

# Let's get our technology set up - Slido

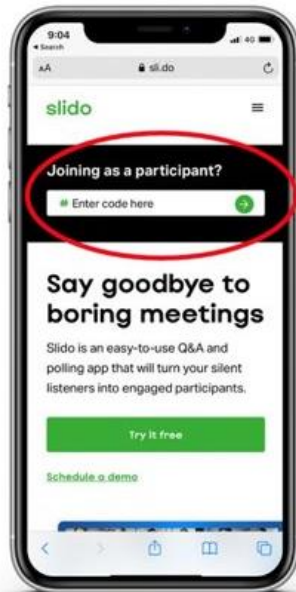
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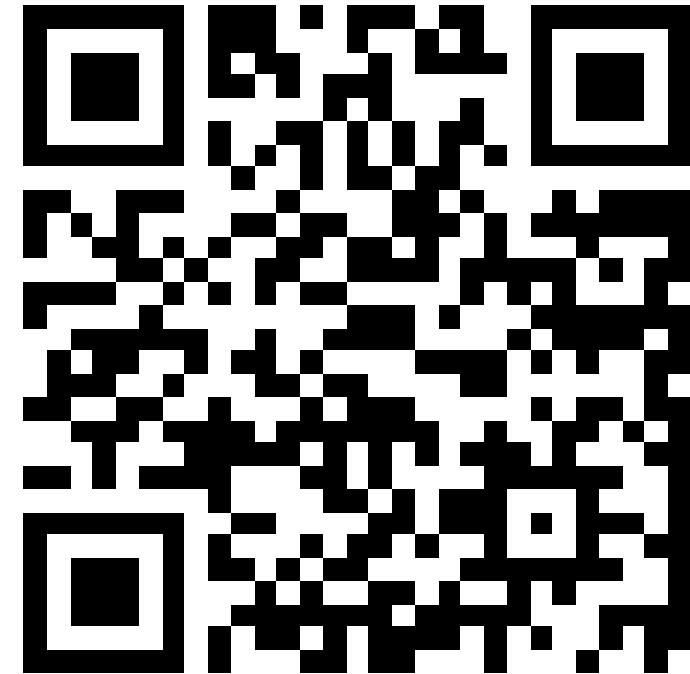
Head to  
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# Review of the social licence guidelines for electricity transmission projects

Broader Stakeholder Forum Monday 3 June 2024

**We would like to start by acknowledging the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.**

# Today's agenda

1.	4:00pm	<b>Welcome and introductions</b>
2.	4:10pm	<b>Important context for this conversation: what is in and out of scope for today's session?</b>
3.	4:30pm	<b>What does social licence mean to you?</b>
4.	4:45pm	<b>A deep dive into engagement on transmission projects</b>
5.	5:15pm	<b>How the AER and transmission businesses determine if a transmission route is credible</b>
6.	5:30pm	<b>Considering the cost of engagement</b>
7.	5:45pm	<b>Final questions and next steps</b>

# Who's in the room with you?

Name	Title	Role today
Jim Cox	Deputy Chair, AER	Presenter
Stephanie Jolly	Executive General Manager, Consumers, Policy and Markets, AER	Presenter
Owen McIntyre	Director, Transmission Frameworks, AER	Presenter
Scott Perrin	Senior Analyst, Transmission Frameworks, AER	Subject Matter Expert
Eugene de Guingand	Senior Analyst, Transmission Frameworks, AER	Subject Matter Expert

NICE TO MEET YOU!

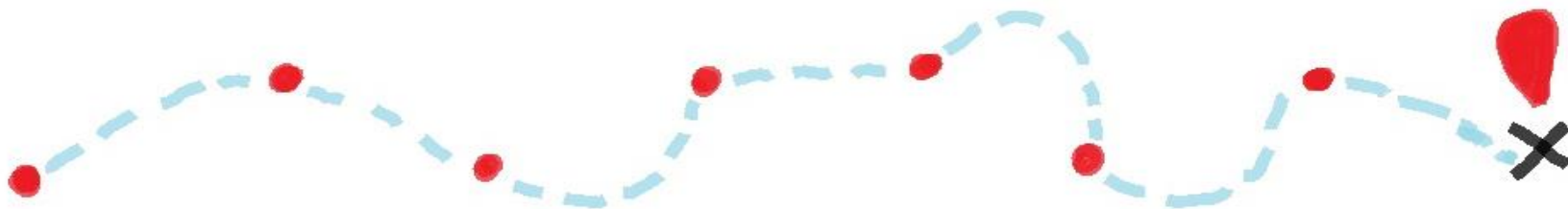


# The purpose of today's discussion

Today we are discussing important changes to AER guidelines on building and maintaining social licence on electricity transmission projects.

