

Australian Energy Market Operator (AEMO)
Submitted by email to: ISP@aemo.com.au

13 February 2026

Re: Draft 2026 ISP

Thank you for the opportunity to provide feedback on the *Draft 2026 ISP*.

The Energy Efficiency Council (EEC) is the peak body for Australia's energy management sector, working to ensure Australia harnesses the power of efficiency, electrification and flexible demand to deliver a prosperous, equitable, net zero Australia.

The EEC has focussed on the demand-side elements of the Draft 2026 ISP in this submission.

Inclusion of the Demand Side Factors Statement (DSF Statement)

The EEC welcomes the inclusion of the DSF Statement and considers it a key first step in elevating the consideration of the demand side. We acknowledge that as the first DSF Statement, it was prudent to limit its scope. Nonetheless, the DSF Statement appears to understate the opportunities present on the demand side by:

- limiting analysis of CER to a sub-set of technologies; and
- only considering distribution network opportunities to enabling further export of consumer energy resources (CER) while excluding analysis of broader benefits for efficient network utilisation that increasing energy efficiency, flexibility and electrification could provide.

The EEC notes that AEMO will continue to identify opportunities to improve the scope and assessment approach of demand side factors and would support 'expanding the scope of demand side factors included within the assessment and/or expanding the sensitivity suite used to assess the impact of the assessed factors on the efficient development of the power system'.

Response to consultation questions related to the demand side

Question 3: *What other sensitivities should be considered to further test the robustness of the candidate development paths, and why? What other sensitivities are relevant to testing robustness of investment decisions, why?*

We understand that the CER technologies tested in the 'No Further CER Coordination' sensitivity were limited to rooftop solar, battery storage and electric vehicle (EV) orchestration. The EEC would like to see other demand-side resources included in the modelling – for example the orchestration of hot water heaters, air conditioners and pool pumps – which can deliver benefits at the network and system level.

The EEC would also encourage AEMO to go further and model for a scenario where more CER potential is maximised to benefit consumers connected to the distribution network – i.e., more than only the CER required to remove congestion, and potentially more than is modelled in the Step Change Scenario.

Similarly, while the energy efficiency improvements modelled show the sizeable value of continuing existing programs beyond their scheduled end dates, existing policies are currently insufficient to unlock the sizeable energy efficiency potential that analysis has

shown exists across the Australian economy¹. Therefore, future analyses of energy efficiency opportunities in the DSF Statement or Demand-side Statement of Opportunities, will ideally examine the technical potential for energy efficiency improvements, unconstrained by the limitations of the current policy framework, to inform potential new policy.

Question 4: Does the ODP appropriately identify and leverage distribution investment opportunities?

While the DSF Statement is a step in the right direction, it appears that AEMO has underestimated the volume of distribution network opportunities in the ISP, and the benefits that would accrue from making these investments.

For example, Table 7 on p.36-37 notes that distribution expenditure (capital and operating costs) will be \$51 million less under the Step Change Scenario compared with the 'No further CER Coordination sensitivity'.

However, the investment opportunities only look at the expenditure needed (\$160 million) to optimise voltage management at the distribution level so more CER generation can be exported. This only models for solutions to network constraints; it does not set out the benefits of incentivising more CER, efficiency and electrification for optimising the distribution network more broadly. Our members report that there are many more opportunities for demand-side resources to provide 'non-network solutions' for distribution networks, which are not quantified in the current analysis.

The Demand Side Statement of Opportunities (DSOO) should inform a future co-optimised ISP

Although the DSF Statement is a welcome first step in the right direction, the EEC has [previously noted](#) some limitations in its design. Namely, that demand side factors are input assumptions for the ODP modelling and are not an output of the optimisation, as grid-scale elements are.

In the long-term, expanding the ODP by co-optimising investments in supply-side infrastructure alongside investments in CER, energy efficiency, or the distribution network will improve the way AEMO conducts energy system planning.

An important step towards a co-optimised approach to the ISP would be to ensure the Demand-side Statement of Opportunity (DSOO) – to be developed in collaboration with AEMO and states and territories via the ECMC – contains a detailed, place-based analysis of demand-side opportunities, and helps improve the integration of the Electricity and Gas Statements of Opportunities.

The EEC, along with its members, looks forward to working with AEMO and DCCEEW on the development of the DSOO, including helping to providing clarity on the roles of the DSF Statement and the DSOO.

For further information on anything in this submission, please contact me on jeremy.sung@eec.org.au or 0411 934 701.

¹ EEC, 2025, *Efficient Electrification for Australia's 2035 Targets*, <https://eec.org.au/publication/efficient-electrification-for-australias-2035-targets/>

Yours faithfully,

A handwritten signature in black ink, appearing to be "Jeremy Sung", written in a cursive style.

Jeremy Sung

Head of Policy

Energy Efficiency Council