

14 July 2022

Ms Anna Collyer
Chair
Australian Energy Market Commission (AEMC)

Via electronic lodgement

Dear Ms Collyer

Transmission Planning and Investment Review Stage 2 Draft Report (EPR0087)

AusNet welcomes the opportunity to make this submission in response to the AEMC's Transmission Planning and Investment Review (TPIR) Stage 2 Draft Report (the Stage 2 Draft Report).

AusNet is the largest diversified energy network business in Victoria with over \$11 billion of regulated and contracted assets. It owns and operates three core regulated networks: electricity distribution, gas distribution and the state-wide electricity transmission network, as well as a significant portfolio of contracted energy infrastructure. It also owns and operates energy and technical services businesses (which trade under the name "Mondo").

Since initiating the TPIR, our industry has seen growth in both urgency to build new transmission infrastructure and of issues that stakeholders have sought the AEMC to explore. At the same time, transmission network service providers (TNSPs) are actively delivering the first tranche of major transmission projects to accommodate the renewables and storage while evolving their practices to mitigate credible project risks – some of which cannot be completely anticipated or controlled. Delivering on the TPIR's objectives in this environment is complex and raises the importance of its recommendations.

The draft recommendations proposed in the Stage 2 Draft Report are incremental in nature. Due to Victoria's unique arrangements, reform options around financeability, treatment of planning activities and the practical application of the feedback loop are unlikely to make material impact to the timely and efficient delivery of major transmission projects in Victoria. However, we note contestable provision of transmission investment can play its part in addressing the above, and we welcome the AEMC's exploration of contestability for new major transmission projects in its recently released options paper.

With respect to social licence, the Stage 2 Draft Report's draft recommendations have concluded existing obligations on TNSPs are suitable and appropriate. AusNet accepts that TNSPs are improving their engagement practices and that TNSPs require some flexibility to manage concerns on a project-by-project basis. However, the AEMC's draft position does not recognise the disconnect between the regulatory investment test for transmission (RIT-T) and jurisdictional planning and environmental approval processes, which sets a significant barrier to building community support and efficient initiation of major projects. This warrants further consideration.

AusNet's submission focusses on opportunities for the rules to reduce community acceptance risks that TNSPs face when planning and delivering large transmission projects. Experience of proponents across the national electricity market indicates:

- Community acceptance for greenfield transmission infrastructure is a relatively new challenge for the energy sector. In Victoria, transmission infrastructure of this scale has not been built for some 40 years when community expectations and views about the impact and benefits of new energy infrastructure were different.
- The transmission planning process could more clearly identify when consumer and community groups should engage to provide their input to key transmission project decisions (e.g. the preferred design and location of infrastructure).

- The economic assessment process practically 'locks' in key transmission project decisions before considering whether the network project is socially and environmentally deliverable.
- Delaying consideration of social and environmental factors and the associated community consultation risks subsequent community opposition to key project decisions, which can force costly scope revisions or project delays during delivery that may have been avoidable or mitigated by early engagement.

AusNet encourage the AEMC explore amendments to the rules that would embed a requirement for RIT-T proponents to consider whether a credible network option is likely to be "deliverable."

The definition of "deliverable" could be sufficiently broad to enable RIT-T proponents to adopt a risk-based approach to identify and assess social, environmental and economic factors that pose a relatively high risk of adverse effects over others. This includes conducting studies, analysis and consultation detailed enough to provide all parties with a reasonable understanding of the economic, technical, social and environmental impacts of a RIT-T's credible options before a preferred option is locked in (i.e. before the Project Assessment Conclusions Report is completed).

It could also retain flexibility for RIT-T proponents to conduct early engagement activities that suit each individual project. In effect, complementing existing practices of TNSP's and further minimising the risk that transmission infrastructure arrives after it is needed.

Introducing these obligations would demonstrate to communities that respectful engagement is foundational to transmission development, and TNSPs are committed to responding to stakeholder needs, views and preferences in a meaningful and consistent way.

It would also encourage community acceptance activities of RIT-T proponents to align with best practice in other industry-led projects and infrastructure sectors such as rail and road. This recognises that the challenges of engaging early with communities can be overcome by giving TNSPs the remit to conduct a broader range of studies and analysis relevant to a specific project upfront.

