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## Energy Networks Australia submission to the NEM 2025 Implementation Roadmap

Energy Networks Australia (ENA) welcomes the opportunity to provide input to AEMOs NEM2025 Implementation Roadmap.

ENA is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

ENA acknowledges the significant effort required of AEMO and other market participants to make the Australian energy transition successful. We must also be aware of and take into account the total costs from different parts of industry that are ultimately borne by customers.

The outcomes of this consultation are critical to ensure customer impacts are minimised as much as possible and that a clear, robust benefits case exists for each part of the Roadmap once costs from all participants are taken into account.

### Key messages

- » The pathway is too centralised and does not adequately consider more decentralised alternatives
- » A need for clarity of expected future functions to make better-informed decisions now
- » Proposed improvements to the strategic pathway.

### Focus on centralised solutions

The proposed pathways presuppose the development of centralised rather than decentralised solutions, but it is not at all clear that this is in the long-term interests of consumers. While AEMO is best placed to identify what systems investments are needed for their own organisation we believe it is premature to lock in centralised solutions that would limit the potential for market-based solutions to be developed and provided by external providers.

For example, a key recommendation from the ESB's Post 2025 Market Design Options Paper was to give trials such as EDGE, Symphony, Edith and CONSORT the time to produce findings that could reliably inform wider policy direction before making large investments too early. Making large investments in systems too early could result in higher costs for consumers and increased stranded asset risk which is borne by customers.

These trials are still in the early stages of implementation and even Projects EDGE and Symphony (which are among the most progressed) have not yet demonstrated a clear path forward for the industry as a whole.

Another example is the value that VPPs are delivering to the market today and their future potential as they evolve. The Roadmap appears to discount the value being delivered through existing mechanisms in favour of benefits that can only be delivered by a future (and costly to implement) evolved market.

The combined investment of Networks would be significant (in the order of hundreds of millions of dollars) if they were to implement all the reforms as described. This is worsened by the fact that some of the initiatives are still not well defined and may change in development. Conversely, there is no strong benefits case for key aspects of the Roadmap such as the Schedule-Lite and Flexible Trading Arrangement reforms.

### A need for clearer context to better inform decisions

We thank AEMO for their invitation to join the Reform Delivery Committee. This signifies a genuine offer for key industry stakeholders to engage in the process which should be acknowledged. Our participation has highlighted to us the uncertainty in elements of the Roadmap and underscores the continued importance of an ongoing, robust engagement and approvals process.

We continue to stress the danger of overestimating the benefits and underestimating the costs associated with the implementation of under-developed reforms that are assumed to proceed as part of the Roadmap. The 5MS implementation should be noted as a rich source of learnings in this regard.

Another significant source of uncertainty stems from the fact that there appears to be no holistic view of the different roles and responsibilities of current market participants, how they interact and how they might evolve over time. The Roadmap states one key reason for AEMO's preference for the strategic pathway is "the ability to leverage the technology architecture and frameworks of future state systems to drive scalability," but an agreed future systems architecture does not exist at this time.

We note the ESB is undertaking some limited work to address this for specific issues, but even that will not provide sufficient clarity regarding the future architecture for industry to holistically plan and optimise its future reform implementation path.

The lack of an agreed systems architecture that underpins our joint vision of the future power system is detrimental to building support for what we need to start building today, be it new systems or market frameworks.

### Suggestions to improve the strategic pathway

Networks do not wholly endorse the Strategic Pathway as outlined by AEMO, but we conceptually agree that bundling of reforms is the best way forward. To this end, we have some suggestions that we believe better balances the cost and benefits amidst significant uncertainty.

We believe batching of reforms in tranches where those that are better understood and have clearer and higher benefits relative to costs (such as Dynamic Operating Envelopes) are prioritised before others with less certainty and less well-established benefits (Flexible Trading Arrangements, DER Data Hub and Registry Services etc).

Taking a 'phase gate' program governance approach will ensure decisions resulting in greater levels of investment (cost) are accompanied by commensurate levels of justification, details and business case maturity. In parallel, sufficient time and collective industry effort should be given to those less certain reforms to develop their respective benefits case and designs, given the importance of minimizing risk of stranded investments and costs to customers.

The Reform Delivery Committee should also continue to provide AEMO with an industry perspective on expected cost impacts that participants (and ultimately customers) must bear.

ENA and our members believe the best way to protect customers is to ensure no-regrets actions continue to be taken whilst taking a more staged approach for less well-defined initiatives, to minimize the risk of unnecessary investment.

If you have any questions or would like to discuss specific topics further, please do not hesitate to contact Dor Son Tan, Head of Distribution [dstan@energynetworks.com.au](mailto:dstan@energynetworks.com.au).

Yours sincerely,



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