## How today will run:

1. We will set the scene and provide important **context and background** information, including important definitions.
2. We will then present a **few short presentations** on the key areas of the guidelines being updated.
3. After each presentation, we will **ask a few questions** using Slido.
4. There will be time to **discuss some responses together** as a group.



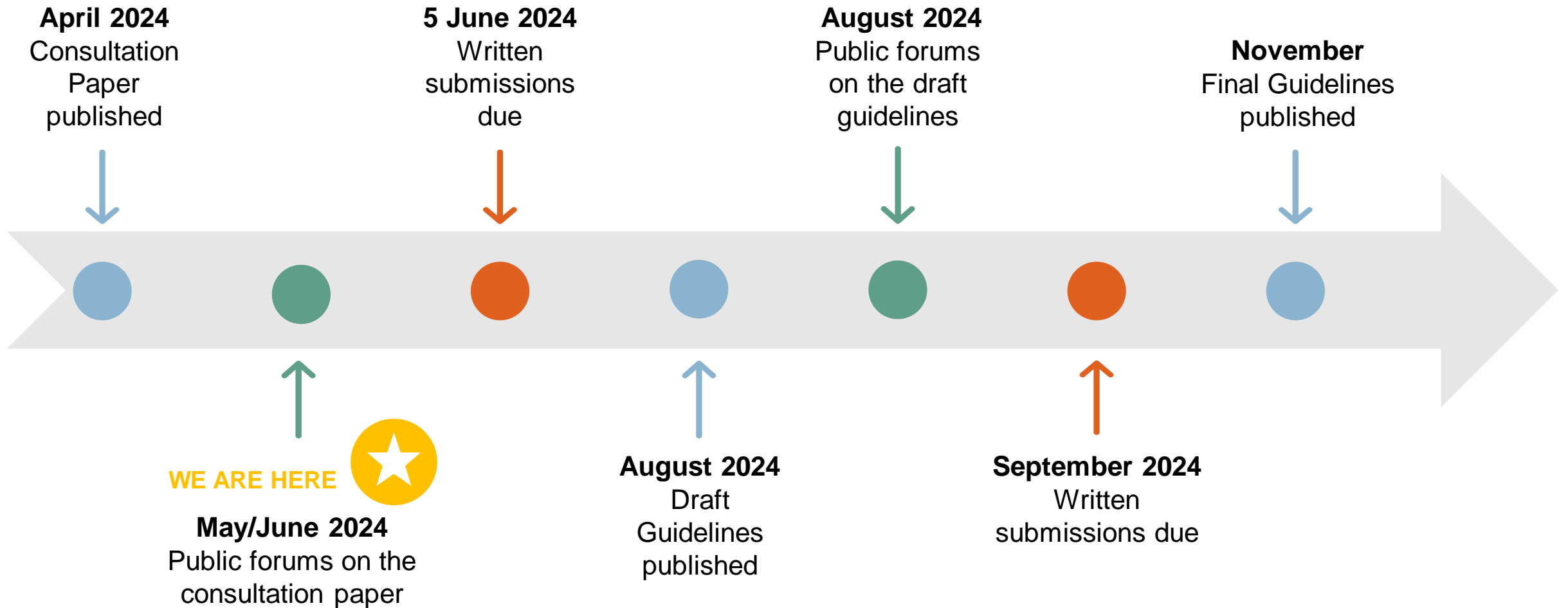


# Housekeeping

- Today's forum will run for up to two hours.
- Throughout the session, we will give you some information, then ask questions using a tool called Slido, before discussing your answers.
- If you would like, you can also put a question or comment in the chat or raise your hand, but we will rely on Slido in the first instance.
- Your questions and answers will be noted down and we will develop a report that summarises your feedback. This will be used to help the AER team develop the guidelines.
- Please share your honest views. There are no silly questions or comments!
- If you have questions or concerns that are not addressed today, get in touch with Owen McIntyre, and he will answer your questions directly or arrange a separate 1:1 briefing.



# The consultation process and timeline





# Important background information

## Stephanie Jolly

# About the AER – what do we do?

The AER regulates energy networks and energy markets in Australia to ensure they are secure, reliable and affordable for consumers.

We work to ensure energy consumers pay no more than necessary for energy to their homes and businesses

We do this by:

1. Approving the revenue that electricity networks and gas pipelines can earn from consumers.
2. Monitoring the performance of the energy market and enforcing rules.
3. Setting the Default Market Offer (a price cap on standing energy contracts) and providing a price comparison website, **Energy Made Easy**, so consumers can find the best energy contract for them.

