

13 February 2026

Nicola Falcon  
Executive General Manager System Design  
Australian Energy Market Operator  
Submitted electronically: [ISP@aemo.com.au](mailto:ISP@aemo.com.au)

Dear Ms Falcon,

### **Ausgrid supplementary response to Draft Integrated System Plan 2026 consultation**

Ausgrid is pleased to provide this supplementary submission to the Australian Energy Market Operator (**AEMO**) in response to the Draft Integrated System Plan (**ISP**) 2026. It complements Ausgrid's primary submission, which addresses the representation of distribution network opportunities and provides a whole-of-organisation reaction to the draft ISP.

Ausgrid requests that AEMO reconsider the Hunter-Central Coast Renewable Energy Zone (**REZ**) Expansion Project (the **Expansion Project**) for inclusion within the Optimal Development Pathway (**ODP**) of its final 2026 ISP. This supplementary submission provides updated information and analysis about the Expansion Project, which confirms it as a 'least-regrets', short-term investment that can act as a critical risk-mitigation option against delays to major transmission projects. Inclusion in the ODP would preserve momentum and materially improve the resilience of NSW's energy transition.

The Expansion Project was first jointly proposed by Ausgrid, Transgrid and the Energy Corporation of NSW (**EnergyCo**) in June 2025 as part of AEMO's draft Electricity Network Options Report (**ENOR**) consultation. It comprised four 'no regrets' network augmentation options, that could be delivered across the short and medium term (~3 to ~7 years), to expand the transfer capacity of the Hunter-Central Coast REZ by up to an additional 3.7GW. Among many things, the Expansion Project demonstrated the critical role distribution network service providers (**DNSPs**) can play supporting a coordinated whole-of-system transition that prioritises reduced delivery time, costs, risk and community impact. Despite this, no options from the Expansion Project were included within AEMO's proposed ODP.

Ausgrid acknowledges the complexity of AEMO's task in pulling together a comprehensive, long-term system plan for Australia's energy transition. We have been encouraged by the steps taken by AEMO in the development of the 2026 ISP to date to better understand and incorporate distribution-level opportunities. However, as noted in the NSW Distribution System Plan Opportunities Report which was recently completed by the three NSW DNSPs, the success of the energy transition – in NSW specifically – is contingent on the timely delivery of complicated large-scale transmission projects.<sup>1</sup> In light of this, we consider the exclusion of the Expansion Project from the Draft 2026 ISP's ODP to be a particular missed opportunity.

Since June 2025, Ausgrid has worked closely with NSW Electricity Infrastructure Roadmap (the **Roadmap**) entities and Transgrid to further refine the scope of the short-term options within the Expansion Project ("Stages 2A and 2B") and engaged independent analysis to test economic benefits and market generator

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<sup>1</sup> Ausgrid, Endeavour Energy and Essential Energy, [Distribution System Plan: Opportunities Report](#) (2025), p21

proponent interest. The results of this work confirm the Project's unique technical, geographic, social and economic benefits. As such, Ausgrid is pleased to provide this additional, updated information for AEMO's consideration as it finalises the 2026 ISP.

### **Ausgrid's component of the Expansion Project has been refined to better meet generator and storage interest**

The Hunter and Central Coast regions are well positioned in NSW to support Australia's energy transition. These regions have good renewable energy resources and can utilise existing power station sites, rehabilitated mining land, established electricity network infrastructure, port and transport infrastructure and a skilled local work force.

Ausgrid is currently undertaking a Confirmation of Interest (**COI**) process to better understand how this unique geographic and economic positioning translates into connection demand. Not including the generation and storage proponents already attached to the Hunter-Central Coast REZ Stage One project, the COI attracted early-stage proposals totalling 8GW comprising of solar, wind, pumped hydro energy storage and battery projects. This level of commercial interest significantly exceeds the transfer capacity the Expansion Project proposes to deliver.

In response to these results, Ausgrid has refined the design for Stages 2A and 2B of the Expansion Project to better align with the confirmed generation and storage interest. Whereas Ausgrid's component of the initial proposal focused solely on optimising our network, this revised concept design now balances technical efficiency with market needs. The Expansion Project continues to prioritise efficient utilisation of existing network assets over new builds.

The refined technical design is shown at Appendix A, and includes the following refinements:

- Replacing Denman Sub-Transmission Switching Station (**STSS**) with Kayuga STSS and reducing the connecting 132kV feeder routes from ~40km to ~12km to better supply Proponents 4 – 6.
- Removing Singleton STSS and redirecting Proponents 1 and 2 to Antiene STSS bringing connection points closer to the generation.
- Improving transfer capacity within the 132kV network between the Kurri Sub-transmission Substation (**STS**) and Newcastle Bulk Supply Point (**BSP**), supporting proponents connecting into both Kurri North STSS and Antiene STSS.
- Bringing forward the Plashett component of the initial Stage 4 option to provide Proponent 3 with a clear connection pathway.

Ausgrid's refined concept design does not impact Transgrid's components of the Hunter-Central Coast REZ Expansion Project, which remain unchanged from what was presented to AEMO in June 2025. More details about their proposed works can be found in Ausgrid, Transgrid and EnergyCo's joint submission to AEMO's draft ENOR<sup>2</sup>.

