

28 September 2023

Ms Anna Collyer
Chair
Australian Energy Market Commission (AEMC)

By online submission

Dear Ms Collyer,

ERC0357 Enhancing community engagement in transmission building rule change

The Australian Energy Market Operator (AEMO) welcomes the opportunity to comment on the AEMC's draft determination on enhancing community engagement in transmission building, in response to the rule change request submitted by The Honourable Chris Bowen, Minister for Climate Change and Energy.

Social licence is of great importance to the sector as a whole, with significant focus on genuine and meaningful engagement with landholders and communities required as part of the energy transition. At AEMO, social licence is directly relevant in our role as National Transmission Planner responsible for preparing the Integrated System Plan (ISP) and in our capacity as Victorian Transmission Planner (hereafter referred to as 'AVP') responsible for applying the Regulatory Investment Test for Transmission (RIT-T) to augmentations of the Victorian Declared Shared Network.

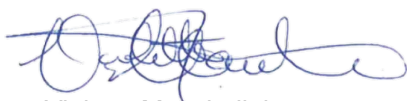
We recognise that many Transmission Network Service Providers (TNSPs) are already engaging stakeholders in accordance with these amendments and that this rule change amendment will provide certainty to both TNSPs and communities, which will improve the quality of planning and timely delivery of transmission infrastructure, required for the transition to net zero.

We have provided some perspectives on the questions asked in Appendix 1 below.

In addition to the perspectives outlined on this specific rule change, we note that TNSPs should be incentivised to adopt good social licence practice given the reputational and project delivery impacts it can have. In this regard the AEMC may wish to engage with the Australian Energy Infrastructure Commissioner (AEIC) to ensure this process takes into account any insight available as part of the current Community Engagement Review underway.

If you would like to discuss anything further, please contact Kevin Ly, AEMO Group Manager – Reform Development & Insights (kevin.ly@aemo.com.au).

Yours sincerely,



Violette Mouchaileh

Executive General Manager – Reform Delivery

APPENDIX 1: AEMO'S VIEWS AND INSIGHTS ON THE DRAFT DETERMINATION

General comments

AEMO welcomes the draft determination and potential enhancement of social licence considerations within the ISP framework as a means to better identify and address potential social and economic barriers in the consideration of ISP projects.

We acknowledge and are pleased to have contributed via scoping conversations to the proposed rule change, as we support opportunities for greater consultation with landholders, community and broader stakeholders throughout the transmission planning and development process. We also appreciate the need for greater clarity and certainty around cost recovery arrangements for preparatory activities, as a means to encourage early and meaningful engagement.

AEMO welcomes the current level of focus from government and industry to better understand, define, and set better practice guidelines for social licence related to new or potential transmission infrastructure. Additionally, we recognise the depth of work underway by various government and industry groups to enhance engagement, communications and expectation setting for landholders and communities in respect to new infrastructure projects, and are pleased to be a contributor in several forums focused around this topic. This work includes the Energy Charter's [Better Practice Social Licence Guideline](#) (2023), the Australian Energy Infrastructure Commissioner's (AEIC) Community Engagement Review and the Federal Department of Climate Change, Energy, the Environment and Water (DCCEEW) National Guidelines for Social Licence for Transmission.

AEMO's view is that the requirement for TNSPs to build and maintain social licence for ISP projects is a vital part of ensuring the timely and efficient delivery of these transmission projects, which are key to achieving Australia's net zero ambitions. At AEMO, we have established an Advisory Council on Social Licence to assist with gaining better understanding of social licence for the ISP development. The Council's establishment gives effect to recommendations of the ISP Consumer Panel Report on the Draft 2022 ISP, which called for AEMO to place a greater emphasis on social licence risks associated with the ISP's implementation and for AEMO to "take a leadership role amongst the many stakeholders that will need to be involved". In addition, greater insights on social licence matters would benefit AEMO in the execution of its role more generally, beyond its ISP work. This includes in its role contributing to energy policy and actions to support the energy transition. Accordingly, AEMO receives strategic high-level advice in relation to its broader role from the Council. The Council can also provide advice and insights to inform AEMO in relation to AVP.

