



Part of Energy Queensland

11 February 2026

Mr Daniel Westerman  
Chief Executive Officer  
Australian Energy Market Operator  
Lodged online: [ISP@aemo.com.au](mailto:ISP@aemo.com.au)

Dear Mr Westerman,

### **Draft 2026 ISP Consultation**

Queensland's two distribution network service providers (DNSPs), Ergon Energy Corporation Limited (Ergon Energy Network) and Energex Limited (Energex), welcome the opportunity to provide this submission to the Australian Energy Market Operator (AEMO) in response to the Draft 2026 Integrated System Plan (2026 ISP).

We support the 2026 ISP continuing to provide a valuable and comprehensive assessment of the least-cost investment pathway for the National Electricity Market (NEM), setting out how future generation, storage, and network developments can be optimally coordinated to meet consumer's energy needs and government policy objectives.

In particular, we consider the 2026 ISP's greater consideration of Demand Side Factors (DSF) and opportunities for investment in distribution networks across the NEM especially important given the significant and increasing contributions from Consumer Energy Resources (CER) which continue to be bolstered by government support<sup>1</sup> and rapid technological advancements.

This letter nor our attached responses to the 2026 ISP's questions contain confidential information and may be published. Should AEMO wish to discuss this please contact either myself, or Lindsay Chin on 0459 642 052.

Yours sincerely

Alena Christmas  
**Manager Regulatory Affairs**

Telephone: 0429 394 855  
Email: [alena.christmas@energyq.com.au](mailto:alena.christmas@energyq.com.au)

Enc: - Ergon Energy Network's and Energex's responses to the 2026 ISP's questions.

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<sup>1</sup> Examples include the Commonwealth Government's [Cheaper Home Batteries Program](#) and the [Western Australian Government's Residential Battery Scheme](#).



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Below are Ergon Energy Network's and Energex's responses to the 2026 ISP's questions.

	Feedback sought	Ergon Energy Network's and Energex's feedback
1.	AEMO has proposed an ODP that represents a mix of investments that help deliver a reliable, secure, and least-cost power system while also meeting government policy targets. Do stakeholders agree with AEMO's optimal development path selection in the Draft 2026 ISP?	Based on the evidence and analysis presented in the 2026 ISP, we support AEMO's selection of the mix of investments that comprise the Optimal Development Path (ODP) as we consider these meet the important criteria of relevancy, least-cost option, and alignment with government policy which are necessary to facilitate the NEM's energy transition.
	If yes, what gives you that confidence?	Our confidence is underpinned by the ISP's robust consultation processes, comprehensive scenario and sensitivity testing, and strong alignment with system requirements and Governments' objectives.  Notwithstanding this support, we consider that a sustained focus on delivery risks, system flexibility, gas supply adequacy, integration with distribution networks, equity outcomes, and workforce capacity will be critical to ensuring the ODP is delivered successfully and remains resilient over time.
	If not, what should be further considered, and why?	We do not have a response to this question.

	Feedback sought	Ergon Energy Network's and Energex's feedback
2.	In the Draft 2026 ISP, AEMO has proposed some changes to...Do you agree with the proposed timing and treatment of actionable projects in this draft?	We do not have a response to this question.
3.	For the Draft 2026 ISP, the tested sensitivities were on constrained delivery of the ODP, variations on the gas development projection, and the pace of coal closures. The effect of demand-side factors was also tested by assessing the impact of reduced energy efficiency measures, and no further CER coordination. What other sensitivities should be considered to further test the robustness of the candidate development paths, and why?	With the increasing frequency and severity of extreme weather events (e.g., heatwaves, bushfires, floods, droughts), and the impact on transmission infrastructure and generation (especially renewables and hydro), we recommend additional sensitivity scenarios with more frequent/longer renewable lulls, reduced hydro inflows, and widespread transmission outages.
	What other sensitivities are relevant to testing robustness of investment decisions, why?	We do not have a response to this question.
4.	For the first time, AEMO has assessed opportunities for investment in distribution networks across the NEM, that are consistent with the efficient development of the power system, to support operation of consumer energy resources. This recognises the key role of distribution networks in supporting the	<p>We support the nomination of voltage management optimisation and network augmentation as two types of distribution network investments with potential to increase CER generation export capability. However, we query several assumptions and limitations in the 2026 ISP's modelling including:</p> <ul style="list-style-type: none"> <li>• "...that demand-driven augmentations will naturally support CER export from 80% of new CER uptake...This means it has been assumed that 80% of new rooftop and small-scale solar generation, and 80% of new passive and coordinated CER storage discharge, does not face potential curtailment in ISP modelling...because demand-driven augmentations provide sufficient CER export capability."<sup>2</sup></li> </ul>

<sup>2</sup> [A9 Demand Side Factors Statement](#), p14.

