

# Submission to the Australian Energy Market Operator

## Draft FY26 Strategic Corporate Plan Consultation

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## About the Investor Group on Climate Change (IGCC)

IGCC is a collaboration of Australian and New Zealand institutional investors focused on the impact of climate change on investments. IGCC represents investors with total funds under management of over $3 trillion in Australia and New Zealand and $30 trillion around the world. IGCC’s members are the custodians of the retirement savings of around 15 million Australians.

IGCC members are invested across the entire Australian economy and are interested in the rapid decarbonisation of the electricity and energy sector, to unlock decarbonisation of every other sector. The transition to a net-zero electricity sector will require significant planning and close collaboration between public and private finance.

# Response

## Introduction

IGCC welcomes the opportunity to provide input for AEMO’s Draft FY26 Strategic Corporate Plan (henceforth, the Plan). IGCC commends AEMO for its ongoing work in delivering the net-zero transition. AEMO’s role appears to be growing beyond being market operator to become a de-facto advisor on the energy transition. With increased responsibilities comes the need for alignment with good governance principles.

This submission focuses on what good governance principles businesses and investors need from entities responsible for delivering decarbonisation objectives. It will not cover specific initiatives raised by AEMO in the consultation.

## Good Governance Principles

In 2023, IGCC released a report on investible sector plans[[1]](#footnote-1), which provided key features that plans must have for investors to deem them investible. The principles from this report have been used to inform this response, wherein we propose a series of investible good governance principles.

1. **Credible: alignment with decarbonisation policy**

As the energy transition accelerates, more detailed planning will need to be communicated around the delivery of government targets – including on the policies, mechanisms and rule changes that will create a better enabling environment for unlocking capital investment in generation, storage and shaping.

AEMO’s Corporate Plan should explicitly consider how to align with state, territory and federal government policy and targets[[2]](#footnote-2), given that it is responsible for delivering them.

1. **Informed: data gathering, research and modelling**

The Integrated System Plan is a key resource to markets for analysis of how much development is needed for the NEM, and by when, to meet consumer needs. AEMO acknowledges that an enhanced focus on CER, distribution networks, gas and electricity interactions and investment signals, is required. IGCC would like to emphasise that the gaps in data, research and modelling are more significant on the demand-side, especially for energy management.

CER is already a significant source of supply in the electricity markets, and must become better integrated for the sector to reach net-zero. This starts with modelling that provides rigorous analysis to market of all the options for providing energy services to consumers including generation, storage and aggregated CER, but also passive options including energy efficiency. This should also includes an assessment of demand-side carbon abatement incentive structures.

1. **Clear: decision-making**

The demand-side has been less of a focus for market bodies, and responsibility on decision-making is split across many organisations. The NEM governance system would benefit from a greater range of stakeholder engagement, particularly from consumers and demand-side experts, such as VPP operators. Clarity to market around which entities are responsible for what parts of the net-zero transition would be useful.

As AEMO’s oversight role in delivering the transition increases, there will be a need for deeper evaluation of systems’ progress towards net-zero than is currently provided in the ISP. Understanding which entities are responsible for delivering the ISP is also critical.

1. **Comprehensive: strategic advice**

Strategic advice on the future needs of the electricity and energy sector should be provided to the Energy and Climate Change Ministerial Council, in a way that is aligned with the sector’s decarbonisation and renewable energy goals.

There is a need for advice that considers both supply- and demand-side issues in an integrated way. This function could potentially be combined with parts of the data and modelling function that AEMO already does.

Where appropriate, AEMO should provide advice to government about where there are gaps in policy, to assist in developing improved settings for reaching net-zero.

1. **Action Orientated: planning for a dynamic system**

As the grid becomes more two-sided systems, where customers can actively participate in both buying, storing and selling electricity, new responsibilities for operating the market will emerge. Many demand-side issues are considered out-of-scope for AEMO and the AER, and responsibility is split across a wide range of organisations. There is a significant gap on demand-management policy, which needs attention. Active planning around how the demand side will be properly integrated must be communicated to market.

## For more information

IGCC looks forward to continued engagement with AEMO. If further information is useful, please contact Bethany Richards.

1. IGCC 2023, Investible Sector Plans Report [[link](https://igcc.org.au/investable-sector-climate-plans-are-crucial-to-clean-energy-competitiveness/)]. [↑](#footnote-ref-1)
2. Where misaligned, this should also be communicated. [↑](#footnote-ref-2)