# Where do we fit in the energy market?

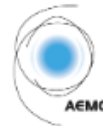
## National energy market governance

### Energy Ministers

Federal, state and territory energy ministers work together through ministerial forums on priority issues of national significance and key reforms in the energy sector.

### National Electricity, Gas and Energy Retail Law and Regulation

**Australian Energy Market Commission**  
Rule maker, market developer and advisor to government



**Australian Energy Market Operator**  
Gas and electricity systems and market operator



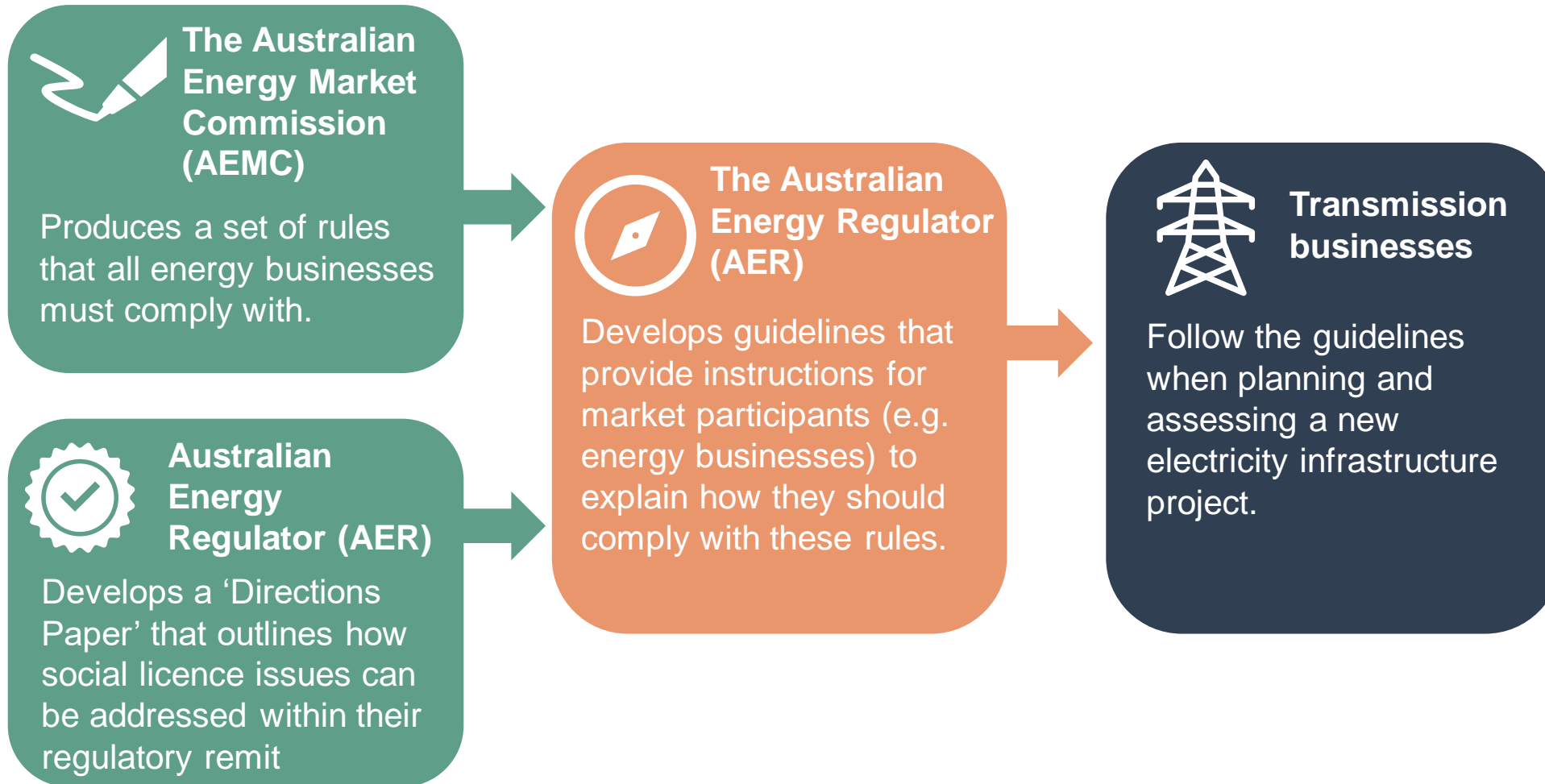
**Australian Energy Regulator**  
Economic regulation and rules



### Energy Advisory Panel (EAP)

Comprised of the most senior leaders of the AEMC, AEMO, AER and the ACCC as an observer. The panel's role is to coordinate market bodies' advice to governments under the National Energy Transformation Partnership on issues relating to energy security, reliability, and affordability.