AusNet has provided further detail in the attached submission, and encourages the AEMC to consult with other stakeholders and further test the feasibility of this proposed policy recommendation.

If you have any questions, please contact Jason Jina, Energy Policy Lead by email at jason.jina@ausnetservices.com.au.

Sincerely,



Jack San
Manager, Energy Policy
AusNet

AusNet

AusNet submission in response to the Transmission Planning and Investment Review Stage 2 Draft Report

Australian Energy Market Commission (AEMC)

Thursday, 14 July 2022



1. Introduction

AusNet Services Ltd (AusNet) is pleased to provide our response to the AEMC's Transmission Planning and Investment Review (TPIR) Stage 2 Draft Report (the Stage 2 Draft Report).

AusNet strongly supports transmission development being grounded in proactive and respectful engagement, particularly with the communities affected by energy infrastructure. This recognises that our transmission infrastructure projects are part of the community and will be for many years.

AusNet's submission focusses specifically on opportunities for the rules to improve stakeholder engagement outcomes and reduce social licence risks that transmission network service providers (TNSPs) face when planning and delivering large transmission projects. More specifically, we:

- Identify problems with existing 'community acceptance' obligations in the rules and why it is critical they are addressed by the TPIR (Section 2)
- Explain how carefully considered obligations in the rules could complement TNSP's evolving stakeholder engagement practices and minimise the risk that transmission infrastructure arrives after its needed (Section 3)
- Highlight examples of how 'deliverability' obligations are being actively applied in other contexts (Section 4).

Our response aligns with consultation questions 6 and 7 of the Stage 2 Draft Report Stakeholder Submission Template.

2. Problems with existing 'community acceptance' obligations

The AEMC's Stage 2 Draft Report highlights the need to improve the quality of stakeholder engagement with consumers, landowners and communities, while acknowledging that there is evidence TNSPs are working towards outcomes that build and maintain community acceptance.

While we agree with these observations, we do not agree with the AEMC's draft recommendations which concluded existing obligations for TNSPs to build and maintain community acceptance are suitable and appropriate.

The following section outlines problems around when the transmission planning process encourages stakeholders to engage with a project, and the disconnect between the RIT-T and jurisdictional planning and environmental approval processes, which are key barriers to building community acceptance.

It also explains why these problems (particularly the latter) require the AEMC to reconsider its draft recommendations on community acceptance and examine whether the regulatory framework could encourage earlier engagement on a broader range of factors when assessing credible options.

The transmission planning process could more clearly identify when consumer and community groups should engage with a specific project

As the Stage 2 Draft Report highlights, consumer and community groups are seeking greater transparency across all stages and details of transmission development. This includes genuine consultation around the route, technology choices, benefits, costs and risks of hosting energy infrastructure before decisions are made around the final network option and route is selected.

The challenge is that the transmission planning process does not clearly identify when consumer and community groups should engage with a specific project. An improvement in both industry and government communications to highlight where these opportunities exist for communities is therefore critical.

At the same time, the Stage 2 Draft Report also recognises that the current transmission planning framework risks engaging consumer and community groups too early when information most relevant to communities is not yet available (e.g. information about the final route, landholder compensation, community benefit sharing opportunities).

A key consequence of these problems is that consumer and community groups are often unaware of the project until the project is significantly progressed and therefore have not had a meaningful opportunity to provide input into key project decisions before they are made.

The economic assessment process practically locks in key transmission project decisions before considering whether a project is socially and environmentally deliverable

While by no means certain, there is a possibility that the issues surrounding when stakeholders engage with the transmission planning process become less prevalent as TNSP engagement approaches mature. The same cannot be said for the disconnect between the regulatory investment test for transmission (RIT-T) and jurisdictional planning processes.

The RIT-T is the binding economic assessment conducted by project proponents to promote efficient transmission investment, including for large transmission projects. The rules require the RIT-T to identify the preferred project by evaluating project options based on the costs and benefits accruing the electricity market participants and undertaking stakeholder consultation.

Critically, the factors considered in determining the preferred option are limited to whether the project addresses the identified need within the timeframes required and is commercially and technically feasible. It is only after key transmission project decisions are made (e.g. project area, design) that proponents are required to consider whether the project is socially and environmentally deliverable.

