BUILDING TRUST FOR TRANSMISSION

Earning the social licence needed to plug in Australia's Renewable Energy Zones

July 2021

RE ALLIANCE

CONNECTING PEOPLE TO POWER

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ABOUT US

RE-Alliance is a community-driven organisation of around 500 financial members including landholders, farmers, small businesses, climate campaigners, environmentalists and people living across regional Australia. We work to ensure the renewable energy boom delivers sustainable, long-term community benefits to regional communities.

If you like what we do, you can support our work by joining as a member.

ACKNOWLEDGEMENTS

This report has been prepared predominantly on Wiradjuri land. RE-Alliance wishes to acknowledge them as Traditional Custodians and pay our respects to their Elders, past and present. We wish to extend that acknowledgement and respect to all Aboriginal and Torres Strait Islander people whose knowledge and connection to Country is integral to our resilient, green futures.

This report draws significant content in relation to benefit sharing, particularly relevant case studies, from Lane, T and Hicks, J (2019) A Guide to Benefit Sharing Options for Renewable Energy Projects, Clean Energy Council

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Executive Summary

In recent years, the Australian renewable energy industry, with encouragement from non-government organisations like RE-Alliance[1], have increasingly incorporated best practice community engagement and community benefit sharing into renewable energy projects such as wind and solar farms.

Australian State and Territory Governments are committing to developing Renewable Energy Zones (REZs), as planned in the Australian Energy Market Operator's (AEMO's) *2020 Integrated System Plan (ISP)* and other jurisdictional REZ initiatives in Victoria, NSW and Queensland. Not only will there be significant numbers of new solar farms, wind farms, battery developments and pumped hydro storage plants, there will be a commensurate roll out of new transmission infrastructure to transfer the electricity from regional locations where it is generated to population and business centres, where it is used.

Local rural communities affected by new transmission infrastructure, and other stakeholders, deserve to be able to participate in how these projects are deployed and derive benefits from this new infrastructure and not just bear its costs and localised impacts. These communities have argued that consideration of social and environmental impacts of new transmission projects needs to be more robust and take place earlier in the planning process.

Recent changes to the National Electricity Rules will require public consultation around new REZ transmission lines as well as preparatory activities such as preliminary assessment of environmental and planning approvals. This high-level assessment will apply to specified REZs in future ISPs.

This REZ planning stage would occur prior to the Regulatory Investment Test for Transmission (RIT-T) which assesses options and economic net benefits to electricity consumers in more detail. The RIT-T

> *"can be likened to a business case for any project or venture. Its purpose is to identify the investment option that delivers the highest net economic benefit to those who produce, transport, and consume electricity in the National Electricity Market (NEM)".*[2]

Currently, the RIT-T process does not include social and environmental risk assessments.

RE-Alliance recommends that consideration of the social and environmental impacts of new transmission infrastructure be included within the RIT-T process. We propose that there should be early engagement with stakeholders:

- landholders and asset owners along potential transmission line routes;
- local community members and groups;
- local Councils and State Planning Departments; and
- First Nations, environment and other special interest groups.

This early engagement may reveal the level of challenge associated with this project and the possible strategies to mitigate community concerns, such as alternative route selection or technical solutions such as undergrounding.

Over the last decade, community benefit sharing has become widespread in large-scale renewable energy development. Community benefit sharing distributes financial benefits of new renewable energy developments into affected communities, ensuring that communities as a whole benefit.

RE-Alliance proposes that community benefit sharing financial models deployed by wind and solar energy developers also be used for new transmission projects. This community benefit sharing would deliver positive community outcomes for communities around transmission lines, be commensurate with the impacts on local landholders, but modest in terms of the

[1] RE-Alliance was formerly known as the Australian Wind Alliance.

[2] The role of the Regulatory Investment Test for Transmission process in the development of the WVTNP fact sheet available at: https://www.westvictnp.com.au/1news/news_feed/the-role-of-the-regulatory-investment-test-for-transmission-rit-t-process-in-the-development-of-the-wvtnp

overall project cost. In the first instance, RE-Alliance recommends that reasonable costs of community benefit sharing and community partnerships be contributed by transmission companies, as good corporate citizens. Where further costs are required, we recommend that transmission companies should be able to recover any additional costs of community benefit sharing and community partnerships from electricity consumers through the RIT-T. As all electricity consumers benefit from the hosting of electricity infrastructure by local communities, it is appropriate that the costs of providing benefits to local landowners and communities should be recoverable from electricity consumers.

The RIT-T rightly emphasises efficiency and price to ensure that electricity consumers pay no more than is necessary to ensure the safe, reliable, and secure supply of electricity. However, the RIT-T as currently interpreted does not incorporate benefit sharing for transmission impacted communities, even though resistance from impacted communities can materially impact the cost, or "efficiency" of the project.

RE-Alliance further recommends that new models of landholder compensation be developed that better reflect the commercial negotiation taking place between the transmission company and the landholder and that any additional costs around these new models be recoverable from electricity consumers as true costs of delivering these projects. We see that the Australian Energy Infrastructure Commissioner could play a role in developing these models.

This paper explores the status quo and offers several alternatives, so that robust social and environmental feasibility assessment can occur alongside community benefit sharing in new transmission projects, and that these projects develop a strong social licence and are more welcome in their host communities.
This paper applies to jurisdictions across the NEM and the South West Interconnected System (the electricity grid in the southwestern part of Western Australia). It focuses particularly on New South Wales and the Central-West Orana REZ and Project Energy Connect, a proposed transmission line between NSW and South Australia. It draws lessons from transmission projects under development in Victoria and Tasmania, and is relevant to and draws on information from other Australian jurisdictions.

Challenges to transmission deployment

The AEMO's ISP modelling confirms that the least-cost and least-regret transition of the NEM should bring in a highly diverse portfolio of behind-the-meter and grid-scale renewable energy resources. These renewable energy resources are to be supported by dispatchable firming resources and enhanced grid capabilities.

For the REZs planned in the AEMO's ISP to be successfully delivered there will need to be a significant roll out of new transmission lines across the country. Increased investment in new transmission infrastructure is required due to transformational change occurring within the energy sector which includes:

- the progressive closure of coal fired generation;
- likely future increased demand for electricity associated with the increased electrification of the economy;
- coordination of decisions about the location of new renewable generation; and
- planning and staged delivery of new transmission infrastructure to support that new generation.

The Energy Security Board (ESB) recently commented:

> *"The transmission investment needed out to 2040 in the Integrated System Plan optimal development path is around $23 billion in 2019 dollars, and routes and easements are not yet planned or finalised in many cases. Ensuring that these major projects remain on time and on budget once regulatory and planning approvals have been granted is a significant challenge. It is many years since the transmission companies have built major interconnectors and managed projects of this magnitude. Delivering on time and within budget is necessary for connection of the new generation and storage fleet to meet customer needs at the lowest cost within current policy settings".*[3]

A fundamental issue which the energy market institutions seem to have paid little attention to is the need for a strong social licence for this massive roll out of transmission infrastructure. In the past, significant community opposition and changed demand forecasts led to TransGrid abandoning its proposed 330kV Stroud to Taree Transmission Line Project.

More recently we are seeing examples of community resistance to new transmission infrastructure roll-out. In Victoria, AusNet is delivering the Western Victorian Transmission Network Project (WVTNP)—the first major transmission project in Victoria in over 30 years. The project is meeting with significant community resistance. Farmers have captured local attention by ploughing anti-transmission messages into their fields.

