21 February 2022

Daniel Westerman
Chief Executive Officer
Australian Energy Market Operator
GPO Box 2008
MELBOURNE VIC 3001
via email: isp@aemo.com.au

Dear Mr Westerman

Re: Australian Energy Market Operator – *Draft 2022 Integrated System Plan*

The Office of the Australian Energy Infrastructure Commissioner welcomes the opportunity to provide feedback on AEMO's Draft 2022 Integrated System Plan.

The Australian Energy Infrastructure Commissioner fulfils a national, independent role in Australia's energy sector and responsibilities include:

- facilitating the handling of complaints from concerned community residents about planned and operating wind farms, solar farms (5 MW or more), energy storage facilities (1 MW or more) and new large-scale transmission projects
- identifying and promoting best practices for industry, government and related agencies to adopt with regard to the planning, operation and governance of such projects, and
- improving information access and transparency about proposed and operating projects, and relevant government and industry information more broadly.

Our Office understands the importance of a 'whole of system plan' that provides a pathway for the timely and efficient development of the electricity system in eastern Australia. We recognise that the Integrated System Plan will play a crucial role in managing the various challenges in the planning and management of the energy grid in the coming transitional period.

We are pleased that you have released this draft document for consultation. In particular, our Office strongly encourages the development of a clear roadmap for the transformation of the energy grid – one that recognises the importance of a long-term vision for grid architecture, planning and deployment – whilst also considering the potential direct and indirect impacts to regional communities and landowners are appropriately managed and mitigated.

Further, our view is that it is essential to integrate long term grid planning and deployment with electricity generation planning to ensure availability of transmission to connect and transmit appropriate supply-side assets while ensuring that the utilisation of the grid represents an appropriate return on investment over the longer term.

Our Office offers the following information and comments below for your consideration.

Initial observations on the development of proposed large-scale transmission projects

For the draft ISP to become a reality, a significant number of new transmission projects need to be designed, developed, built, operated and maintained.

In anticipation of this significant transmission activity, in March 2021, the role of our Office was expanded to include new large-scale transmission projects.

Since taking on the expanded role, we have made a number of initial observations in relation to potential systemic issues and challenges regarding the design, development and deployment of large-scale transmission lines. Some of these observations include:

- It has been several decades since new, long-distance, large-scale transmission projects have been planned and deployed. Industry (and regulators) will likely have a steep learning curve as well as challenges in regaining and retaining the appropriate skills and expertise, including skills related to community and landholder engagement.

- There will be a need for clearly visible leadership and ownership of these major projects to enable achieving agreed project outcomes, delivering on the business case and ensuring ongoing clarity about the problem(s) to be solved by the project.

- In addition, there will need to be an appropriate, effective executive level governance of projects, including representation from major stakeholders, with material project decisions elevated to the executive.

- There should be careful consideration of design and route implications resulting from technology choices to deliver the project. Emerging and maturing technologies, such as underground cable options and large-scale storage solutions, may have a material impact and benefit in reducing the impact of the overall project on landholders and community.

- There is a need for updated, contemporary planning processes and guidelines to assist with the design and assessment of projects. Guidelines need to consider a range of parameters – as an example, minimum setback distances for above ground transmission lines and towers from residences, property boundaries, public facilities, state and national parks, airfields and runways, and public roads.

- The effectiveness of community and landholder engagement programs and their ability to adapt to the diversity of community and landholder circumstances along the length of the proposed transmission line is essential. Affected persons can include suburban home residents, lifestyle property residents, hobby farmers, specialised breeders and primary producers through to broad-acre farming. Such diversity of impacted persons can also lead to a diverse array of community opposition groups to the project that have differing issues and objections to navigate.

- There may be unintended consequences, resulting in widespread project opposition from numerous landholders and communities, due to the current public ‘multi-corridor approach’ to community consultation being used to select a final proposed transmission line route. An alternative approach may be to internally determine the preferred route corridor and then engage the community and landholders to finalise the actual route with their insights.

- Current compensation arrangements for landholders hosting transmission and related infrastructure may be perceived be inequitable when compared with landholder arrangements for hosting wind farms and solar farms, which could affect the success rate of negotiated agreements for hosting transmission lines and harm the ability to engender good will.

- The need for clear and consistent protocols for working with landholders, such as land access protocols that must be followed by proponents when accessing landowner properties for surveys/investigations, the process to negotiate and obtain easements from landholders, through to publishing consistent guidelines that clarify what activities a landholder can and cannot do near or within a transmission line easement.

