



Australian Government

Australian Energy Infrastructure Commissioner

9 October 2021

Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
SYDNEY NSW 2001
via email: Anna.Collyer@aemc.gov.au

Dear Ms Collyer

Re: Australian Energy Market Commission - *Transmission Planning and Investment Review*

The Office of the Australian Energy Infrastructure Commissioner welcomes the opportunity to provide feedback on the Transmission Planning and Investment Review consultation.

The Australian Energy Infrastructure Commissioner fulfils a national, independent role in Australia's energy sector and responsibilities include:

- facilitating the handling of complaints from concerned community residents about planned and operating wind farms, solar farms (5 MW or more), energy storage facilities (1 MW or more) and new large-scale transmission projects
- identifying and promoting best practices for industry, government and related agencies to adopt with regard to the planning, operation and governance of such projects, and
- improving information access and transparency about proposed and operating projects, and relevant government and industry information more broadly.

Our Office understands the importance of the timely and efficient delivery of large-scale transmission projects in enabling the current energy transition in Australia, whilst also ensuring that potential impacts to regional communities and landowners are appropriately managed and mitigated.

We are delighted that you have launched this timely review, particularly in regard to investigating appropriate options to provide clearer pathways for deployment of large-scale transmission projects.

Our Office offers the following information and comments below for your consideration.

Initial observations on the development of proposed large-scale transmission projects

In March 2021, the role and remit of our Office was expanded to include new large-scale transmission projects. We have made a number of initial observations in relation to potential systemic issues and challenges regarding the design, development and deployment of large-scale transmission lines. Some of these observations include:

- It has been several decades since transmission projects of this scale and magnitude have been planned and deployed. Industry (and regulators) will likely have a steep learning curve as well as challenges in regaining and retaining the appropriate skills and expertise, including skills related to community and landholder engagement.

- The need for clearly visible leadership and ownership of agreed project outcomes, delivering on the business case and ensuring ongoing clarity about the problem(s) to be solved by the project.
- Implementing and ensuring there is appropriate, effective executive level governance of the project, including representation from major stakeholders and ongoing engagement with these parties.
- There should be careful consideration of design and route implications resulting from technology choices to deliver the project. Emerging and maturing technologies, such as underground cable options and large-scale storage solutions, may have a material impact and benefit in reducing the impact of the project on landholders and community.
- There is a need for clearer planning guidelines to assist with the design and assessment of projects, such as minimum setback distances for above ground transmission lines and towers from residences, property boundaries, public facilities, state and national parks, airfields and runways, and public roads.
- Effectiveness of community and landholder engagement programs and their ability to adapt to the diversity of community and landholder circumstances along the length of the proposed transmission line. Affected persons can include suburban home residents, lifestyle properties, hobby farmers, specialised primary producers through to broad-acre farming. Such diversity of impacted persons can also lead to a diverse array of community opposition groups to the project that may have differing issues and objections to navigate.
- There may be unintended consequences, resulting in widespread project opposition from numerous landholders and communities, due to the public 'multi-corridor approach' being used to select a final proposed transmission line route.
- Compensation arrangements for landholders hosting transmission-related infrastructure may be perceived to not be equitable when compared with landholder arrangements for wind farms and solar farms.
- The need for clear, updated guidelines and protocols, such as access codes that must be followed by proponents when accessing landowner properties, through to guidelines that clarify what activities can and cannot be done near or within a transmission line easement.
- Other key issues of concern that have raised community members and landholders include:
 - effectiveness, or otherwise, of current community/landholder engagement programs
 - perceived potential for increased bushfire risk and decreased firefighting capability
 - impacts to visual amenity
 - potential loss of property value, and
 - reduction of prime productive agricultural land.

These observations listed above provide the basis to the further comments below for your consideration in undertaking the Transmission Planning and Investment Review.