# What is a guidelines review?



The AER regularly **reviews** sections of the guidelines to ensure they **remain fit-for-purpose** and up to date.

# What is being reviewed now?

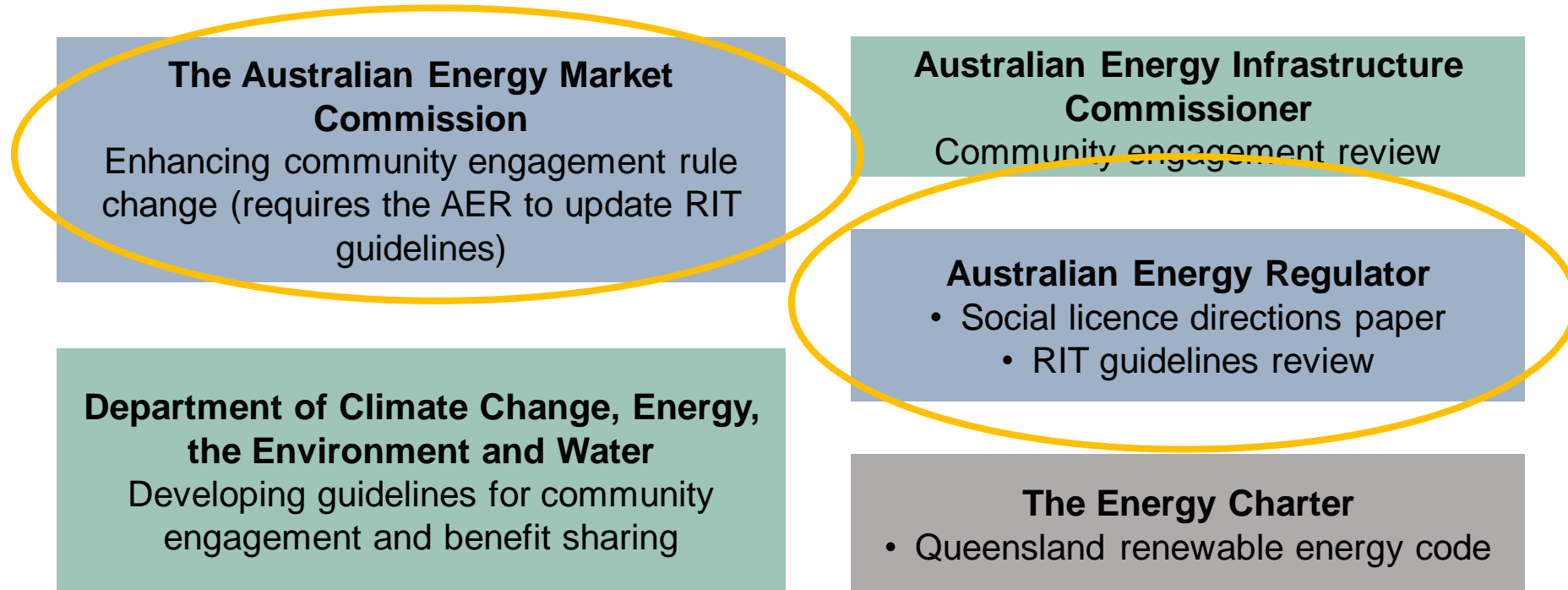
- The AER is updating their guidelines that help businesses complete their *regulatory investment test for transmission (RIT-T)* – this is a cost-benefit test that transmission businesses must undertake before building new infrastructure.
- The updates being considered now include changes to the AER’s guidelines on social licence for transmission projects – **this is what we are talking about today.**

## The three key topics on social licence we are seeking feedback on are:

1. The **level of engagement** transmission businesses should undertake with local communities and other stakeholders on major transmission projects?
2. How and where the **costs associated with building and maintaining social licence** should be included in this assessment?
3. How social licence issues can be considered when **identifying the most credible option** for a project?

# Why are we doing this review?

Ensuring transmission projects build and maintain social licence is becoming a focus in the national planning framework. Our own guidelines review forms one part of an industry-wide shift towards placing greater importance on social licence and community engagement.