Similarly, in NSW, TransGrid is planning to deliver the Central-West Orana REZ which has also been met with community opposition including the formation of opposition groups.[4][5] This situation is not dissimilar to the one the wind industry found itself in about five to ten years ago, when instances of poor community engagement, inadequate benefit sharing, and a lack of awareness of local impacts led to widespread community opposition. Although the roll-out of large-scale renewable projects have at times had community opposition, they have also benefited from widespread and strong

[3] Energy Security Board Post-2025 Market Design Consultation Paper p. 110 available at: https://energyministers.gov.au/sites/prod.energycouncil/files/publications/documents/P2025%20Market%20Design%20Consultation%20paper.Final_.pdf

[4] Merriwa farmers demand answers from TransGrid available at: https://www.nbnnews.com.au/2021/02/25/merriwa-farmers-demand-answers-from-transgrid/

[5] Merriwa Cassilis Alliance established to safeguard strategic ag land available at: https://www.theland.com.au/story/7149933/producers-fight-a-power-plan/?src=rss

community support. In the wind industry, improvements have been made to community consultation and community benefit sharing has become standard practice for new wind developments. New solar developments are also looking to include best practice community engagement and community benefit sharing programs as part of their business model.[6]

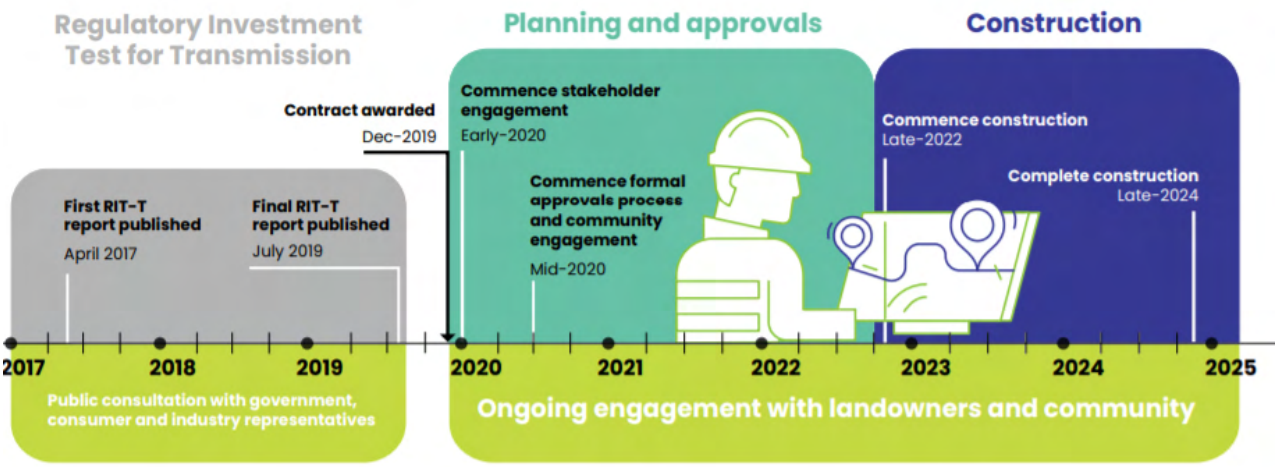
There are varied concerns across communities, with some of the key themes being loss of amenity and potential impacts on farming capacity.

Crucial to best practice community consultation is early engagement with affected communities. This diagram from an AusNet publication shows the process AusNet is following for the WVTNP.
In Victoria, AEMO, as the jurisdictional planner, has control of the project until the contract for its delivery is awarded. As project deliverer, AusNet cannot commence consultation prior to this point.

environmental impacts on local communities in its assessment unless it conflicts with the law. The guidelines, for example, explicitly exclude consideration of an option's impact to the environment or for matters, such as, the loss of visual amenity, that are not regulated".[7]

Thus, **many of the major decisions about the route selection have already been made by the time the public is consulted in the planning and approvals stage.** At this stage, the transmission company already has regulatory approval to build the transmission line and recover funds from the public through their electricity bills to pay for it. It seems then that only minor matters are up for consultation in the planning and approval stage.

Landholders should be consulted earlier during the RIT-T process. This will assist in shaping a pathway for the proposed infrastructure that considers community and landholder concerns



The RIT-T (explained in further detail below) does not include consideration of "social and alongside project objectives. It should also assist in identifying project cost risks associated with potential outcomes such as re-routing or undergrounding to avoid areas designated as important by the community.

[6] For example, UPC Renewables has worked with the Community Power Agency and the local community to design and establish a community Benefit Sharing Initiative to help share some of the revenue generated from the solar farm with the community. The New England Solar Farm will fund the program by providing $250 a year for every megawatt of power generating capacity installed at the solar farm over its 25-year working life. Further information is available at: https://www.newenglandsolarfarm.com.au/community

[7] The role of the Regulatory Investment Test for Transmission process in the development of the WVTNP fact sheet p.3 available at: https://www.westvictnp.com.au/1news/news_feed/the-role-of-the-regulatory-investment-test-for-transmission-rit-t-process-in-the-development-of-the-wvtnp

It should be noted that transmission companies can face problems due to being seen to consult either too early or too late. If they go to the community before there is a detailed route design, people will say "Why are you coming to us now? Come back when you know where you plan to place this infrastructure". If they go out later community members can feel that all the decisions have already been made and that the consultation is not genuine.

RE-Alliance recommends that socioeconomic assessment and landowner engagement on route selection should occur early via a 'Multi Criteria Analysis' methodology before final technology selection and procurement to understand community viewpoints and better identify social licence risks.

RE-Alliance has previously argued that "consideration of community attitudes and plans for community outcomes should be elevated beyond 'consultation' to be a more central part of REZ planning and that socioeconomic assessments and community benefit plans be included as required components" in the REZ Design report process.[8]

Thus, RE-Alliance welcomes the recent changes to the National Electricity Rules that stipulate for each REZ for which the ISP requires a REZ design report, the jurisdictional planning body must undertake public consultation with relevant stakeholders, including local council and the community. The REZ design report includes preparatory activities such as preliminary assessment of environmental and planning approvals[9].

However, we note that this high-level assessment will only apply to specified REZs in future ISPs.

Farmers also express concern that when they are consulted, they are not given enough information from transmission companies.[10] Feedback RE-Alliance has heard from local landholders in the CWO-REZ is that whereas renewable energy developers provide detailed information up-front to landholders, the situation with regards to transmission is less clear. For instance, a local community group opposing the planned transmission route, the Merriwa-Cassilis Alliance (MCA) is currently having discussions with TransGrid seeking to establish a process to engage and improve communication and to have a transparent consultation process.

MCA President, Peter Campbell said that to this end "TransGrid and MCA have agreed to establish a working group. This working group will review alternative routes, explore options to locate the route to minimize/avoid impact on private land and locate the route within public lands".[11] Such working groups are valuable forums to air and resolve the interests of the variety of stakeholders around a project.

