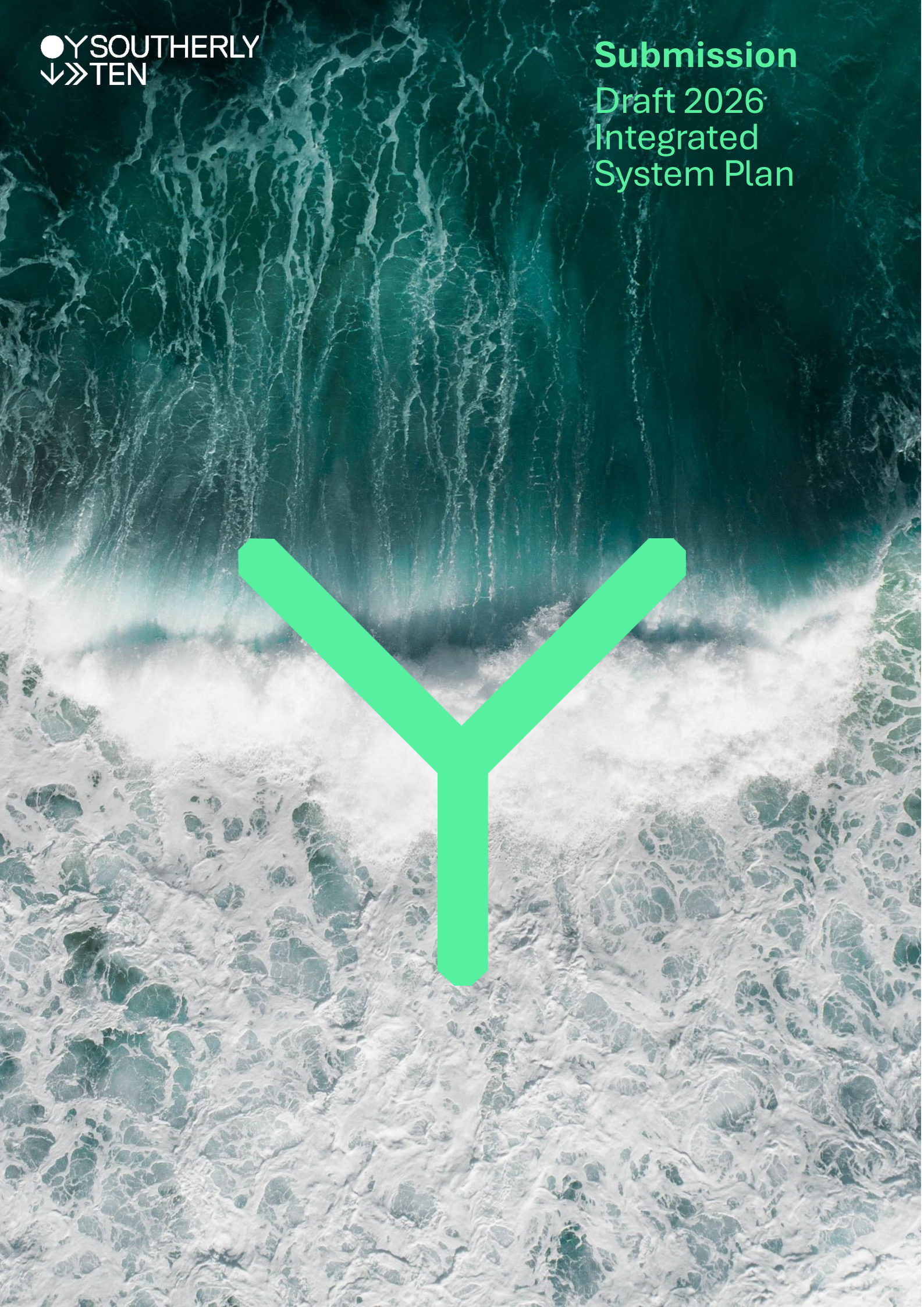
SOUTHERLY TEN

Submission

Draft 2026 Integrated System Plan



Southerly Ten welcomes the opportunity to provide feedback on AEMO's 2026 integrated system plan.

About Southerly Ten

Southerly Ten is a specialist offshore wind energy developer for Australia by Copenhagen Infrastructure Partners (CIP). CIP is the world's largest fund manager dedicated to greenfield renewable energy investments and a global leader in offshore wind.

We are developing two Gippsland-based offshore wind projects – Star of the South and Kut-Wut Brataualung. Built to their full potential, these two projects could:

- Produce enough electricity to power 2.4 million homes
- Inject $14 billion into the Australian economy
- Cut emissions by 15 million tonnes of CO2 equivalent
- Create up to 12,000 Australian jobs.

Key feedback on the Draft 2026 Integrated System Plan (ISP)

We acknowledge the Australian Energy Market Operator (AEMO) for its continued leadership and strategic guidance in shaping Australia's future electricity system. Forward planning of this nature is essential to ensure a system that remains resilient amid changing conditions, evolving policies, and the introduction of new technologies.