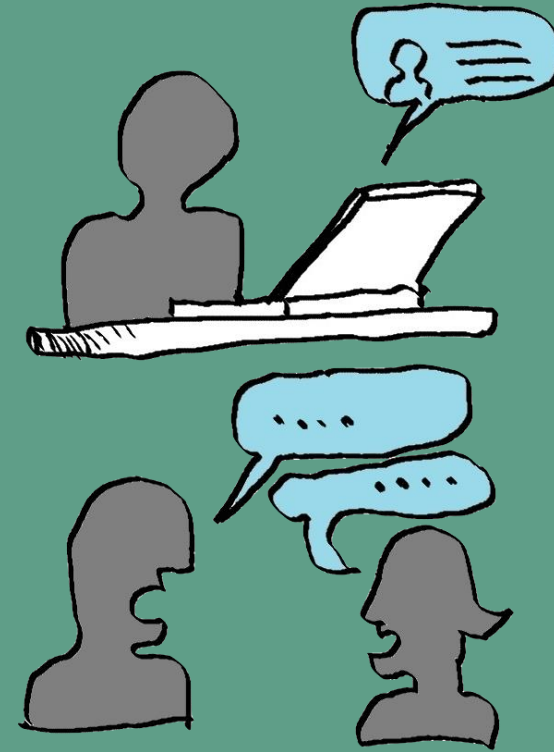
# Some things to keep in mind...

- The guidelines that will be updated following this consultation will apply to **future transmission projects**.
- So, while it is very useful for us to hear what has worked well or what hasn't worked well on past projects – **please note the new guidelines won't apply to established projects**.
- Please also note that the guidelines we're talking about apply specifically to the **early planning phases** of a transmission project.





Let's pause for questions – is everything clear so far?



# A quick question to get us started

# Defining social licence

The AER defines social licence as “the level of acceptance of an organisation and its activities by a community.”

1. **What does social licence mean to you?**
2. **What do you think about the AER’s definition? Is there anything you would add or change? If so, can you explain why?**



We will ask you to answer these questions on Slido, but feel free to use the chat also or put your hand up.

slido



## Defining social licence

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# 1. Engagement



# What we want to ask you in this section

We're going to ask **six** questions using Slido and discuss the answers together. Altogether, this section will take around 40 minutes.

Broadly, our questions will ask:

- **Who should be engaged?**
- **How should stakeholders be engaged?**
- **When is the right time to engage?**



We have a quite a bit to cover in this section, so we may need to move on from questions to make sure we cover it all. Please use the chat to write any outstanding questions or feedback. We will capture any notes in here in our reporting.

# Engagement

## What is the current approach to engagement?

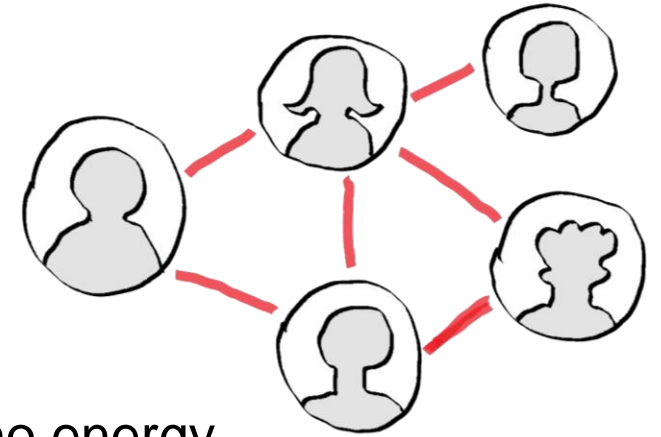
The AEMC recently updated the electricity rules to more clearly explain who energy businesses should engage with and how.

Some of the AER's guidelines need to be updated to reflect these changes.

## What is changing?

The AEMC now requires transmission businesses conducting ISP projects to undertake “**reasonable endeavours** to address all categories of stakeholders in a tailored and effective manner”.

They have determined that the stakeholders to involve should be those who are **reasonably likely to be affected** by the development of the project including **local landowners, local council, local community members, local environmental groups and traditional owners**.

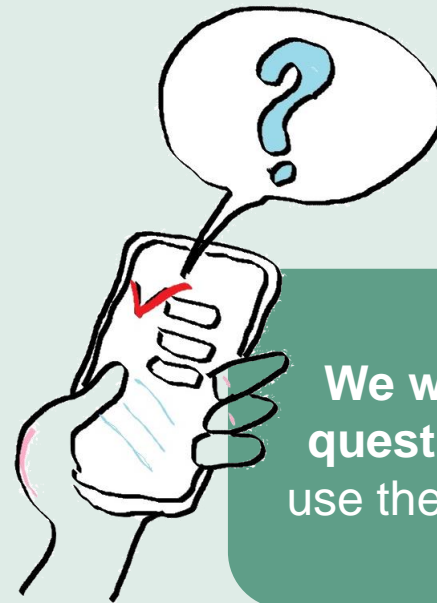




# Discussion questions

The new rules require transmission businesses to consult with local landowners, local council, local community members, local environmental groups and traditional owners.

1. **Is there anyone missing?**
2. **How would you define “local”?**



We will ask you to answer these questions on Slido, but feel free to use the chat also or put your hand up.

