

15 February 2024

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Dear Mr Westerman,

RE: Draft 2024 *Integrated System Plan (ISP)* for the National Energy Market: A roadmap for the energy transition

The South Australian Council of Social Service (SACOSS) is the peak body for non-government, not-for-profit health and community services in South Australia, with a mission to advocate for the interests of people on low incomes or experiencing disadvantage across the state. We thank the Australian Energy Market Operator (AEMO) for the opportunity to comment on its 'Draft 2024 *Integrated System Plan* for the National Energy Market' (the Draft 2024 ISP), dated 15 December 2023. The ISP is a plan 'for the efficient development of the power system that achieves power system needs for a planning horizon of at least 20 years for the long-term interests of the consumers of electricity',¹ taking relevant government energy policies into account.

Underpinning this submission is the central principle that electricity is essential to life and it is vital that all consumers, particularly people on low-incomes or experiencing disadvantage, have equitable access to affordable, clean and reliable electricity, both now and into the future.

SACOSS' feedback on the Draft 2024 ISP highlights three key concerns:

- The need for equitable considerations to inform the ISP's cost impact and affordability analysis, including:
 - distributional cost impact analysis based on grid ('delivered') consumption, and
 - wholesale price analysis (wholesale price paid by consumers, not the wholesale spot price).
- The risk of jurisdictional policies and interventions compromising the development of a national optimal development pathway.

¹ National Electricity Rules (NER), 5.22.2

- The need for urgent parallel policy development to ensure an effective optimal development path.

We acknowledge the specific consultation questions outlined within the Draft 2024 ISP, and consider SACOSS' submission most relevantly responds to consultation question 1:

Does the proposed optimal development path help to deliver reliable, secure and affordable electricity through the NEM, and reduce Australia's greenhouse gas emissions? If yes, what gives you that confidence? If not, what should be considered further, and why?

We expand on the reasons for SACOSS' three key concerns in more detail, below.

The need for distributional cost impact analysis and retail wholesale price inputs to inform 'affordability' considerations and ensure an equitable transition.

SACOSS is increasingly concerned about the pace of change and the resultant cost impacts of the transition disproportionately falling on low-income and disadvantaged households in South Australia. SACOSS believes there is an urgent need for a thorough consideration of the inequitable cost impacts of the transition at every level of energy policy planning, development and decision-making – including in AEMO's ISP.²

South Australians continue to pay the highest price per unit of electricity in the nation,³ and the current cost of living and energy affordability crisis is placing unsustainable pressures on South Australian households and small businesses. We remain deeply concerned about the increasing inequity in the distribution of electricity costs across all elements of the price stack. Reducing grid consumption, non-transparent retail trading practices and risk management strategies, as well as an increasingly volatile wholesale market and the future costs of the energy transition (including forecast network expenditure and metering costs), all combine to place additional and increasing cost and risk burdens on consumers. Low-income households, renters and others unable to reduce grid consumption through access to distributed energy resources, disproportionately bear the burden of these costs. The question of 'who pays?', particularly for network costs associated with the transition, is more important now, than ever before. To achieve an equitable transition, the ISP must take these factors into account in determining the 'least long-term cost' outcome for South Australian households.⁴

² SACOSS has joined together with other Councils of Social Service across Australia to call for Energy Ministers to include an Energy Equity and Inclusion workstream in the National Energy Transformation Partnership. See, ACOSS et al, Letter to South Australia's Energy Minister the Hon Tom Koutsantonis MP, dated 1 November 2023

³ AER, [Annual Retail Market Report 2022-23](#), 30 November 2023, Figure 2.2

⁴ The ISP is a plan to optimise investment, considering various futures and risks, in a way that achieves system security and reliability at the **least long-term cost**. AEMO, [Draft 2024 Integrated System Plan for the National Energy Market](#), p.38

AEMO's Draft 2024 ISP acknowledges that:⁵

“Affordability” is considered in the ISP’s purpose to serve ‘the long-term interests of electricity consumers’, taking into account the ‘price, quality, safety, reliability and security’ of supply.’

Whilst AMEO maintains it does not have a legislated role in analysing distributional cost impacts, SACOSS submits that inputs into an energy ‘affordability’ analysis necessarily include grid consumption, energy unit price and income.

Affordability and reducing grid consumption

The issue of inequitable cost distribution due to differences in grid consumption between solar and non-solar customers is central to an affordability analysis, and remains a critical question for SACOSS.