The potential for significant community opposition to new transmission infrastructure on this scale should not be discounted. In 2015, in Germany, transmission line rollouts associated with the transition to renewables were halted due to resistance from residents. The Government was pushed to underground transmission lines, requiring legislative changes and increasing the cost of these projects.[12]
In Victoria/Tasmania, there are now two proposed transmission lines, Marinus Link and Star of the South, which will be predominantly underground, whilst other projects such as the Western Victorian Transmission Network Project are proposed to be above ground. Recent

[8] Australian Wind Alliance submission to the ESB REZ Planning Rule change - Renewable Energy Zones Planning Discussion Paper p. 1. available at: https://www.re-alliance.org.au/submission_esb_rez_planning_rule_change

[9] National Electricity Amendment (Renewable energy zone planning) Rule 2021 available at: https://www.aemc.gov.au/sites/default/files/2021-05/D21013075%20%20REZ%20Planning%20Rule%20-%20Scan%20Copy%20signed%20by%20Minister%20for%20the%20AEMC%282%29.PDF

[10] For example, Merriwa - Cassilis Alliance Facebook page available at: https://www.facebook.com/MerriwaCassilisAlliance/posts/1078856947631 03

[11] Merriwa Cassilis Alliance: 'Don't Overpower Us' 27 April 2021 available at: https://www.2nm.com.au/news/local-news/103705-merriwa-cassilis-alliance-don-t-overpower-us

[12] Germany's Underground Cable Law: New rules aim to accelerate grid expansion available at: https://www.globaltransmission.info/archive.php?id=25738#:~:text=Commonly%20known%20as%20the%20Erdkabelgesetz,cables%20instead%20of%20overhead%20lines.&text=New%20power%20lines%20in%20Germany,economic%20centres%20in%20the%20south.

high-level analysis by AusNet for their Western Victorian Transmission Network Project found that:

> *"per kilometre, building transmission cables underground would be in the order of up to ten times more expensive when compared with the equivalent overhead option. Given the significant difference in cost, without providing any additional economic benefits meant that undergrounding options could not be justified under the RIT-T regulations".*[13]

However, social, and environmental costs are not included in these assessments. Moorabool Shire Council recently commissioned an independent local economic impact assessment[14] to examine the economic advantages and disadvantages that had not been previously considered as part of the project's RIT-T process, and found:

- **The RIT-T does not appear to consider costs or benefits outside the electricity market.**
- The RIT-T process selects a preferred option on the basis of net direct electricity market benefit and does not take into account any local, indirect, or non-market impacts (positive or negative).
- The capital costs considered include construction, operation, maintenance, regulatory costs, and easements. It seems that no other costs are considered such as non-market economic, social, and environmental impacts.
- The benefits assessed include price benefits to electricity consumers and the profitability of energy production and subsequent flow to business, no other benefits are considered, including non-market economic impacts.

When considering what is reasonable in terms of funding community benefit sharing it is worth considering the pressure for and the relative costs of alternative technology choices in mind.

#	Recommendation
1	That engagement start early during the RIT-T process and includes: • landholders and asset owners along potential transmission line routes; • local community members and groups; • local Councils and State Planning Departments; and • First Nations, environment and other special interest groups.
2	The RIT-T cost benefit analysis is expanded to include consideration of social and environmental costs and benefits on local communities.

[13] The role of the Regulatory Investment Test for Transmission process in the development of the WVTNP fact sheet p.4 available at: https://www.westvictnp.com.au/1news/news_feed/the-role-of-the-regulatory-investment-test-for-transmission-rit-t-process-in-the-development-of-the-wvtnp

[14] Moorabool Shire Council, (2021) Western Victoria Transmission Network Local Economic Impact available at: https://www.moorabool.vic.gov.au/sites/default/files/Western%20Vic%20Transmission%20Network-EIA-FINAL%20150221.pdf

What does best practice community consultation look like?

The text below is from the Clean Energy Council's Community Engagement Guidelines for the Australian Wind Industry.[15]

> *Effective engagement goes beyond simply informing communities of project information, decisions, and actions, it also includes:*
>
> - *providing information about wind power and the wind farm development in a clear and timely manner*
> - *being genuinely available to meet and talk to community members*
> - *providing opportunities for communities to communicate local values, raise concerns or support and responding to questions and concerns respectfully*
> - *prioritising achievement of mutually agreed outcomes, wherever possible*
>
> *Strong community engagement creates mutual benefits for wind farm developers and communities, including outcomes such as:*
> - *the establishment of respectful relationships which can foster community support for and identification with project operations and goals*
> - *decreased levels of misinformation about the project and wind energy*
> - *reduced reputational damage*
> - *mitigated risk to projects*
> - *reduced financial and legal costs for developers*
>
> *Each of these considerations has implications for a project's social licence to operate and, by extension, its ultimate success".*

These points apply equally to best practice community engagement for transmission projects.

Transmission companies have made significant efforts to improve their community consultation processes in recent years, drawing on resources such as Energy Networks Australia's Customer Engagement Handbook[16] and the International Association for Public Participation (IAP2) Public Participation Spectrum.[17] A range of panels have been established to facilitate wide-ranging engagement with customers and community stakeholders and to receive expert advice on engagement issues. Community stakeholder forums have been established around individual transmission projects in New South Wales, Victoria and Tasmania.

22 energy businesses, including transmission developers, are members of the Energy Charter, a program that publicly commits its members to continued improvement in the way they work to meet the needs of energy consumers.

The Energy Charter has five key principles focused on embedding a customer-centric culture and conduct in energy businesses:

> - *"We will put customers at the centre of our business and the energy system*
> - *We will improve energy affordability for customers*

[15] Clean Energy Council (2018) Community Engagement Guidelines for the Australian Wind Industry p. 8-9 available at: https://assets.cleanenergycouncil.org.au/documents/advocacy-initiatives/community-engagement/wind-community-engagement-guidelines.pdf

[16] Energy Networks Australia Customer Engagement Handbook available at: https://www.energynetworks.com.au/assets/uploads/customer_engagement_handbook_july_2016.pdf

[17] Further information is available on the IAP2 website at: https://iap2.org.au/resources/iap2-published-resources/

- *We will provide energy safely, sustainably, and reliably*
- *We will improve the customer experience*
- *We will support customers facing vulnerable circumstances".*[18]

Energy Charter is working on an initiative that engages with agriculture groups to improve landholder and community engagement within existing frameworks.[19]

Transgrid has recently established the Office of the Landowner and Community Advocate to assist in implementing the best possible landowner and community engagement practices on all its major transmission projects. Bolstering internal capacity to undertake the most effective community engagement is a welcome development.

"The Advocate will:

- *be the pre-eminent source of advice to TransGrid's Chair, CEO and Executive and Board on all aspects of best practice community engagement and stakeholder consultation*
- *be consulted by TransGrid regarding communication plans and specific documentation about projects that impact landowners and communities*
- *contribute to and critically review all TransGrid's policies, strategies, processes and procedures for engagement with communities and landowners*
- *communicate with TransGrid staff, landowners, communities and the media to understand issues and concerns*
- *assist TransGrid to be accountable for its undertakings and commitments to landowners and communities*
- *facilitate the voice of landowners and the broader community in identifying opportunities and alternatives".*[20]

In the terminology of the International Association for Public Participation (IAP2) Public Participation Spectrum, RE-Alliance recommends that transmission companies consider moving their consultation style from one of inform, consult, or involve to more actively collaborating and empowering their local communities. Working proactively with local communities to co-design community benefit sharing and partnership is one way in which rural communities can be involved in decision-making around transmission projects.

ACT and Victorian Governments have set high standards for community engagement and benefit sharing via their renewable energy target auction schemes.[21] RE-Alliance recommends that all developments in the REZs (including transmission) follow a similarly rigorous process, regardless of whether they will bid into an auction scheme or not, to ensure harmonisation of project consultation in these areas.

#	Recommendation
3	That transmission companies consider moving their consultation style from one of inform, consult, or involve to more actively collaborating and empowering their local communities.

[18] TransGrid's The Energy Charter web page available at: https://www.transgrid.com.au/being-responsible/TheEnergyCharter/Pages/default.aspx

[19] See "#BetterTogether - Better Practice Landholder and Community Engagement" https://www.theenergycharter.com.au/bettertogether/

[20] The Office of the Landowner and Community Advocate Charter available at: https://www.transgrid.com.au/news-views/lets-connect/stakeholder-engagement-program/Office%20of%20the%20Landowner%20and%20Community%20Advocate/Documents/Office%20of%20the%20Landowner%20and%20Community%20Advocate_Charter.pdf

[21] Lane, T., and J. Hicks (2017) Community Engagement and Benefit Sharing in Renewable Energy Development: A Guide for Applicants to the Victorian Renewable Energy Target Auction. Department of Environment, Land, Water and Planning, Victorian Government, Melbourne available at: https://www.energy.vic.gov.au/__data/assets/pdf_file/0027/91377/Community-Engagement-and-Benefit-Sharing-in-Renewable-Energy-Development.pdf

What is Community Benefit Sharing?

