



Submission to the Victorian REZ Development Plan Directions Paper

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RE-Alliance, formerly known as the Australian Wind Alliance, is a community based organisation of around 500 financial members, with an extensive online and social media following. Our members include landholders, farmers, small businesses, climate campaigners, environmentalists and members of the community. Our vision is helping to deliver a renewable energy transformation in Australia filled with sustainable, long-term community benefits for regional communities.

Introduction

RE-Alliance welcomes the Victorian government's leadership in investing in Renewable Energy Zones and creating VicGrid. The Victorian government is correct to note that unacceptable delays in critical network investment threaten the security of the state's electricity system and frustrate the timely decarbonisation of the state's economy. The REZ Development Plan Directions Paper reflects the work needed to decarbonise Victoria's grid in line with AEMO's most ambitious modeling.

We thank the government for centering community engagement and benefit sharing as a key component of VicGrid and in the rollout of renewable energy zones.

Social licence at a local level for renewable projects is a critical pillar of the transition to clean energy. All new electricity infrastructure brings impacts for local communities. Engaging effectively and ensuring significant financial benefits accrue to impacted

communities are essential first steps to securing social licence. In Victoria, we've seen ideological opponents to renewables leverage local frustrations towards wind farms in strategic ways so as to colour the policy environment and obstruct progress to a lower emissions future. While we consider much of this is behind us, we are wary of the potential for the much-needed large scale transmission projects to cause a similar type of obstruction to REZ rollouts across the eastern states.

Poor planning and holes in communication with project neighbours can have significant negative consequences, and even threaten the success of renewable energy zones. An example of how poorly this can play out can be seen recently in Germany, where interventions in the network have led to social licence issues and delays in meeting climate targets.

"The first thing that came to my mind when I saw the data in the ISP was Germany's build-out of transmission infrastructure, and how it has drawn significant backlash. This backlash has made new German interconnection more expensive and badly delayed, and that has delayed the build-out of renewable energy and is impacting Germany's ability to meet its climate targets".¹

Over the last seven years, our organisation has been working in this intersection between renewable energy projects and local communities, assisting wind farms to build bridges with local communities through benefit and profit-sharing arrangements. This typically takes the form of community enhancement funds that provide grants to local community groups and neighbour payments schemes. However, we have seen a great variety of innovative models. In particular,

- RE-Alliance is currently facilitating a combined fund vehicle to bring together project-based wind farm community enhancement funds across the Moyne Shire
- Community members are able to co-invest in large wind farms at Sapphire, Coonooer Bridge and Kiata Wind Farms.
- Construction of a solar and battery-based mini grid for residents around the Dundonnell Wind Farm.
- Simultaneous support for local business and project neighbours through a Neighbourhood Benefit Scheme. Residents around the Mortlake South Wind Farm receive gift cards that can be redeemed only at local outlets.

We hope the combined fund model we have developed which uses on-the-ground experience to enhance social licence at a local level is of interest to the government.

¹ How Australia's energy transition might trip over the wires, RenewEconomy article, 26 June 2020 available at: <https://reneweconomy.com.au/how-australias-energy-transition-might-trip-over-the-wires-51857/>

We would be happy to discuss our work further with the Department. Our goal is to make sure the transition to renewables delivers meaningful opportunities for community enhancement to communities across regional Australia. This work will assist in creating the policy settings, the expectations and best-practice knowledge on how to deliver a just transition for regional communities.

Summary of Recommendations

RE-Alliance makes the following recommendations in regard to how VicGrid engages with local communities:

1. embed consideration of social licence in REZ Development Plans
2. establish a benefit and coordination framework;
3. create a new engagement and benefit guide;
4. establish REZ coordinators;
5. recognise the critical role of Traditional Owners in the process; and
6. ensure VicGrid communicates the energy transition to the community.

Response to Questions

- **What are stakeholder views on the Stage 1 projects prioritised for immediate investment for example type, location and feasibility?**

RE-Alliance supports projects which have been identified by the Victorian Government and the Australian Energy Market Operator (AEMO) as immediate priority projects.