- Other key issues of concern that have been raised by community members and landholders include:
    - effectiveness, or otherwise, of current community/landholder engagement programs, including skills and abilities of landholder liaison personnel
    - perceived potential for increased bushfire risk and decreased firefighting capability due to the presence of above ground transmission assets
    - impacts of the transmission lines to visual amenity and the natural environment
    - the potential for new grid and substations to attract prospectors for new solar and wind farm deployments, which may lead to further concentrations of renewable assets
    - potential loss of property value, and
    - reduction of productive agricultural land and impact on farm and industry economics.

These and other observations, together with best practice recommendations for the sector and government, will be provided in our 2021 Annual Report.

Planning and governance

The Office considers that it is crucial to have a clearly articulated strategy and governance framework for the planning, deployment and ownership of the large-scale transmission grid. These mechanisms will enable a sustainable approach to generational planning and oversight of the grid's design, deployment and operation. Key considerations include:

- Clarifying and agreeing on the appropriate authority to approve the long term, large-scale transmission grid plan and ensuring its successful deployment to agreed milestones.
- Clarifying and agreeing on the respective roles and responsibilities (with regard to the design, development and deployment of the grid and the associated funding mechanisms) of the various Federal and State agencies/organisations, including the AER, AEMO, AEMC, ESB, DISER, TNSPs, VIC Grid, Energy Corp of NSW, Essential Services Commission (VIC), Energy Safe Victoria, DELWP, DPE and other state government equivalents.
- Given the scarcity of remaining land options in some key corridors, action should be taken sooner rather than later for the relevant bodies to secure and acquire easements likely to be required for future transmission corridors. A new funding mechanism will likely be required to fund this initiative.
- The agency responsible for the overall planning of the electricity grid should ensure there are regular reviews in place (incorporating impacts of new and emerging technologies) at least every five years to adjust the plan to meet changes in circumstances and technology.

Managing project risks and social licence

One of the more complex issues for new grid deployments will be gaining acceptance of large-scale transmission projects by affected communities and landholders. Further, community expectations as well as the ability to successfully galvanise opposition to projects through social media have increased significantly since the last generation of large-scale transmission projects were deployed.

It is vitally important that appropriate investments in building and maintaining effective relationships with landholders and community members are appropriately funded – noting that the costs of being burdened with ineffective relationships are quite severe.

Under the current regulatory framework, our Office understands that recovery of projected costs for public infrastructure is a matter that is of key concern for TNSP's when it comes to management of social licence and consideration of community benefits and compensation for landowners.

The current framework appears to be weighted on minimising risks related to 'overbuilding' or 'gold-plating' of transmission projects at the expense of the electricity consumer. Conversely, the framework does not appear to fully consider the risks of new major transmission projects being seriously delayed or halted as a result of material actions taken by groups opposed to a project (such as legal actions challenging the planning process or planning decisions).

Given the above, it would be beneficial to consider enhancing the regulatory funding framework to include risk assessments that considers factors such as risk of project delays that may result from planning objections/appeals, unsuccessful or inconclusive land acquisition negotiations along with well organised, impactful opposition to the project.

Funding models

It may be timely to consider whether the current RIT-T arrangements are appropriate as a mechanism for the efficient and effective delivery of new, large-scale transmission projects that are to be built to transform the grid (as opposed to augmentations to the existing grid).

In particular, the current cost recovery arrangements and expectations of the RIT-T process may impair the ability for TNSP's to fund and deliver new large-scale transmission projects within the normally expected costs and benefits to the electricity consumer.

Major, new transmission projects may, instead, need to be funded by a hybrid of funding sources, e.g. from the RIT-T process (i.e. the consumer) plus additional funding from governments that reflect the transformational nature of such projects – and not place the entire burden of funding these projects on the consumer. Further, insufficient funding may lead to sub-optimal solutions being implemented, which may result in substantial costs later to rectify.

Further information

Thank you again for the opportunity to make a submission on this important draft plan. I would be delighted to discuss these matters with you and your colleagues in further detail and expand on the background to our various observations and suggestions above.

In the meantime, if you have any questions about this submission or require additional information, please contact us via email at aeic@aeic.gov.au or on 1800 656 395.

Sincerely

Andrew Dyer
Australian Energy Infrastructure Commissioner