

Department of Climate Change, Energy, the Environment and Water

Submission to 2026 Draft Integrated System Plan

February 2026



Acknowledgement of Country



Department of Climate Change, Energy, the Environment and Water acknowledges the traditional custodians of the land and pays respect to Elders past, present and future.

We recognise Australian Aboriginal and Torres Strait Islander peoples' unique cultural and spiritual relationships to place and their rich contribution to society.

Artist and designer Nikita Ridgeway from Aboriginal design agency – Boss Lady Creative Designs, created the People and Community symbol.

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1 Introduction

The NSW Department of Climate Change, Energy, the Environment and Water (DCCEEW), including the Energy Corporation of NSW (EnergyCo), welcomes the opportunity to engage with AEMO to ensure that NSW energy policy and project development is accurately reflected in the final report. There are some discrepancies that we would like to see addressed in the final 2026 ISP.

2 Consultation question 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? If yes, what gives you that confidence? If not, what should be further considered, and why?

2.1 NSW DCCEEW feedback

The Draft 2026 ISP considers existing, committed, anticipated and future projections of generation and storage projects. Those labelled existing, committed and anticipated have been assessed against specific commitment criteria outlined within AEMO's Generation Information Page guidelines¹.

In the Draft ISP, none of the South West REZ (SW REZ) Access Right Holders (ARH)² are considered committed or anticipated projects. Draft ISP projections of Variable Renewable Energy (VRE) for SW REZ primarily consist of utility scale solar.

This does not reflect the generation technology interest actually received as part of Access Right engagement nor the awarded projects³.

EnergyCo requests that the final ISP's generation and storage development in SW REZ is aligned with granted ARH technology types and can provide further information and evidence about this, if requested.

¹ [AEMO | Generation information](#)

² [South West REZ Access Scheme | EnergyCo](#)

³ [Submission to Draft 2025 Inputs Assumptions and Scenarios consultation](#)

3 Consultation question 2

In the Draft 2026 ISP, AEMO has proposed some changes to actionable transmission projects including:

- 11 actionable projects to remain for delivery over the next decade,*
 - three projects to move to ‘committed or anticipated’ status,*
 - one project to move to ‘future’ status to align with the timing of other projects that influence its benefits (Central Queensland to Southern Queensland Expansion aligned with Borumba Pumped Hydro), and*
 - two projects under review due to uncertainty in input assumptions and the influence of recent policies (Northern Transmission Project and QNI Connect). Do you agree with the proposed timing and treatment of actionable projects in this draft?*
-

3.1 NSW DCCEEW feedback

3.1.1 New England REZ procurement approach and status

The Draft 2026 ISP currently considers the New England REZ Network Infrastructure Project (NE RNIP) scope of work as two separate stages⁴. This scope definition and its separation into staged options is not aligned with the latest reference scope design and intended delivery approach being competitively procured by EnergyCo.

EnergyCo has issued the reference scope design to tenderers in a recently released Request for Proposals (RFP)⁵. EnergyCo requests that AEMO reflect the updated scope definition between the Draft and Final ISP.

3.1.2 South West REZ network augmentation

EnergyCo granted the South West REZ (SW REZ) Access Rights⁶ on the assumption that 2.5 GW of network transfer capacity for the South West REZ will be available. This network capacity is largely provided by existing transmission network projects progressing through the National Electricity Rules (NER) Regulatory investment Test for Transmission (RIT-T) process, including:

- Project Energy Connect (PEC),
- HumeLink
- VNI West

⁴ [2025-electricity-network-options-report.pdf](#)

⁵ [New England REZ network operator tender shortlist announced | EnergyCo](#)

⁶ [South West REZ Access Scheme | EnergyCo](#)

To enable the intended network capacity for Access Right Holders to connect, an additional network augmentation (a third transformer at Dinawan substation) is required. This option is captured in the 2025 ENOR⁷ but is not modelled in AEMO's Optimal Development Pathway (ODP).

EnergyCo is collaborating with AEMO between Draft and Final ISP release to align the SW REZ network augmentation scope required for Access Right Holders.

⁷ [Section 4.2.5, 2025-electricity-network-options-report.pdf](#)

4 Consultation 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? What other sensitivities are relevant to testing robustness of investment decisions, why?

4.1 NSW DCCEEW feedback

4.1.1 Coal supply availability

In the 2025 Inputs, Assumptions and Scenarios Report⁸ section on coal price projections implies there is always sufficient coal supply available to all power stations to meet their demand. However, as coal fired power stations approach the end of their operations so are their supply chains and supporting infrastructure.

The availability of coal for electricity generation may act as an energy constraint on the operations of power stations. For example, Wood Mackenzie analysis from 2023 suggests that domestic supply for NSW coal stations may cease by 2036⁹. This calls into question the assumptions regarding closure dates of power stations.

NSW DCCEEW requests that AEMO to consider how changes to coal availability could affect scenarios in the final ISP.

4.1.2 Data centre projections and transmission implications

NSW recently established the Investment Delivery Authority (IDA) to make it easier for businesses to invest, build and create jobs in NSW. The first round of Expressions of Interest (EOI) for the IDA focused on projects related to data centres and technology, renewable energy and energy security along with hotels critical to visitor economy growth. Responses to the Round 1 EOI included 23 projects related to data centres and technology valued at \$72 billion¹⁰, reflecting the strong interest in continued growth and investment in this sector.

Many of these projects are not yet in planning system, and may not be included in forecasts of data centre demand in the draft ISP. Data Centres can be developed significantly faster than new energy generation and transmission projects, and there is a risk that the central scenario in the draft ISP underestimates the potential demand from this sector in NSW.