Community benefit sharing distributes financial benefits of new renewable energy developments into affected communities, ensuring that communities as a whole benefit.

In late 2019, both the CEC and RE-Alliance released reports on community benefit sharing for renewable energy projects.[22] The CEC report described community benefit sharing this way:

> *"It involves sharing the rewards of a development with local communities. It aims to integrate a development into the local community by contributing to the future vitality and success of the region.* ***It is based on a desire to establish and maintain positive long-term connections to the area and to be a good neighbour".***[23]
>
> *"In regions of intensive renewable energy development, the ways in which a 'community of benefit' is identified, and benefit-sharing options are developed is becoming more layered with the activities of other renewable energy developments as well as the development of transmission infrastructure to support these zones".*[24]

In mid-2021 RE-Alliance will be releasing a new NSW REZ best practice/ social licence report. Together, the reports provide strategies for various community benefit sharing options available to the proponents of large-scale renewable energy projects as well as illustrative case studies. Strategies include neighbourhood benefit programs, the creation of grant funds as well as innovative financing methods that enable community co-investment or community co-ownership.

The CEC's Guide also discusses benefit sharing strategies that go beyond making cash-based contributions such as:

> - *"contributing to local communities through regional economic development approaches (e.g. local jobs and contracting);*
> - *in-kind contributions (e.g. employee volunteerism) and*
> - *partnership benefits (e.g. industry capability networks and educational opportunities)".*[25]

These documents emphasise the importance of integrating benefit sharing with extensive and meaningful community engagement processes.

Varying benefits may be offered to different sections of the community. Landholders who host renewable energy infrastructure receive lease payments over the life of the project. Neighbours within a given range of a project may receive compensatory payments for a loss of visual amenity. More distant neighbours and community members may benefit from a local community development fund, and other opportunities such as local employment and training opportunities.

In communities, there may be a significant issue with trust around the project. Trust is central to achieving positive community engagement and associated social outcomes. RE-Alliance has seen many instances where negotiations around benefit-sharing programs have increased levels of trust between developers and the community.

It is essential to note that neighbour benefits, and benefit sharing of any kind, should not be linked to 'gag clauses' or other requirements that prohibit people from expressing their opinions on the project.

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[22] *Ibid.* and Australian Wind Alliance, *"Building Stronger Communities: Wind's growing role in regional Australia"* Second Edition, November *2019, available at: https://www.re-alliance.org.au/bsc2*

[23] Lane, T and Hicks, J (2019) *A Guide to Benefit Sharing Options for Renewable Energy Projects, Clean Energy Council p.3. available at: https://assets.cleanenergycouncil.org.au/documents/advocacy-initiatives/community-engagement/guide-to-benefit-sharing-options-for-renewable-energy-projects.pd*

[24] *Ibid.* p.14.

[25] Lane, T & Hicks, J, Clean Energy Council, *"A Guide to Benefit Sharing Options for Renewable Energy Projects"*, 23 October 2019, p. 1. available at: https://assets.cleanenergycouncil.org.au/documents/advocacy-initiatives/community-engagement/guide-to-benefit-sharing-options-for-renewable-energy-projects.pdf

Community benefit sharing case studies

Neighbourhood Benefit Programs

Case Study 1:

"Neighbourhood agreements for a cascading payment scheme - Coppabella Wind Farm, NSW, Goldwind.

Goldwind has found it useful to have benefit schemes that suit the context of a particular wind farm site. Elements of the project context that can influence the design of a neighbour benefit sharing strategy include the project topography, visibility and density of residences close to approved turbine locations. These issues have been considered in rolling out the neighbourhood payment scheme at the 75-turbine Coppabella Wind Farm, where a 'cascading payment structure' has been implemented. The neighbours who live closest to wind turbines are eligible to receive the greatest financial benefit if they choose to opt into the scheme. For example, residences within approximately 2.5 km of an approved turbine location could receive approximately $5000 per year, while those located 5 km away could receive approximately $1500 per year. The base amount (for those 5 km away) is intended as a contribution toward the cost of electricity for that residence. However, how the money is spent is left to the discretion of the residents. Goldwind is transparent and open about who is eligible, what they will receive and how it is calculated to reduce division between the "haves and have-nots". It views the scheme as a tool for building relationships that will enable residents to raise any concerns they might have with the project now or in the future". [26]

Grant Funds

Case Study 2:

"Establishing and Governing a Community Grant Fund - Crowlands Wind Farm, Victoria, Pacific Hydro

The Crowlands Wind Farm, constructed in 2019, will invest more than $2.2 million into the local community over a 25-year period through an annual community grant program, in-kind contributions, and direct philanthropic support.

As part of its benefit sharing approach, Pacific Hydro is working with the local community to establish the Sustainable Communities Fund, an annual community grant program that will share a portion of revenue from Crowlands Wind Farm with the community. As part of this process, Pacific Hydro is gathering community input into what the geographic reach of the fund should be. Ongoing governance of the annual grant program will consist of a panel of three members of the community, representatives from the two local shire councils (Ararat and Pyrenees) and Pacific Hydro representatives. Pacific Hydro advertises expressions of interest for community members to apply to serve on the committee each year. In recognition of their contribution, community members are paid for the time they contribute to the panel. The fund operates according to clear guidelines and will support a range of eligible local initiatives.

While engaging with the community as part of this process, it was revealed that the local community hall needed maintenance. Instead of spending money to organise an event to mark the start of construction of the wind farm, Pacific Hydro installed a 6kW rooftop solar system with a 7kW battery that was supplied and installed by a local business".[27]

[26] *Ibid.* p. 17.

[27] *Ibid.* p.22.

Innovative financing methods that enable community co-investment or community co-ownership

Case Study 3:
"Sapphire Wind Farm Community Co-investment

The 270-megawatt Sapphire Wind Farm near Inverell in North East NSW is the largest wind farm in Australia and first commercial wind farm to make investment available via a public offer.

When its public offer formally closed in June 2019, almost 100 investors had taken up approximately $1.8m in community shares. The offer was originally made to residents in the New England area but with drought biting hard on the local economy, the offer was extended to investors throughout NSW and the ACT.

The investment model was co-developed with the local community through an extensive testing process which addressed details such as governance structure, investment length and rate of return. Several adjustments to the model were made based on community feedback.

The importance of this project is that it creates a community co-investment structure and approach which can be easily replicated in other projects".[28]

Regional Community Funds

Case Study 4: South West Victorian Combined Wind Farm Community Fund

The South West Victorian REZ enjoys strong wind resources and a high voltage power line running through it. It hosts several wind farms, and has further projects either in construction or advanced stages of development. While much of the area is lightly populated, with around 17,000 people, in coming years total fund contributions could climb to as much as $700,000 each year. While there will continue to be important local projects that need to be supported, allowing individual wind farm community funds to pool their funds and work together opens up opportunities to target more ambitious community projects than are typically delivered by small grant-based funds.

RE-Alliance is working with wind farm developers and operators in the region, as well as community stakeholders, to design a fund structure to target these outcomes.

Training and Employment

Case Study 5:
Local training and employment opportunities at Karadoc Solar Farm, Mildura

Beon Energy Solutions (Beon) has implemented a strategic employment program at Karadoc Solar Farm located near Mildura in north-west Victoria. The training and employment program provided local people from diverse backgrounds with a career start in Victoria's booming solar industry.

