

27 September 2023

Mr Andrew Dyer  
Australian Energy Infrastructure Commissioner  
Lodged online: DCCEE *Have your Say* website

Dear Mr Dyer,

**Response to *Community Engagement Review - Discussion Paper***

The Clean Energy Investor Group (CEIG) welcomes the opportunity to provide feedback on the Australian Energy Infrastructure Commissioner (AEIC)'s discussion paper on *Community Engagement Review* (the Review) published on 4 September 2023.

CEIG represents domestic and global renewable energy developers and investors, with more than 16GW of installed renewable energy capacity across more than 76 power stations and a combined portfolio value of around \$38 billion. CEIG members' project pipeline is estimated to be more than 46GW across Australia. CEIG strongly advocates for an efficient transition to a clean energy system from the perspective of the stakeholders who will provide the low-cost capital needed to achieve it.

**KEY POINTS**

- **Delivering timely generation and transmission infrastructure investment is critical to meeting Australia's commitments** and unlocking cheap and clean electricity for consumers.
- CEIG welcomes steps already underway to improve community engagement but more needs to be done and **CEIG welcomes the AEIC's Review**.
- **State governments must take ownership and accountability and set standards that will ensure high quality and effective engagement with communities.**
  - Governments must lead REZ-level community engagement, local participation, First Nations engagement and accommodation planning.
  - Appropriate weighting should be given to community engagement in REZ auctions.

- State governments may wish to consider Indigenous Engagement and Participation Plans with support from a centralised and experienced team.
- Targets for employment and supply chain outcomes need to be locally appropriate and contextual.
- **CEIG supports the AEMC's proposal to improve community engagement on transmission projects.** In addition to the AEMC's list of stakeholders that TNSPs must engage with, CEIG supports adding:
  - representatives of local industry, local business groups and/or local large energy users (to help factor in future local business developments);
  - representatives of conservation/ biodiversity expert groups (to help factor in concerns around biodiversity and cumulative landscape impacts).
- CEIG also supports the AEMC's proposal to **set minimum expectations** for how community engagement on transmission projects should be conducted.
- CEIG supports **extending the application of the AEMC's new rule:**
  - to all transmission projects;
  - to any transmission project developer (for cases where the TNSP is not the developer);
  - to both onshore and offshore transmission projects.
  - wherever possible, to any projects that are already underway and projects which are receiving taxpayer funds.
- **CEIG supports pooling funds to achieve greater outcomes around community benefit sharing**, but those funds should focus on outcomes that will best benefit from government coordination.
  - **'Local and very local' benefits must be retained as 'anchors'** in any scheme that defines how communities benefit from renewable energy projects.
  - Any distribution of pooled funds by government must be set up with effective yet **minimal frameworks where the majority of fees levied on generators reach the community and the projects they are meant to deliver** and do not end up supporting bureaucratic administrative processes.
- CEIG supports Baringa's recommendation to require **AEMO to develop a social licence related sensitivity in its ISP.**

## GENERAL COMMENTS

### **Delivering timely generation and transmission infrastructure investment is critical to meeting Australia's commitments and unlocking cheap and clean electricity for consumers**

The smooth and timely delivery of generation and transmission infrastructure investment is critical to achieving the energy transition, meeting governments' emission reduction and renewable energy targets, and meeting Australia's commitments under the Paris

Agreement to limit temperature increases to 1.5°C. This is critical to unlocking the low-cost capital required to deliver the energy transition, and it will ultimately deliver cheaper and cleaner electricity for consumers.

To build and maintain social licence for this unprecedented buildout of clean energy assets over the next 1-2 decades, stakeholders in industry and government will be required to undertake best-practice community engagement.

CEIG welcomes steps already underway to improve community engagement, particularly:

- Australian Energy Market Operator (AEMO)'s creation in September 2022 of an Advisory Council on Social Licence;
- State and Territory governments' efforts to engage with communities on Renewable Energy Zone (REZ) development; and
- Australian Energy Market Commission (AEMC)'s draft Determination on *Enhancing community engagement in transmission building* published in August 2023.