	Feedback sought	Ergon Energy Network's and Energex's feedback
	<p>integration of consumer energy resources. See Appendix A9 for more information. Does the ODP appropriately identify and leverage distribution investment opportunities?</p>	<p>Whilst we don't have forecasts of what the percentage should be, we feel the 80% is too high given that this would include greenfield developments and technological advancements may limit the amount of network augmentation required. Also, the amount of demand-driven augmentation will vary by region and future demand patterns.</p> <ul style="list-style-type: none"> <li>• CER uptake is treated as a 'homogeneous' stream which masks the fundamentally different investment needs between new and established localities. The 2026 ISP does not clearly distinguish between CER uptake occurring in greenfield developments (e.g., new suburbs/estates, or major new connections) versus brownfield areas (e.g., existing suburbs with legacy low voltage (LV) infrastructure). This lack of distinction creates several analytical complications for DNSPs. For example, CER uptake in brownfield networks typically have limited headroom and more voltage constraints whereas greenfield networks benefit from upgraded standards, larger distribution transformers, and more modern LV design that support higher CER penetration.</li> <li>• AEMO's current modelling simplifies distribution network topology and constraints, which may not reflect actual complexities. For example, if curtailment is calculated only at the distribution transformer level with minimal consideration of downstream (and upstream) network constraints, the hosting capacity and available export limits for CER can be overstated. This is because granularities in thermal ratings, voltage issues, reverse power flow, and transformer/feeder impedance constraints are not visible at the distribution transformer level.</li> <li>• The current modelling does not appear to fully capture combined impacts of CER and other distributed resources at medium/high voltage levels which means CER's impact is not accurately considered in parts of the network.</li> <li>• AEMO aggregates DNSPs within sub-regions, which may obscure individual network constraints and investment priorities.</li> <li>• For most DNSPs, AEMO estimated an investment rate of \$400,000 per megawatt<sup>3</sup> to unlock additional CER generation export capacity based on long-run marginal cost (LRMC) models that</li> </ul>

<sup>3</sup> [A9 Demand Side Factors Statement](#), p27.

	Feedback sought	Ergon Energy Network's and Energex's feedback
		<p>supported DNSPs' Tariff Structure Statements. However, while LRMC is useful for tariff design, it is not necessarily an accurate or robust proxy for the cost of CER specific voltage management interventions.</p> <p>Other important considerations include:</p> <ul style="list-style-type: none"> <li>• With the growing penetration of customer digital (smart) meters, DNSPs are now able to observe and analyse voltage and power quality risks associated with CER at a much broader scale than previously possible. Non-compliance of connected CER systems has emerged as one of the dominant contributing factors to voltage instability, and at the highest risk sites this is directly driving DNSPs' increased operational expenditure.</li> <li>• Dynamic Operating Envelope (DOE) and other low-cost operational expenditures associated with voltage regulation are especially important measures for DNSPs to manage voltage stability. However, N-1 or planned outages cause unusual loading patterns making normal DOE operation less effective during contingency or seasonal switching.</li> <li>• Demand driven augmentation, delivered as part of broader sub transmission and distribution network improvements, combined with well-orchestrated operational actions to improve voltage management is the core investment pathway supporting Ergon Energy Network's and Energex's future CER export capabilities. These investments continue to be aligned with our jurisdictional framework and revenue allowances and assessed against our network planning and risk criteria to ensure their optimal prudence, efficiency and effectiveness.</li> </ul>
5.	For the first time in the Draft 2026...Do the gas development projections reflect an appropriate level of investment to support the gas sector, including gas-powered generation in the NEM?	We do not have a response to this question.
6.	The Addendum to the 2025 Inputs Assumptions...Do stakeholders have feedback on the Addendum to the 2025 IASR?	We do not have a response to this question.