



# Submission to DPIE on REZ access rights and scheme design: Central-West Orana Consultation Paper

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RE-Alliance works to deliver a renewable energy transformation in Australia filled with sustainable, long-term benefits for regional communities.

We do this by listening to the needs of communities most impacted by the transition, facilitating collaboration across the renewables industry to deliver social outcomes and advocating for meaningful benefits for regions at a policy level.

## Summary:

RE-Alliance broadly supports the usage of access fees set out in the consultation paper.

Our submission discusses how the usage of access fees can best contribute to the building and maintaining of social licence in communities set to host renewable energy zones. We predominantly comment on Section 5 'Setting and usage of access fees' and Section 6 'Changing regulatory environments'

We recognise that the Department understands the importance of community support and local benefits in the success of the REZ model, however we are concerned that community engagement and collaboration is not yet being prioritised. We note that both the REZ access scheme design and the competitive tender process webinars held in early February mentioned the importance of building social licence, but did not go into detail on the sections of the discussion papers that relate to community support, collaboration and benefits, nor were any questions about social licence answered in the Q&A sections.

As an organisation actively working in the CWO REZ, we can confirm that the absence of coordinated community engagement activities and opportunities for the local community to collaborate on the REZ process is already having an impact on local sentiment about the REZ. This poses a considerable risk to the success of all REZs, but particularly the first CWO REZ.



## Renewables and Regional Communities

The need to significantly reduce emissions this decade presents a great challenge for us in making the transition from fossil-fuels, to cleaner and cheaper renewable energy. The NSW Government is rising to this challenge through the establishment of Renewable Energy Zones (REZs). However, the rollout of renewable energy infrastructure must be both fast and fair.

To maximise benefits to regional communities, the entire REZ process must inform, include and seek the expertise of impacted communities in the development of individual projects, Renewable Energy Zones and renewable energy transmission lines.

This work is not an additional bonus. Including local communities in decisions and maximising benefits from renewables infrastructure is essential for the acceptance and success of large-scale renewable infrastructure. RE-Alliance has observed too often that when local communities are not included, they naturally will not support and often actively and justifiably, oppose local development, in turn jeopardising individual projects and slowing the transition to renewables. Actors with vested interests seeking to prolong the use of fossil-fuels will often opportunistically leverage local dissatisfaction for their own benefit.

The rollout of wind, solar and batteries in Australia has seen the proliferation of innovative community benefit-sharing programs, whereby local communities impacted by the infrastructure are invited to profit or benefit from the project in some way. We have documented case studies of these types of programs in our *Community Benefits Handbook: How Regional Australia can Prosper from the Clean Energy Boom*<sup>1</sup>.

Social licence for renewable projects is essential to our energy transition. When planned well, renewable projects build stronger, more resilient regional communities and economies. On the flipside, when local communities are not included in development or the rationale for the transition and there's a lack of local buy-in, there can be significant delays to new transmission and renewable generation infrastructure.

The causes of failures in social licence are complex. The solutions are not. Earning social licence for infrastructure is about including local communities in planning decisions and providing opportunities for locals to benefit.

The successful roll-out of Renewable Energy Zones is crucial to NSW's clean, secure and cheap energy future. Our community engagement work has highlighted that getting community input and support for benefit-sharing initiatives is crucial to earning and maintaining social licence for these developments.

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<sup>1</sup> *Community Benefits Handbook: How Regional Australia can Prosper from the Clean Energy Boom*. Available here: [https://www.re-alliance.org.au/community\\_benefits\\_handbook](https://www.re-alliance.org.au/community_benefits_handbook)

## Section 5: Setting and usage of access fees

### CWO REZ benefit-sharing model

RE-Alliance:

#### Supports:

- The prioritisation of access fees contributing towards local community and employment benefits for host REZ communities.