Beon identified a skills gap in the local solar industry during the planning phase of the solar farm and subsequently partnered with local government, job networks, employment agencies and organisations to provide work for more than 250 locals, including some who had previously faced employment difficulties.

> *"The program involved Beon and SuniTAFE developing the first solar traineeship program for large scale solar in Australia, with 15 individuals from the region undertaking a Certificate II in Electrotechnology that were employed at Karadoc.*

Beon and SuniTAFE also created 26 new electrical apprentice positions at the site. It was

[28] Australian Wind Alliance, *"Building Stronger Communities: Wind's growing role in regional Australia"* Second Edition, November 2019, p. 28. available at: https://www.re-alliance.org.au/bsc2

the highest number of apprentices to work on a large-scale solar farm in Australia".[29]

#	Recommendation
4	That transmission companies use community benefit sharing models pioneered by the wind industry to distribute financial benefits of new transmission developments into affected communities, ensuring that communities as a whole benefit.

[29] *Mildura solar farm program a finalist in Clean Energy Council awards* available at: https://beon-es.com.au/latest-news/mildura-solar-farm-program-a-finalist-in-clean-energy-council-awards/

Working with Traditional Owners

When designing community consultation processes and community benefit sharing initiatives it is important that transmission companies consult with local Traditional Owners and Land Councils. This will allow the companies to learn from the First Nations communities' local knowledge and ensure they understand any native title rights and related issues that pertain to the project. It may be possible for the design of the project to limit, minimise or completely avoid areas which could impact sites of cultural and heritage importance. There may also be opportunities to develop training or apprenticeship programs which would include opportunities for local First Nations people.

#	Recommendation
5	That transmission companies meaningfully consult local Traditional Owners and Land Councils on projects and associated benefit sharing initiatives; that transmission companies respect the principle of free, prior and informed consent on their lands; that native title issues are properly understood; and that training or apprenticeship programs include opportunities for local First Nations people.

Current Land Access, Compensation, and Community Benefit Sharing in Transmission

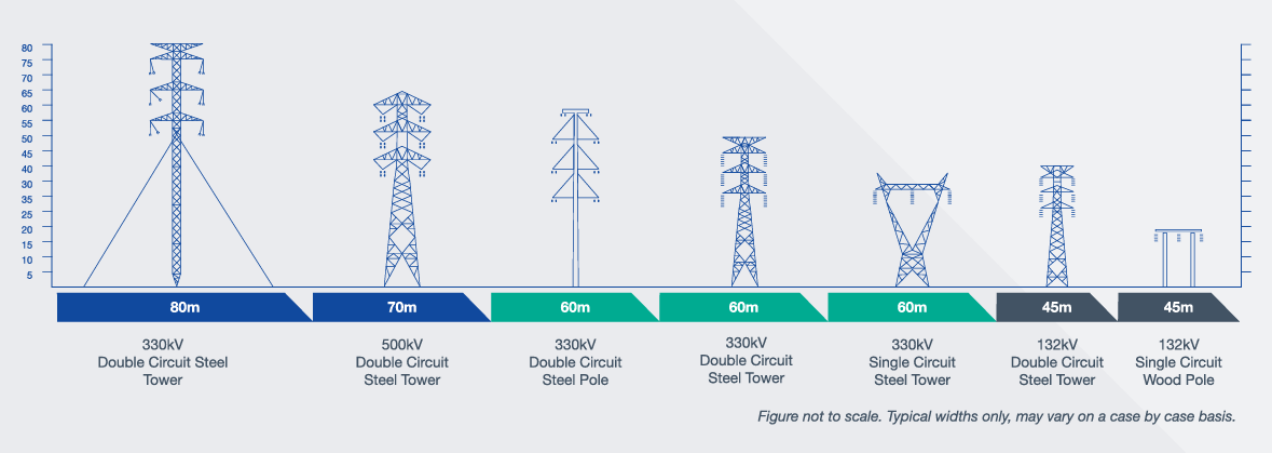
Transmission companies require spaces for their substations and transmission lines (both regarding overground and underground technologies) to provide electricity transmission services to the community. To do this they must acquire appropriate property rights for its electricity supply network. For substations this will usually be a freehold title and for a transmission line this will be an easement.[30]

What is an easement?

> *"An easement is an interest attached to a parcel of land that gives another landowner or a statutory authority a right to use a part of that land for a specified purpose. The easement is registered on the title of the property and affects a defined area of the land. The easement is generally shown on the plan of the land with a brief description noted or more fully described in a further document (instrument)".*[31]

One example of an easement is an electricity easement. The easement may be for an electricity transmission line over or under the property and may run parallel at the rear or side of a property.

An easement provides certain rights and restrictions and owners of land with registered easements should understand their legal implications. A party who is lawfully authorised to benefit from an easement, and who uses the easement in the prescribed manner, will not be liable for trespass. If an authority has an easement registered over a landholder's land, such as an easement for electricity services, then the authority will have the right to access the property and to carry out repairs and maintenance on the easement.



TransGrid has developed an exclusion zone to enable suitable activities within easements, while providing a safe clearance area around transmission lines and structures to protect public safety and the network[3233]. TransGrid's

[30] TransGrid *Landholder Easement and Compensation Guide* p. 2, available at: https://www.transgrid.com.au/being-responsible/public-safety/Living-and-working-with-electricity-transmission-lines/Documents/Landholder%20and%20Easement%20Compensation%20Guidelines.pdf

[31] *Understanding Easements in your Property* contract available at: https://shadpartners.com.au/property/understanding-easements-in-your-property-contract/#:~:text=An%20easement%20is%20an%20interest,defined%20area%20of%20the%20land.

[32] Figure from TransGrid's *Landholder Easement and Compensation Guide*

[33] *TransGrid Easement Guidelines - Living and working with electricity transmission lines* available at:

Easement Guidelines clarify what activities are permitted within their easements. Cropping and grazing are permitted if any machinery used does not extend more than 4.3 metres above ground level.

Transmission lines can be placed above ground or below ground. The current plans for Marinus Link include around 250km of undersea HVDC cable, 90km of underground HVDC cable in Victoria, around 1km of underground HVDC in Tasmania, two converter stations linking to the existing HVAC transmission infrastructure.

Compulsory acquisition and negotiated voluntary commercial agreements

In NSW[34], under the Electricity Supply Act 1995 section 44, network operators, including transmission operators or distributors have compulsory acquisition rights. This could include the purchase of freehold title for a substation or of an easement for a transmission line.

> *"The Land Acquisition (Just Terms Compensation) Act 1991 (the Land Acquisition Act) sets out the process for acquiring land.*
>
> *The Land Acquisition Act directs acquiring authorities to negotiate with landowners for at least six months to acquire land by agreement. In these cases, the Valuer General is not involved. Most land acquisitions happen this way.*
>
> *If landholders cannot reach an agreement with the acquiring authority through negotiation, the Governor of NSW can approve compulsory acquisition of the land. The Valuer General will then determine the amount of compensation the acquiring authority must pay for the land".*[35]

https://transgrid.com.au/being-responsible/public-safety/Living-and-working-with-electricity-transmission-lines/Documents/Easement%20Guidelines.pdf

[34] Similar provisions exist in other states. For example, in Victoria there are compulsory acquisition provisions under section 86 of the Electricity Industry Act 2000.

