Consultation - Draft 2023 Inputs, Assumptions and Scenarios Report (December 2022)

Australian Energy Market Operator (AEMO)
Forecasting and Planning
via email: forecasting.planning@aemo.com.au

Dear Sir/Madam

Thank you for the opportunity to respond to **Draft 2023 Inputs, Assumptions and Scenarios Report** (IASR) consultation paper. Given the nature of the work undertaken by Energy Grid Alliance, this submission responds primarily to matters around Social Licence and transmission planning.

Energy Grid Alliance (EGA)

Energy Grid Alliance was established with the purpose of engaging with electricity transmission companies, industry regulators, market operators, relevant peak bodies, government, and communities to establish best planning practices for new electricity transmission projects and to advocate the critical importance of policy, planning and engaging with communities early to acquire and maintain social licence. Social licence and public policy are central to the delivery of renewables, associated electricity infrastructure and enabling legislation. Without knowledge of disbenefits, appreciation for empathy, and for those who are adversely impacted to play an instrumental role in effecting change; acquisition of social licence for transmission will be a challenging road indeed.

RESPONSES

Social Licence (Page 121)

The Draft IASR indicates that *'Social licence' is a term commonly used to refer to local community acceptance of new infrastructure.*

The Draft IASR also indicates that "*social licence, therefore, could be a theme of the scenario collection and/or be applied as sensitivity analyses to the scenarios. AEMO considers that the relationship between the scenario narratives and social licence settings is unclear and is proposing to apply social licence considerations in sensitivity analysis".*

EGA would like to emphasise that social licence is not about '*acceptance*'. Social licence to operate is made up of three core components: legitimacy, credibility, and trust. The public need to have trust in the legitimacy and credibility of the planning process.

EGA seek clarification from AEMO on how it proposes to apply social licence considerations in sensitivity analysis as this is not clear in the Draft IASR.

Advisory Council on Social Licence (Page 121)

EGA note AEMO has established an Advisory Council on Social Licence (ACSL) to assist in understanding social licence issues. EGA looks forward to reading the ACSL's submission to the Draft 2023 IASR.

Allowance for land use penalty factor in REZs to allow for increase in resource limits. (Page 121)

The Draft IASR indicates that *"Land use reviews indicate that the expansion of REZs is likely to become constrained by social licence factors, as opposed to purely on land availability (although varying between REZs)."* And that *"AEMO proposes for the 2024 ISP to increase the land use penalty factor to $0.27 million/MW".*

EGA understands that this penalty factor was applied to capture the **increase in land costs** or **difficulties in obtaining land**. However, it is unclear if the proposed land use penalty factor of $0.27 million/MW is a penalty being attributed to the risk of acquiring social licence. If it is the later, how has AEMO determined the level of risk without on-ground engagement? It is also unclear if this penalty factor considers the risk of not obtaining land at all.

Given that renewable generator and storage development will be delivered by private companies with no statutory authority to access or acquire land, it is crucial that the level of community acceptance first be determined before planning transmission in REZs.

To use the Western Renewables Link (WRL) as an example. The communities along the proposed 190km transmission corridor have been so adversely impacted (mentally and emotionally) during the past two years that a strong message has been conveyed to EGA, through our engagement, that the WRL will be a '*transmission line to nowhere, if it is even built*'. No landholder in this region will be willing to accept renewable generation or storage development.

Social licence has and will continue to present major challenges in this region. Trust, legitimacy and credibility could have only be addressed through better planning and better planning tools, not the application of a land use penalty factor.

Transmission network augmentation costs and generator connection costs (Page 121)

The Draft IASR indicates that "*social licence consideration may require longer routes, additional landowner compensation and consideration for under grounding of some overhead components. Additional cost can also include the cost associated with engagement activities with land holders and communities".*

EGA is concerned that consideration of social licence is being viewed as an economic consideration to buy social licence rather than developing robust planning tools, such as a Strategic Land Use Assessment (SLUA) and a Multi-Criteria Analysis (MCA) that will help to incorporate early stakeholder input along with economic, social, and environmental considerations into the optimal path development. These critical early-analysis tools appear to be missing from the current regulatory framework and should help facilitate a more orderly, fair, and just transition.