However, despite those initiatives, more needs to be done and CEIG welcomes the AEIC's Review. Not getting social licence right is likely to lead to project delivery delays and potential late-stage cost changes as additional hurdles are encountered at the planning and environmental approvals stage, leading to increasing costs to consumers.

The Review is therefore a timely, critical independent process that will ensure that despite some early challenges around social licence - particularly for transmission infrastructure projects in populated areas - improved settings for community engagement and benefit sharing can be implemented.

## **ROLE OF STATE GOVERNMENTS IN COMMUNITY ENGAGEMENT**

The delivery of REZs and the energy transition more broadly is at a critical juncture. The development of REZs in the National Electricity Market (NEM) is heavily driven by State governments who therefore must take ownership and accountability and set standards that will ensure high quality and effective engagement with communities affected by clean energy infrastructure.

Governments must lead REZ-level community engagement, local participation, First Nations engagement and accommodation planning. This will enable more strategic thinking and linkages that will maximise the benefits of REZs, provide clarity for communities and ensure that communities are not 'over-engaged' unnecessarily.

Where REZ auctions have targets around engagement and local participation, the auction evaluation criteria should make it clear that these activities are highly valued, with appropriate weighting given to this criterion to ensure that proponents are incentivised to deliver and raise their capability in this area.

State governments may wish to consider implementing a model similar to Northern Australia Infrastructure Fund (NAIF) for developing Indigenous Engagement and Participation Plans. This could provide support from a centralised and experienced team

that iteratively works with proponents to develop their plan, supports them with networking and raises the proponent's cultural literacy and capability.

Finally, targets for employment and supply chain outcomes need to be locally appropriate and contextual. Blanket minimum targets are unhelpful and unrealistic without the support suggested above and can be maximised by the kind of coordination suggested above.

## **CEIG SUPPORTS THE AEMC'S PROPOSAL FOR COMMUNITY ENGAGEMENT ON TRANSMISSION PROJECTS**

CEIG is supportive of the proposed draft Determination on *Enhancing community engagement in transmission building* (August 2023), its fast-tracked review and its prompt implementation starting from December 2023.

It is critically important for the energy transition that Transmission Network service providers (TNSPs) obtain and maintain social licence for their projects with local communities, including First Nations people.

CEIG agrees with the AEMC that:

*“Increased certainty and consistency in the National Electricity Rules (NER) around TNSPs’ early engagement with communities, leads to better outcomes through more proactive and constructive relationships with local communities.”*

### **Definition of who should be consulted**

Proactive and broad consultation with stakeholders can help to flag and mitigate issues early, avoiding future delays and higher costs. The VNI West project is a key example of lack of early and broad consultation by the TNSP creating delays and higher costs that consumers will ultimately bear.

As such, in addition to the AEMC's proposed stakeholders listed in its table 3.1, CEIG supports a broader list of stakeholders being consulted including:

- representatives of local industry, local business groups and/or local large energy users;
  - this should help to factor in future local business developments including those that could benefit from the new transmission infrastructure;
- representatives of conservation/ biodiversity expert groups:
  - this should help to factor in concerns around biodiversity and cumulative landscape impacts;
  - this should include marine experts for offshore transmission developments;
  - it should also complement the work of governments around biodiversity mapping (or fill that gap until that work is complete)
  - CEIG notes that the Review already lists environment groups as stakeholders to be consulted.

### **Application of the new rule**

The AEMC proposes that the rule applies to

*“(...) actionable ISP [Integrated System Plan] project, future ISP project, or project within a REZ stage (...)”.*

CEIG supports extending the application of the new rule to all transmission projects. The new rule establishes good practices for community consultation that should be applied to all transmission projects, regardless of their ‘AEMO status’.

The AEMC proposes that the rule applies to TNSPs. CEIG supports extending the definition of the entities the rule applies to to include any transmission project developer (to account for cases where the TNSP is not the developer).

It should also be clear that the rule applies to both onshore and offshore transmission projects.

Finally, wherever possible, the new rule should be applied to any projects that are already underway and projects which are receiving taxpayer funds (e.g. Rewiring the Nation funds).

### **Support for setting minimum expectations for engagement**

CEIG supports setting minimum expectations for how community engagement should be conducted and supports the AEMC’s proposal.