#### Notes

- That the expenditure of local benefit funds from renewable energy projects in the most impacted communities is vital to the earning and maintaining of social licence for infrastructure that is critical to NSW's energy future;
- There are different levels of community benefits that need to be considered in the REZ benefit-model
  - Hyper-local / impacted community
  - Broader local community
  - Regional community;
- That there is currently a lack of clarity around the interplay between VPAs, other local contributions, individual project benefit-sharing initiatives and the REZ access scheme;
- That local councils occasionally incorporate the governance of benefit-sharing initiatives from wind and solar farms into VPAs, and that this can be a cause of tension in local communities;
- That from our experience the lack of consistency in VPAs across different LGAs has caused confusion and difficulties for both the renewable energy industry and the local communities set to host the infrastructure;
- The consultation paper states "EnergyCo NSW is in the early stages of developing this model and governance arrangements for the distribution of community and employment funds in the REZ, and will consult closely with local councils, regional stakeholders, communities and industry on these arrangements." (p.46)
- That RE-Alliance has heard community feedback about the lack of timely, accessible and transparent information about the REZ more broadly, and about co-designing local benefits more specifically;
- That an inability to provide feedback or be involved in decision making about the REZ, including the benefit-sharing model, has caused tension between local councils, impacted communities and project developers;
- That community support for the REZ is vital to the success of NSW's Electricity Infrastructure Roadmap;
- That community support can be obtained through collaborating with and empowering local communities in decision making around the REZ.
- That RE-Alliance is currently in the process of working with our CWO REZ Community Network<sup>2</sup> to compile a Community Plan that will include the vision the local community has for hosting the REZ, and the types of benefits people would like to see prioritised.

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<sup>2</sup> [https://www.re-alliance.org.au/cwo\\_rez\\_signup\\_community\\_network](https://www.re-alliance.org.au/cwo_rez_signup_community_network)



- That RE-Alliance has worked on a pilot Regional Enhancement Fund in VIC. See more on pg. 5 of this submission.

### **Recommends**

- Funding and fast-tracking a co-design process with the broad CWO community to develop the model and governance arrangements for the distribution of community and employment funds in the REZ.
- Ensuring local community representatives are included in the decision making process about the expenditure of funds. This cannot be delegated solely to the local Council/s
- Involving the local community in the planning agreement process before VPAs are finalised to ensure local aspirations are incorporated in fund design

### **Questions and clarifications**

- How will Energy Co objectively assess whether a project has a social licence to operate and has conducted meaningful engagement with local communities?

## Community purpose

RE-Alliance

### **Supports:**

- The inclusion of community purpose in the usage of access fees.
- The stated purpose that “access fees and the tender’s nonfinancial merit criteria are intended to complement each other to deliver benefits and opportunities to local communities” (p.46)

### **Notes:**

- The consultation paper is unclear about the interplay between the REZ access scheme benefit-sharing model and individual project benefit-sharing initiatives. The following two excerpts seem to contradict one another:
  - “not to substitute project-specific initiatives encouraged in LTESAs and access right tender eligibility and merit criteria, such as initiatives designed to build relationships with local communities or procurement-related commitments and strategies. Tender proponents are expected to demonstrate the merits of their projects and set competitive targets against the merit criteria”. P.46
  - “The department acknowledges that the Community Enhancement Fund component of these agreements, or other similar arrangements, contributes to community initiatives and outcomes that will be achieved through the CWO REZ benefit-sharing model. P.45”

### **Recommends:**

- Providing clarity around what types of community benefit initiatives will be the purview of EnergyCo’s REZ benefit-sharing model, and what will remain the purview of individual project proponents.
  - We recommend that hyper local/ impacted community benefits remain the purview of proponents but locality and REZ-wide initiatives are covered by the access fee/DPIE.



- Seeking feedback from REZ developers about any cooling effect the access fee benefit-sharing model might have on developers implementing innovative benefit sharing initiatives for their individual projects.
- Ensuring community enhancement funds and other hyper-local community benefit initiatives are maintained by individual project proponents and representatives of the impacted communities. At a minimum decisions about the expenditure of local benefit initiatives is delegated to a Section 355 committee, or another governance structure that includes direct local decision makers outside of the council; While we support the concept that some social spending is appropriate at regional level, we do not support these type of funds that are meant for the most impacted community being subsumed into a broader regional fund to be spent across the entire REZ
- Locality and region-wide benefits funded via the access model should be planned and funding allocated from now; financed by DPIE in anticipation of future funds. It is our experience that projects which begin their community benefit planning and spending early are much better placed to build good-faith and social licence with the community.