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<sup>2</sup> Ausgrid, Transgrid and EnergyCo [submission to AEMO's draft 2025 Electricity Network Options Report](#) (23 June 2025)

## Technical refinements support a timely and smooth transition by complementing transmission

It is Ausgrid's firm view that the Expansion Project represents a least-regrets option to support a smooth energy transition in NSW. The refined concept design described above and below at *Table 1* not only better meets the needs of prospective connections in the Hunter and Central Coast regions, but also represents:

- **Simpler and timelier construction:** Some of the more complicated design elements have been removed from the refined Expansion Project (such as a new Singleton STSS), meaning the project has simpler and cheaper construction requirements. Ausgrid remains confident that Stages 2A and 2B can be delivered within the originally estimated timeframe of 3-4 years, providing some much-needed protection against the risk of larger transmission-scale project delays, which currently have ambitious assumed delivery dates within the Draft 2026 ISP.
- **Lower community impact:** The Expansion Project continues to represent a lower community impact network project compared to other critical projects progressing across NSW. To meet market needs, Ausgrid has conservatively estimated a slight increase in new easement requirements. These easement requirements are predominantly across mining land and road reserves, reducing the likelihood of social licence or land use conflict issues emerging.
- **Support, not competition, for large-scale transmission:** Internal power flow studies show the Expansion Project will predominantly supply the growing local load within the Hunter and Central Coast regions, including Newcastle. Generation from the Hunter-Central Coast REZ is unlikely to compete for capacity within the surrounding primary transmission corridors supplying Sydney, for which the larger transmission-scale REZs (such as New England REZ) are being progressed. The Expansion Project supports system reliability by reducing stress on, and congestion within, the existing 330kV and above network (i.e. the Sydney Ring).

These benefits are captured by progressing the Expansion Project quickly. Inclusion within the 2026 ISP's ODP will help maintain momentum for the project, as Ausgrid works with NSW Roadmap entities and planning bodies to determine the most appropriate regulatory pathways.

**Table 1: Updated Ausgrid scope of works**

Description		Expected cost <sup>3</sup> (\$ million)	New easement length (km)	Lead time
Stage 2a	<ul style="list-style-type: none"> <li>• 132 kV lines augmentation between Singleton, Kurri, Newcastle and Tomago on existing easement (~183km – 129km Dual Circuit + 54km Single Circuit + 3.5km UG)</li> <li>• New Rothbury 132 kV switching station on existing Ausgrid land</li> <li>• Existing Beresfield 132 kV bus rebuild</li> </ul> Pre-requisite: None	622	~10-15	Short (3-4 years)
Stage 2b	<ul style="list-style-type: none"> <li>• A new Kayuga Hub 132 kV switching station</li> <li>• New 132 kV lines (~24km – Dual circuit) on new easement</li> </ul> Pre-requisite: None	168	~20-25	Short (3-4 years)

<sup>3</sup> All costs are Class 5 estimates in 2025\$ and exclude Transgrid costs and Infrastructure Planner Fees.

## **Independent market benefit analysis confirms the refined Expansion Project is a critical risk mitigant against transmission delays**

Last year, Ausgrid commissioned independent modelling to assess the market value of the initial Expansion Project proposal, including a cost benefit-analysis to assess the net impacts of the Expansion Project to the wholesale market. The results of this independent analysis have been positive and have helped us to:

1. Understand why the initial Expansion Project proposal was not included within the Draft 2026 ISP ODP; and
2. Quantify the significant net benefit, over the FY2023 to FY2042 modelling horizon, that the refined concept design of Stages 2A and 2B can bring in the very realistic scenario that certain large-scale transmission projects face even minor delays (relevant to the ISP Step Change scenario),

In undertaking this work, Ausgrid also believes it can challenge the assertion within Appendix A6. Cost-Benefit Analysis of the Draft 2026 ISP that the delivery of Essential Energy's Dubbo Distribution Project negates the need for additional utility-scale solar capacity and network augmentations in the Hunter and Central Coast regions.<sup>4</sup> The results support Ausgrid's strongly held view that there is not a strong correlation between the two projects and that both distribution projects bring complementary, yet unique, benefits to the NSW energy system and consumers.

Ausgrid has shared this independent analysis with Transgrid to facilitate a joint review of the material. Ausgrid considers that the findings indicate there may be sufficient merit to further investigate and progress the Expansion Project. On this basis, we request that AEMO reconsider its inclusion in the 2026 ISP ODP.

We would welcome the opportunity to present on the refined concept design and updated assessments in more detail to support AEMO staff in its considerations. Our planning team will reach out to arrange this briefing in the coming weeks. Ausgrid would also be happy to share the full independent analysis directly with AEMO, on a confidential basis. Please contact Eoin Connolly, Commercial Director ([eoin.connolly@ausgrid.com.au](mailto:eoin.connolly@ausgrid.com.au)) to arrange a discussion.

Regards,



Kelly Wood  
Group Executive, Transmission Development & Growth

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<sup>4</sup> AEMO [Draft 2026 ISP Appendix A.6: Cost Benefit Analysis](#), p43

### Appendix A: Updated 132 kV Single line diagram of proposed Hunter-Central Coast REZ Expansion Project