[35] NSW Government Valuer General Compulsory Acquisitions webpage available at:

Section 55 of the Land Acquisition Act lists the relevant matters to be considered in determining the amount of compensation. They are:

> *"(a) the market value of the land on the date of its acquisition,*
> *(b) any special value of the land to the person on the date of its acquisition,*
> *(c) any loss attributable to severance,*
> *(d) any loss attributable to disturbance,*
> *(e) the disadvantage resulting from relocation,*
> *(f) any increase or decrease in the value of any other land of the person at the date of acquisition which adjoins or is severed from the acquired land by reason of the carrying out of, or the proposal to carry out, the public purpose for which the land was acquired."*

However, recent advice to TransGrid from JLL Australia, a real estate services firm, which is publicly available on the Australian Energy Regulator's (AER) website states:

> *"In more recent times governments, authorities and infrastructure proponents have become more acutely aware of reputational risk and have an increasingly strong desire to develop and maintain a Social Licence to Operate in the areas in which they operate.*
>
> *Another key driver for this change is the requirement that all agencies (including TransGrid) that acquire land under the Land Acquisition (Just Terms Compensation) Act 1991 (NSW) are expected to comply with the revised Property Acquisition Standards published by the NSW Centre for Property Acquisition.*
>
> *As a result, they are more inclined to negotiate voluntary commercial agreements in preference to acquisition or resumption of easements and are prepared to pay an amount above*

https://www.valuergeneral.nsw.gov.au/compulsory_acquisitions#:~:text=The%20Land%20Acquisition%20(Just%20Terms,Valuer%20General%20is%20not%20involved.

> *valuation to reach such a voluntary agreement".*[36]

JLL continues:

> *"Wind farm developers in particular are prone to paying royalties on a "per turbine" basis which are generally not based on valuation principles and are more based around commercial negotiations which are generally well in excess of compensation assessed under the applicable land acquisition legislation for transmission lines.*

It should be kept in mind that transmission companies may have a limited period in which to negotiate land access agreements, as they may have contracted with subcontractors to build the transmission line. If delays extend too far beyond initial estimates, it will end up costing the transmission company vastly more through penalty clauses in their agreements with their subcontractors.

JLL puts it thus:

> *Landowners and their advisors in the current environment are very astute and are more cognisant of their ability to drive a higher compensation amount if proponents are under pressure to achieve access to land in a short timeframe.*[37]

The Australian Energy Infrastructure Commissioner, Andrew Dyer has recently been outspoken on the issue of landholder payments:

> ***"There is a terrific opportunity to positively bring the farming community along and become supportive of hosting new transmission lines — by finding a way that the landholder can share in the ongoing economic benefits being delivered by the transmission infrastructure,"***
>
> ***"None of this infrastructure can exist without land, and the landholder's co-operation and use of their asset is essential for these new projects to proceed."***[38]

Existing Community Development funds

Case Study 6: TransGrid's existing community programs

TransGrid has some small-scale community benefit programs in place including a Community Partnerships Program and a Corporate Sponsorship Program. TransGrid's Community Partnerships Program is

> *"designed to benefit communities in areas where their assets are located or under development. Through the program, TransGrid provides not-for-profit groups with funding to help deliver initiatives that will have a tangible and lasting impact on local communities".*[39]

TransGrid's website does not say how much money was provided to these initiatives. They are spread throughout the State.

TransGrid also has a Corporate Sponsorship Program

> *"which provides financial, professional and volunteer support to organisations that benefit the community. Program aims are to:*
> - *support or contribute to the long-term wellbeing of communities in NSW and the ACT.*

[36] Letter from JLL to TransGrid re Land & Easement Acquisition Forecast Costs for Project Energy Connect p. 6-7 available at: https://www.aer.gov.au/system/files/Transgrid%20-%20JLL%20Report%20Land%20Acquisition%20Costs%20Revised%20-%2025%20August%202020.pdf

[37] *Ibid.* p. 5.

[38] *The Weekly Times*, 'Farmers Call Ongoing Payments for Powerline Easements', June 30 2021

[39] TransGrid's Community Partnerships Program webpage available at: https://www.transgrid.com.au/being-responsible/community-partnership-program/Pages/default.aspx

- *contribute to important issues within the communities where we work.*
- *contribute to important issues within the electricity industry*
- *align with the delivery of our Diversity and Inclusion strategy.*

Current sponsorships include:

- *National Renewables in Agriculture Conference (Dubbo 2021)*
- *Career Trackers*
- *STEM programs for women*
- *The Clontarf Foundation*
- *The Royal Botanic Gardens*
- *UTS Galuwa Experience*
- *Vivid Sydney".*[40]

While community programs such as those provided by TransGrid will continue to make sense at a corporate level, it is likely that for major transmission projects there will be a need for more substantial funding that is targeted to host communities. Those communities will be keen to see "what's in it for them" if they are to become hosts to hundreds of kilometres of new transmission lines. Corporate-level programs are currently funded from transmission companies' profits. While it is reasonable that transmission companies shoulder the reasonable costs of these programs as a cost of doing business, community outcomes in impacted regions should exceed the level of these reasonable costs.

RE-Alliance recommends that transmission companies should be able to recover any additional costs of community benefit sharing and community partnerships from electricity consumers through the RIT-T. As all electricity consumers benefit from the hosting of electricity infrastructure by local communities, it is appropriate that the costs of providing benefits to local landowners and communities should be recoverable from electricity consumers.

Consideration should also be given to the role state governments can play in furthering regional development goals where there are synergies with transmission projects.

#	Recommendation
6	Transmission companies substantially expand existing community development and partnership programs to target communities impacted by their projects.

[40] TransGrid's Sponsorship Programs webpage available at: https://www.transgrid.com.au/being-responsible/sponsorship-programs/Pages/default.aspx

Barriers to transmission benefit sharing

The rules administered by the AER make it difficult for transmission companies to use community benefit sharing models pioneered by wind farms and increasingly used by solar farms. Under these models, proponent contributions are made to the local community which in turn contribute to enhanced social licence and improved community goodwill towards the project.

The Regulatory Investment Test for Transmission (RIT-T)

Under the National Electricity Rules:

> *"The RIT-T process requires transmission network planners to identify the network need, assess the cost, and evaluate the economic and technical benefits of a range of potential solutions.*
>
> *The RIT-T process can be likened to a business case for any project or venture. It represents an early hurdle that needs to be crossed to progress to the next stage of investment and planning. Its purpose is to identify the investment option that delivers the highest net economic benefit to those who produce, transport, and consume electricity in the NEM. This is done to ensure the proposed investment is in the long-term interests of electricity consumers who ultimately fund this project. This contrasts with privately funded initiatives which do not require a RIT-T, such as in the case of a company that seeks to build a powerline to connect its wind farm to the network".*[41]

The regulatory investment test for transmission (RIT-T) is based on the National Electricity Objective (NEO) from the National Electricity Law (NEL). The NEO, as stated in the NEL is:

> *"to promote efficient investment in, and efficient operation and use of, electricity services for the long-term interests of consumers of electricity with respect to:*
> - *price, quality, safety and reliability and security of supply of electricity*
> - *the reliability, safety and security of the national electricity system".* [42]

The emphasis on efficiency and price is to ensure that consumers pay no more than is necessary to ensure the safe, reliable, and secure supply of electricity. The NEO requires efficient expenditure and does not incorporate benefit sharing for transmission impacted communities.