## Employment purpose

RE-Alliance:

### Supports:

- The inclusion of employment purpose in the usage of access fees.
- The stated purpose of the employment funds as “intended to promote the employment, skills and training of employees inside a REZ who are affected by changes in electricity generation in New South Wales; not meant to substitute the competitive commitments outlined in the tender merit criteria relating to project-specific procurement.” (p.46)

### Notes

- One of the most impactful potential benefits that regional communities can access through hosting a REZ is the growth in direct and indirect jobs that arise as a result. Additional business activity in a regional town is generally welcome, which is why local training and job pathways are a key benefit host communities frequently advocate for. Through working with the local community and industry on actions such as identifying training needs, ensuring training capacity, delivering apprenticeship programs, prioritising local employment and maximising local procurement and manufacturing, the potential for jobs and economic security is massive.
- There is a level of urgency around the need for EnergyCo to begin undertaking their role as employment and skills coordinator for the CWO REZ. With the current timeline of being ‘shovel-ready’ by early 2023, local skills and training programs should be starting ASAP.

### Recommends

- Commencing local skills and training programs in Q2 2022.



## Regional Enhancement Funds

One of the beauties in the REZ model is the potential for bigger and better benefits than individual projects alone can provide. **The volume of potential community funding from industry over time in REZs presents an opportunity to fund ambitious and strategic local ventures if a percentage of those funds are coordinated.** One avenue through which this could be achieved is with the establishment of regional enhancement funds (REF). REFs, with community control, could open the opportunity for greater and longer-lasting benefits to reach REZ communities.

Both this opportunity and need was also identified by the Australian Energy Infrastructure Commissioner<sup>3</sup>.

*“Some regions of Australia are experiencing increased clustering of proposed and approved wind farms which may result in multiple wind farms infiltrating and ‘surrounding’ communities. As a result, there is both the need and opportunity for individual project developers to communicate more effectively with each other and better coordinate engagement with the affected community. This could range from combined initiatives by wind farm developers through to coordination of construction programs in order to minimise cumulative impacts on residents and townships. Developers should also be aware of other key infrastructure projects that may be taking place in a region and ensure that project schedules are planned and coordinated to minimise impacts to communities.”*

The NSW, Victorian, Tasmanian and Queensland governments have all indicated an intention to coordinate community funds across a REZ. However, **we need to make the voices of regional Australia heard to ensure that local communities have a say in how the funds are allocated and spent.**

A coordinated fund that operates across a number of projects must be able to demonstrate capacity to deliver planned outcomes, must draw on local knowledge, and must demonstrate transparency and legitimacy in the eyes of the local community. REFs are not designed to replace the more localised, targeted CEFs, and must allow for CEFs to continue delivering for their local communities.

REFs should act as a vehicle which can facilitate cooperation to deliver larger community projects that can have economic, social, health or environmental outcomes. Examples of potential outcomes outlined in the Clean Energy Council’s *A Guide to Benefit Sharing Options for Renewable Energy Projects*<sup>4</sup> which go beyond grants include:

- Building a community solar project for a local business or developing a micro grid for a portion of the community
- Allocating the profits from a portion of the project to go into a revolving fund that can operate in perpetuity

<sup>3</sup>Australian Energy Infrastructure Commissioner *Community Engagement* available at:

<https://www.nwfc.gov.au/observations-and-recommendations/community-engagement>

<sup>4</sup>Lane, T and Hicks, J (2019) *A Guide to Benefit Sharing Options for Renewable Energy Projects*, p.21 Clean Energy Council available at:

<https://assets.cleanenergycouncil.org.au/documents/advocacy-initiatives/community-engagement/guide-to-benefit-sharing-options-for-renewable-energy-projects.pdf>



- Creating a targeted legacy community benefit initiative for at-risk populations in the local community (this could have a medium to long- term scope to address particular social issues)
- Working with a local partner to roll out a bulk buy program for solar and heat pumps in the local area
- Tourism and education programs in the region, which could also act as additional income generation
- Electric vehicle charging station at viewing location of the generator to encourage engagement

Examples of potential outcomes that have been identified by community members within the CWO pilot REZ include<sup>5</sup>:

- Working with local landcare groups to fund environmental and biodiversity projects, including re-vegetation, creek rehabilitation and wildlife corridors
- Providing accommodation and medical facilities to attract permanent GPs to towns with doctor shortages such as in Wellington, NSW
- Electric vehicle charging stations at local tourist attractions and town centres
- Partner with local or government bodies to fund adequate retirement villages
- Partner with heritage organisations and landholders to fund heritage restoration
- Establish a revolving fund for new businesses to access to help with start up costs and addressing legal requirements such as wheelchair ramps.
- In-kind support from solar farms - they order 1% more panels than needed and donate this to Council, public schools, houses or community owned projects etc
- Enhancing rural internet - adding optic fibres onto transmission towers
- Fund a battery storage project for the region - in Wellington reduce use of combustion wood stoves, which is causing air pollution and encourage electric heating.

