



26 Reddacliff Street, Newstead QLD 4006
GPO Box 1461, Brisbane QLD 4001

ergon.com.au

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Mr Daniel Westerman
Chief Executive Officer
Australian Energy Market Operator
Lodged online: ISP@aemo.com.au

Dear Mr Westerman,

Draft 2026 ISP Addendum Consultation

Ergon Energy Retail (Ergon Retail) welcomes the opportunity to provide a submission to the Australian Energy Market Operator (AEMO) in response to the Addendum to the Draft 2026 Integrated System Plan (ISP) (Addendum).

Our review of the Addendum confirms that AEMO has addressed the Australian Energy Regulator's requests for improved transparency in the ISP's modelling inputs, processes, and outcomes.

However, the Addendum remains largely explanatory in nature, with a primary focus on describing how the modelling framework operates, rather than critically testing whether the underlying assumptions remain robust when exposed to real-world market behaviour, investment decision-making and delivery constraints.

The ISP framework relies on a set of interdependent assumptions, including optimal deployment and operation of consumer energy resources (CER), delivery of least-cost investment pathways, and the timely completion of enabling transmission infrastructure.

While each of these assumptions may be reasonable when considered in isolation, their simultaneous achievement in practice is uncertain and this creates a risk that system outcomes are overstated. In this context, Ergon Retail has specific concerns regarding the following core risks:

- **CER Behavioural Risk** - whilst consumers' batteries are assumed to contribute to system flexibility, in practice these are largely driven by self-consumption. This may overstate dispatchable capacity and understate residual demand and volatility.
- **Investment Risk (Least-Cost vs Deliverable)** - the ISP identifies least-cost pathways but does not explicitly model whether these pathways are investable or financeable. If key assets are delayed or not delivered, system outcomes may diverge from expectations.
- **Delivery Risk (Transmission Dependencies)** - the ISP relies on the timely delivery of actionable transmission projects. While delivery constraints are modelled in aggregate, regional and project-specific risks are not explicitly tested.

- **External Risk (Global and System Factors)** - global supply chain pressures and workforce constraints are acknowledged but only partially incorporated through generalised sensitivities. More severe or prolonged disruption scenarios are not explicitly tested.

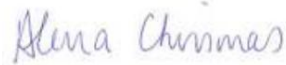
If the above risks were to simultaneously materialise, the power system may be significantly less flexible than modelled, more vulnerable to price volatility, and increasingly reliant on interim or higher-cost solutions. This underscores a structural gap between modelled system optimisation outcomes and those that are likely to emerge under real-world market conditions.

To better ensure that the ISP reflects how the system will operate in practice, Ergon Retail recommends that the modelling framework:

- places greater emphasis on the realism of key assumptions
- explicitly identifies behavioural, investment and delivery risks, and
- incorporates targeted sensitivity testing to more accurately capture real-world uncertainties.

This submission does not contain confidential information and may be published. Should AEMO require additional information or wish to discuss any aspect of this, please do not hesitate to contact me or Lindsay Chin on 0459 642 052.

Yours sincerely



Alena Christmas
Manager, Regulatory Affairs

Telephone: 0429 394 855
Email: alena.christmas@energyq.com.au