



AER Consultation – review of the cost benefit analysis & RIT application guidelines

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About RE-Alliance

The Renewable Energy Alliance (RE-Alliance) is a not-for-profit organisation working proactively to secure an energy transformation that delivers long-term benefits and prosperity for regional Australia. We do this by listening to the needs of communities most impacted by the shift to renewables, amplifying their voices in dialogue with regional organisations, allies, industry and governments to deliver meaningful social outcomes and benefits for regions.

We welcome the opportunity to provide feedback to the Australian Energy Regulator (AER) on how their guidance to transmission developers addresses the need to build social licence for their projects.

We note that the AER guidance is one element of a suite of steps taken to respond to our calls in *Building Trust for Transmission* (2021). Other recent and related changes include AEMC rule changes on community engagement requirements and expectations for transmission projects, AER directions paper on social licence for electricity transmission projects and the forthcoming national guidelines on transmission social licence and benefit sharing. While this guidance is important, it is still hard to understand where the coordination of these activities is being done and exactly where the decision-making authority sits. We see a remaining gap in public awareness around who is involved, where in relation to transmission projects being proposed, approved and built.

This consultation document is focussed on the proposed updates to the Regulatory Investment Test for Transmission (RIT-T) cost-benefit analysis guidance for transmission developers, providing guidance on social licence-related issues such that companies understand - more clearly - the guardrails around expenditure for

- effective engagement with stakeholders, including local communities, First Nations people, and landholders
- preparatory works and stakeholder engagement requirements for RIT-T projects.

The consultation also emphasises the importance of reporting on engagement against the stakeholder engagement plan when preparing the draft and final reports.

As we understand it, the AER is aiming to promote collaboration, transparency, and responsiveness in engaging with stakeholders and addressing their concerns in the development of energy transmission projects. At present, the guidance does not make reference to oversight and periodic assessments. We recommend the AER address this gap.

Recommendation: Include provision for monitoring and oversight and periodic assessments. This could include tracking and monitoring of sentiment across transmission projects over time and of transmission project commitments and delivery against them. These elements would be key in understanding the expenditure over time in terms of \$, impacts (positive or negative) on delays, and influence on public sentiment. We would urge the AER to also commit to publicly communicating summary information on those periodic assessments.

Further consultation questions are responded to in the table below.

Consultation questions & responses

1. Social Licence - Identifying credible options in a RIT-T assessment	
<p><i>What factors or criteria should a RIT-T proponent consider when determining whether a project:</i></p> <ul style="list-style-type: none"> <i>· is going to be delayed, or is not likely to proceed such that the project is no longer technically feasible?</i> <i>· is not likely to be delivered in sufficient time to meet the need?</i> 	<p>Every transmission project could potentially face delays - some of which may relate to social licence issues. Allowing expenditure on social licence that provides jurisdictional and procedural fairness to be experienced by communities and stakeholders of the project is key.</p> <p>The AER will need to work out a way to enable expenditure on social licence activities to be forecast, to track how this is being delivered and to monitor the progress against commitments.</p>
<p><i>What might be some objective measures of any factors identified above?</i></p>	<p>Sentiment tracking</p>
<p><i>If initial community engagement indicates that an option may not be credible, what further engagement or other action should a transmission business undertake to determine if an option may later become credible?</i></p>	<p>Allowing expenditure on social licence that provides jurisdictional and procedural fairness to be experienced by communities and stakeholders of the project is key.</p>
2. Social Licence - Costs and market benefits in ISP and RIT-T assessments	
<p><i>Is there a need to clarify costs and benefits that may be included in the RIT-T to address social licence issues? What worked examples would be useful?</i></p>	<p>This could include costs like resourcing and delivery of community engagement over a specified period to undertake early engagement on a key area like 'mapping significant places' and local workshops to validate significant places. Costs associated with facilitating deeper community input into engagement processes should also be considered.</p> <p>Benefits could include safer work conditions for</p>

	<p>employees, contractors and consultants/service providers. But if you mean market benefits - this is mainly the provision of capacity allowing renewables to connect. It may be helpful to focus on local region benefits from the project - in headroom for small scale renewable connections, improved reliability outcomes etc.</p>
<p>Are any additional classes of costs and market benefits necessary to address social licence issues, and available within the framework provided by the Rules?</p>	<p>No comment/not sure.</p>
<p>How could the effect of delays on the costs and market benefits of each credible option be assessed and justified?</p>	<p>The discount rate will reduce the value of expenditure, so a delay will mean - effectively - more money is required to be spent. That will - eventually - have a material impact on market benefits.</p> <p>As noted above, the effect of delays on market benefits will have a flow on impact for regional renewable energy generation, emissions impacts (by retaining and using coal and gas in the absence of connecting more renewables) and overall costs to consumers as high cost gas remains the price-maker in the energy market.</p>
<p>If a RIT-T were to include forecast expenditure on social licence activities to address an identified reduction in market benefit due to project delay, what justification would be required to demonstrate this expenditure will reduce the potential project delay?</p>	<p>This question implies that social licence is a technical solution made up of kit. This is not the case. Every transmission project could potentially face delays - some of which may relate to social licence issues. Allowing expenditure on social licence that provides jurisdictional and procedural fairness to be experienced by communities and stakeholders of the project is key. Being able to 100% confirm this will reduce the potential for project delay is over-reach.</p> <p>The AER will need to work out a way to enable expenditure on social licence activities to be forecast, to track how this is being delivered and to monitor the progress against commitments.</p>
<p>3. Social Licence - Community engagement - Enhancing community engagement in transmission building</p> <p>There are several areas of the Guidelines for which clarification may be provided following the updated definition of 'interested party'. We are seeking stakeholder feedback around the provision of these clarifications. We are also seeking views on whether the Guidelines should be prescriptive about these matters or should set out principles within which RIT-T proponents should operate.</p>	
<p>The definition of stakeholders that are "reasonably expected to be affected by the development" of the project</p> <ul style="list-style-type: none"> · What criteria should be used to establish when a stakeholder is 'reasonably expected' to be affected? Are there conditions to consider other than the presence of a stakeholder group in the geographical area of a project? · What threshold should be considered when assessing whether a stakeholder is 'reasonably expected' to be affected? To what extent are 	<p>Set a clear approach and allow some flexibility for stakeholders to self-determine and self-identify.</p>

