

Following is an analysis of Appendix 8 Social Licence of the Draft 2024 Integrated System Plan (ISP) for the National Electricity Market (NEM) with respect to Social Licence.

Energy Grid Alliance extends its gratitude to AEMO for the valuable opportunity to contribute to the Draft 2024 Integrated System Plan (ISP). As an organisation dedicated to fostering collaboration and best practices in electricity transmission planning, we firmly believe that genuine community engagement is the linchpin for acquiring and maintaining a strong social licence – the cornerstone of a successful and sustainable energy transition.

Driven by IAP2 Australasia's, Public Participation Principles^{1,2,3,4} and our own social licence studies^{5,6,7}, Energy Grid Alliance champions meaningful engagement as a catalyst for better social, environmental, and economic outcomes. We advocate for open and transparent dialogue, where all communities are authentically informed, educated, and empowered to participate in decisions that impact their lives. We envision a future where collaboration, trust, and inclusivity pave the way for decision-making processes that truly reflect and prioritise the needs of the public, rebalancing the power dynamic between institutions and communities.

We are excited to dive deeper into the ISP and offer our insights on building a framework for social licence that fosters a just and equitable transition for all.

Introduction:

The discussion on social licence within Appendix 8 is a crucial examination of the trust and acceptance an organisation receives from the communities it serves.

However, the current definition provided by AEMO appears to fall once again short, redefining social licence as "*social acceptance of large-scale energy infrastructure development*".

This narrow interpretation neglects the multifaceted nature of social licence, which encompasses credibility, legitimacy, and trust in an organisation and its people. A more encompassing definition is essential for fostering genuine collaboration and trust between organisations and affected communities.

General Observations:

The document highlights several critical shortcomings that may significantly impact the success of proposed transmission projects. The absence of a comprehensive consideration of social impacts, a lack of a clear community engagement process, insufficient requirements for social impact assessments (SIAs), and inadequate incentives for proponents to invest in social licence are highlighted concerns.

A robust social licence framework should prioritise building trust, transparency, and mutual understanding between AEMO, developers, governments, and communities to mitigate potential delays, cost overruns, and legal challenges.

What is Social Licence?

Social licence is defined as the trust, credibility, legitimacy, and overall acceptance **granted by communities to an organisation** based on its actions, decisions, and impacts on their lives and the environment. These three pillars of social licence, Credibility, Legitimacy and Trust, are essential for the success of any energy infrastructure project, as it can influence the feasibility, cost-effectiveness, and public support for the project.

Despite the widely accepted definition of social license, AEMO has redefined social licence as "**social acceptance of large-scale energy infrastructure development**".

The current definition of social license for transmission developments is overly narrow, focusing on acceptance rather than fostering genuine trust and collaboration between all parties.

Communities seek to establish a relationship of trust with the organisations proposing transmission, generator, and storage projects, not merely accept the inevitability of new infrastructure development. A meaningful social license framework should prioritise building trust, transparency, and mutual understanding between AEMO, developers, governments, and communities.

Social licence plays a critical role in the success of the energy transition. Without the trust and acceptance of communities, essential infrastructure projects may face delays, opposition, and ultimately fail. By proactively building a strong social licence, AEMO and other stakeholders can ensure a smoother, more equitable, and ultimately more successful transition for all.

A8.1 Social licence overview

Who is responsible for obtaining social licence?

AEMO indicates *the ISP is a roadmap for the energy transition, it focuses on broad planning considerations, and its **consideration of social licence can only be at a high level.** Much of the **responsibility to understand and engage with local communities sits with relevant project developers** (whether generation developers, network service providers or others) and tiers of government, as development of infrastructure for the energy transition progresses.*

- If this implies that AEMO's high-level approach to social licence ignores AEMO's need for deeper engagement and specific mitigation strategies, it could be seen as criticism of neglecting local concerns.
- If this emphasises that AEMO pushes social licence responsibility solely onto lower-tier actors like developers and governments, it suggests AEMO isn't taking full ownership of its social licence obligations.
- If the comment emphasises AEMO's complete lack of effort or implies deliberate avoidance of responsibility, it's closer to an interpretation of neglect.