⁸ [AEMO Inputs, Assumptions and Scenarios Report, 2025](#)

⁹ [Wood Mackenzie report for the AER, 2023](#)

¹⁰ <https://www.nsw.gov.au/ministerial-releases/first-ida-round-attracts-a-136-billion-potential-investment-surge-for-nsw>

Most new data centre projects are being proposed in the growth areas of Western Sydney. If these additional projects were to proceed, it is possible that new transmission infrastructure, such as Sydney Ring South 500kV option, may be needed sooner than anticipated in the draft 2026 ISP.

DCCEEW requests that AEMO consider the transmission implications of the additional load of large data centres in Western Sydney, particularly relating to Sydney Ring South.

5 Consultation 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 integration of consumer energy resources. See Appendix A9 for more information. Does the ODP appropriately identify and leverage distribution investment opportunities?

5.1 NSW DCCEEW feedback

5.1.1 NSW Transmission Planning Review supports considering distribution opportunities

The NSW Transmission Planning Review recommended consideration of opportunities to augment distribution network capacity. This also aligns with the 2025 Infrastructure Investment Opportunities report, where AusEnergy Services Limited (ASL) highlighted the potential for relatively high-value, low-cost network upgrades to access a streamlined authorisation process. ASL and EnergyCo continue to engage with distribution network businesses on these options.

The NSW Government has accepted this recommendation in principle, and NSW DCCEEW is now working with EnergyCo, ASL and all NSW network businesses to implement the review.

5.1.2 The Distribution System Plan Opportunities report highlights opportunities for further refinement

In late 2025, NSW distribution network operators released the Distribution System Plan Opportunities report. Based on modelling at the zone substation level, the report presents an assessment of the value that could be delivered through targeted investments and better use of existing assets within the distribution network.

The report promotes the role for distribution networks in achieving efficient whole of system outcomes. NSW recommends that future ISPs should consider integrating modelling of lower voltage levels, to uncover additional investment opportunities that would deliver benefits to consumers and the power system.

The Distribution System Plan Opportunities report also highlights the Illawarra renewable energy zone (REZ) and Ausgrid's Community Power Networks as case studies that will test the potential for distribution networks to connect greater amounts of renewable generation. The final ISP should consider how the rollout of such options would impact the ODP.

6 Consultation question 5

For the first time in the Draft 2026 ISP, AEMO has incorporated combinations of gas investments that may be developed by the gas industry. These gas development projections influence the availability of gas to support the power system in the future, and (potentially) the mix of investments required in the ODP. Do the gas development projections reflect an appropriate level of investment to support the gas sector, including gas-powered generation in the NEM?

6.1 NSW DCCEEW feedback

The Draft 2026 ISP's inclusion of gas development pathways improves transparency on how gas availability could support gas-fired generation in the NEM.

DCCEEW notes the Commonwealth's Gas Market Review has implications for this gas development pathway, including the proposed national gas reservation policy to set aside 15–25% of gas for domestic use and related market reforms. This policy is currently under consultation and development in 2026, with implementation expected in 2027.

DCCEEW requests that AEMO consider how the gas market review's recommendations, in particular the proposed national gas reservation policy, will affect scenarios in the final ISP.

7 Consultation question 6

The Addendum to the 2025 Inputs Assumptions and Scenarios Report (IASR) provides further explanation in response to the AER's Transparency Review. This includes further explanation of forecast components including policies affecting consumer demand, data centres, hydrogen production, biomethane and community batteries. Do stakeholders have feedback on the Addendum to the 2025 IASR?

7.1 NSW response

7.1.1 Consumer Energy Resources (CER) forecasts

The Commonwealth's Cheaper Home Batteries Program was launched in July 2025, and as at December 2025 has supported delivery over 160,000 battery installations across Australia and added over 3.6 GWh of capacity to the energy grid¹¹.

On 13 December 2025, the Commonwealth announced it would expand the Cheaper Home Batteries Program from original estimates of \$2.3 billion to an estimated \$7.2 billion over the next 4 years. This is expected to see more than 2 million Australians install a battery by 2030, delivering around 40 gigawatt hours of additional storage capacity.

The strong program uptake and additional funding allocated mean that the forecasts of embedded energy storage systems (aggregated (virtual power plants) and non-aggregated), and flow on impacts to other forms of CER and household electrification, across the NEM are likely to significantly underestimate the likely growth of this resource.

NSW DCCEEW considers these are important policy changes for AEMO's to assess in the final 2026 ISP.

7.1.2 Far West priority network infrastructure project

In January 2026, the NSW Government directed Transgrid to undertake the Far West Project as a priority network infrastructure project (PNIP) to ensure electricity reliability in the Far West region of NSW¹². The Project includes directing Transgrid to run a competitive tender process to procure new reliability solutions and execute a network support agreement with Hydrostor to support delivery of Silver City¹³.

The solutions delivered through the PNIP may include generation, storage, network or non-network assets, with the exact location of these assets in the Far West yet to be confirmed. The project will not consider an augmentation of the transmission line between Buronga and Broken Hill.

¹¹ <https://www.energy.gov.au/news/six-months-cheaper-home-batteries-program>

¹² https://gazette.nsw.gov.au/gazette/2026/2/2026-2_38-gazette.pdf

¹³ Silver City is an advanced compressed air energy storage system, developed by Hydrostor, estimated to be delivered by 2031 at the disused Potosi mine site in Broken Hill.