

Expert Panel, Review into Transmission Planning in NSW

25 July 2025

Via email: transmissionplanningreview@dcceew.nsw.gov.au

Dear Sir/Madam,

Submission on the NSW Transmission Planning Review Interim Report

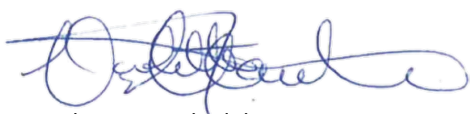
The Australian Energy Market Operator (AEMO) and ASL (in its capacity as the NSW Consumer Trustee) welcome the opportunity to comment on the NSW Transmission Planning Review Interim Report.

AEMO and ASL would like to make the following key points (detailed further in Attachments 1 and 2):

1. AEMO supports clearer system strength arrangements in Renewable Energy Zones (REZs), including extending AEMO's functions in REZs to align with those under the National Electricity Rules (NER) for non-contestable networks. AEMO recommends that the Final Report clarify how system strength roles and responsibilities will be allocated, both overall and within each part of the network, to ensure there are no gaps in accountability and risks are managed where multiple entities may perform SSSP-equivalent functions across NSW.
2. AEMO recommends that the Final Report provide greater clarity on the roles and responsibilities to be performed by the Jurisdictional Planning Body (JPB), particularly in relation to accountability for projects depending on whether they are planned under either the national or NSW frameworks.
3. AEMO notes that EnergyCo is not a Registered Participant under the NER and seeks further clarity on how EnergyCo would be regulated by the NER or *Electricity Infrastructure Investment Act 2020* (EII) legislation if appointed as the JPB, noting this could impact both EnergyCo and AEMO's ability to exercise their functions.
4. AEMO does not have a preference as to which entity is appointed as the JPB for NSW. AEMO considers that it would be beneficial to clarify the role of the JPB across the entire network, including how the JPB and Infrastructure Planner roles would interact, and that JPB responsibilities would cover the entire NSW market region. If EnergyCo is appointed, transitional arrangements will be important to ensure continuity in planning responsibilities during the transitional period.
5. ASL supports streamlining and accelerating the process for authorising REZ network infrastructure projects. However, ASL cautions against reforms that incentivise EnergyCo to submit recommendations as the Infrastructure Planner before the scope and cost of recommended projects are sufficiently settled.

AEMO and ASL appreciate the opportunity to contribute to this consultation and look forward to continued engagement on these important matters. Please contact Hannah Heath, AEMO Group Manager – Strategic Market Reform (hannah.heath@aemo.com.au) or Melanie Koerner, ASL General Manager – System Planning and REZ (melanie.koerner@aemoservices.com.au) if you would like to discuss matters further.

Yours sincerely,



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Melanie Koerner

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Attachment 1: AEMO Detailed Submission

Attachment 2: ASL Detailed Submission

Attachment 1: AEMO Detailed Submission

1 Observations on draft recommendation A.3

Draft recommendation A.3 proposes that the NSW Government work collaboratively with EnergyCo, AEMO, Transgrid, and other relevant stakeholders, to develop regulatory changes aimed at addressing limitations in the current system strength arrangements within REZs. As the national power system operator and planner, AEMO is responsible for maintaining power system security and reliability across the National Electricity Market (NEM) in line with the National Electricity Objective.¹ In this context, AEMO provides the following observations on draft recommendation A.3.

1.1 Support for clearer accountability for system strength in contestable networks

The Interim Report correctly identifies regulatory and accountability gaps in the planning for and provision of system strength services within contestable REZs.² As noted in AEMO's response to the Options Report, a key part of the development of the regulatory framework must include the clarification and strengthening of the respective obligations of the Infrastructure Planner, the entity or entities which will have equivalent responsibilities to the System Strength Service Provider (SSSP), non-SSSP network operators, and AEMO.

AEMO therefore supports draft recommendation A.3 and progression towards clearer system strength arrangements in contestable REZs. AEMO supports extending AEMO's system strength functions within contestable networks, so that AEMO can exercise equivalent functions in REZs as it does in networks for which there is a System Strength Service Provider (SSSP networks) under the National Electricity Rules (NER).³ AEMO also supports the recommendation to establish clear cost recovery arrangements for expenditures in relation to any expanded functions in REZ networks,⁴ as AEMO operates on a not-for-profit, full cost recovery basis.

AEMO notes the existence of agreed policy principles with EnergyCo regarding transmission planning and system strength. These principles reflect AEMO and EnergyCo's shared intention to minimise regulatory divergence. AEMO considers that the system strength arrangements in non-SSSP networks should generally mirror the intent, framework, and intended outcomes of the NER approach where there is an SSSP network.