Developing constructive relationships and trust is most effective when it starts early, ideally during a project's inception. Having routing and siting decisions guided by community through a more consistent rationale will be by far the greatest benefit to any electricity transmission project, particularly when considering the consequences of non-engagement. Community supported framework will produce more consistent, defensible, and transparent energy transmission route decisions.

Project lead time (Page 122)

The Draft IASR indicates that *"understanding the community concerns early can assist in reducing project delays at implementation phase but require additional time during early phases of the project".*

EGA recognise that any large-scale linear infrastructure project will come with a range of conflicting policies, some of which cannot be avoided. In addition to state-level policies, municipal planning instruments provide important tools for determining current and future land use conflicts.

The priority when planning land use and development is avoiding land use conflict in the first place. This involves understanding where existing industry and other uses with potential off-site impacts are and ensuring current zoning appropriately protects operators and surrounding communities. EGA considers the following could be considered using SLUA and MCA, as previously discussed in EGAs High-Voltage Transmission Line Setback Policy paper:

- Climate change policies (commitments to do no further harm to the natural environment)
- Environmental protection policies (public parks, reserves, fauna, and flora)
- Strategic agricultural land and associated government policies
- Township settlement boundaries and urban growth corridors
- Consideration of appropriate setback distances (Residential Zones, Habitable Dwellings, Public Use Zones (education, parks, sporting), Road Zones, Conservation Zones, High-risk Bushfire Prone Regions, National and State Parks, Wedge-tailed Eagle nesting sites)

MCA tools could also include an Economic Impact Assessment (EIA) framework that considers costs (disbenefits) beyond the energy market. The EIA could consider:

- Agriculture
- Regional Appeal
- Landscape and neighbourhood amenity
- Biodiversity - Protecting our Natural Capital
- Valuation of benefits from Victoria's parks
- Tourism
- Recreation and well-being
- Visual Amenity
- Property Values
- Aviation Safety Impacts
- Force Majeure (Catastrophic weather or bushfire events impacting infrastructure)
- Flow through impacts

Using a SLUA, MCA and EIA tool during the early phases of the project will allow multiple iterations to be run via desktop analysis that then determine the most appropriate development path. These tools have potential to speed up project delivery and better facilitate acquisition of social licence.

General Comments

The common thread emerging in energy market commentary regarding acquisition of social licence for transmission is that the industry needs to develop a balanced approach to **early engagement**, **community benefit** and **compensation** issues.

EGA believe the energy sector needs to understand that community benefits and compensation are not the answers they hoped they would be. In fact, pushing this agenda is very likely to further dilute trust and increase opposition. You cannot buy trust. Without empathy in the social licence and public policy equation, it will be near to impossible to develop trust for transmission.

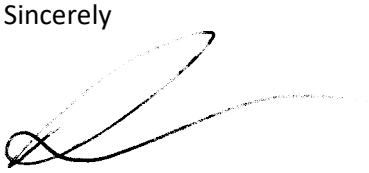
Developing constructive relationships, empathy and trust will be most effective when discussions with community start early during a project's inception. Having routing and siting decisions guided by community through a more 'consistent', 'fair' and 'just' rationale will provide the greatest benefit to any electricity transmission project.

Community guided and supported framework, policy, and planning instruments, such as the proposed Victorian Transmission Investment Framework (VTIF), will produce more consistent, defensible, and transparent electricity transmission route decisions. EGA recommend AEMO consult with VicGrid on the outcomes of the VTIF engagement process to develop a more consistent approach to the ISP and state level transmission planning.

Transmission planning increasingly will be driven by a fuller range of public policies, social licence, and priorities, both state and federal. Policy needs to provide the stimulus to transmission planners to make those objectives a significant part of the planning process. It is vital we understand that public policy objectives need to include environmental and energy policy objectives. The number of state and federal initiatives to imbue land use and environment considerations earlier in the planning processes needs to grow considerably. The convergence of these state and federal trends, as well as new modelling tools and analytical methodologies should be implemented by planning authorities across the nation.

EGA support the development and implementation of robust, accountable, and beneficial transmission projects and certainly welcome further discussion on these matters.

Sincerely



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