23 June 2025

AEMO

Submitted via email: ISP@aemo.com.au

Dear AEMO,

Submission: 2025 Gas Infrastructure Options Report

CS Energy welcomes the opportunity to provide a submission to the *2025 Gas Infrastructure Options Report* released for consultation on 22 May 2025.

About CS Energy

CS Energy is a Queensland-owned and based energy company that provides power to some of the state's biggest industries and employers. We generate and sell electricity in the wholesale and retail markets, and we employ almost 700 people who live and work in the regions where we operate.

CS Energy owns thermal power generation assets, and we are building a more diverse portfolio that includes renewable energy, battery storage, gas fired generation and pumped hydro.

We also have a renewable energy offtakes portfolio of almost 300 megawatts, which we supply to our large commercial and industrial customers in Queensland.

Overall views

CS Energy broadly supports the works undergone thus far in the development of the Gas Infrastructure Options Report (**GIOR**). Gas-powered Generation (**GPG**) is anticipated to play a vital role in Australia's energy transition by offering firm, reliable and dispatchable energy that will complement intermittent renewable energy sources.

It is imperative that a more thorough understanding of the potential availability and viability of GPG is reflected in future iterations of the Integrated System Plan (**ISP**) to inform the optimal development path for the National Electricity Market (**NEM**). CS Energy appreciates that the GIOR is a critical step in this process. Upon analysing the paper, CS Energy:

- Supports the proposed gas supply zones and considers they appropriately capture supply and transportation limitations. However, it is unclear how these supply zones may interact with the NEM sub-regions identified within the ISP. Particularly, where multiple subregions may intersect within one gas supply zone.

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- Supports applying priority to residential, commercial and industrial customers ahead of GPG as a practical and palatable approach to modelling gas availability.

- Supports limiting new natural gas supply to known contingent (2C) resources as this provides accurate and conservative forecasts of supply availability.

- Disagrees with AEMO's proposal to apply a single set of cost escalation indices for gas infrastructure components across all ISP scenarios as each scenario materially differs from one another.

The above points have been expanded upon in the subsequent sections.

Gas Supply Zones

CS Energy supports the proposed gas supply development zones. These zones are a practical way to reflect locational supply and transportation constraints within the ISP modelling. Further, CS Energy agrees with AEMO's assessment that this methodology is more appropriate than alternatives such as using NEM sub-regions or adopting fuel limits for each individual generator.

The calculation of supply within each zone is also sensible. CS Energy supports AEMO's proposal to prioritise residential, industrial and commercial loads ahead of GPG. For one, this is a far more appropriate approach by having regard to the security of supply for consumers. An added benefit is that by further constraining supply in this manner, more conservative estimates can be provided for each zone.

There are several factors apparently yet to be considered when determining the treatment of these zones. Such as, how will these supply zones interact with the NEM sub-regions, identified in the ISP? Particularly, in scenarios where multiple sub-regions intersect within a single supply zone. AEMO should consider establishing a process for determining which sub-region best caters for proposed infrastructure and consequently, how gas will flow between each region.

Sources of New Natural Gas Supply

The proposal to limit sources of new natural gas supply to known contingent resources is logical and supported by CS Energy. Given the material uncertainties around the discovery of new gas supply, it would be unwise to consider sources beyond what is proven or probable.

The greatest risk that may arise by broadening the scope of suitable supply is that estimates of gas availability may become overly ambitious. CS Energy believes it is imperative that forecasts reflect the most modern and accurate information available to AEMO, to avoid market participants misunderstanding the viability of GPG.

However, if new contingent resources are discovered, CS Energy recommends they should be included in subsequent GIOR's as soon as practical. AEMO should also consider providing more clarity around how discovery of new gas will be treated. For instance, will supply zones be susceptible to expansion or further sub-dividing upon discovery of new resources? Establishing these processes now will help provide transparency and ensure any future changes can be managed efficiently.

Cost Escalation Indices

Each ISP scenario reflects a materially different world and state of play than its counterparts. Some elements that differ amongst scenarios, and will considerably alter forecasted costs are:

1. Economic growth (both domestically and internationally).
2. The level of investment from, and growth in, Australia's trading partners.
3. The level of development and uptake of Green Energy Products.
4. Technology costs and supply chain constraints.
5. Population Growth and labour availability.
6. Growth in commercial and industrial loads and industries.

The GIOR applies several cost escalation indices to a range of inputs such as capital expenditure, piping costs, labour costs and exchange rates. AEMO is proposing to blanket-apply these indices to all ISP scenarios.

However, the differences between these scenarios are far too significant for them to be treated homogenously. Costs of components will vary materially with each change in assumptions, and indices should reflect this dynamic. AEMO has made the effort to provide costs on a *real* basis, which is sensible, yet assumes economic growth is comparable across all ISP scenarios, which is flawed.

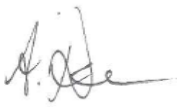
Our recommendation would be that AEMO should look to develop and apply more justifiable, scenario-based indices. These indices, ideally, would reflect each scenario as it is defined within the ISP, and the assumptions which may accompany them, as identified in AEMO's Inputs, Assumptions and Scenarios Report (**IASR**).

Closing Remarks

CS Energy looks forward to the opportunity to contribute to future consults regarding the development of the GIOR and ISP.

If you would like to discuss this submission, please contact Hunter Finlay, Policy & Regulation Graduate, at hfinlay@csenergy.com.au.

Yours sincerely



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