It will be crucial to set clear roles, responsibilities, and accountabilities under any new arrangements, particularly if multiple persons can perform SSSP-equivalent functions within a single REZ as suggested in the Interim Report.⁵ AEMO recommends that the Final Report confirm that all parts of the network should be subject to clearly assigned SSSP or SSSP-equivalent responsibilities, and provide additional detail on how potential risks would be managed if responsibilities were divided amongst multiple entities. AEMO also

¹ *National Electricity (South Australia) Act 1996*, sch 1 ('National Electricity Law'), section 49(1)(e); National Electricity Rules, rule 4.3.

² NSW Transmission Planning Review Interim Report, page 31.

³ AEMO's system strength powers within SSSP networks as set out in clause 5.20C.1.

⁴ NSW Transmission Planning Review Interim Report, page 57.

⁵ Ibid.

considers it important for appropriate mechanisms to be in place to ensure alignment between planning, procurement, and operational responsibilities, and for the JPB to have a central role in coordinating this.

AEMO looks forward to working with the NSW Government, EnergyCo, and Transgrid to support the development of a regulatory framework that enables more effective system strength planning across the NSW network consistent with the REZ System Strength Management Principles agreed in November 2024.

1.2 Challenges remain in maintaining system strength

AEMO considers that the system strength regulatory framework should be as consistent as possible across the NSW NEM region and the broader NEM. While different REZs require distinct approaches, system strength planning in NSW may remain fragmented and increasingly difficult to manage due to the inherent challenges presented by contestable transmission networks in NSW REZs. AEMO recognises that contestability is outside the scope of this review, however considers it important to acknowledge the challenges that will remain and why they may warrant further consideration in subsequent reviews.

AEMO considers that the complexity of maintaining system strength in NSW will increase as REZs become more numerous and diverse in ownership. Risks will remain in planning and operational timeframes, specifically:

- In planning timeframes, where multiple persons hold system strength planning responsibilities, one centrally for NSW and one or multiple for each REZ, there is a risk that services may be planned or procured independently for the same set of generators, leading to over- or under-procurement and inefficient procurement outcomes. AEMO notes that clear coordination and delineation of responsibilities will be essential under proposed arrangements to ensure alignment across NSW.
- In operational timeframes, particularly during contingency events, communication and operational clarity are critical. A complex regulatory framework with multiple entities having potentially overlapping or fragmented system strength responsibilities potentially impacts the effective exercise of our statutory functions, particularly in operating the NEM power system.
- AEMO notes that the configuration of REZs is a critical factor in maintaining system strength, particularly in the context of contingency management. Under clause 4.2.6 of the NER, AEMO must be able to resecure the network within 30 minutes following a non-credible contingency event. This obligation is directly impacted by REZ design elements such as geographical location, number and capacity of transmission lines, substation utilisation, and the nature of the local network. AEMO recommends that the Final Report explicitly recognise contingency management as a key operational consideration when clarifying system strength planning roles and responsibilities in REZs.

Noting the above, and noting that operational outcomes are closely tied to the effectiveness of planning arrangements, AEMO remains committed to working with the NSW government, market bodies, EnergyCo, and network service providers to ensure that the system strength arrangements to be developed are as effective and fit-for-purpose as possible. This may include assisting with developing clear processes for planning minimum and efficient levels of system strength in REZs, establishing clear roles and responsibilities for planning and procurement within both the REZs and the broader NSW power system, and ongoing maintenance of system strength provision within REZs and the broader NSW power system. As noted in the Interim Report, AEMO continues to work closely with market bodies and jurisdictions to share information and

learnings to assist in understanding, coordinating and addressing design challenges and operational issues when developing REZs through the Collaborative Forum on Operations and Congestion.⁶

2 Observations on draft recommendation A.9

Under draft recommendation A.9, EnergyCo would be appointed as the Jurisdictional Planning Body (JPB), while Transgrid would retain the SSSP and Inertia Service Provider roles for NSW. AEMO does not have a preference as to which entity is appointed as the JPB for NSW and provides the following observations to support the effectiveness of the role, regardless of the entity appointed. AEMO notes that comments in section 1.2 are also relevant.

2.1 Additional clarification needed on scope of the Jurisdictional Planning Body role

AEMO notes that the definition of the JPB role under the NER is narrower than may commonly be understood by stakeholders. In most NEM jurisdictions, the JPB and Transmission Network Service Provider (TNSP) roles are performed by the same entity, which can obscure the distinction between planning and delivery responsibilities. AEMO considers it important that there be a clear delineation made between the respective responsibilities of the JPB and TNSP to support effective coordination and alignment across planning and regulatory processes.

