

Summary of Public forum – Social Licence (Broader Stakeholders)

2024 Review of draft amendments of the Cost Benefit Analysis and Regulatory Investment Test Guidelines

Meeting details

- Held on Thu 29 Aug 2024, online, 2.00pm – 4.00pm
- Approximately 10 people attended the session, representing representing local councils, specialist consultants and interested individuals
- The forum was opened by Dr Nicola Pitt, Assistant Director (Consumer Policy) followed by presentations and Q&A sessions hosted by Australian Energy Regulator (AER) staff
- [Presentation slides](#) are available on the [draft decision page](#) of the [2024 Review of the cost benefit analysis and regulatory investment test guidelines](#) project on our website.

Purpose

The AER scheduled public forums to discuss the amendments to a set of guidelines used by proponents of new electricity transmission and distribution projects; the 2024 review of the Cost Benefit Analysis (CBA) and Regulatory Investment Test (RIT) guidelines.

This forum was the third of 3 public forums. The focus of this forum was the feedback received from the first round of consultation, previous forums and submissions, and how it was used to develop our preliminary positions into the draft amendments.

This session spent more time explaining the planning framework and the national electricity rules (NER) than other sessions. This was with the intention of seeking feedback from stakeholders who may not be as familiar with AER processes and the regulatory investment test.

This document provides an overview of the main points discussed and questions raised during the forum.

Overview

The aim of the forum was to update stakeholders of the amendments to the draft guidelines and to seek their views on the wording and messaging used by the AER so we convey the guidelines intended purpose as simply and efficiently as possible. The main feedback provided by stakeholders were:

- There should be prescribed engagement measures for actionable projects
- RIT proponents should be held accountable for the quality of their engagement
- Stakeholders see a need for follow up measures to ensure the approved costs for engagement are being spent appropriately
- Non-actionable RIT proponents should be required to engage with communities because proponents may underestimate the stakeholder interest

Summary of questions and answers

Questions were raised by participants or submitted as comments during the forum. This section presents a summary of the questions and responses covered in the session.

Engagement

- Who determines what ‘good engagement’ looks like?

The national electricity rules and the cost benefit analysis guidelines require actionable RIT proponents to engage with stakeholders and ensure that there is a plan to address any issues identified through this engagement.

The role of these guideline amendments is to ensure that the proponent publishes an engagement plan in the early stage of the project, and that the engagement plan is transparent, so that proponents are accountable to consumers and community stakeholders.

- At what point does a RIT proponent determine that they have achieved social licence?

Social licence is gained over time and may require ongoing engagement to maintain. Some projects may require more or less engagement activities to ensure this. The draft amendments do not anticipate that a project proponent will determine that they have achieved social licence during the RIT process.

- Who ensures that costs approved for social licence are spent appropriately?

The AER has a role in assessing the prudence and efficiency of costs through the contingent project application process. Assessment of spending approved through a contingent project application is not in the scope of the RIT guidelines review.

- Does the AER plan to educate the community about their remit and regulatory power?

Our ‘broader stakeholder forums’ that have been introduced as part of the 2024 RIT and CBA guidelines review are part of an attempt to identify stakeholders that have not previously been involved in AER processes and build a greater understanding of the transmission and distribution planning framework.

- Why is the word ‘consumer’ used for non-actionable RIT engagement?

Our draft amendments expanded on previous engagement requirements rather than introducing a new section on community engagement for these guidelines. If this is not clear enough we will consider this structure in the final guideline amendments.

“If proponents aren’t receiving feedback, they should be required to change their engagement approach.”

“More can be done by the AER to educate the community about their remit and regulatory power”

“There is a problem with the approach being driven by inputs rather than outcomes. The proponent could have a plan of engagement but no intention of following it.”

Participant comments

Considering costs of building social licence

- How can you approve engagement costs during the RIT when the engagement requirements are not yet known?

The purpose of these amendments is to provide guidance for RIT proponents to engage with stakeholders early and better understand the engagement requirements throughout the project. This allows the proponent to determine the appropriate level of engagement for a project, and how these costs may be considered in the options assessment.

Recent changes to the NER allow some contingent project applications for early works costs to be submitted before completion of the RIT. These early works costs may include more comprehensive stakeholder engagement costs. Commencing early engagement will allow the RIT proponent to better understand their engagement costs to include in an early works contingent project application.

- Should engagement be a cost when it saves money down the track?

Engagement is a necessary direct cost for projects, and should be considered in a consistent manner with other direct costs.

- Is the term community benefit sharing the correct term, as it doesn't fit the definition of benefits in the RIT?

The term community benefit sharing is in line with national guidelines and other frameworks including legislation currently being considered by various states. Community benefit sharing refers to returning benefits to the community and those impacted by the projects.

"we need to put parameters to identify at what stage for size/complexity of the project there might be a different threshold of community engagement."

"The proponent can demonstrate in their engagement plan the amount of engagement they did in order to determine the size of engagement"

"If you engage with community upfront and tell them what you as a proponent want to achieve, then you can build trust, and this will save money down the track."

Participant comments

Credible options

- Should proponents already know about issues with a credible option eg. endangered species before commencing their engagement?

Early engagement will help refine the credible option when it is still in development.

Next steps

- Further questions and feedback may be sent to RITguidelines@aer.gov.au
- Stakeholders are also encouraged to send written submissions to RITguidelines@aer.gov.au by 20 September 2024.
- We will publish the final guidelines in November 2024.