**slido**



## **Engagement part 1 of 4**

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# Discussion questions

The AEMC requires transmission businesses to undertake “**reasonable endeavours** to address all categories of stakeholders in a **tailored** and effective manner”.

3. Thinking about how you might like to be engaged, how you would you define "reasonable endeavours"?
4. What does “tailored communication” mean to you? Can you give an example of what you think this might look like?



We will ask you to answer these questions on **Slido**, but feel free to use the chat also or put your hand up.

**slido**



## **Engagement part 2 of 4**

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# Discussion questions

We know that there is some mixed feelings about the best time to engage on a transmission project:

- If done **too early**, it may feel irrelevant or may mean more rounds of engagement than is necessary, risking exhausting communities by asking for feedback too many times over the course of one project.
- If done **too late**, it may feel like the project has progressed too far without community input and may feel like the business is not being transparent enough.

## 5. When is the right time to engage communities on a transmission project, in your view?

- A. As early as possible, ideally before different project options have been identified
- B. When the shortlist of technically preferred options has been developed
- C. When the preferred option/route has been determined



We will ask you to answer this question on Slido, but feel free to use the chat also or put your hand up.

# slido



**Engagement part 3 of 4: When is the right time to engage communities on a transmission project, in your view?**

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# Discussion questions

In thinking about how we could write the guidelines, the AER could draft a document that is broader and more principles-based, or it could be more prescriptive and write detailed requirements. **We want to show you some examples and discuss your preferences.**

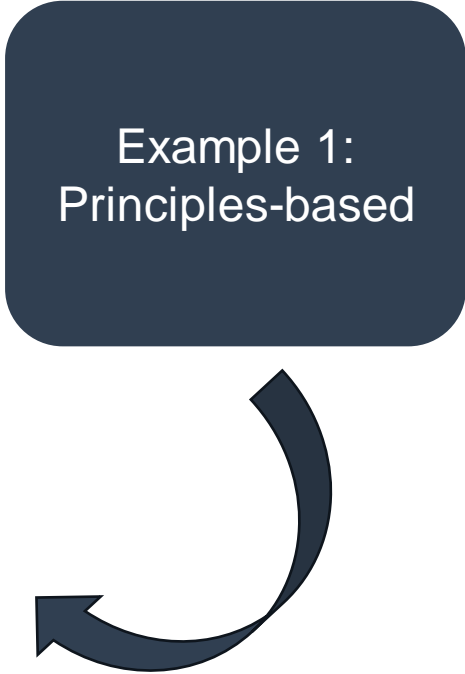
Our expectations on consumer engagement are principles-based and build on our current learnings. They cover:

- the nature of engagement
- the breadth and depth of engagement
- clearly evidenced impact of this engagement.

Our expectations do not prescribe any particular form or model of consumer engagement and can be applied across all network types in developing their regulatory proposals. They are targeted at the outcomes we want to see from engagement. Importantly, we want networks to own their engagement approaches and tailor their engagement to best suit the needs and circumstances of their consumers.

*Example from the AER's Better Resets Handbook 2021*

Example 1:  
Principles-based

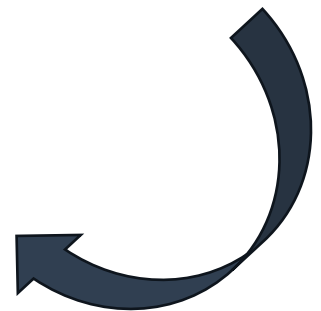




**Table 2 List of binding elements on RIT-T proponents in the CBA Guidelines**

Binding elements	Provision	Classification	Relevant section(s) in PACR
1	RIT-T proponents are required to provide the AER with a compliance report when applying the RIT-T to an actionable ISP project, which must be submitted no later than 20 business days after the publication of the project assessment conclusions report	Requirement	Appendix A1 of the PACR and this subsequent final compliance report
2	In its compliance reports, RIT-T proponents are required to identify where they: <ul style="list-style-type: none"> <li>• have complied with applicable requirements;</li> <li>• have had regard to applicable considerations (including the reasons for the weight they have attached to each consideration); and</li> <li>• have resolved key issues raised by the AER through the issues register.</li> </ul>	Requirement	Appendix A1 of the PACR and this subsequent final compliance report  Sections 3 to 7 of this report respond to the request for information the AER posted on the issues register on 21 June 2023
3	RIT-T proponents are required to identify breaches of the CBA guidelines, if any, in their compliance reports and provide an explanation for the breach.	Requirement	Appendix A1 of the PACR. AVP and Transgrid consider there are no breaches of the CBA Guidelines.
4	If a compliance report contains confidential information, RIT-T proponents are required to provide another nonconfidential version of the report in a form suitable for publication.	Requirement	Appendix A1 of the PACR, and this subsequent, final compliance report do not contain confidential information

**Example 2:  
Specific requirements**



*Example from VNI West – Final Compliance Report 2023*

# Discussion question

In thinking about how we could write the guidelines...