As draft recommendation A.9 proposes a separation of the JPB and TNSP roles in NSW, AEMO recommends that the Final Report provide greater clarity on the scope and responsibilities of the JPB role, particularly in relation to transmission projects that proceed under either the national or NSW frameworks, and how responsibilities will be allocated between the JPB, Infrastructure Planner, and TNSP.

2.2 Impacts of EnergyCo not being a Registered Participant

As acknowledged in the Interim Report, EnergyCo is not and is not intended to become a Registered Participant as a Network Service Provider under the NER.⁷ The Interim Report suggests that the NER could be amended to, in effect, deem EnergyCo to be a Registered Participant for the purposes of Parts B and C of Chapter 8 of the NER, to facilitate access to operational and planning information necessary to perform the JPB role.⁸

AEMO considers that the Final Report should provide further clarity on how EnergyCo, should it be appointed as the JPB, would be regulated under the NER or EII legislation, noting this could impact both EnergyCo's and AEMO's abilities to exercise their functions.

The NER typically only imposes obligations on Registered Participants and energy market bodies. While there are limited precedents in the NER for deeming persons who are not Registered Participants to be Registered Participants for specific purposes, these arrangements are typically narrow in scope and clearly defined. For example, a project developer may apply to AEMO under NER clause 3.13.3AA to be deemed to be a Registered

⁶ NSW Transmission Planning Review Interim Report, pages 78 and 84.

⁷ NSW Transmission Planning Review Interim Report, page 73.

⁸ Ibid.

Participant to access specified information, and a Jurisdictional System Security Coordinator is deemed to be a Registered Participant in the limited circumstances described in clause 4.8.12 of the NER. In contrast, the roles and responsibilities of the JPB are more wide-ranging and require collaboration with a range of parties regulated under the NER.

AEMO seeks clarity on whether and how the NER or EII legislation would apply to EnergyCo in respect of:

- ensuring EnergyCo has the appropriate powers to request information from TNSPs and Distribution Network Service Providers (DNSPs) to enable it to fulfil its joint planning responsibilities with AEMO (corresponding obligations on Network Service Providers (NSPs) would also be required).
- monitoring and enforcement of compliance by EnergyCo with its JPB obligations.
- cost recovery under participant fees under the NER. AEMO operates on a full cost-recovery basis under the National Electricity Law (NEL) and NER,⁹ with its activities primarily funded through fees charged to NEM Registered Participants. A limited deeming arrangement would not provide a clear funding pathway for services AEMO may be required to deliver to EnergyCo. This raises the risk of cross-subsidisation by other Registered Participants of those services in which EnergyCo may benefit or be directly involved in.

If it is contemplated that the EII Act or EII regulations will regulate EnergyCo in respect of these matters, AEMO would welcome more detailed discussion of these proposed arrangements in the Final Report.

2.3 Importance of robust transitional arrangements

The Interim Report proposes that EnergyCo assume the role of JPB for NSW by 2027, in advance of the release of the first NSW System Plan. Under the proposed model, AEMO understands that EnergyCo would be expected to support AEMO in the preparation of the Integrated System Plan (ISP) and the Electricity Statement of Opportunities (ESOO).

EnergyCo has indicated that it will need additional resourcing and access to information to effectively undertake JPB responsibilities.¹⁰ However, the Interim Report does not propose transitional arrangements to help bridge any transitional period. As noted in section 2.1 above, the JPB and TNSP roles are performed by the same entity in most NEM jurisdictions, and it may be beneficial for the Final Report to clearly delineate the respective responsibilities of the JPB and incumbent TNSP to support effective coordination and alignment across planning processes.

Given that the proposed transition to the new planning model overlaps with key development milestones for the 2028 ISP, the [2026 ISP Timetable](#) is a useful reference with timing that may roughly be transferrable to the 2028 ISP development process. To ensure continuity, AEMO recommends that transitional arrangements clearly identify and set out the responsibilities of relevant planning bodies in NSW for upcoming ISP development stages. This will support alignment across planning bodies and maintain the integrity of the ISP process during a period of structural change.

⁹ National Electricity Rules, clause 2.11.

¹⁰ NSW Transmission Planning Review Interim Report, page 43.

3 Other considerations

3.1 Clarification of cost recovery pathways needed

Draft recommendation A.3 acknowledges the need for cost recovery mechanisms in the context of AEMO's potentially expanded system strength responsibilities. AEMO considers that other draft recommendations will have additional resourcing impacts on AEMO, such as A.9, A.10, and B.1, for example because if implemented, AEMO would be required to undertake its planning functions with EnergyCo in addition to NSPs. The Final Report should also address the need for cost recovery mechanisms for these additional costs.