## **APPROACHES TO COMMUNITY BENEFIT SHARING**

### **Pooling funds to achieve greater community benefit sharing outcomes**

CEIG supports pooling funds to achieve greater outcomes around community benefits, but governments should:

- provide early guidance around what fees will be levied on developers, in what quantum, who by and for what purpose to avoid duplication of fees paid by developers;
- provide guidance on whether and how local Councils could levy fees on developers. Avoiding ‘double dipping’ should be a key consideration.
- ensure that the fees are not so elevated that they do not leave sufficient financial room for developers to conduct their own social licence programs; and
- ensure that the cumulative impacts of fees levied on developers are not so great that they decrease the attractiveness of REZs and flow through to higher wholesale prices.

Pooled funds should focus on outcomes that will best benefit from government coordination (e.g. delivery of workforce training at regional level). This would help to maximise the value of the ‘local and very local’ benefits that renewable energy projects can deliver to their local hosting community.

‘Local and very local’ benefits are critical to social licence in hosting communities and must be retained as ‘anchors’ in any scheme that defines how communities benefit from renewable energy projects.

Finally, any distribution of pooled funds by government must be set up with effective yet minimal frameworks where the majority of fees levied on generators reach the community and the projects they are meant to deliver, and do not end up supporting bureaucratic administrative processes.

### **CEIG SUPPORT FOR A SENSITIVITY FOR SOCIAL LICENCE IN THE ISP**

As part of our goal to accelerate renewable energy development to achieve a zero-emission grid by 2035, CEIG commissioned Baringa Partners in June 2022 to develop a series of policy positions on the future of transmission planning and investment in the NEM. The findings of Baringa's Transmission planning and investment for clean electricity Report (the Baringa Report) are published on our website<sup>1</sup>.

The Baringa Report notes that, despite the growing awareness of the need for early and ongoing community engagement and the importance of social licence, the costs and timeframes for building and maintaining social licence (and the cost and delay that comes with failing to achieve community support for projects) are not currently central considerations in ISP modelling, or in the Regulatory Investment Test for Transmission (RIT-T) (although CEIG notes the AEMC process underway to improve TNSPs' consultation requirements).

Baringa found that there are shortcomings within the current national economic regulatory framework for transmission whereby specific measures to accommodate social licence initiatives and broader environmental and planning considerations may be undervalued. This was supported in the Draft 2022 ISP, where AEMO noted that

*“the sector continues to underestimate the time and money that community consultation requires, with the rules placing it ‘at the back end’ rather than the front of the process”<sup>2</sup>.*

Baringa put forward a policy recommendation on social licence requiring AEMO to develop a social licence-related sensitivity in its ISP to introduce a quantitative assessment of social licence in the national planning and economic framework. This could include developing a methodology for assessing and costing social licence in the market.

This would introduce a quantitative assessment of social licence in the national planning and economic framework and create a methodology for assessing and costing social licence in the market. It would be important for the definition of social licence to be broad enough to incorporate environmental and biodiversity concerns, as well as considerations for offshore wind.

CEIG supports Baringa's recommendation to require AEMO to develop a social licence related sensitivity in its ISP as it could assist project owners in making investment decisions. CEIG notes that AEMO may produce a social licence sensitivity in its draft 2024 ISP. CEIG believes this should be a requirement of ISPs going forward.

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<sup>1</sup> [https://ceig.org.au/wp-content/uploads/2022/08/Baringa\\_CEIG\\_Advice-on-Transmission-Reform\\_Report\\_FINAL.pdf](https://ceig.org.au/wp-content/uploads/2022/08/Baringa_CEIG_Advice-on-Transmission-Reform_Report_FINAL.pdf)

<sup>2</sup> AEMO, 2021, Draft 2022 ISP, p89



CEIG thanks the AEIC for the opportunity to provide feedback on its Discussion paper and looks forward to continued engagement on those issues. Our Policy Director Ms. Marilyn Crestias can be contacted at [marilyn.crestias@ceig.org.au](mailto:marilyn.crestias@ceig.org.au) if you would like to further discuss any elements of this submission.

Yours sincerely,

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