13 Feb 2026

Australian Energy Market Operator
Email: ISP@aemo.com.au
EAST MELBOURNE VIC 3002

Submission to the Draft 2026 ISP Consultation

Dear AEMO,

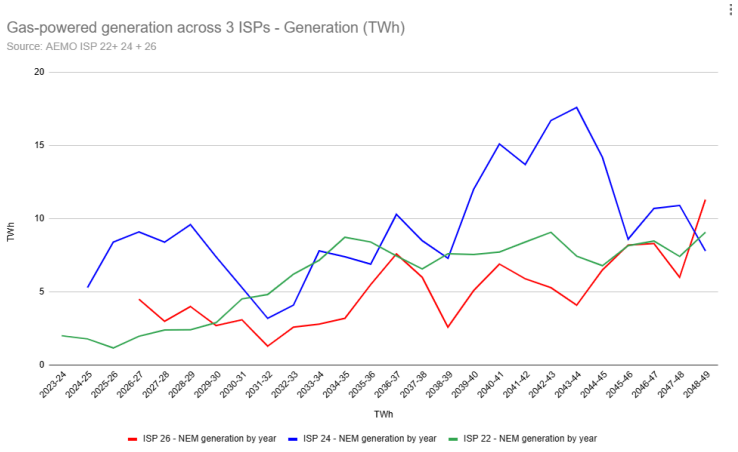
Springmount Advisory welcomes the opportunity to contribute to the Draft 2026 ISP Consultation. We are a specialist consulting practice who provide high-quality policy, research and strategy support on mechanisms to drive rapid emissions reduction and scaled deployment of clean technology solutions.

We support AEMO's role in advancing a least-cost, secure and reliable transition of the National Electricity Market (NEM) through coordinated planning of generation, storage and transmission infrastructure. We also recognise the expanded scope of the 2026 ISP to more explicitly consider electricity–gas interactions and consumer energy resources.

We will contain our feedback on the Draft 2026 ISP to the forecasts relating to gas consumption for electricity generation, as we feel this is a critical issue. **Our main concern is that gas-powered generation increases in the 2040's are likely misleading and could have unintended consequences.**

The Draft 2026 ISP projects a material increase in gas-powered generation (GPG) in 2040, mainly in Victoria and New South Wales, with this generation largely retained through to 2050. This outcome risks over-building gas generation and associated network infrastructure to address what may be a temporary reliability gap rather than a persistent system need.

We note there is a decrease in GPG in the draft 2026 ISP compared to the previous two ISPs, in particular ISP 2024 (see graph opposite). While we support the latest draft in reducing overall GPG however, we have concerns about the ISP substantially increasing and retaining GPG through the 2040s.



By assuming gas remains the dominant firming technology late in the energy transition, we are concerned that the ISP underplays the likelihood of long-duration storage, demand-side flexibility and improved inter-regional coordination materially reducing the required role of gas. Committing to new GPG and gas network augmentation under these

assumptions increases the risk of stranded assets and higher consumer costs, particularly as underlying gas demand continues to decline.

AEMO attributes the increase in generation in the 2040s (Draft ISP, Figure 19, Section 7) to winter conditions in southern states, specifically reduced solar output and higher electrical heating demand driven by electrification. While this reasoning has merit, it appears to:

- embed conservative assumptions around storage deployment and demand flexibility, resulting in a modelling bias toward gas as the default firming solution
- discount both the genuine technological constraints of meeting very high short-duration spikes in gas demand, as well as the emergence of more suitable long-duration energy solutions, including peaking plants utilising liquid fuels such as green methanol and renewable diesel.

Draft ISP 26 GPG forecasts (TWh)

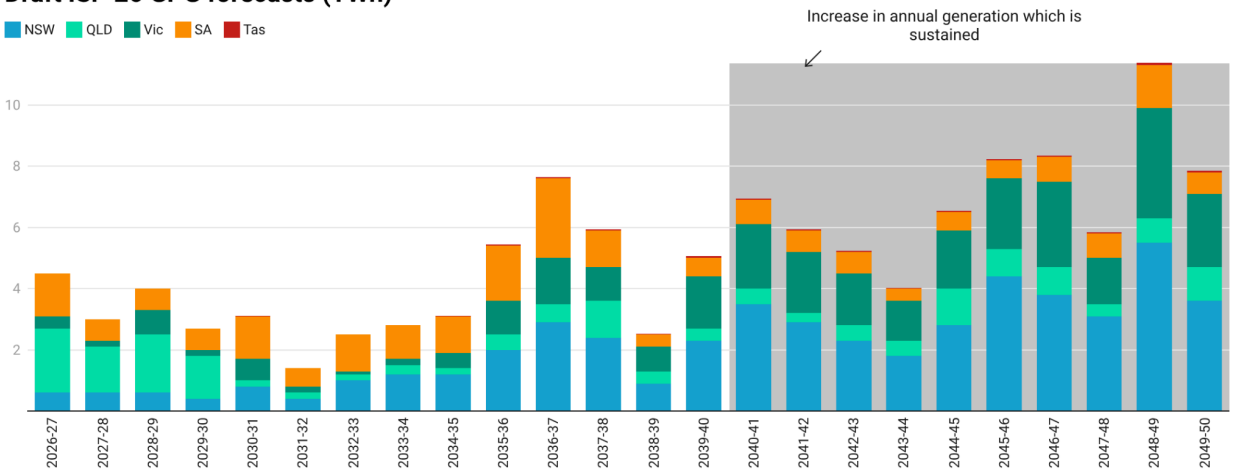


Chart: Springmount Advisory • Source: AEMO Draft ISP 2026 • Created with Datawrapper

In particular, the Draft ISP may underestimate:

- Accelerated uptake of household batteries and grid-scale long-duration storage, particularly as costs continue to decline. Previous global forecasts of battery storage have often underestimated costs.[1][2]

- The capacity of coordinated demand-side response and managed electrification to mitigate winter peak conditions.

- The structural decline of gas networks[3], which may constrain utilisation rates and increase per-unit network costs, thereby challenging the economic viability of expanded GPG.

[1]https://www.bloomberg.com/news/articles/2025-12-09/bnef-why-global-battery-prices-are-expected-to-fall-in-2026

[2] https://rmi.org/the-rise-of-batteries-in-six-charts-and-not-too-many-numbers/

[3] https://thepoint.com.au/explainers/260210-the-core-case-for-gas-plummets-into-a-screaming-death-spiral-part-1

- The exposure of gas generation to fuel price volatility, particularly given tightening East Coast gas supply dynamics and the increasing likelihood of carbon pricing or equivalent emissions constraints by the 2040s.

- The potential role of alternative peaking fuels (e.g. sustainable liquid fuels or renewable gas substitutes) that could provide limited-duration firming without necessitating large-scale gas network or gas peaking usage growth.

Taken together, these factors suggest the ISP may be overstating the durability of gas as the marginal firming technology late in the transition. A more adaptive investment framework — including stronger stress-testing of high-storage and high-demand-flexibility scenarios — would materially reduce the risk of stranded gas assets and avoid locking consumers into long-lived infrastructure that may not be required.

Springmount Advisory welcomes the opportunity to expand on these comments and recommendations.

Rowan Moorey and Tom Quinn
Springmount Advisory
www.springmountadvisory.com.au