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Thursday, 16 February 2023

Mr Daniel Westerman
Chief Executive Officer
Australian Energy Market Operator
Lodged via email: forecasting.planning@aemo.com.au

Dear Daniel,

2023 Inputs Assumptions and Scenarios Report Consultation

Transgrid welcomes the opportunity to respond to the *Draft 2023 Inputs, Assumptions and Scenarios Report* (IASR) published by the Australian Energy Market Operator (AEMO) on 16 December 2022.

Transgrid operates and manages the high voltage electricity transmission network in NSW and the ACT, connecting generators, distributors and major end users. We have an important role in managing one of the key parts of the Australian energy system as it transitions to higher renewables penetration. We remain committed to playing our part in delivering the major transmission investments identified in the Integrated System Plan (ISP) to provide significant benefits to consumers.

Transgrid commends AEMO's process in consulting collaboratively with energy market stakeholders in developing the Draft 2023 IASR, specifically through the Forecasting Reference Group (FRG), of which Transgrid is a member. We will continue to support AEMO's efforts to ensure the final 2023 IASR is a comprehensive and consistent information base for use across:

- Critical AEMO forecasting and planning publications, such as the 2024 ISP.
- Relevant Regulatory Investment Test for Transmission (RIT-T) assessments.
- General planning or economic analysis by any energy market stakeholder.

Transgrid considers that there is significant value in the trusted, comprehensive and detailed nature of AEMO's IASR. Having an externally validated and trusted information source reduces time, cost and complexity for industry by being a single source of truth for modelling assumptions. To increase its value for industry, Transgrid encourages AEMO to consider opportunities to receive additional information, where relevant, from key market participants for validation and inclusion amongst the 2023 or future IASR's.

We broadly support the inputs, assumptions and scenarios included within the Draft 2023 IASR. Our feedback is limited to the following matters:

- Smoothed infrastructure sensitivity.
- Public policy settings.
- Offshore wind.
- Social license considerations.

- AEMO's approach to forecasting new loads.
- Scenario naming.

Each of these matters is discussed below.

Smoothed infrastructure sensitivity

Transgrid supports continued efforts across government and industry to accelerate delivery schedules and drive innovation in major projects at pace. For example, we are integrating HumeLink, Project Energy Connect and VNI West into a single simultaneous program. This will not only deliver the portfolio earlier but also save significant cost efficiencies, benefiting consumers.

Transgrid supports AEMO's inclusion of a smooth infrastructure sensitivity to explore the costs and benefits of lower levels of volatility of employment demand. We see this as an important sensitivity and consistent with our own program approach to delivering major projects mentioned above. Smoothing infrastructure delivery avoids boom and bust employment outcomes and can be a valuable way to practically accelerate delivery.

AEMO's public policy settings

Transgrid support's AEMO's approach to considering public policy settings and encourages only firm policies, that clearly meet the inclusion criteria set by AEMO, being included as core assumptions. Public policy must be aligned to the outcomes being sought which requires core assumptions in any scenario and if not firmly established risks diminishing the quality and certainty of the ISPs optimal development pathway. Given this, we strongly support the use of sensitivity analysis where AEMO has any doubt on the certainty or detail of a public policy.

Offshore wind

Transgrid supports the inclusion of both fixed and floating offshore wind as eligible technologies. Diversity in renewable energy generation sources will improve reliability outcomes throughout the energy transition.

However, consistent with our position on public policy settings above, we do not consider it appropriate to include any specific offshore wind policies within the core scenarios until further regulatory and legislative frameworks are able to provide greater certainty and detail. Until additional detail is provided, we support AEMO's approach to limit inclusion of offshore wind policies to the offshore wind sensitivity.

Social license considerations

Transgrid supports AEMO considering social license within an additional sensitivity analysis. Social license is critically important to enabling a smooth and accelerated delivery of major transmission projects crucial to Australia's energy transition.

We encourage AEMO to consider providing a clear and transparent method to assess social license issues, particularly for transmission expansion analysis. For example, AEMO could clearly set out how it would financially weigh up efforts to address a social license issue through a longer transmission route against the associated increased project costs of a longer route. This would provide a valuable basis for transmission network service providers to consider social license issues under consistent assumptions and approach as AEMO, for example within a RIT-T process.

AEMO's approach to forecasting new loads

Transgrid encourages AEMO to consider using Transgrid's bulk supply point forecasts as published in the Transmission Annual Planning report. Under the current approach Transgrid has

identified an issue developing specifically for new electricity consumption driven by developments around the new Western Sydney Airport. Currently, forecasting is not flexible enough to fully factor in the expected long-term increase in consumption driven by this development, which Transgrid forecasts as up to 1000MW of additional demand. Given this we encourage AEMO to consider how to ensure developments like this are properly captured within long term forecasts to allow sufficient time for the network infrastructure upgrades to be planned and delivered.

Scenario naming

Transgrid considers that the '1.5°C Green Energy Exports' scenario should be renamed to '1.5°C Green Energy Superpower' to better align with the previous 'Hydrogen Superpower' scenario naming.

Next steps

We will continue to work collaboratively with AEMO as it develops this report and other key elements of the 2024 ISP. If you require any further information or clarification on this submission, please feel free to contact me or Kasia Kulbacka at Kasia.Kulbacka@transgrid.com.au.

Yours faithfully



Marie Jordan
Executive General Manager
Network