Long-term planning and governance

The Office considers that it is crucial to have a clearly articulated strategy and governance framework for the planning, deployment and ownership of the large-scale transmission grid. These

mechanisms will enable a sustainable approach to generational planning and oversight of the grid's design, deployment and operation. Key considerations include:

- Clarifying and agreeing on the appropriate authority to approve the long term, large-scale transmission grid plan and ensuring its successful deployment to agreed milestones.
- Clarifying and agreeing on the respective roles and responsibilities (with regard to the design, development and deployment of the grid and the associated funding mechanisms) of the various Federal and State agencies/organisations, including the AER, AEMO, AEMC, ESB, DISER, TNSPs, VIC Grid, Energy Corp of NSW, Essential Services Commission (VIC), Energy Safe Victoria, DELWP, DPIE and other state government equivalents.
- Further to the above, there may be a need to review relevant Federal and State legislation to identify overlapping and inconsistent legislation and, as a result, introduce amendments to ensure the legislation is supportive of appropriate powers and authorities required to execute the overall grid plan.
- Given the scarcity of remaining land options, action should be taken sooner rather than later for the relevant bodies to secure and acquire easements likely to be required for future transmission corridors. A funding mechanism will likely be required to fund this initiative.
- The agency responsible for the design of the grid should ensure there are regular design reviews in place (incorporating impacts of new and emerging technologies) at least every five years to adjust the design to meet changes in circumstances and technology.

Managing project risks and social licence

One of the more complex issues for new grid deployments is gaining acceptance of large-scale transmission projects by affected communities and landholders. Further, community expectations as well as the ability to successfully galvanise opposition to projects have increased significantly since the last generation of large-scale transmission projects were deployed.

Under the current regulatory framework, our Office understands that recovery of projected costs for public infrastructure is a matter that is of key concern for TNSP's when it comes to management of social licence and consideration of community benefits and compensation for landowners.

The current framework appears to be weighted on minimising risks related to 'overbuilding' or 'gold-plating' of transmission projects at the expense of the electricity consumer. Conversely, the framework does not appear to fully consider the risks of new major transmission projects being seriously delayed or halted as a result of successful actions taken by groups opposed to a project (such as legal actions challenging the planning process or planning decisions).

Given the above, it would be beneficial to consider enhancing the regulatory funding framework to include risk assessments that considers factors such as risk of project delays that may result from unsuccessful land acquisition negotiations and well organised opposition to the project.

Uncertainty of RIT-T cost recovery approach

It may be timely to consider whether the current RIT-T arrangements are appropriate as a mechanism for the efficient and effective delivery of large-scale transmission projects. In particular, the current cost recovery arrangements and expectations of the RIT-T process may impair the ability for TNSP's to deliver large-scale transmission projects at the expected costs and benefits to the electricity consumer.

A key issue of uncertainty is the fluctuating costs of 'early works' in investigating and engaging on a project once a RIT-T has been undertaken. Matters to consider include:

- The investigation, development and construction of a large-scale transmission project will take several years to obtain planning/environmental approvals, acquire easements and build the assets.
- New challenges are arising as a result of design implications from new technologies and changes to the cost/benefit analysis from factors such as underground versus overground and large-scale storage facilities.
- TNSP's may bear additional significant costs during the early development stages, however, may not benefit from the certainty of cost recovery until these projects are more advanced and progressed.
- There may be uncertainty in estimating project costs, including increasing steel and transportation costs, also noting there are no recent Australian benchmarks for a large-scale transmission deployment of the scale of those envisaged in the Integrated System Plan 2020.
- Investigation of multiple route corridors can take significant time and substantially affect costs, particularly if land easement negotiations are delayed and/or there are significant increases in land value.

Further information

Thank you again for the opportunity to make a submission to this review. I would be delighted to discuss these matters with you and your colleagues in further detail and expand on the background to our various observations and suggestions above.

In the meantime, if you have any questions about this submission or require additional information, please contact us via email at aeic@aeic.gov.au or on 1800 656 395.

Sincerely



Andrew Dyer
Australian Energy Infrastructure Commissioner