6. **Would you prefer we draft something for businesses that is principles-based to show evidence against in reporting OR specific or minimum requirements of activities?**



We will ask you to answer this question on Slido, but feel free to use the chat also or put your hand up.

# slido



**Engagement part 4 of 4: In thinking about how we could write the guidelines, would you prefer we draft something for businesses that is principles-based to show evidence against in reporting OR specific or minimum requirements of activities?**

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## 2. Considering the costs of building social licence



# Considering costs of building social licence



## How does the AER current consider the costs of building social licence?

- The current guidelines require transmission businesses to complete a cost benefit analysis when they are considering a new project.
- These costs include things like construction costs, maintenance costs, compliance costs etc., and may include activities that build social licence.
- This cost benefit analysis leads to the selection of a preferred option that maximises the economic benefit to all stakeholders and ensures that projects delivers benefits.

## What is changing?

The AEMC recommended that the AER provide **additional guidance** on **how the costs associated with building and maintaining social licence for major transmission projects should be considered and assessed** as part of this analysis.

# A bit more on energy pricing

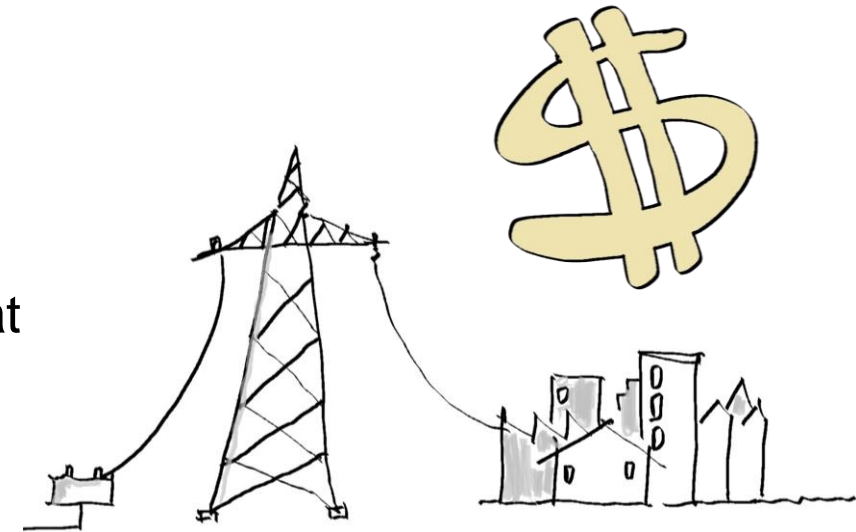
Before we get to the questions, we want to explain a little bit about network costs and your power bills.

As customers, there are many costs that make up the final bill that your retailer (e.g. Origin Energy or Energy Australia etc.) sends you.

These include retail costs, wholesale costs, green costs and network costs.

Because network businesses are monopoly businesses providing an essential service that we all use, they must have their costs – from construction to maintenance to social licence activities – approved by the AER.

These costs are then passed on to consumers in their bills.



# Discussion questions

We have already engaged with energy sector experts on the technical side of how costs are considered in the AER's cost benefit guidance.

We would like to ask you what **reasonable expenditure on social licence** might look like, given that these costs might be included in customer bills.

Addressing social licence issues is important – it can build understanding and avoid costly delays - but can take time and requires investment. The challenge is to ensure the forecast level of investment is appropriate.

1. **How should the AER judge when expenditure on social licence is reasonable and when it isn't?**



We will ask you to answer this question on Slido, but feel free to use the chat also or put your hand up.

slido



**How should the AER judge when expenditure on social licence is reasonable and when it isn't?**

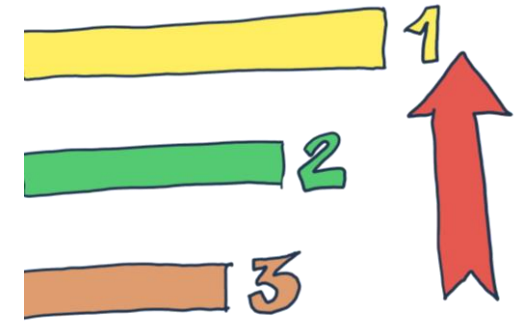
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# 3. Identifying a credible option



# Identifying a credible option



## What is a credible option?

- When assessing a new project, a transmission business must consider different options and work out which are credible.
- *Credible* in this context means an option that:
  - Addresses an identified need
  - Is commercially and technically feasible (able to be done and provide the services it promises).
  - Can be implemented in sufficient time to meet the identified need.