Jurisdictional planning and environmental approval processes are the primary vehicle for assessing whether a project¹ will achieve a balance of economic, social and environmental outcomes, and provide a net community benefit. In Victoria the primary instrument is the Environmental Effects Statement (EES), an integrated environmental impact assessment process under the *Environment Effects Act 1978*, that the Commonwealth can rely upon to make an approval decision under the *Environment Protection and Biodiversity Conservation Act 1999*. The primary approval under state legislation is planning approval. Other environmental approvals are required as determined by the matters the project impacts. An EES process generally requires a minimum of two years to complete.

The RIT-T and jurisdictional planning and environmental approval processes both require project proponents to assess alternative project options, however the latter considers a much broader scope of factors compared to the RIT-T.

The absence of factors considered in jurisdictional planning and environmental approval processes from the RIT-T's scope is commonly noted by RIT-T proponents. For example, the Humelink Project Assessment Conclusions Report published in July 2021 explicitly acknowledged that the RIT-T process does not address the line route specifics for the preferred option and, instead, these are scoped by the TNSP and assessed through the preparation of an Environmental Impact Statement (EIS) under the NSW planning approval pathway.

The table below compares the scope of factors considered when proponents assess 'project alternatives' in a typical planning and environmental approvals process such as the EES, compared to 'credible options' under the RIT-T.

Table 1 Scope of factors considered by proponents in RIT-T versus jurisdictional approvals

Regulatory investment test for transmission	Jurisdictional planning and environmental approval processes
<ul style="list-style-type: none"> • Addressees an 'identified need' to invest in the network • Maximises the net-economic benefit to all those who produce, consume and transport electricity in the market • Commercially feasible² • Technically feasible³ • Can be implemented in sufficient time to meet the identified need 	<ul style="list-style-type: none"> • Detailed assessment of feasible alternatives, including alternative project designs and routes • Meets project objectives, is cost prohibitive or both.⁴ • Environmental impact assessment on environmental, social, economic and cultural aspects as determined by the scoping requirements for the Environment Effects Statement.⁵

¹ An Environment Effects Statement is required for projects that have the potential for a significant environmental effect on a regional or state scale.

² An option is commercially feasible under NER clause 5.15.2(a)(2) if a reasonable and objective operator, acting rationally in accordance with the requirements of the RIT-T, would be prepared to develop or provide the option in isolation of any substitute options.

³ An option is technically feasible if there is a high likelihood that it will, if developed, provide the services that the RIT-T proponent has claimed it could provide for the purposes of the RIT-T assessment.

⁴ If an alternative is not feasible / viable due to cost alone there must be credible evidence to demonstrate that the additional cost is not proportional to the benefits the alternative option provides.

⁵ Factors that could require assessment include planning and land use, social, landscape and visual, biodiversity, Aboriginal cultural heritage, historic heritage, bushfire, geology, surface and groundwater, transport, noise and vibration, air quality, greenhouse gas, climate change, aviation, electromagnetic interference, and electromagnetic fields.

The disconnect between the RIT-T and jurisdictional planning processes risks costly scope revisions and delays in the delivery phase

The disconnect between factors considered by proponents when assessing projects at the RIT-T stage and subsequent jurisdictional planning approval process creates significant challenges for a TNSP to build and maintain social acceptance.

Several years can lapse from when a RIT-T is concluded only to find that the preferred technical solution is socially or practically unfeasible. In this time, a project proponents' ability to address the concerns of consumer and community groups is significantly reduced as the project is committed.

Given the scope of factors considered in the RIT-T do not align with jurisdictional planning processes, proponents are required to reassess any ISP candidate options and non-network options considered in the RIT-T. They may also be required to consider new options raised through feedback from the community or other stakeholders but not contemplated as part of the RIT-T.

Reconsidering these options and scope revisions is an incredibly time and resource intensive exercise. Jurisdictional planning processes such as the EES in Victoria typically requires proponents to demonstrate the process for identification and analysis of "feasible alternatives" that have the potential to deliver suitable social, environmental and economic outcomes whilst meeting the project objectives. This includes consideration of alternative corridors, alignments, sites, designs (e.g. full or partial undergrounding) for the planning, construction or operation of the project.

These scope revisions and associated delays are not in the long-term interests of consumers as they represent direct impacts on the timely and efficient delivery of major transmission projects. They also impact the ability for energy infrastructure to deliver a positive legacy for local communities.