- **What are stakeholder views on the appropriate procurement, and cost recovery and asset ownership mechanisms for these prioritised projects?**

The government's commitment of \$540 million will be instrumental in stimulating this important schedule of work. However, while Victorians will undoubtedly benefit from these projects, it is important that the value of this significant investment is fully realised by Victorians, either as electricity consumers or as taxpayers. Apart from the point that government impetus is needed to drive these investments, the Directions Paper does not go into detail about why Ausnet Services is not providing these upgrades commercially. In February 2020, the Victorian Government passed the *National Electricity (Victoria) Amendment Bill 2020*. During her second reading speech Minister D'Ambrosio commented that:

"investments in Victoria's transmission network are being held up by a complex national regulatory regime that subjects transmission projects to excessive delays. Victoria currently has no power to

*expedite or override these tests, or substitute a more appropriate test for whether transmission investments should proceed”.*²

She continued:

“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:

“The Bill will also provide for Ministerial Orders to deal with other relevant matters, such as agreements entered into by AEMO and declared transmission system operators and cost-recovery arrangements... 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”.

We agree with the Victorian Government that proposed transmission augmentations would take too long through the established RIT-T process. In regard to cost recovery, the Act makes provision that:

- *“augmentation related costs or non-network services costs may be recovered through charges for services specified in the Order”*
- and
- *“augmentation related costs or non-network services costs may be recovered as a pass through event subject to, and in accordance with, Chapter 6A of the (National Electricity) Rules”.*

² Minister D’Ambrosio’s second reading speech is available at:
https://hansard.parliament.vic.gov.au/search/?LDMS=Y&IW_DATABASE=*&IW_FIELD_ADVANCE_PHRASE=be+now+read+a+second+time&IW_FIELD_IN_SpeechTitle=National+Electricity+Victoria+Amendment+Bill+2020&IW_FIELD_IN_HOUSENAME=ASSEMBLY&IW_FIELD_IN_ACTIVITYTYPE=Second+reading&IW_FIELD_IN_SittingYear=2020&IW_FIELD_IN_SittingMonth=February&IW_FIELD_IN_SittingDay=19

Thus, the Government is capable of recovering costs for transmission either through an Order in the Government Gazette or through cost recovery from electricity consumers via a cost pass through event via the State's transmission network service provider (TNSP), Ausnet Services. We would encourage the government to keep these mechanisms in mind. If the Government is going to pay for network augmentation, then it seems that the augmentation should remain in Victorian Government ownership in continuity. Otherwise, this would amount to a large gift to the privately owned TNSP, Ausnet Services.

Another option that could be considered would be for VicGrid to operate in a similar manner to the Clean Energy Finance Corporation, loaning funds to projects on the expectation that the funding will be repaid over time and become available for further projects.

- **Are there alternative medium-term investments to the above that should be considered in the RDP?**

The Directions Paper does not explain how the proposed REZs would link with the Star of the South Project and with Marinus Link.

Star of the South is Australia's first offshore wind project. Proposed to be located off the south coast of Gippsland, it has the potential to supply up to 20% of Victoria's electricity needs while creating jobs and investment.

Marinus Link is a proposed 1500 megawatt capacity undersea and underground electricity connection to further link Tasmania and Victoria as part of Australia's future electricity grid. The increased transmission capacity may be delivered in two 750 MW developments.

"Comprehensive cost-benefit and system modelling conducted for the project indicates that this project will create billions in economic growth, thousands of jobs, and be a source of skills development in Tasmania and regional Victoria. On its own, the project will provide a broader economic contribution to regional communities in Tasmania and Victoria estimated to be up to \$2.9 billion, together with 2,800 jobs generated at peak construction".³

- **What functions would stakeholders like VicGrid to perform and what governance model would be appropriate?**

RE-Alliance supports the Government's proposed list of roles and powers of VicGrid including:

³ The market benefits of Marinus Link available at: <https://www.marinuslink.com.au/>

- broadly planning, developing and overseeing delivery of timely and coordinated transmission, generation, storage and network firming projects in REZ areas;
- facilitating delivery of renewable energy projects in REZ areas;
- leading community engagement and benefit sharing from REZ development;
- supporting state and regional economic development opportunities through REZ development;
- identifying and applying appropriate procurement, cost recovery and co-funding approaches; and
- financial support for REZ development projects, as required.

