

# 2024 AER cost benefit analysis and regulatory investment test guidelines review



**TOPIC:** treatment of costs related to social Licence activities and engagement requirements  
Wednesday, August 28 · 3pm - 4pm AEST, online via Microsoft Teams.

## Social licence draft amendments fact sheet and next steps

On 9 August 2024, The Australian Energy Regulator (AER) published its proposed draft amendments to the cost benefit analysis (CBA) guidelines and application guidelines for regulatory investment tests (RIT-T & RIT-D) and instrument documents.

The amended Guidelines include guidance on:

- Changes in emissions as a market benefit
- Social licence in the RIT
- Sharing concessional finance benefits with consumers
- Improving the workability of the feedback loop
- Early works contingent project application before completion of a RIT-T

Our [explanatory statement](#) explains our draft amendments and how feedback received from stakeholders through submissions has informed the development of these draft amendments.

We have published [draft guidelines](#) that include these draft amendments.

### Submissions and public forums

The subjects covered by the review are each individually important, and we invite stakeholders to engage with the subjects individually (if desired) as well as providing feedback on questions identified for consultation.

Submissions will be accepted until 20 September 2024

After submissions close, we will further develop our amendments and publish final guidelines in November 2024.

We will also be hosting public forums to provide an overview of the proposed amendments, including:

- how we have taken into account stakeholder submissions received in response to the consultation paper including feedback heard at the public forums in May and June 2024, and
- to assist stakeholders in developing their written submissions to draft amendments.

### Social licence:

Our draft amendments have been developed as a result of AEMC's [enhancing community engagement](#) rule change, our [social licence directions paper](#), and stakeholder views expressed in written submissions or public forums. These amendments include:

- guidance on how community engagement should inform option selection
- guidance on how community engagement should be reported in the RIT

Our draft amendments include worked examples to help clarify what costs associated with social licence activities are expected to be included in the RIT.

## Engagement:

### CBA guidelines:

Actionable ISP project proponents are required to use reasonable endeavours to ensure they meet 'community engagement expectations' as defined in the NER. We have added the requirement to create and publish a stakeholder engagement plan as soon as practical addressing:

- who will be engaged and how they were identified,
- how the proponent intends to engage,
- how the engagement meets community expectations and;
- how the engagement strategy has been identified by the proponent as best practice.

Proponents must report against this engagement plan in each RIT-T report. It is now a requirement for proponents to engage with stakeholders who are reasonably expected to be affected by the development of the project.

### RIT-T and RIT-D guidelines

Our changes to these guidelines did not require a stakeholder engagement plan due to the variance in project size.

We added the requirement that a project proponent must describe:

- how they engaged with stakeholders and sought to address their concerns, or
- If they have not engaged, how they plan to, or why it is not necessary to seek engagement.

We have added as optional guidance, that proponents may plan their engagement using existing best practice framework and should consider applying the community engagement expectations as set out in the NER for actionable ISP projects.

### Costs and benefits:

Our draft amendments do not identify new cost categories specifically for social licence activities, however costs of social licence can be included in existing cost categories.

Benefits related to social licence cannot be included however as we consider market benefits in the RIT are limited to benefits to those who produce, consume or transport energy in the NEM.

Examples 40 and 41 (pg. 106) of the [RIT-T guidelines](#) (Examples 34 and 35, pg. 92, of the [RIT-D guidelines](#)) outline general guidance on community benefit sharing and the importance of community engagement on determining an efficient amount to allocate.

Example 42 of the RIT-T guidelines describe how best to incorporated costs associated with state legislation. The general example which uses New South Wales legislation, specifies these costs to be classified under a project's operation expenditure.

### Credible options:

In all guidelines, we added a section stating social licence must be considered in the identification of credible options. Proponents must engage with relevant communities and interested stakeholders. Community feedback can help identify issues and improvements early in a project cycle (as per example 11 of the [CBA guidelines](#), pg. 61). Note, this example was not added to the RIT-T or RIT-D guidelines as the scale would be unreasonable for those guidelines, we are open to its addition if stakeholders disagree with this position.

This expectation of strategic engagement and relationship-building with the community, identified options should always be feasible and should not be deemed as no longer credible due to a loss or lack of social licence later in the cycle.