It is for these reasons the AEMC should consider whether the regulatory framework could encourage earlier engagement on a broader range of factors.

3. Additional obligations could complement TNSP's existing practices

AusNet recommends the rules embed the concept of "deliverability" as part of the economic assessment process

There is a spectrum of amendments that the AEMC could consider to address the problems outlined in Section 2. At one end of the spectrum the AEMC could introduce minor non-prescriptive amendments to the rules. For example, introduce a requirement for RIT-T proponents to consult consumer and community groups likely to be affected by the credible options presented (rather than just seek submissions from registered participants, AEMO and other interested parties). On the other, the AEMC could introduce highly prescriptive amendments that require RIT-T proponents to consider the social and environmental effects in line with jurisdictional planning processes.

AusNet sees the likely solution sitting somewhere in the middle of these two extremes. We recommend the AEMC explore options that would embed consideration of whether a network option is 'deliverable' earlier as part of the economic assessment process. For example, the AEMC could introduce a requirement for RIT-T proponents to conduct studies and analysis which demonstrate whether the credible options presented are likely to be "deliverable."

This could be implemented by amending the definition of a credible option under NER Clause 5.15.2. The definition of deliverable could be sufficiently broad to allow RIT-T proponents to:

- **Adopt a risk-based approach** to, at a minimum, identify and assess social, environmental and economic factors that pose a relatively high risk of adverse effects over others.
- **Conduct and recover the costs of studies, analysis and consultation that is detailed enough to provide a reasonable understanding of economic, technical, social and environmental impacts** of each credible option presented much earlier (e.g. before the Project Assessment Conclusions Report is completed).
- **Retain flexibility to tailor its engagement activities to suit the individual project and its operating environment.** This recognises that the challenges of engaging early with communities can be overcome by giving TNSPs' remit to conduct a broader range of studies and analysis relevant to a specific project upfront.

To avoid over prescription, the AER could provide non-binding guidance in its RIT-T application guidelines about what deliverability means and how it could be assessed. For example, the potential studies and analysis RIT-T proponents could undertake to demonstrate whether an option is likely to be deliverable recognising this may differ depending on the needs of individual communities and projects. The development of this guidance should be subject to advice from RIT-T proponents and public consultation.

In outlining this policy recommendation, AusNet encourages the AEMC to consult with other stakeholders and further test its feasibility. There may also be opportunities to consider this proposal in Stage 3 of the TPIR and lessons from similar practices applied in other contexts (see section 4).

Embedding deliverability obligations in the rules would complement TNSP's existing practices, retaining flexibility and improving implementation success

We understand the Stage 2 Draft Report has sought to resolve issues on a no-regrets basis. The introduction of rules that embed the concept of deliverability as part of the economic assessment process and encourage early engagement with affected consumers and communities (primarily landholders) is consistent with this approach.

Key benefits include:

1. **Demonstrating to communities that TNSPs are serious about both building and maintaining community acceptance for transmission in a meaningful and consistent way**

Delivering a positive legacy for the community requires a detailed understanding of their needs and values. The recommended amendments achieve this by placing community within the decision-making process, which is particularly important given the scale of transmission build required, and presence of new infrastructure in that community for its lifetime.

2. **Complement TNSP's existing practices and improve implementation success**

Engaging with affected communities prior to determining a final option allows TNSPs to avoid credible options and geographical areas with significant constraints. It also facilitates a smoother jurisdictional planning and environmental approvals by prosecuting the highest risk factors in this process earlier.

These problems are particularly relevant in jurisdictions where multiple parties are involved in community engagement, such as in Victoria and NSW. Maintaining continuity from the planning to delivery phase in these circumstances is more difficult and requires early consideration of deliverability factors to succeed.

Our policy recommendation is therefore complementary to existing TNSP practices, and the AEMC's examination of different contestability options and their benefits. It will also help minimise the risk that renewable energy infrastructure arrives after its needed.

3. **Offer a clearer pathway for TNSPs to recover costs of activities associated with engaging with stakeholders needs, views and preferences during the RIT-T**

While not precluded by RIT-T requirements, proponents have not typically brought forward stakeholder engagement activities, independent studies and analysis required to consider the factors in jurisdictional planning and environmental approval processes.

