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Daniel Westerman
Chief Executive Officer
Australian Energy Market Operator
Level 22, 530 Collins Street
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Dear Daniel,

The Department for Energy and Mining welcomes the opportunity to comment on the Draft 2026 Integrated System Plan (ISP) and recognises the significant work undertaken by the Australian Energy Market Operator (AEMO) to develop the ISP every two years.

We have a strong interest in ensuring the ISP reflects the state's policy settings, anticipated demand growth, and transmission development pathways, given the pace of energy system transformation underway.

South Australia's renewable energy target

South Australia is on track to meet its net 100% renewable energy generation target by 2027. This target forms part of the State's broader net zero emissions pathway and is supported through legislation via the *Climate Change and Greenhouse Emissions Reduction (Miscellaneous) Amendment Act 2025*. The target is defined on a net basis each year and is intended to be maintained from 2027 onwards.

The policy objective is to maximise renewable generation across the year, while also recognising that gas-fired generation and interconnection will continue to be required at times to maintain system reliability and security. Accordingly, the target does not imply the absence of thermal or inter-regional supply, but rather a net outcome across annual generation relative to total demand.

For modelling purposes, we recommend that the ISP treat South Australia's net 100% renewable energy generation target as a persistent and binding floor constraint, reflecting the clear intent of the legislation and the associated investment signals. Doing so will ensure that future development pathways appropriately reflect South Australia's renewable generation policy settings and associated implications for interconnection, storage, and system operation. We ask that the treatment and the target be agreed with this Department.

Future demand growth

While we acknowledge AEMO's increased flexibility in recognising industrial loads, we remain concerned that the Draft 2026 ISP demand outlook may not fully capture the potential scale and range of demand growth in South Australia.

As set out in the Department's Electricity Development Plan 2025¹, demand growth in South Australia is expected to be driven largely by new large industrial loads, projected to reach around 10 TWh by FY2035–36 - representing over two-thirds of SA's current total demand. This growth includes mining, critical minerals processing, data centres, and advanced materials production, with activity concentrated in regional areas such as the Eyre Peninsula and Upper Spencer Gulf. These developments are supported by state initiatives including the State Prosperity Project and the *Hydrogen and Renewable Energy Act 2023*.

A separate study funded by both the Australian and SA Governments - the Upper Spencer Gulf energy demand pilot² - demonstrates that future regional demand is inherently uncertain and could diverge substantially from any single forecast path depending on the progression of major industrial developments. Planning that does not explicitly incorporate this uncertainty risks misaligning infrastructure investment with emerging demand and exposing the system to avoidable reliability and cost outcomes.

We note that the demand forecast underpinning the ISP was finalised in 2025, while project development and connection activity in South Australia continue to evolve. Transmission connection enquiries remain ongoing, and although individual projects carry a degree of uncertainty, their aggregate scale has the potential to shift demand outcomes significantly over short timeframes. If this pipeline progresses faster than forecast, the ISP's two-year reassessment cycle may lag behind system needs, potentially delaying the development of infrastructure required to support regional industry.

We encourage AEMO to ensure that ISP scenarios reflect both committed and credible prospective developments, including rapid industrial load growth, to support timely and robust planning of generation, storage, and transmission infrastructure.

Alternatives to proposed projects

We note that the Northern Transmission Project, which was identified as an 'actionable' project in the 2024 ISP is now classified as 'requiring ongoing analysis' in the Draft 2026 ISP. As part of this ongoing analysis, AEMO needs consider the feasibility of alternative development pathways, that meet the growth anticipated in central and northern South Australia. We are led to understand that such pathways are expected to rely on additional generation and storage assets in Central and Northern South Australia in place of transmission development.

However, these alternatives also face physical and network constraints that warrant consideration. These constraints may include limitations relating to natural gas supply infrastructure, substation capacity, network augmentation requirements, and construction timelines. Without a realistic assessment of these factors, there is a risk that the transmission option may not proceed while alternative pathways encounter cost and delivery challenges. This could create avoidable uncertainty for regional system development, renewable integration, and anticipated economic activity.

We encourage AEMO to explicitly assess these constraints and their implications, to support transparent planning and informed decision-making regarding the role of transmission and non-network solutions in meeting reliability outcomes in South Australia.

We also note that as at time of writing this letter, AEMO has not yet released the Draft 2026 ISP Model and its traces. Access to this model and related materials would support further analysis and we look forward to their publication.

¹ [South Australian Electricity Development Plan 2025](#)

² [Upper Spencer Gulf Energy Demand Pilot Report](#)

Thank you for the opportunity to provide feedback, we look forward to continued engagement with AEMO as the 2026 ISP is refined and finalised and would welcome further discussion on any of the matters raised above.

Yours sincerely,



Paul Martyn PSM
CHIEF EXECUTIVE

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