faster than predicted closure of coal plants, and international pressure to decarbonise. Ideally this transition would occur in the presence of a national consistent policy approach; however, in the absence of that, states have gone their own way. SA is currently leading in that respect with significant household solar PV and wind generation, making us a world leader in renewable energy.

In that respect, the SA government are experimenting with various ways to manage the grid, particularly in times of minimum demand in the state. Some of the solutions that have been proposed, are solely based on technical requirements, and often do not sufficiently consider people. For example, in SA this is particularly the case with mandated time of use tariffs being implemented in an attempt to shift demand to the solar sponge time in the state. It is not yet clear, if this will be beneficial or detrimental for people overall.

SACOSS would suggest that AEMO, as the national market operator, works closely with state governments and also advocates for further consideration of distributional impacts in policy for people in SA and across Australia. This should include reference to people who may be experiencing hardship or disadvantage, who are renters or in public housing and are least able to make significant changes to their homes, the appliances in their homes, or the times they use energy. We understand that this is typically not within AEMOs remit, but we believe it remains essential to appreciate that not everyone is digitally connected and can respond to these changes, and this needs to be considered in national and state level policy. It is absolutely essential that people who are already experiencing hardship or disadvantage in our community are not further disadvantaged by the energy transition.

We are aware that the consultation paper states in Part D, that further analysis will be conducted on the distributional effects of the ODP, in preparation for the final 2022 ISP. SACOSS would strongly encourage this analysis and effective communication of this, to enable a better understanding of the risks and benefits.

As the current regime recoups the costs of transmission infrastructure from all consumers through electricity bills, SACOSS suggests that the prospect of third party, or government funding as loosely proposed is considered as a viable alternative, or complement to avoid residential consumers from having to carry the investment risk of transmission infrastructure. We understand that transmission is essential for the energy transition and is likely to see benefits for consumers in wholesale electricity pricing; however, as these projects are of national importance, investment in them should be considered from a national government perspective.

Thank you in advance for consideration of our submission. If you have any questions in relation to this submission, please contact Dr Maureen Boyle at maureen@sacoss.org.au or 8305 4233.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'RW', enclosed within a thin black rectangular border.

Ross Womersley
Chief Executive Officer