South Australian households face particular challenges that are not yet being experienced in other states due to high levels of roof-top solar generation, resulting in reducing grid consumption and a peakier load impacting the operation of the wholesale contract market. These circumstances and impacts are outlined in AEMO’s *SA Electricity Report*⁶, the AER’s *Default market Offer 2024-25 Issues Paper*⁷ and the ACCC’s *Inquiry into the National Electricity Market December 2023 Report*.⁸

AEMO’s recent *South Australian Electricity Report* notes that:⁹

‘As households and businesses supply more of their own energy from distributed PV and storage, they draw less electricity from the grid. Operating a power system with unprecedented levels of distributed PV and declining levels of operational demand creates challenges and opportunities that are particularly pertinent to South Australia.’

Relevantly, the following figure from AEMO’s *South Australian Electricity Report* shows that:

‘... by 2032-33, residential rooftop PV is forecast to provide approximately 56% to 72% of underlying residential consumption, with grid-delivered electricity ranging from 1,800 GWh to 2,200 GWh across the scenarios.’¹⁰

⁵ AEMO, [2024 Draft Integrated System Plan](#), 15 December 2023, p.37

⁶ ‘South Australia has experienced periods where up to 99% of estimated underlying demand was supplied by distributed PV and is, to AEMO’s knowledge, the first gigawatt-scale power system in the world to be close to supplying 100% of underlying demand from distributed PV’. See, AEMO, [South Australian Electricity Report](#), November 2023, p. 64

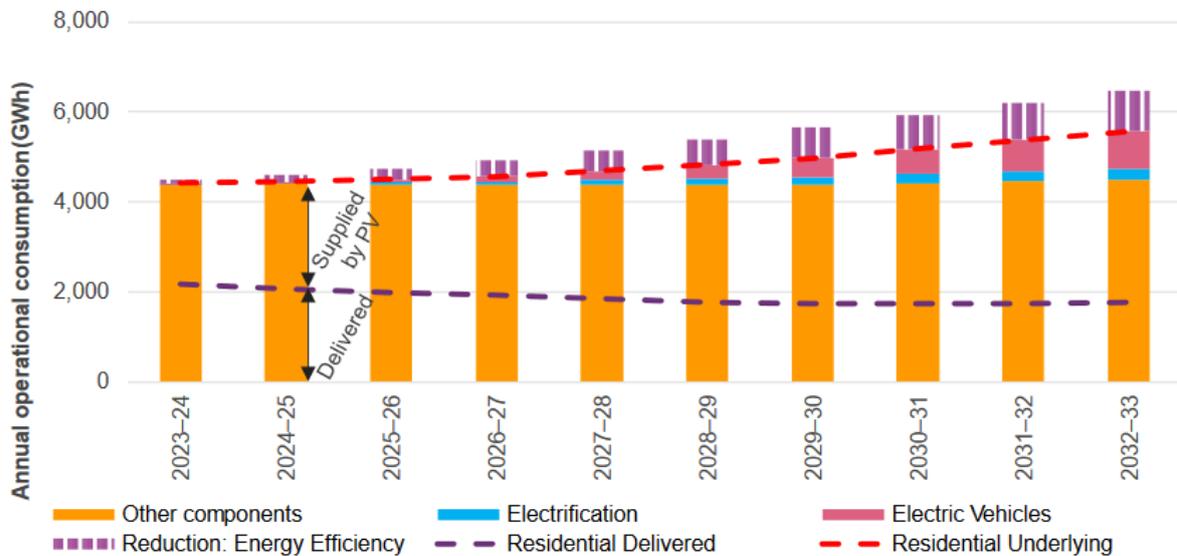
⁷ AER, [Default Market Offer Prices 2024-25 Issues Paper](#), October 2023

⁸ ACCC, [Inquiry into the National Electricity Market Report](#), December 2023

⁹ AEMO, [South Australian Electricity Report](#), November 2023, p. 64

¹⁰ AEMO, [South Australian Electricity Report](#), November 2023, p. 23

Figure 10 Components of South Australia residential electricity consumption forecast, Central scenario, 2023-24 to 2032-33 (GWh)



AEMO states that:

‘Across all scenarios, strong growth in PV installations in the next decade is forecast to surpass the smaller growth in underlying demand, resulting in a net reduction of energy delivered from the grid.’

AEMO has acknowledged that reporting ‘delivered consumption’ helps in isolating and discussing the impact of rooftop PV, and we are calling for AEMO to use this information to identify the disproportionate cost burden falling on households who cannot access energy from behind the meter (low-income households who cannot afford CER, renters and people living in inadequate housing). Once again, who is paying for the significant network infrastructure required to support the transition?

SACOSS is strongly of the view that all energy policy, planning and decision-making must have the overarching objective of ensuring South Australian energy consumers are protected from unfair and unreasonable energy costs, both now and into the future. We therefore consider the ‘least long-term cost pathway’ must include a distributional analysis of long-term cost impacts to ensure policy development and planning aim to ensure cost impacts are more equitable and low-income households, renters or those who are unable to access rooftop solar are not disproportionately paying for the changing energy system.