The Government has also stated that VicGrid will be responsible for the future development and possible delivery of projects identified in Stage 2 of the REZ Development Plan. This will involve identifying priorities for next stage development and determining appropriate funding and delivery models for identified projects, including through the use of public funds. VicGrid will also actively consider cost recovery and ownership models for these assets.

RE-Alliance supports the Government's intention that VicGrid actively engage with regional communities to ensure appropriate and beneficial development through the REZ development process. We see this as a real opportunity to maximise outcomes for regional Australian communities from renewable energy development. More detail is provided in our response to a subsequent question below.

We note that the Government plans to establish VicGrid in mid 2021. VicGrid will need to work closely with the Australian Energy Market Operator (AEMO) as transmission network planner for the Victorian transmission network. Currently, AEMO works with infrastructure investors and customers to make decisions on when and where new transmission network infrastructure should be built.

With regards to governance models, VicGrid could be established as a public entity such as a statutory authority or a state-owned corporation.

- **Are there effective features of REZ development bodies in other jurisdictions in Australia and internationally which stakeholders consider would be most effective for Victoria's VicGrid?**

We note that in NSW, the Energy Corporation established under the *Energy and Utilities Administration Act 1987* will have a number of key functions, including:

- Leading community and stakeholder engagement;
- Contributing to strategic, holistic planning for each REZ;

- Administering an access framework for the REZ that delivers benefit to generators;
- Administering a competitive process to coordinate generation in the REZ;
- Coordinating technical design of the REZ in consultation with program partners and generators; and
- Promoting local development opportunities, engaging with local community and industry.

We recommend that VicGrid should undertake similar duties.

- **How best should VicGrid engage with local communities, businesses and local governments to ensure appropriate and beneficial REZ development?**

REZ Development Planning, including the design of VicGrid, needs to have engagement and community benefit as a central pillar of the design process. RE-Alliance considers that Vicgrid could play a critically important role in community benefits in the renewable energy sector. Failing to get the engagement and benefits right can lead to social licence issues.

In order to fulfil the vision outlined for VicGrid, RE-Alliance proposes that the Government:

1. embed consideration of social licence in REZ Development Plans
2. establish a benefit and coordination framework;
3. create a new engagement and benefit guide;
4. establish REZ coordinators;
5. recognises the critical role of Traditional Owners in the process; and
6. ensures VicGrid communicates the energy transition to the community.

1. REZ Development Plans

The consideration of community attitudes and plans for community outcomes should be elevated beyond 'consultation' to be a central part of REZ planning. Socioeconomic assessments and planning for community benefits should be included as required components of all REZ Development Plans.

Proper understanding of social licence risk is also vital for accurate REZ cost discovery. Where substantial risk of community opposition exists, expensive alternative routes and project modifications and/or project delays could materially impact the cost of developing REZs.

Vicgrid should engage proactively to understand local communities and bring forward discussions with communities about project benefits. As far as possible, communities should be viewed as partners in, rather than recipients of,

infrastructure projects. REZ Development Plans should identify any barriers to securing social licence and outline how these barriers can be overcome, with a goal of securing broad community support across host communities.

2. Benefit and coordination framework

RE-Alliance recommends that exploration and coordination of community benefits should be included in the proposed REZ Implementation Plan in July 2021. The REZ may be able to unlock new opportunities for community development and co-investment. REZ Development Plans should explore how all REZ projects, including transmission, storage and generation projects, can contribute to community outcomes.

Community energy projects have an important role in social licence more broadly beyond the direct benefits. Social licence benefits can accrue through the policy mechanisms that encourage community energy projects. For example mechanisms such as a carve-out in the Reverse Auction for small and medium scale community projects could assist the development of community scale projects and allow community members to become more involved in local projects.

In May 2020, the Independent Federal Member for Indi, Dr Helen Haines MP, released a Discussion Paper [Unlocking community energy in Australia](#) followed by a [Local Power Plan](#). The Local Power Plan defines community energy as 'where a community develops, owns or benefits from a renewable energy project.'

On 22 February 2021 Dr Haines introduced the Australian Local Power Agency Bill 2021 to the Commonwealth Parliament. The Bill would establish the Australian Local Power Agency, (ALPA). Irrespective of whether the Australian Government supports this Bill, community energy projects are springing up across Australia.

The design of REZ's needs to accommodate community energy and be able to harmonise with potential Federal legislation like the [Local Power Plan](#).