Effective social licence management requires collaboration **across all levels** - AEMO, developers, governments, and communities. While AEMO can't solely handle all local engagement, it can ensure:

- **Clear social licence principles and expectations:** Establish a robust framework outlining AEMO's commitment to social licence and guideposts for lower-tier actors.
- **Effective stakeholder engagement:** Facilitate meaningful dialogue between communities and developers/governments during project planning and implementation.
- **Transparency and accountability:** Provide accessible information and ensure all actors are held accountable for upholding social licence commitments.

By taking these steps, AEMO can demonstrate leadership in managing social licence for the energy transition, while working collaboratively with other stakeholders to ensure a just and equitable transition for all.

- **Shortcomings:**
 - Social licence is defined in a way that is too narrow. It is focused on the acceptability of new infrastructure development, but it does not take into account other important aspects of social licence, such as acceptance of the

energy transition more broadly and the distribution of benefits and costs from the transition.

- Social licence is not considered in a consistent or comprehensive way across the ISP. It is only explicitly considered in the section on social licence for infrastructure development, and it is not clear how other social licence issues are being taken into account in the development of the ISP.
- The definition of social license should instead focus on fostering genuine trust and collaboration between all parties.

A8.2 Social licence for infrastructure development

- **Shortcomings:**

- The social licence sensitivity analysis is too simplistic. It only considers the impact of social licence on the cost and timing of infrastructure projects, but it does not consider other important impacts, such as the impact on community engagement and the risk of project cancellation.
- The social licence sensitivity analysis does not take into account the variation in social licence across different regions. This means that the results of the analysis may not be accurate for all parts of the NEM.

A8.3 Consumer mobilisation, adoption, and orchestration

- **Shortcomings:**

- The ISP does not provide a clear roadmap for how to achieve the level of consumer engagement that is needed to support the energy transition.
- The ISP does not take into account the potential for consumer backlash against the energy transition. This is a risk that needs to be managed carefully in order to acquire and maintain social licence.

A8.4 Social licence and the energy transition

- **Shortcomings:**
 - The ISP does not provide a clear definition of social licence. This makes it difficult to measure and assess the impact of social licence on the energy transition.
 - The ISP does not take into account the importance of social licence for the long-term success of the energy transition. Social licence is not just about getting projects approved; it is also about building public trust and support for the energy transition and ensuring that it is equitable and just.

In addition to these specific shortcomings, there are a number of broader issues that need to be addressed in order to improve the consideration of social licence in the ISP. These include:

- The need for a more comprehensive definition of social licence that considers all of the different aspects of social licence.
- The need for a more consistent and comprehensive approach to the assessment of social licence across the ISP.
- The need to develop a more sophisticated understanding of the factors that influence social licence.
- The need to develop a more effective approach to managing social risks associated with the energy transition.

By addressing these issues, AEMO can help to ensure that the ISP is developed in a way that is socially acceptable and that will support the long-term success of the energy transition.

Further Considering Social Licence across the ISP:

- **Develop a dedicated social licence strategy:** Create a comprehensive plan outlining AEMO's approach to building and maintaining social licence for the ISP and the broader energy transition. This strategy should:
 - Define clear social licence objectives aligned with the ISP's overall goals.
 - Identify key stakeholders and their specific social licence concerns.
 - Outline engagement strategies to involve stakeholders in decision-making.

- Establish mechanisms for ongoing monitoring and evaluation of social licence.
- **Conduct a social licence risk assessment:** Identify potential social licence risks associated with the ISP, including:
 - Specific infrastructure projects and their potential impacts on communities.
 - Policy choices that may be perceived as unfair or detrimental to certain groups.
 - Lack of transparency or trust in decision-making processes.
- **Develop social licence mitigation strategies:** For each identified risk, develop strategies to mitigate its impact and build public trust. This may involve:
 - Implementing community engagement programs to address concerns and build trust.
 - Designing infrastructure projects with community input and minimising environmental impacts.
 - Enhancing transparency and communication about decision-making processes.