[41] The role of the Regulatory Investment Test for Transmission process in the development of the WVTNP fact sheet available at: https://www.westvictnp.com.au/1news/news_feed/the-role-of-the-regulatory-investment-test-for-transmission-rit-t-process-in-the-development-of-the-wvtnp

[42] National Electricity (South Australia) Act 1996 National Electricity Law—Schedule, Section 7 available at: https://www.legislation.sa.gov.au/LZ/C/A/NATIONAL%20ELECTRICITY%20(SOUTH%20AUSTRALIA)%20ACT%201996.aspx

Overcoming barriers to improved landholder compensation & benefit sharing

Option 1

Amendments to the National Electricity Law or its interpretation by the AER

If the current national regulatory regime continues to be used by States, benefit sharing could be facilitated by a change to the National Electricity Law (NEL) or to the AER's current interpretation of the law. The law could be amended to broaden the concept of efficiency in the NEL. The Australian Energy Market Commission (AEMC), which has published a guidance document "Applying the Energy Market Objectives," discusses the elements of efficiency, including productive efficiency, allocative efficiency, and dynamic efficiency.[43]

The AEMC states:

> *"the focus of the energy objectives is on efficient investment in, and operation and use of, electricity and gas services in the long-term interests of consumers. The question to be answered in the assessment process is therefore, would a proposed change to the rules (or recommendation) promote more efficient decisions across these activities, which would ultimately promote the long-term interests of consumers".*[44]

It is in the long-term interests of consumers that the proposed Renewable Energy Zones and their supporting transmission infrastructure in the Australian Energy Market Operator's (AEMO's) Integrated System Plan (ISP) is developed. AEMO comments:

> *"Provided that the transmission investments are timely and kept at an efficient level, the combined supply and network investments proposed in the ISP are expected to deliver $11 billion in net benefits to the National Electricity Market (NEM)".*[45]

However, without an adequate social licence, many of the projects may not be built, or not built in a timely way, or may be forced onto communities unwillingly. These are not desirable outcomes. Community benefit sharing can alleviate many of these issues and make new transmission assets more welcome in rural communities.

It is instructive to view TransGrid's Contingent project application to the AER for Project Energy Connect, an interconnector which will run between New South Wales and South Australia.

For land and easement acquisition costs, TransGrid

> *"forecast $121.4 million ($2017-18) in capex for the purchase of new easements, land for substations, and associated costs relating to compensating landowners along the route between the South Australian border and Wagga Wagga. This comprises 6.5 per cent of total project forecast capex".*[46]

The AER has

> *"found that the majority of the easement and land acquisition costs are likely reasonably estimated and are supported by independent data on land valuations in New South Wales.*

[43] AEMC, Applying the energy market objectives, 8 July 2019, p.12. available at: https://www.aemc.gov.au/sites/default/files/2019-07/Applying%20the%20energy%20market%20objectives_4.pdf

[44] Ibid. p.4.

[45] AEMO, 2020 Integrated System Plan, July 2020, p. 8, available at: https://aemo.com.au/-/media/files/major-publications/isp/2020/final-2020-integrated-system-plan.pdf?la=en

[46] AER (2020), Preliminary Position TransGrid Contingent Project - Project EnergyConnect, p.21 available at: https://www.aer.gov.au/system/files/AER%20-%20Preliminary%20Position%20-%20TransGrid%20-%20Project%20EnergyConnect%20Contingent%20Project%20-%20December%202020_0.pdf

> *However, TransGrid's forecast includes a contingency for negotiating with landowners to secure easements at above market rates. This contributes to $30 million in forecast capex. [The AER] found that the majority of this allowance for negotiating with landowners is likely not required to secure land for the project.*

The AER considers

> *"that a negotiating margin of $6 million is reasonable for TransGrid to secure access to easements for the project. This reflects an amount that is broadly consistent with the average negotiating margin that TransGrid has required on the land and easements it has been able to secure to date".*[47]

Thus, for Project EnergyConnect, TransGrid sought to include a contingency for negotiating with landowners to secure easements at above market rates. The AER found that this contributed to $30 million in forecast capex. The AER found that most of this allowance for negotiating with landowners was likely not required to secure land for the project. The AER considers that a negotiating margin of $6 million is reasonable for TransGrid to secure access to easements for the project.

Thus, changes to the NEL may be required for transmission companies to recover additional expenditure for land and easement acquisition costs, as the AER is already prepared to approve expenditure above market rates. It then becomes a question of what is "reasonable" and what has been achieved before.

But as JLL notes:

> *"Wind farm developers in particular are prone to paying royalties on a "per turbine" basis which are generally not based on valuation principles and are more based around commercial negotiations which are generally well in excess of compensation assessed under the applicable land acquisition legislation for transmission lines.... Such agreements can set unrealistic expectations in the community and inevitably drive up compensation".*

The question of what is "unrealistic" or what is "reasonable" to quote the AER, is a contested matter.

RE-Alliance considers that maintaining a good social licence is essential for these projects to proceed and for the REZs to likewise succeed. In these circumstances we argue for best practice community consultation, and increased landholder and neighbour compensation arrangements which also includes community benefit sharing arrangements.

RE-Alliance suggests that the energy market institutions have not given sufficient consideration to the importance of social licence and the possibility that the REZ's may not be successful if there is significant community backlash against new transmission infrastructure.

Improved landholder compensation and broader community benefit sharing may be possible under the NEO as it stands and requests the AEMC and AER to consider the matter further and to provide some clarifying advice to industry and the community.

RE-Alliance seeks guidance as to whether it is possible under the current NEL and NER for transmission companies to provide enhanced community benefit sharing such as funding for community development funds or upgraded roads.

These costs are not currently built into the RIT-T process, however conceivably they could be. Initiatives such as this are likely to greatly enhance the social licence of transmission projects in regional communities.

RE-Alliance recommends that an extra line item is built into the RIT-T for social licence costs. We consider that there may be innovative options such as allowing for affected landholders and communities to be paid annually for the life of the transmission asset. This would include increased multi-year affected landholder compensation, affected neighbour payments

[47] *Ibid*, p. 22.

and the capacity for funding local community development funds.

This could potentially be funded from an additional component being added to the rate of return payments provided to the transmission company or alternatively as a standing item of opex, or an amount linked to the depreciation of the long-lived assets.

This possibility needs to be considered by the AEMC and AER in more detail so that they can advise what is possible. **We should not be constrained by the status quo. It is vital that the REZ's are successful and that new generators are able to connect into the NEM as old generators retire.**

The Australian Energy Infrastructure Commissioner has worked specifically in the area of landholder compensation for renewable energy projects since his inception of the role in 2015. We recommend that the Commissioner engage with the AER to determine an efficient level of landholder compensation to be factored into the RIT-T analysis and revenue setting arrangements across various jurisdictions. This process should be consulted on publicly. Affected landholders, neighbours and communities should receive an agreed amount based on publicly available criteria.

#	Recommendation
7	The RIT-T is expanded to include a social licence line item which could be used to pay for improved landholder compensation and community benefit sharing in affected communities.
8	The AEMC and/or the AER clarify whether community benefit sharing can be funded under the current NEL and NER including the RIT-T, and if not, advise on the changes that would be necessary to enable this.
9	Transmission companies develop landholder compensation models that better reflect the nature of recent commercial negotiation that occurs between renewable projects and host landholders. This should be informed by the quantum and duration of compensation paid by wind farms to landholders.
10	RE-Alliance requests that the AER and the Australian Energy Infrastructure Commissioner work together to formalise advice regarding what level of landholder compensation is acceptable under the RIT-T, noting that they have already approved expenditure above market rates for existing transmission projects.

Option 2

State based legislation or regulations

Several States have flagged potentially moving away from the national electricity rules to plan and fund certain new transmission investments. If states decide not to use the national RIT-T arrangements, RE-Alliance advocates the inclusion of early best-practice stakeholder consultation, community benefit sharing and improved landholder compensation in the new State investment tests. This community benefit sharing would be commensurate with the impacts on local landholders, but modest in terms of the overall project cost.

New South Wales

NSW has proposed moving away from the RIT-T. They propose an independent regulator who may be the AER or the Independent Pricing and Regulatory Tribunal (IPART) but will use their own investment test.