We provide the following key points of feedback on the Draft 2026 ISP:

- **Enabling the Gippsland offshore wind zone is critical to meeting long-term system needs.** The inclusion of 9 GW of Victorian offshore wind capacity and the progression of the Gippsland Offshore Wind Transmission (Stages 1 and 2) to *actionable* status is welcomed. Ensuring the timely and successful delivery of Stage 1 is particularly critical, as it will underpin early offshore wind deployment and unlock substantial renewable generation opportunities in the Gippsland region.
- **There is a clear and urgent need for large amounts of additional variable renewable energy**. We agree with the assertion that transitioning away from coal while managing rising electricity demand requires coordinated investment in generation, storage, and transmission.
- T**he strategic value of offshore wind is understated**. Beyond delivering large step-changes in generation capacity, offshore wind provides additional market benefits that are not fully reflected in the Draft ISP analysis including system balance and reduced delivery risk (see next section).
- **Offshore wind can be delivered faster than the ISP timelines suggest.** Offshore wind's contribution is described as limited and largely deferred until the mid-2040s on the basis that it is more expensive than onshore renewables to build and connect. Given the advanced status of projects in Gippsland, global experience and maturing supply chains suggest that large offshore wind capacity can be delivered in the early 2030s.
- **Some of the cost assumptions applied to offshore wind in the Draft ISP appear overstated relative to regional benchmarks.** For example, the Draft 2026 ISP applies a fixed operating expenditure of AUD 28.5k/MW/yr for onshore wind and AUD 177k/MW/yr for offshore wind, implying a cost differential of ~6× between the technologies. This spread appears inconsistent with observed market evidence. Our internal bottom-up estimates, based on operating projects globally and in APAC specifically, indicate ~AUD 40–60k/MW/yr for onshore and ~AUD 120–140k/MW/yr for offshore, suggesting a materially narrower gap. Similarly, recent analysis by Lazard shows offshore wind to be more expensive than onshore, but not to the extent implied by the ISP

assumptions (See Table 1). Taken together, the current inputs overstate offshore costs while understating onshore lifecycle costs, potentially biasing relative technology comparisons in system modelling. We recommend these values be reviewed against current operating fleet benchmarks to ensure a balanced comparison.

Table 1: OPEX assumption comparison (AUD k/MW/year)

Source	Onshore wind	Offshore wind	Offshore vs onshore ratio
AEMO ISP (CSIRO GenCost)	28.5	177	6.2×
Copenhagen Infrastructure Partners (internal analysis)	40–60	120–140	2-3×
Lazard (implied from latest LCOE benchmarks)	34-55	85-130	2-3×

Offshore wind's contribution to the National Electricity Market

The draft ISP states that "*Offshore wind farms may also contribute to Australia's energy mix. They can provide good wind resource quality and diversity when connected to onshore transmission. However, the opportunities for offshore wind are limited due to it being approximately 40% more expensive than onshore wind to build and connect. Only 9 GW of offshore wind is forecast to be online by 2040, supported by government policies, with no more built through to 2050".*

While the greater cost of offshore wind in comparison to already established onshore renewable generation technologies is often cited as a barrier to its roll out in Australia, its market benefits are often overlooked or not well understood.

We commissioned Jacobs to model **NEM impacts of a future with and without 7 GW of Gippsland offshore wind** (January 2026). This work identified that the contribution of offshore wind will:

- Avoid the need for 8.3 GW of additional onshore generation, 400-2,000 km of new transmission, 0.8 GW of gas peaking and 1.7 GW of storage across the NEM
- Save an estimated ~$3 billion in system wide costs
- Reduce wholesale prices across the NEM, translating to a $5.9 billion annual cost saving in wholesale prices for consumers by 2040
- Significantly reduces expensive and emissions-intensive gas generation across the NEM.

Additionally, offshore wind in Gippsland **unlocks 10 times more electrons per kilometre of transmission than onshore renewable zones, impacting fewer landholders** (CEC, 2025), while delivering 20% of the emissions reduction needed to reach Australia's 2035 target and creating long-term skilled direct jobs on projects and indirectly throughout supply chains.

The NEM faces a fundamental delivery challenge: maintaining reliability, keeping electricity prices as low as possible, and reducing emissions. To meet this challenge, all states must deliver a large build-out of new generation and transmission. Jacobs' modelling demonstrated that onshore renewables in Victoria alone cannot replace the State's retiring coal generation. The transition cannot be delivered efficiently if one state falls short of its required build and instead relies on importing large volumes of power from another state.

Structural supply-demand imbalances between states intensify transmission congestion, push higher build rates onto other states, and raise wholesale prices across the NEM. Under-delivery in any one state increases costs and risks for all.

Risks are increasing as major transmission projects become harder to deliver. These projects now cost more, take longer to approve, and face growing community opposition - precisely as the NEM becomes more dependent on new transmission infrastructure.

If Victoria does not proceed with offshore wind, it would need to build significantly more onshore renewables much faster than the current rate. This would add pressure to the transmission network, increase impacts on landholders and communities, and make delivery riskier. The current renewable energy build rate is already unprecedented – three times higher than Australia's historical pace. In this context, limiting viable options such as offshore wind makes the transition riskier, not simpler.

Given Victoria's size and its comparatively lower-quality onshore renewable resources, Gippsland offshore wind will be critical to the national energy transition, to replace coal and to power new opportunities in manufacturing, data centres and the broader economy.

In the NEM, Gippsland offshore wind plays two key roles:

- Keeping the NEM balanced by adding large-scale, reliable generation that's available when other renewable sources are not (like solar)
- Locking in a significant share of the emissions reduction needed to meet Australia's 2035 target.

Gippsland offshore wind has unique characteristics. It can deliver multiple gigawatts of generation with a profile that complements existing renewables, significantly reduces the need for new transmission and allows onshore renewables to be built at an ambitious but more realistic pace. By supporting a more balanced supply across the NEM, it lowers system-wide costs and risks. Without this balance, under-delivery in any one state will drive up costs and risks for everyone in the NEM.

Thank you again for the opportunity to provide this submission for consideration in finalising the ISP. We would be pleased to discuss our feedback and modelling further. Any queries may be directed to William Ryan - Senior Manager, Onshore Transmission at wryan@southerlyten.com.au.