<p><i>RIT-T proponents able to assess the materiality of effects on stakeholders before engaging with them?</i></p>	
<p><i>How should interested parties be identified?</i></p> <ul style="list-style-type: none"> <i>· Should reasonably affected stakeholders be identified nominally, by constitution of a list in advance?</i> <i>· Should RIT-T proponents identify specific affected stakeholders, or rather ensure that the consultation addresses each category of stakeholder?</i> <i>· Is it necessary or sufficient to have representation of each category of stakeholders?</i> 	<p>See AEMC rule. There is also provision for 'others' relevant to the project and we would suggest retaining flexibility and encouraging wider engagement over narrow engagement.</p>
<p>4. Social Licence - Community engagement - Planning stakeholder engagement</p>	
<p><i>While community engagement expectations require that "reasonable endeavours" should be used, how should this be interpreted and what would be the minimum expectations for tailoring engagement materials and communication methods to meet the needs of different stakeholders?</i></p>	<p>Good communication practice (not even best practice) implies at the very least that you try to inform people directly - via physical letters, electronic means, local newspapers and notice-boards, local council information channels etc. To improve practice, producing a summary of what the draft or final report is about, what avenues there are for people to engage with the developer about it or to ask questions or seek more information.</p>
<p><i>The community engagement expectations include that "stakeholders (will be) provided with a range of opportunities to be regularly involved throughout the actionable ISP projects, future ISP projects and REZ stages". Should there be guidance on what opportunities for regular involvement the RIT-T proponent could consider providing stakeholders with?</i></p>	<p>Allow tailoring to specific communities and local needs.</p>
<p><i>What requirement should the guidelines contain for a RIT-T proponent to publish an engagement plan on how it will make reasonable endeavours to satisfy community engagement expectations?</i></p>	<p>Requiring that they do publish the plan. Requiring that they do make reasonable endeavours...etc. How may need flexibility to tailor to the specific communities and local needs.</p>
<p><i>How can we promote continuity and avoid duplication between AEMO's engagement work, and the engagement undertaken by the RIT-T proponents?</i></p>	<p>Establish a transmission community engagement coordinator function to support AEMO and RIT-T proponents to coordinate, collaborate and potentially co-deliver engagement activities so that continuity is promoted and duplication avoided as far as possible.</p>
<p>5. Social Licence - Community engagement - Engagement on draft and final reports</p>	
<p><i>For the draft and final reports, is the normal means of consultation (by publication on proponent and/or AEMO website) sufficient to be in accordance with the expectations?</i></p>	<p>No. Engagement with affected community members who are stakeholders of the project requires more than just 'we published it on our website' or 'you can find it on the internet'.</p> <p>Good communication practice (not even best practice)</p>

	<p>implies at the very least that you try to inform people directly - via physical letters, electronic means, local newspapers and notice-boards, local council information channels etc. To improve practice, producing a summary of what the draft or final report is about, what avenues there are for people to engage with the developer about it or to ask questions or seek more information.</p>
<p><i>What should we require proponents to include about stakeholder feedback in the draft and final reports?</i></p>	<p>At a minimum, proponents should be reporting to the AER on which stakeholders (grouped and de-identified) were engaged with, what feedback was about, how they responded to that feedback and how stakeholders and/or the community was informed about those responses to feedback.</p>
<p>6. Sharing concessional finance benefits with consumers</p>	
<p><i>What evidence of the likelihood of a concessional finance agreement being put in place would be necessary before a RIT proponent can or should account for the effect of the concessional finance on the capital cost of credible options?</i></p>	<p>No comment/don't know.</p>
<p><i>Are there non-confidential details of a concessional finance arrangement that a proponent should and could provide in their report?</i></p>	<p>No comment/don't know.</p>
<p><i>Are there any specific areas that the AER could clarify using worked examples?</i></p>	<p>It would be helpful for stakeholders to understand both the likely time-frame involved in concessional finance agreements (or an example of this), how that can affect the capital cost of a credible option and how the benefits of this type of agreement can be shared with consumers. It seems that this type of benefit should be shared, transparently, as a saving to consumers by lowering network costs (supply or demand charges or both).</p>
<p>Improving the workability of the feedback loop</p>	
<p><i>We welcome stakeholder views on the proposed amendments to reflect the AEMC's final rule on improving the workability of feedback loop.</i></p>	<p>No comments.</p>
<p>Early works contingent project application before completion of a RIT-T</p>	
<p><i>How should early works costs already incurred, or committed through a contingent project determination, be treated in a cost-benefit analysis in a RIT?</i></p>	<p>No comment/not sure.</p>