

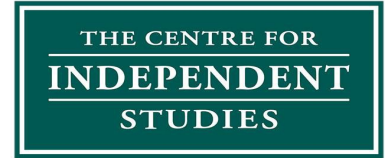
13 November 2025

Ms Anna Collyer

Chair

Australian Energy Market Commission

Submitted via www.aemc.gov.au



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RE: Submission to AEMC's *Integrated distribution system planning* Directions Paper

Dear Ms Collyer,

The Centre for Independent Studies (CIS) welcomes the opportunity to respond to the AEMC's *Integrated distribution system planning* Directions Paper.

The CIS is a leading independent public policy think tank in Australia. It has been a strong advocate for free markets and limited government for close to 50 years. The CIS is independent and non-partisan in both its funding and research, does no commissioned research nor takes any government money to support its public policy work.

The CIS submits that Option 2 is the most preferable option presented by the AEMC for altering the current distribution planning process. It has the lowest regulatory burden and fastest implementation time of the three options. It also avoids the issues present in Option 1 around using the IASR as a baseline. As we have made clear in our rule change request submitted to the AEMC, the IASR is not fit-for-purpose due to its strict adherence to government policy in all scenarios and therefore should not be relied on for distribution planning. Doing so would put consumers at much greater risk of premature and overinvestment, as is already the case in transmission planning.

We agree with the proposed purpose of the distribution annual planning process, being to “require DNSPs to plan efficient investment in those electricity network services that maximise the long term interests of consumers under a credible range of scenarios”. This is more appropriate than the purpose being to enable further CER integration, which our research demonstrates would increase system costs and worsen cross-subsidies, penalising those who cannot afford CER.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'A Morrison'. The signature is fluid and cursive, with a prominent initial 'A'.

Aidan Morrison

Director of Energy Program

Centre for Independent Studies

Email: amorrison@cis.org.au

Question 4: Does the IASR provide the right baseline inputs for the proposed strategic planning process under policy option 1?

The IASR is not fit-for-purpose, as explained in our *Clarifying the treatment of jurisdictional policies and system costs in the ISP* rule change request and our submission to the Consultation Paper for that request.¹ The current IASR methodology, which binds all scenarios to all government targets, has resulted in a very narrow range of scenarios that are not sufficiently broad, distinctive or useful for protecting consumers against the risk of premature and overinvestment. Requiring DNSPs to adopt the IASR's assumptions and scenarios will greatly increase the risk to consumers of premature and overinvestment in the distribution network, just as it already has in the transmission network. In short, ensuring 'consistency' with the ISP at the distribution planning level will simply result in distribution planning being consistent with a framework that promotes poor outcomes for consumers. Until the ISP is appropriately reformed, the IASR should not be used as a default baseline for distribution planning.

DNSPs should retain the ability to adopt separate forecasts to the IASR, particularly given DNSPs have far more granular information about their networks than AEMO does. Nevertheless, if the AER did create forecasting best practice guidelines for DNSPs, these should explicitly prevent DNSPs from assuming all government targets will be met on time, as is AEMO's practice with the IASR. If DNSPs are required to undertake scenario analysis, it should be across a broad and distinctive range of scenarios, including those with minimal CER uptake. At present, the IASR assuming high levels of CER uptake in every scenario is one of its greatest weaknesses and places consumers at risk of poor transmission investment decisions should these forecasts not be realised.

Question 12: Do you agree with our relative assessment of policy option 2 (reforming the distribution annual planning process) against policy option 1 (reforming the existing annual process and implementing a strategic planning process)?

Question 13: Have all the advantages and disadvantages of replacing the existing distribution annual planning process with the proposed strategic planning process under policy option 3 been identified?

The option we most prefer is Option 2. Given the uncertainties inherent in longer-term forecasts, particularly around CER uptake, enforcing a 20-year planning horizon for all DNSPs — as suggested by Options 1 and 3 — may not be optimal. A minimum 10-year planning horizon

would allow DNSPs to plan with more certainty. Requiring DNSPs to undertake two separate planning processes, as outlined in Option 1, will likely lead to unnecessary inconsistency and confusion, and increase implementation costs for DNSPs, which will be passed on to consumers. Similarly, Option 3 will result in greater regulatory burden than Option 2, as DNSPs will still have to publish a range of information every year in addition to the new five-yearly strategic planning process, which may be difficult for stakeholders to find. Victorian DNSPs would have the greatest compliance costs, given they would still have to publish an annual report under the Victorian Electricity Distribution Code of Practice. Lower regulatory burden and reduced implementation time are major advantages that recommend Option 2.

Our research confirms that rooftop solar owners are benefitting at the expense of non-rooftop solar owners through cross-subsidies in the network tariff system, which is contributing to rising electricity bills for those who cannot afford or are unable to install CER.² Further, our research also demonstrates that the amount of rooftop solar in the NEM is already in excess of what the grid can absorb with system costs rising dramatically, which increases bill pressure for consumers.³ Therefore, enabling further CER integration does not contribute to the achievement of the NEO with respect to the price of electricity. It is thus appropriate that enabling CER integration is not made a requirement for DNSPs under the NER. The proposed purpose of the distribution annual planning process, being to “require DNSPs to plan efficient investment in those electricity network services that maximise the long term interests of consumers under a credible range of scenarios” is appropriate.

¹ AEMC. 2025. ‘Clarifying the treatment of jurisdictional policies and system costs in the ISP’. <https://www.aemc.gov.au/rule-changes/clarifying-treatment-jurisdictional-policies-and-system-costs-isp>.

² Hilton, Zoe, Michael Wu & Aidan Morrison. 2025. ‘Rooftop Solar: Paradise Lost’. <https://www.cis.org.au/publication/rooftop-solar-paradise-lost/>.

³ Hilton, Zoe, Jae Lubberink, Michael Wu & Aidan Morrison. 2025. ‘The Renewable Energy Honeymoon: starting is easy, the rest is hard’. <https://www.cis.org.au/publication/the-renewable-energy-honeymoon-starting-is-easy-the-rest-is-hard/>.