3. Engagement and Benefit guide

The Directions Paper does not explain how community engagement and benefit sharing can be guided by establishing the REZ's. RE-Alliance supports the development of a REZ Community Engagement and Benefit Sharing Guide. The Guide may be similar to the [Community Engagement and Benefit Sharing in Renewable Energy Development Guide](#) which informed the implementation of the Victorian Renewable Energy Target (VRET). RE-Alliance supports the application of benefit sharing programs for transmission projects. A benefit

sharing guide could provide guidance on matters such as local jobs and apprenticeships and local procurement. Similar to the VRET process, participating REZ projects may have to meet various requirements outlined in the Guide.

4. Renewable Energy Zone Coordinators

RE-Alliance recommends that local coordinators are appointed for each REZ. These coordinators can act as intermediaries between key stakeholders including local communities, businesses, local governments and VicGrid.

5. Communication

The role of communication and community engagement is critical for the success of the REZ's. Information provision must be ongoing and respond to the information needs of the local community as they evolve over the development, construction and operation phases. RE-Alliance considers it is critical that the overarching goals of energy security, climate action, and sustainable development are articulated and reinforced. VicGrid could be a critical community communicator on these issues. Research shows that misinformation can play a significant role in the development of poor social licence for renewable energy projects. Psycho-social factors can explain perceptions of annoyance or lack of acceptance of renewable projects⁴. The provision of high quality information, community engagement and education will all play a role in articulating the State's renewable energy vision.

Responsibility for these communications functions could rest with VicGrid and the Renewable Energy Zone Coordinators referenced above.

6. Importance of Traditional Owners in the Process

A constructive relationship between the Traditional Owners and renewable energy projects is essential to the success of the energy transition.

A positive example of proactive engagement with local Traditional Owners that RE-Alliance is aware of is the Hornsdale Wind Farm's relationship with the Ngadjuri and Nukunu people. Trust was built through engagement conducting the Cultural Heritage Management Plans resulting in the first wind farm towers featuring Indigenous art as outlined in the Clean Energy Council's [Guide to](#)

⁴ "Fomenting Sickness: Nocebo Priming of Residents about Expected Wind Turbine Health Harms" available at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4264329/> and "World's largest wind farm study finds sleep disturbances aren't related to turbine noise" available at: <https://theconversation.com/worlds-largest-wind-farm-study-finds-sleep-disturbances-arent-related-to-turbine-noise-60189>

[Benefit Sharing Options for Renewable Energy Projects](#). The Chair of the Ngadjuri Nations Aboriginal Corporation Quentin Argus said:

"Recognition towards our people and to the both groups — the Ngadjuri and Nukunu — it's been a long process but a good one," and

"Anything to do with renewable energy which leaves a lesser footprint on the land is good for us all, so we welcome the development".⁵

- **Victoria is contributing to national market and regulatory reforms in REZ development and careful consideration will be given to these arrangements. What features are important for consideration in the establishment of VicGrid to support complementarity of these reforms and effective outcomes in Victorian renewable energy development?**

Victoria could contribute to REZ design by making public submissions to further stages of the Energy Security Council's (ESB's) consultation on REZ design e.g. the Stage 2 REZ Consultation⁶ and the ESB's Post-2025 Market Design Directions Paper⁷ including consideration of the Australian Energy Market Commission's (AEMC's) Coordination of generation and transmission investment implementation – access and charging review process⁸.

If this AEMC process is thought to be less effective or timely than State Government designed processes for securing large scale investment in transmission in and between REZ's, further consultation on that mechanism would be welcome.

⁵ "World's first wind farm towers featuring Indigenous art unveiled in South Australia's mid-north" available at: <https://www.abc.net.au/news/rural/2017-02-17/sach-wind-farm-art/8248950>

⁶ ESB Stage 2 REZ consultation available at: <https://energyministers.gov.au/publications/stage-2-rez-consultation-energy-security-board>

⁷ Post 2025 Market Design Directions Paper - January 2021 available at: <https://energyministers.gov.au/publications/post-2025-market-design-directions-paper-january-2021>

⁸ Coordination of generation and transmission investment implementation – access and charging available at: <https://www.aemc.gov.au/market-reviews-advice/coordination-generation-and-transmission-investment-implementation-access-and>