

29/11/2023

Stephanie Jolly
A/Executive General Manager – Consumer, Policy and Markets
Australian Energy Regulator

Dear Stephanie,

Thank you for providing the opportunity to contribute to the AER deliberations on Social Licence. It is encouraging that the AER is considering the merits of this issue. To respond comprehensively, I believe it is essential to take a broad perspective.

Before proceeding, it's crucial to clarify the term "social licence" The Directions Paper offers no definition, so for clarity I've adopted the definition from Sustainability Victoria:- "The social licence is the acceptance continually granted to a business by the local community or other stakeholders to operate, An important characteristic of social licence is that there is no written agreement or formal licence as it's built on trust. It can be withdrawn at any time."

Additionally, concepts like social capital and reputational capital, are not tangible for a profit and loss statement but are absolutely necessary for a business to function. The intricacy in this is that 1 wrong deed can undo an enormous amount of good deeds. It is in these areas that transmission companies have not been paying full attention and the outcome has become self-evident with the current lack of social licence.

To quote Oscar Wilde, "A cynic knows the price of everything and the value of nothing," although not an economist, the quote aptly captures the point that a business must consider more than just a financial bottom line.

Chapter 4 of the Directions Paper discusses the RIT-T process, but for VIN-West, this doesn't apply and has marginalized the Victorian community due to the political involvement in WRL and VNI-West with NEVA orders (Ministerial Orders). This political involvement, at AEMO's request, highlights the ease with which social and reputational capital can be eroded, contributing to the current lack of social licence. It also demonstrates that AEMO and the Victorian Government do not respect the RIT-T process, which presents another impost to gaining social licence.

Specifically to the current VNI-West (option 5A) project, this directions paper appears to be set on enabling a project in hindsight that is non-compliant for funding as it does not meet the criteria required under the NER. The issue's being it does not meet RIT-T project criteria of least cost or the greatest service provision as a network service interconnector or for REZ impute. It should also be noted that 5A is the longest option. To reason that Social licence is a suitable way for making it compliant to the NER and the RIT-T process is ridiculous and I protest most strongly as this would be just wrong.

In the broader context having a transmission businesses draw up an engagement plan under the guise of social licence is highly problematic. It allows the business to weave a narrative that has an underling intention as a cost shifting and value adding excise to the benefit of the businesses. While the Directions paper speaks of measures to address

a number of these issues including a “but for” test and seeking prudence and efficiency the reality is that any administrator could not adequately keep the plan in check.

Amendments to the NER regarding stakeholders, as foreseen in the Directions Paper @ 3.3, are positive. Valuing various stakeholders differently, as witnessed in the VNI–West case, is untenable. With many submissions being given poor treatment by AEMO and to complete the indifference stakeholders had no avenue to appeal this due to having “no standing” to lodge a dispute with the AER.

Chapter 5 Cost Recovery, is inappropriate and on balance will do more harm than good. Businesses seeking a social licence must have ethical, sustainable, and socially responsible practices, considering the needs of all stakeholders including customers, employees, suppliers, local communities and the environment. These are not just add-ons you buy off the self they are part of normal, well run business and financial support for businesses lacking these values is inappropriate.

The NER already provides adequate avenues for project financing while the Directions Paper @ 5.2 mentions activities like "amenity or a change in the planned route," these are well covered in the development of a project through the consideration of constants. The consultant for VNI-West sell themselves as highly skilled at this and even from a desktop study can identify an individual tree species. Unfortunately the outcome from their work to date does not reflect this when the current refined corridor of interest includes 100 homes, once again trashing reputational capital and social licence.

Having been through the directions paper it appears the term “social licence” is sometimes miss-understood and interpreted incorrectly which has allowed other irrelevant issues to be a distraction to the real needs to improve social licence.

Yours Faithfully

Keith McPherson

[REDACTED]
[REDACTED]
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Email:- [REDACTED]