The NSW Electricity Infrastructure Roadmap states:

> *"reforms will establish a bespoke NSW regime, similar to the RIT-T and National Electricity Rules cost recovery provisions for REZ transmission projects, to allow scale-efficient transmission investments to proceed. To do this, a Transmission Efficiency Test ('the test') will be introduced."*

These powers were confirmed in late November 2020 with the passage of the Electricity Infrastructure Investment Act 2020. No further details about the identity of the NSW regulator have been released yet and the NSW Department of Planning, Industry and Environment are understood to be in the process of developing Electricity Infrastructure Investment regulations.

Victoria

In February 2020, the Victorian Government passed the National Electricity (Victoria) Amendment Bill 2020 which allows the Victorian Government by order published in the Government Gazette to specify an alternative regulatory investment test. During her second reading speech Minister D'Ambrosio commented that:

> *"The Bill will enable the Minister for Energy, Environment and Climate … to make Orders to facilitate urgent transmission projects … An Order may modify or dis-apply parts of the national regulatory framework that have the potential to delay timely investment in the transmission network, including the regulatory investment test for transmission (RIT-T) and rules relating to contestable procurement for augmentations. The RIT-T can add years to a transmission project, frustrating investment to address Victoria's urgent reliability needs. If appropriate, an Order may also specify an alternative test in place of the RIT-T".*

She also stated:

> *This Bill is being introduced as a result of the inability of the current national regulatory framework to effectively address the pressing and unprecedented challenges affecting Victoria's electricity system. The Victorian Government will continue to advocate for changes to the national framework to ensure that it is effective and fit for purpose".*

When NSW and Victoria establish their own regulatory processes , RE-Alliance recommends that their regulatory tests facilitate community benefit sharing.

We note that in Victoria any reform to commence stakeholder engagement at an earlier stage in the process than is currently the case will need AEMO (or Vicgrid, the Vic Govt's proposed REZ coordination entity) to take on that role.

#	Recommendation
11	When New South Wales and Victoria establish their own regulatory tests in place of the RIT-T, new regulatory tests should facilitate increased landholder compensation, neighbour compensation, and funding community benefit sharing in the transmission sector to enhance social licence and facilitate the success of the REZs. It should also consider cost benefit analysis of social and environmental impacts on local communities. The new regulatory investment test should include consideration of non-network solutions.

Option 3
Privately funded transmission assets

A third option is the development of privately funded transmission infrastructure. For example, Walcha Energy has recently proposed plans to build a major transmission line, linking the New South Wales coal power centre of Liddell to the future solar and wind energy hub of Uralla through the Walcha Plateau[48].

Walcha Energy is a joint venture between Mirus Energy and Energy Estate. Walcha Energy has ambitious plans to develop roughly 3,400MW of wind generation capacity, up to 700MW of solar, and multiple 500MW/3000MWh pumped hydro energy storage facilities between Walcha and Uralla.

[48] *Walcha Energy proposes to "go it alone" on major NSW transmission link* available at: https://reneweconomy.com.au/walcha-energy-proposes-to-go-it-alone-on-major-nsw-transmission-link/

In April 2021, Walcha Energy proposed a 178km double circuit 330kV line which would stretch from Liddell to Walcha Road. This would be a generator-led private transmission development, independent of the RIT-T and underwritten by Walcha Energy's pipeline of renewable energy and storage projects.

The WalchaLink would then, in the future, have potential to join the shared network at the Uralla Hub and facilitate a transmission pathway for generation within the wider New England REZ to the NSW load centres and a second connection to Queensland.

WalchaLink claims that its plan is consistent with the grid development from the REZ to the Hunter Valley outlined in the AEMO's 2020 ISP and TransGrid's 2020 Transmission Annual Planning Report.

Depending on the project economics, in the case of privately built transmission infrastructure, it may be easier for the proponent to include both best practice community consultation, improved landholder compensation and community benefit sharing within the project, as privately built infrastructure assets are not subject to the regulatory requirements of the RIT-T.

What could improved landholder compensation & community benefit sharing look like?

As stated above, community benefit sharing options include:

- neighbourhood improvement programs;
- the creation of grant funds;
- innovative financing methods that enable community co-investment or community co-ownership.

The CEC's Guide also discusses benefit sharing strategies that go beyond making cash-based contributions such as:

- contributing to local communities through regional economic development approaches (e.g. local jobs and contracting);
- in-kind contributions (e.g. employee volunteerism) and
- partnership benefits (e.g. industry capability networks and educational opportunities).[49]

RE-Alliance suggests that payments to host landholders and other directly affected landholders could be ongoing over the course of the transmission infrastructure's serviceable life.

Neighbour payments could be used as compensation where visual impact is severe. Whether neighbours are severely visually affected by new transmission infrastructure may be assessed in a similar way to assessments made for large wind farms in NSW, which are required to use the methodology described in Wind Energy: Visual Assessment Bulletin for State significant wind energy development.[50]

Community development funds could be used to meet a range of local community needs. For example, transmission companies could pay for upgrades to local infrastructure such as roads or telecommunication infrastructure and may contribute to local or regional community development funds. Local involvement in fund governance is desirable and gives local communities a sense of agency and empowerment. Any grant funding should be simple to administer, apply for and report to.

[49] Lane, T. and Hicks, J. (2019) Clean Energy Council, *"A Guide to Benefit Sharing Options for Renewable Energy Projects"*, 23 October 2019, p. 1. available at: https://assets.cleanenergycouncil.org.au/documents/advocacy-initiatives/community-engagement/guide-to-benefit-sharing-options-for-renewable-energy-projects.pdf

[50] Planning & Environment (2016) Wind Energy Visual Assessment Bulletin for State significant wind energy development available at: https://www.planning.nsw.gov.au/-/media/Files/DPE/Bulletins-and-Community-Updates/wind-energy-visual-assessment-bulletin-2016-12.pdf

Summary of Recommendations

#	Recommendations
1	That engagement start early during the RIT-T process and includes: • landholders and asset owners along potential transmission line routes; • local community members and groups; • local Councils and State Planning Departments; and • First Nations, environment and other special interest groups.
2	The RIT-T cost benefit analysis is expanded to include consideration of social and environmental costs and benefits on local communities.
3	That transmission companies consider moving their consultation style from one of inform, consult, or involve to more actively collaborating and empowering their local communities.
4	That transmission companies use community benefit sharing models pioneered by the wind industry to distribute financial benefits of new transmission developments into affected communities, ensuring that communities as a whole benefit.
5	That transmission companies meaningfully consult local traditional owners and land councils on projects and associated benefit sharing initiatives; that native title issues are properly understood; and that opportunities for training or apprenticeship programs include opportunities for local First Nations people.
6	Transmission companies substantially expand existing community development and partnership programs to target communities impacted by their projects.
7	The RIT-T is expanded to include a social licence line item which could be used to pay for improved landholder compensation and community benefit sharing in affected communities.
8	The AEMC and/or the AER clarify whether community benefit sharing can be funded under the current NEL and NER including the RIT-T, and if not, advise on the changes that would be necessary to enable this.
9	Transmission companies develop landholder compensation models that better reflect the nature of recent commercial negotiation that occurs between renewable projects and host landholders. This should be informed by the quantum and duration of compensation paid by wind farms to landholders.
10	RE-Alliance requests that the AER and the Australian Energy Infrastructure Commissioner work together to formalise advice regarding what level of landholder compensation is acceptable under the RIT-T, noting that they have already approved expenditure above market rates for existing transmission projects.
11	When New South Wales and Victoria establish their own regulatory tests in place of the RIT-T, new regulatory tests should facilitate increased landholder compensation, neighbour compensation, and funding community benefit sharing in the transmission sector to enhance social licence and facilitate the success of the REZs. It should also consider cost benefit analysis of social and environmental impacts on local communities. The new regulatory investment test should include consideration of non-network solutions.

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