## What is changing as part of the guidelines review?

Similarly to the costs of social licence, we're looking at ways to clarify the guidelines and help businesses understand how to apply them. We discussed this with businesses directly in a previous session.

For our discussion today, we would like to focus on **how social licence may influence whether or not an option is credible.**

# Discussion questions

1. How can you measure social licence? How do you know if a project has it or not?
2. Can a project be considered "credible" if it doesn't have social licence? Is it acceptable for social licence to be built over time?



We will ask you to answer these questions on Slido, but feel free to use the chat also or put your hand up.

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## Identifying a credible option

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# Discussion question

Most of the time, communities will be engaged by transmission businesses and project proponents. However, sometimes, we (the AER) will also need to speak with you, like we are today.

- 1. If we had to engage on guidelines changes again in the future, should we take the same approach, or you would suggest an alternative approach?**



We will ask you to answer this question on Slido, but feel free to use the chat also or put your hand up.

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**If we had to engage on guidelines changes again in the future, should we take the same approach, or you would suggest an alternative approach?**

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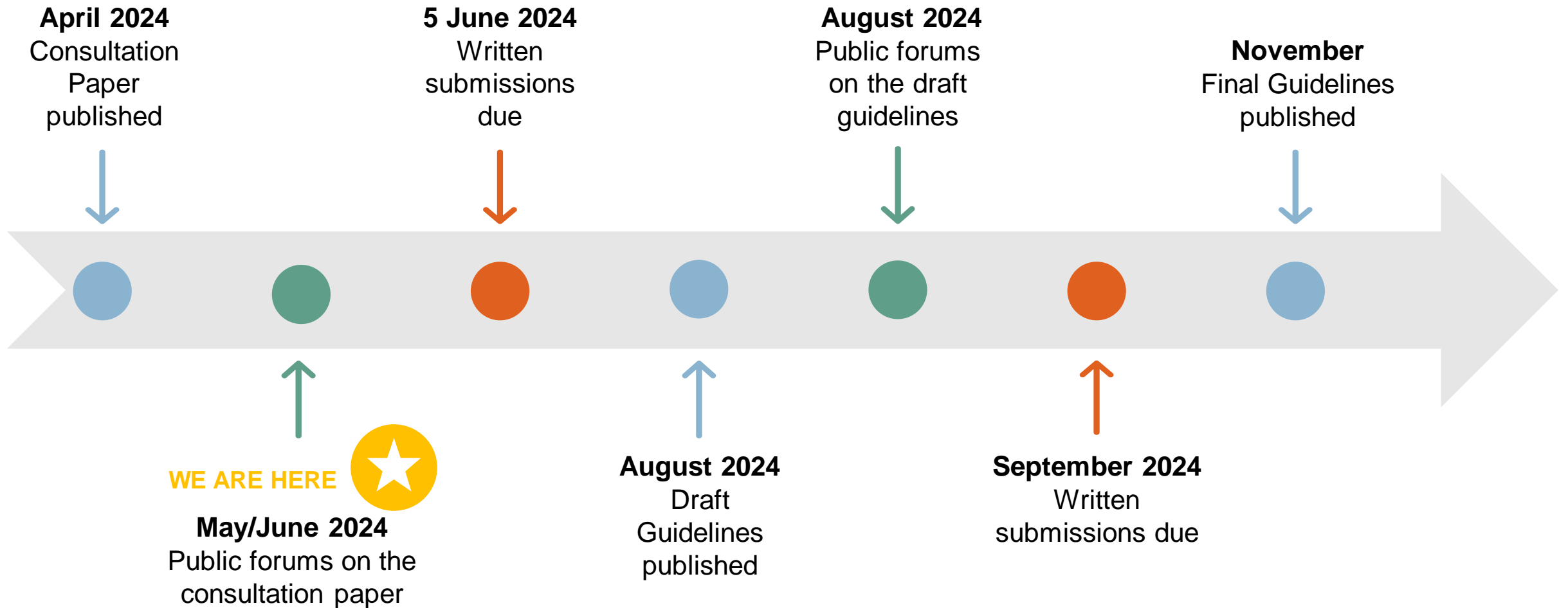
# Reflections on your feedback

**Jim Cox**

# Next steps



# What happens now?



# Thank you for attending today

Your feedback today will help shape the AER's development of the renewed guidelines.

Please feel free to reach out with any questions in the meantime:

[RITguidelines@aer.gov.au](mailto:RITguidelines@aer.gov.au)



Before you go, please complete two short feedback questions on today's session



slido



## Feedback questions

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