Embedding the concept of deliverability in the rules, with additional context provided in guidance, would help set expectations about what costs are considered efficient and prudent.

4. 'Deliverability' obligations are being actively applied in other contexts

AusNet is embedding the concept of deliverability as part of its Gippsland REZ

AusNet is currently investigating an industry-led development of Victoria's first Renewable Energy Zone (REZ) project in Gippsland, the Gippsland Renewable Energy Zone™ (or G-REZ™), which will unlock 3-4 GW of renewable energy projects in the region.

As an industry-led project, G-REZ is not subject to the regulatory investment test for transmission (RIT-T). We have implemented new tools and approaches to improve community acceptance outcomes learning from the experience of our own projects and those previously commissioned in the area. This includes:

- **Completing an initial feasibility assessment that considered deliverability factors of various options and engaged with key stakeholders early.** AusNet has completed an initial feasibility assessment evaluating the need for a Gippsland REZ and its benefits to both energy consumers and the region. This was supported by desktop analysis considering the deliverability of various infrastructure options based on social, environmental and cultural heritage factors, and an economic assessment of the project.

As part of this process, AusNet also engaged with key stakeholders to understand the need and the sentiment for a project of this scale in the region. The feasibility assessment, coupled with AusNet's early stakeholder

engagement, provided AusNet with a much clearer understanding of community needs and views, and allowed for an informed stage gate to determine if the project would proceed.

- **Engaging with landowners and the wider Gippsland community early and often to give them a direct line into the project.** AusNet is currently engaging with landowners, neighbours, the broader community and other key stakeholders regarding the G-REZ project after publicly launching the preferred transmission route in early July 2022. This comes after the team completed initial engagement with all landowners along the preferred route and notification of all directly neighbouring properties proposed to host transmission infrastructure. We upheld our commitment to ensure we spoke with all landowners along the route before releasing this publicly. This ensured these important stakeholders heard about the project from AusNet first and had the opportunity to ask questions and better understand what was proposed before it was discussed and shared more broadly within the community. Our engagement with these stakeholders will continue in an open, transparent and ongoing manner over the life of the G-REZ project.
- **Streamlining engagement in collaboration with foundational partners who are committed to progressing G-REZ.** AusNet is working with renewable energy developers in the region, where appropriate, to better coordinate engagement activities and help build community understanding of the roles and responsibilities of various parties regarding renewable energy generation and transmission within the region.
- **Setting up a community advisory group with the opportunity to influence project decisions.** AusNet is currently working to establish a community advisory group focussed on key issues, testing and sharing views on what we have heard so far. This includes identifying where the group can genuinely influence project decisions.
- **Applying an evidence-based approach to key decisions around the project, including the final design.** The final design including the exact location of any transmission infrastructure and use of overhead or underground technology will be determined following an extensive process of community engagement, environmental studies and be subject to funding and approvals.

Similar community acceptance practices are being considered in Victoria and are best practice in other infrastructure sectors such as rail and road.

Early consultation and an assessment of whether a project is likely to be “deliverable” are increasingly important to stakeholders, and are being considered in Victoria. This includes:

- **The Victorian Government’s recently released Victorian Transmission Investment Framework consultation**

The Victorian Government has recently commenced consultation on a proposed transmission investment and planning framework that embeds proactive engagement, and consideration of social and environmental factors in decision making. This includes new planning tools such as a Strategic Land Use Assessment and a Multi-Criteria Analysis as a direct avenue for communities to provide input around the location and amount of energy infrastructure required across REZs, well before specific project investment decisions are made.

- **AusNet’s Victorian Transmission Roadmap**

AusNet is building on the work completed for G-REZ to develop an innovative multi-disciplinary lens at the conceptual stage of transmission planning, referred to as our Victorian transmission roadmap.

This includes considering Victoria’s energy supply and transmission needs through four lenses: full nodal market modelling; network engineering requirements; community, land use and stakeholder engagement impacts; and procurement and delivery challenges.




Similar stakeholder engagement and project evaluation practices are also well established in other sectors such as rail and road. These projects typically follow a gated milestones process to ensure appropriate milestones are met, alignment between key work streams and ensure that the project objectives are met.

This approach ensures the level of commitment towards a project is aligned with the information available. In other words, project proponents can make an informed decision process about whether the project should continue, at what speed should it continue and whether further funding be provided to the project.

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