AVP are also involved in continually enhancing approaches to building and maintaining social licence. For example, in relation to the VNI West project, AVP and Transgrid released an Additional Consultation Report in February 2023, which reflected feedback received in submissions the Project Assessment Draft Report (PADR). AVP and Transgrid held a series of webinars and deep dives to engage with stakeholders on the Additional Consultation Report and published responses to the questions raised in those sessions.

Subsequently, the Project Assessment Conclusions Report (PACR): Volume 2 summarised all the points raised in the Additional Consultation Report submissions, explained how they were taken into account in finalising the PACR and outlined engagement activities undertaken by AVP and Transgrid up until that date. Consideration of the issues raised by stakeholders in relation to both the PADR and the Additional Consultation Report played a pivotal role in the finalisation of the VNI West PACR.

Given our knowledge and experience based on the above, AEMO believes that a balance needs to be achieved to ensure that stakeholders are engaged in a proportionate manner to build and maintain social licence by providing clarity where clarity can be achieved (e.g. once a decision is made on where a corridor is likely to be), and also ensuring that consultation fatigue is avoided.

Comments on specific elements of the consultation paper

AEMO considers the draft determination appropriately captures and defines the local community stakeholders that TNSPs should be required to engage with, early in the transmission planning process, as part of preparatory activities.

Our views on the specific amendments are set out below.

1.1. Draft recommendation 1: clarifying who are local community stakeholders

1.1.1. Definition of preparatory activities

AEMO considers that the proposed definition of preparatory activities to include “stakeholders who are reasonably expected to be affected by the development of the actionable ISP project, future ISP project, or project within a REZ stage (including local landowners, local council, local community members and traditional owners) in accordance with the community engagement expectations” is sufficiently broad.

We note this is not an exhaustive list of stakeholders that must be engaged, and highlight the importance of adopting a ‘place-based’ approach to ensure community engagement and benefit sharing responds to the needs of local people. Therefore, AEMO would recommend that TNSPs have sufficient discretion and flexibility to be responsive to the engagement preferences of local communities, as part of preparatory activities.

We also note the draft determination will apply to AEMO in our capacity as AVP in Victoria, and agree this is appropriate given AVP’s role in undertaking preparatory activities.

1.1.2. Definition of ‘interested party’

AEMO considers it is appropriate to clarify the definition of ‘interested party’ to include stakeholders who, for the purpose of the RIT-T for an actionable ISP project are reasonably expected to be affected by the development of the actionable ISP project (including local landowners, local council, local community members and traditional owners). We understand that TNSPs are already largely engaging with these stakeholders. We consider this amendment provides clarity and certainty regarding TNSPs’ requirements to engage with these stakeholders throughout the RIT-T process.

1.1.3. The REZ design framework

AEMO considers it appropriate that a REZ design report must include the results of any engagement with stakeholders who are reasonably expected to be affected by the development of a project within a REZ stage, including local landowners, local council, local community members and traditional owners, undertaken as part of preparatory activities. We agree that specifying examples of stakeholder groups creates consistency around the local community stakeholders that TNSPs are required to engage both in relation to actionable ISP projects and REZs.

We also note that jurisdictions such as NSW, Queensland and Victoria, which are planning REZs, already have extensive arrangements in place for stakeholder engagement. However, given some

jurisdictional schemes may be time-bound, we consider it is important for there to be clear obligations for TNSPs in relation to social licence in the NEM framework.

1.2. Draft recommendation 2: introducing community engagement expectations for ISP projects and REZ stages

AEMO considers the proposed definition of community engagement expectation is appropriate and agrees with the proposed requirement that TNSPs adhere to community engagement expectations when engaging with stakeholders described in the consultation paper, given AEMO agrees this would help ensure that community engagement across actionable ISP, future ISP and REZ stage projects are clear and consistent.

1.3. Draft Recommendation 3: The draft rule would apply to actionable ISP projects, future ISP projects and REZ stages

AEMO agrees it is appropriate for the draft rule to apply to all ISP projects.

1.4. Draft recommendation 4: including transitional rules for AER guideline updates and to enable TNSPs to choose to apply the AEMC's draft rule for current projects

AEMO considers it appropriate that transitional rules provide the AER with 12 months to update and publish its cost benefit analysis (CBA) guideline and consult with stakeholders to satisfy the consultation requirements to update the guideline.