Wholesale price analysis

Similarly, the difference between the wholesale spot price and the wholesale price paid by consumers at a retail level is relevant to the energy unit price and the least long-term cost for consumers. We note in an analysis of ‘least long-term cost’, the ISP assumes that longer cost recovery schedules will be adopted by investors, and be reflected in wholesale energy markets.¹¹ SACOSS is calling for AEMO to examine what is actually happening in the

¹¹ AEMO, [Draft 2024 Integrated System Plan for the National Energy Market](#), p.37

wholesale contract market in South Australia, and the resultant cost impacts on households in this State.

It is clear the high penetration of rooftop solar and the operation of the wholesale market in South Australia are not benefitting all consumers through lower energy bills.¹² Whilst AEMO predicts that greater orchestration of generation over the next 10 years will lead to reduced wholesale costs for consumers, SACOSS remains deeply concerned about the wholesale energy cost impacts on households (both now and into the future), and have previously highlighted the stark disparity between the low wholesale spot prices in South Australia and the high wholesale costs paid by consumers.¹³ DMO 5 saw South Australian households experience a 68% increase in the wholesale cost component of the DMO,¹⁴ with wholesale costs now representing 44% of the price stack. As noted above, we are particularly concerned about low-income households, renters and consumers in vulnerable circumstances who face barriers to accessing renewable technology and are shouldering the burden of the costs of the system through higher average grid consumption, without any ability to source energy from behind the meter during the day.

The AER's recent Default Market Offer Issues Paper 2024-25¹⁵ once again highlighted the specific issues facing South Australian energy consumers as a result of surplus rooftop solar generation and a more volatile market.

SACOSS is calling on AEMO to ensure the wholesale costs faced by South Australian consumers (not the wholesale spot prices, but the actual wholesale component of the bill), forms a consideration when assessing the 'least long-term cost pathway'.

Jurisdictional policies and interventions risk compromising the development of a national optimal development pathway.

SACOSS is concerned that an increasing number of jurisdictional policies and interventions risk compromising the national 'optimal development pathway' identified in the Draft 2024 ISP. We are worried the ISP is being diminished by the inclusion of state projects that have not undergone independent scrutiny or an analysis of the likelihood of progression. We are calling for a counterfactual analysis of alternative pathways to be considered, in order to develop the most cost-effective plan for national-level outcomes that are best for consumers as a whole.

The need for urgent parallel policy development to ensure an effective optimal development path.

The Draft 2024 ISP cannot be viewed in isolation and should not be used to fill the broader policy vacuum created by the absence of clear and comprehensive national energy policies.

¹² South Australian Productivity Commission, [Inquiry into South Australia's renewable energy competitiveness: Final Report](#), 10 August 2022 (published 9 November 2022), p. 7

¹³ SACOSS, [Submission to the AER on the DMO Issues Paper 2023-24](#), p. 8

¹⁴ AER, [Default Market Offer Prices 2023-24 Final Determination](#), p. 27

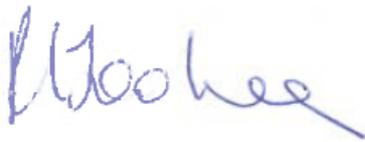
¹⁵ AER, [Default Market Offer Issues Paper 2024-25](#), October 2023

The ISP is concerned with achieving power system needs at least long-term cost to consumers, it is not intended to be a national plan to navigate the energy transition across all policy areas. The optimal development path must be viewed together with broader government policy development and implementation across aligned areas, including solar PV orchestration, mandatory energy efficiency standards for existing housing, Consumer Energy Resources (CER) consumer protections, and equitable tariff arrangements (see SACOSS' *Submission to South Australia's Green Paper on the Energy Transition*).¹⁶ These broad and significant policy responsibilities must be urgently actioned by governments and market bodies alongside the ISP.

South Australians are facing, and will continue to face, significant change and challenges throughout the energy transition. SACOSS is primarily focused on ensuring fair outcomes for those who may be left behind through no fault of their own. Equitable considerations and a distributional analysis of energy system cost impacts are necessary inputs when assessing the 'least long-term cost' and to achieving the fundamental right of *all* energy consumers to be able to access energy on fair and just terms.

Thank you for the opportunity to provide a response on this issue, which impacts on the communities we work with. If you have any questions in relation to this submission, please contact Georgina Morris at georgina@sacoss.org.au or 8305 4214.

Yours sincerely,



Dr Rebecca Toohar
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South Australian Council of Social Service

¹⁶ SACOSS, [Submission to South Australia's Green Paper on the Energy Transition](#), August 2023