3.2 Support for greater framework and regulatory clarity

AEMO supports the intent of draft recommendation A.7 to provide greater clarity on the frameworks under which transmission projects in NSW will be progressed. AEMO agrees that establishing clear criteria to determine whether a project will proceed under the national regulatory investment test (RIT-T) framework or the jurisdictional Electricity Infrastructure Roadmap framework would improve transparency and coordination. AEMO also notes the importance of maintaining alignment with the national planning and regulatory framework, to the extent possible, to avoid regulatory divergence and regulatory uncertainty.

3.3 Concurrence obligations should be maintained if new legislation impacts AEMO's exercise of its functions

As discussed in AEMO's response to the Options Paper, AEMO's concurrence is required when regulations made under sections 27 or 41 of the EII Act affect AEMO in the exercise of its functions.¹¹ If the NSW Framework is changed in ways that would affect AEMO's functions, AEMO's expectation would be that the current concurrence requirements would continue to apply and new concurrence requirements would be introduced in respect of new regulation-making powers to ensure AEMO's continued ability to have input to the development of proposed legislation to mitigate risks to AEMO's ability to manage the reliable and secure operation of the NEM.

3.4 Consideration of reform processes at the national level

AEMO acknowledges the intent of draft recommendation B.4 to improve the consistency and effectiveness of transmission planning reports, including the ISP. AEMO notes that broader reform processes are underway at the national level. In response to the 2024 DCCEEW ISP Review, AEMO is progressing several workstreams to enhance the ISP framework. These reforms are being progressively incorporated into the development of the 2026 ISP, and enhancements relating to this Review will continue to occur over multiple future ISPs. AEMO also notes that the AEMC will soon undertake a review of the ISP. This process will provide a more comprehensive forum to consider further improvements to the ISP and its integration with jurisdictional planning processes.

¹¹ *Electricity Infrastructure Investment Act 2020* (NSW) sections 27(3) and 41(3).

While greater alignment between planning reports may be beneficial, AEMO considers it important to recognise that differences between the ISP and jurisdictional planning reports arise due to legitimate factors, such as differences in legislative frameworks and assessment methodologies. Further, as the ISP is developed over a two-year cycle, changes in policy and project development often occur in the interim. It is therefore appropriate that jurisdictional planning processes reflect more locally specific information where relevant, and this is especially relevant in the context of REZ planning, where state-based frameworks may pursue distinct objectives under alternative regulatory instruments. Acknowledging these differences is important to ensure that planning processes remain fit-for-purpose and able to support both national and jurisdictional planning outcomes.

Draft recommendation B.4 suggests exploring consolidation of system security reports.¹² AEMO notes that it is considering a combined approach for the Transition Plan for System Security, and system security planning publications in 2025.¹³ AEMO intends for a combined, annual system security report to be the primary vehicle for communicating transition readiness in the NEM, with the July 2025 report being the final Engineering Roadmap priority actions publication. There will be further opportunities to engage with AEMO and inform the content and approach of the Engineering Roadmap.¹⁴

¹² NSW Transmission Planning Review Interim Report, page 103.

¹³ AEMO Engineering Roadmap FY2026 Priority Actions, page 4.

¹⁴ AEMO Engineering Roadmap FY2026 Priority Actions, pages 19-20.

Attachment 2: ASL Detailed Submission

Draft recommendation A.1 recommends immediate action to simplify and accelerate the process for authorising REZ network infrastructure projects.

These recommended changes would allow ASL to authorise projects at an earlier stage prior to selection of the project network operator, providing increased certainty to EnergyCo and potential network operators and reducing the risk of project delivery delays.

Notwithstanding, ASL supports the Independent Expert Panel's caution 'that there is a limit to how much earlier projects can be authorised and EnergyCo will need to consider carefully the appropriate time to recommend a project for authorisation'.¹⁵ In ASL's experience, EnergyCo is incentivised to pursue an early authorisation, especially for contestable projects to improve bidder confidence. However, an authorisation carried out prior to the scope and costs of a REZ network infrastructure project being certain gives rise to increase risk of re-authorisation potential creating additional costs and delays, defeating the purpose of the reforms.

ASL's view is that for contestable network service projects, such as the proposed New England REZ network infrastructure project, seeking recommendation after the close of any Request for Proposal process but before the preferred Network Operator is announced should allow for the project scope and cost estimates to be sufficiently final to support ASL's cost-benefit analysis and production of the notices of authorisation for its authorisation decision.

ASL considers that the timing for non-contestable network service projects, such as upgrades to existing network infrastructure, could be sooner than this depending on the nature of the project.

¹⁵ NSW Transmission Planning Review Interim Report, page 53.