



# Submission to the DPIE's Network Infrastructure Projects Policy Paper

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Contact:

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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 supports the NSW Government Electricity Infrastructure Roadmap and commends the Government on the passage of the *Electricity Infrastructure Investment Act 2020* with multi-party support late last year.

RE-Alliance is broadly supportive of the measures proposed in the Department of Planning, Industry and Environment's (DPIE's) *Network Infrastructure Projects Policy Paper*.

In summary, RE-Alliance supports:

- the introduction of a contestable tendering process for the delivery of REZ network infrastructure projects. This measure will increase competition and therefore put downwards pressure on the cost of developing these projects.
- the broader framing of the Transmission Efficiency Test (TET) as the "prudent, efficient and reasonable capital costs incurred by a network operator" as opposed to the efficient costs as described in the National Electricity Objective (NEO). This will allow the Regulator to consider important matters which are excluded from the Regulatory Investment Test for Transmission (RIT-T)

“including environmental externalities, fostering local community support, financing arrangements and other factors”.<sup>1</sup>

- the proposed process whereby the Consumer Trustee would publish a 20-year development pathway (updated every two years) and a 10-year tender plan. We think that the proposed fund to fund and finance preparatory activities and development works is a good idea, which has the potential to speed up the process as compared to the existing national process.
- the proposed central planning role for the Infrastructure Planner, EnergyCo. We have become increasingly frustrated with the Australian Energy Market Commission’s (AEMC’s) preferred model of using economic incentives to try to get new generators to locate in certain parts of the grid e.g. locational marginal pricing etc. It is much easier to take a centralised planning approach and for Government to direct where projects should locate, i.e. in this case, predominantly in the new REZ’s. We suggest that for the scale of transformation and the speed at which it is required in NSW, a new central planner, EnergyCo, is eminently sensible.
- the Infrastructure Planner bringing on a range of transmission projects, with the Consumer Trustee empowered to authorise the projects and set maximum capital expenditure.
- the proposed role of the Regulator under the EII Act, which seems likely to be the AER, conducting a TET and determining the final payable amount and also making 5-yearly determinations and any necessary adjustments.

An additional point that we would make is that the Policy Paper contains only passing mention of social licence and transmission related issues. We note the recommendations of our July 2021 report, [\*Building Trust for Transmission: Earning the Social Licence needed to plug in Australia’s Renewable Energy Zones\*](#), including the need for enhanced landholder consultation early in the transmission planning process and the need to pay landholders on a ‘fair value’ basis, together with neighbour payments and broader community benefit sharing.

We note that under the NSW Government’s proposed model, the Infrastructure Planner, EnergyCo, would be responsible for planning studies and community engagement, so early and thorough consultation should be assured.

Following a recent Departmental briefing, we understand that the NSW Government is reviewing the compensation arrangements payable to landholders who host new transmission infrastructure. We commend the Government for this initiative. Following the results of the compensation review, if increased compensation to affected

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<sup>1</sup> DPIE (2021) *Network Infrastructure Projects (Part 5 of the Electricity Infrastructure Investment Act 2020) Policy Paper* p.3 available at: <https://www.energy.nsw.gov.au/sites/default/files/2021-10/network-infrastructure-projects-part-5-of-the-electricity-infrastructure-investment-act-2020-policy-paper.pdf>

landholders is recommended, the mechanism for these payments will need to be clarified. We look forward to further consultation on this matter.

## In detail

We support the Infrastructure Planner undertaking preparatory activities and development works for the project, like planning studies and community engagement. This is a similar model to one RE-Alliance proposed in our recent submission to the AEMC's *Transmission Planning and Investment Review* whereby we proposed that governments "underwrite the pre-planning of all the proposed transmission lines in the ISP. By undertaking the pre-planning work immediately it would provide more time for community engagement and to get route selections right, while also reducing the timelines for transmission projects potentially by several years. With the pre-planning done, transmission investment decisions could then be accelerated when they are needed".<sup>2</sup>

This would presumably necessitate considerable additional funding and personnel requirements for EnergyCo, which at present is a very small organisation. We would support extra funding and staffing for EnergyCo to undertake these vital roles and request that further detail on this matter is provided as the details of this new arrangement are worked out.

RE-Alliance supports the respective functions of the Infrastructure Planner which will "prepare a pipeline of REZ network infrastructure projects, necessary to create opportunities for new generation" and the Consumer Trustee which will decide "which of these projects proceed and when".<sup>3</sup>

It is unclear to us how this proposed process will work for the Central-West Orana (CWO) REZ, which was formally declared on 5 November 2021. Transgrid has been undertaking preliminary planning on the CWO REZ transmission line and has announced a study corridor and has been working on an Environmental Impact Statement (EIS) which is expected to go on public exhibition in 2022. The declaration notes that EnergyCo NSW will be the Infrastructure Planner for the Central-West Orana REZ. DPIE's website states that "as Infrastructure Planner, EnergyCo NSW will make decisions such as assessing and recommending REZ network infrastructure projects and, if needed to maintain community support for the REZ, preventing generation or storage projects from connecting in a specified area within the REZ (if

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<sup>2</sup> RE-Alliance submission to the AEMC's Transmission Planning and Investment Review p.11 available at: <https://www.aemc.gov.au/sites/default/files/documents/re-alliance.pdf>

<sup>3</sup> DPIE (2021) *Network Infrastructure Projects (Part 5 of the Electricity Infrastructure Investment Act 2020) Policy Paper* p. 6 available at: <https://www.energy.nsw.gov.au/sites/default/files/2021-10/network-infrastructure-projects-part-5-of-the-electricity-infrastructure-investment-act-2020-policy-paper.pdf>

those projects have not received development consent)".<sup>4</sup> How will EnergyCo work with Transgrid on this project, given that Transgrid is already doing route selection studies, public consultation and working on the EIS?

Will EnergyCo be running a competitive tender to deliver the transmission infrastructure in the CWO? Will Transgrid be just one of multiple potential tenderers? How would Transgrid recover the costs of the works it has already undertaken if it was not the successful tenderer?

RE-Alliance requests some further information about how these new regulatory arrangements will work for the first of the REZ's - the CWO - which is part way through its existing regulatory process.

In general, RE-Alliance supports the measures proposed in the *Network Infrastructure Projects Policy Paper* and commends the Government for suggesting innovative solutions to some of the more intractable problems in transmission planning and financing. We consider it likely that the framework may be taken up by other jurisdictions and may help to solve the chicken and egg problems which have prevented new renewable energy generation being built before the transmission infrastructure is available to connect it and vice versa.

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<sup>4</sup> DPIE Renewable Energy Zone declaration webpage at:  
<https://www.energy.nsw.gov.au/renewables/renewable-energy-zones/central-west-orana-renewable-energy-zone-declaration>