RE-Alliance has been working with renewable energy proponents in South Western Victoria on a model to coordinate Community Enhancement Funds across multiple projects that we hope can be replicated in NSW REZs.

### **Case Study: Regional Fund**

RE-Alliance is leading efforts in wind and solar farm communities to develop mechanisms that coordinate community funding on offer in REZs in a way that delivers strategic and impactful projects for local communities.

Our work in regional Victoria aims to bring together Council, renewable developers and operators, and communities in a collaborative approach that delivers best-practice community benefit sharing. One challenge faced by community enhancement funds that have run for a number of years is identifying projects across the full 25 year operational life of a project after the most pressing local funding priorities are satisfied.

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<sup>5</sup>RE-Alliance community engagement meetings 2021



We've been working on a joint fund which, when completed, will allow participating local committees to fund larger projects that could improve the lives of everyone across the region. Mental health services, disability support, conservation projects and parks are just some ideas of what a region-wide fund could achieve.

Across a REZ, funding for community projects earmarked by renewable energy companies could reach over \$700,000 annually, amounting to over twenty million dollars over the next thirty years. A joint pool of funds linking multiple local funds which choose to participate could be leveraged to make an even bigger impact if used for seed funding, to support applications for larger government grants, or to secure a loan. When considered in this way, communities have a massive opportunity to pull together behind projects that will leave a lasting legacy.

As part of RE-Alliance work to date we have considered and worked through many issues around how cumulative benefits from multiple renewable projects can be coordinated to leave a lasting and meaningful impact<sup>6</sup>. Some of those issues include governance, stakeholders, timing, branding and potential outcomes.

## Section 6: Changing Regulatory environments

RE-Alliance supports the NSW Government's decision not to apply the open access scheme regime within the REZ Network Infrastructure.

RE-Alliance is a strong supporter of the NSW Government's Electricity Infrastructure Roadmap, but it should be noted that the development of new regulatory and planning processes are taking some time. In the first declared REZ, the Central West Orana REZ, there has been no regulatory investment for transmission (RIT-T) completed and there is no sign of the NSW Government's alternative proposed transmission efficiency test.

Following the NSW Government's announcement that they will use a contestable process for delivery of transmission infrastructure, it is uncertain who will build the infrastructure.

The NSW Government has recently announced that EnergyCo NSW is now leading the development work for the new transmission infrastructure, including community and stakeholder consultation, property negotiations and environmental planning approvals.

The Department of Planning, Industry and Environment's website states that "during 2022, EnergyCo NSW will undertake a competitive procurement process to appoint a Network Operator to design, build, finance, operate and maintain the new REZ transmission infrastructure".<sup>7</sup>

RE-Alliance is keen to ensure that appropriate community consultation, as envisioned by the REZ design reports process does actually occur. The advantage of the REZ Design report process is

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<sup>6</sup> RE-Alliance 2021 "Proposed Community-Driven Fund for Moyne" available at: [https://www.re-alliance.org.au/moyne\\_community\\_controlled\\_joint\\_fund](https://www.re-alliance.org.au/moyne_community_controlled_joint_fund)

<sup>7</sup> NSW Government Renewable Energy Zones available at: <https://www.energy.nsw.gov.au/renewables/renewable-energy-zones>



that the National Electricity Rules (NER) and the Integrated System Plan (ISP) specify the consultation that should occur and the date by which the REZ design report must be completed. Similarly, for actionable ISP projects identified in the final 2022 ISP, the relevant TNSP must assess the project under the RIT-T.

RE-Alliance urges the NSW Government to undertake appropriate public consultation processes as soon as possible; including community mapping to identify sites of significant environmental, agricultural or cultural value that will be seen as a loss for the community if developed.

We note the advice that the REZ Network Operator will not be entitled to seek a revenue allowance under the NER for the costs of carrying out the new REZ Infrastructure and that it will instead recover its **efficient, reasonable, and prudent** costs of carrying out the new REZ Infrastructure under the cost recovery arrangements of Part 5 of the *Electricity Infrastructure Investment Act 2000*.

RE-Alliance supports this broader criteria for cost recovery when compared to the standard efficiency arrangements as described under the National Electricity Objective of:

"promoting 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."

This broader definition will allow for recovery of other costs that would not be able to be recovered under the NER, such as community benefit sharing arrangements.

RE-Alliance supports the proposed derogations and modifications to the NER and agrees that they are appropriate to deliver the access scheme.