Quantifying Social Licence Impacts on the ISP:

- **Develop a social licence index:** Construct a composite index that combines various indicators to measure the overall level of social licence for the ISP. Examples of indicators could include:
 - Public opinion surveys on the energy transition and AEMO's performance.
 - Media coverage and sentiment analysis of energy-related issues.
 - Level of participation and satisfaction in community engagement activities.
 - Number of public protests or legal challenges against the ISP.
- **Feasibility and Benefits:** While challenging, quantifying social licence can be valuable. Existing methodologies include:
 - **Social Licence Indexes:** Composite indices combining public opinion surveys, media sentiment analysis, and community engagement metrics to measure overall social licence levels.

- **Social Cost-Benefit Analysis:** Incorporating social licence impacts alongside economic and environmental factors to inform decision-making and prioritise projects with higher social licence likelihood.
- **Scenario Planning:** Exploring different social licence scenarios and their potential consequences on project timelines, costs, and public support enables proactive risk management and adaptive strategies.

By exploring these methodologies and their benefits, the ISP can demonstrate its commitment to a socially informed and resilient energy transition plan.

While quantifying social licence may not be straightforward, the process itself allows for a deeper understanding of public sentiment, informs responsible decision-making, and ultimately shapes a more sustainable and equitable energy future.

- **Model the impact of social licence on ISP outcomes:** Integrate the social licence index into economic and policy models to assess its potential impact on different outcomes, such as:
 - Cost-effectiveness of the ISP.
 - Project acceptance and completion rates.
 - Public acceptance or organisations and uptake of new energy technologies.
- **Conduct sensitivity analysis:** Run simulations using the index to analyse how different levels of social licence could affect the ISP's success. This can inform adaptive management strategies based on real-time social licence dynamics.

Energy Grid Alliance understands that implementing the recommendations outlined in this analysis might raise concerns around resource allocation, feasibility, and even neutrality. Energy Grid Alliance acknowledges AEMO's existing efforts in considering social licence. However, a more comprehensive approach, as proposed, can yield significant long-term benefits of investing in social licence, such as reduced project delays, increased public support, and improved collaboration.

Energy Grid Alliance acknowledges the challenges of quantifying social licence but emphasises the value of a pilot index project to gain valuable insights into public sentiment and informing decision-making. Similarly, a framework for risk assessment can address concerns about sharing sensitive information while promoting proactive risk management and community trust.

Finally, addressing potential counterarguments like lack of mandate, limited resources, or limited effectiveness requires open dialogue and collaboration. Energy Grid Alliance is confident that through respectful discussion and exploration of best practices, we can find

mutually agreeable solutions that ensure a socially responsible and successful energy transition.

By adopting these approaches, the ISP can move towards a more socially informed and resilient energy transition plan, building trust and public support for its successful implementation. Remember, while quantifying social licence is complex, the process itself can be invaluable in understanding public sentiment, informing decision-making, and ultimately shaping a sustainable and equitable energy future.

I hope this analysis helps you navigate the nuances of this issue and consider how AEMO can more effectively engage with social licence throughout the energy transition journey.

Sincerely

Darren Edwards
Director
Energy Grid Alliance

References:

1. Core Values for Public Participation. URL: <https://iap2.org.au/about-us/about-iap2-australasia/core-values/>
2. IAP2 Public Participation Spectrum. URL: <https://iap2.org.au/resources/spectrum/>
3. IAP2 Code of Ethics. URL: <https://iap2.org.au/about-us/about-iap2-australasia/code-of-ethics/>
4. Quality Assurance Standard for Community and Stakeholder Engagement. URL: <https://iap2.org.au/resources/quality-assurance-standard/>
5. Acquiring Social Licence for Electricity Transmission. URL: <https://www.energygridalliance.com.au/wp-content/uploads/2022/08/Acquiring-Social-Licence-for-Electricity-Transmission.pdf>
6. Best practice, evidence-based engagement guidelines. URL: <https://www.energygridalliance.com.au/wp-content/uploads/2023/05/Best-Practice-Evidence-Based-Engagement-for-Transmission.pdf>
7. Understanding External Costs of Overhead Electricity Transmission. URL: <https://www.energygridalliance.com.au/wp-content/uploads/2022/07/Understanding-External-Costs-of-Overhead-Electricity-Transmission.pdf>