

Summary of Public forum – Social Licence (Industry Experts)

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

Meeting details

- Held on Wed 28 Aug 2024, online, 3.00pm – 4.00pm
- Approximately 40 people attended the session, including a mix of consumer advocacy groups, market bodies, consultancies, government departments and other interested individuals
- The forum was opened by David Stanford, Executive Director (Future of Network Regulation), 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 second of 3 public forums. The focus was to describe how we used stakeholder inputs to develop our preliminary positions into the draft amendments, to gather initial stakeholder feedback on the draft amendments, and to provide clarification to stakeholders to help them in preparing written submissions.

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 was:

- Clarity is important in the amendments and the worked examples.
- They were looking for more detail around what is expected of the engagement plan for actionable regulatory investment tests for transmission (RIT-Ts).
- The guidelines should provide guidance where proponents are free to determine their own actions, such as selecting and applying best practice for engagement.

Summary of questions and answers

Questions were raised by participants or submitted as comments during the forum.

Engagement

We presented the changes to the amendments around stakeholder engagement plans for actionable RITs and the changes to engagement expectations for non-actionable RIT-Ts and regulatory investment tests for distribution.

The participants in the session sought greater detail of the engagement plan, including:

- The ramifications if a proponent were to publish a plan below standard
- Who and what determined the quality of a plan
- Promoting engagement with the entire community, not just those against a project.

The AER clarified that the amendments present a 'best-practice' approach where proponents must select and report against a framework they believe best suits their project, with the stakeholder engagement plan being published before a project assessment draft report and reporting against the plan throughout the RIT process. Part of the engagement plan should outline engagement activities which will be undertaken at a given project stage with the intent that engagement begins early and is ongoing.

Stakeholders also requested clarification of a worked example (example 11 of the CBA guidelines) referring to the timing of publication of changes to the preferred option. While feedback from the community can be used to refine the preferred option we will review the example and see if its intent can be made clearer.



Participant comments

Considering costs of building social licence

We presented our position that no new cost categories are required and existing cost categories are sufficient. We then discussed our worked examples and sought feedback on if they provided enough guidance.

Stakeholders noted the worked examples require clarification in how costs dedicated to community benefit sharing are determined and that specifying they vary is not enough clarity or guidance to carry out the analysis. It was suggested that additional cost categories could help track these costs.

One stakeholder asked for practical examples of costs associated with social licence. Another asked whether analysis has been done on engagement spending, contingent project applications or spending on other projects.

- We note that historically, costs associated with social licence have not been included in the RIT because of a lack of clarity, but this review seeks to address this.

“There should be a review of community engagement spending after the RIT is complete.”

“Details should be provided of what activities fall under community benefit sharing.”

Participant comments

Credible options

We presented the principles behind how proponents should incorporate social licence into credible option identification. Namely a proponent should not judge an option to be not credible only due to low community support, and that the proponent’s approach should reflect their engagement strategy and ensure options remain credible.

A stakeholder asked for clarification on the wording of the RIT-T application guideline on page 20 noting it reads as though an option could be not credible if not delivered in time to meet the need while also specifying no delays to the timeline can be considered when assessing the credibility of an option.

- This wording will be considered further for the final amendments. We note the premise behind the amendment was for greater emphasis to be placed on early engagement and planning, building social licence over time. Further delays in the project at a later stage due to a lack or loss of social licence should therefore not be considered in the definition of the credible option.

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.