

2024 AER cost benefit analysis and regulatory investment test guidelines review

Social licence draft amendments fact sheet and next steps

The Australian Energy Regulator (AER) would like your feedback on proposed changes to our network planning guidelines for businesses looking to comment new electricity transmission projects. We want to hear from stakeholders and community to make sure social licence updates to our network planning guidelines are clear, reasonable, and easily implemented.

This document explains the guidelines review and how you can have your say. It has been written to help participants understand the review process and prepare to participate in an online forum that will be held on Thursday 29 August, 2-4pm.

Community input into this process is important, so we encourage anyone with an interest in this topic to join the discussion. We expect local council representatives, community and environmental groups, and community members will attend the forum.

For questions on the guidelines or the consultation please email RITguidelines@aer.gov.au



TOPIC: treatment of costs related to social Licence activities and engagement requirements
Wednesday, August 29 - 2pm - 4pm AEST, online via Microsoft Teams.

The forums will be interactive and will involve short presentations by the AER, followed by live discussion

What we want to hear from you:

We are speaking with a wide range of stakeholders (including networks businesses and customer advocates) and community members. As with the previous round of consultation, a forum for industry experts was also held on 28 August.

Social licence in the context of this guidelines review, refers to the level of acceptance of an organisation and its activities by a community. We contend social licence is linked to general awareness and acceptance of a project and is directly linked to a project's credibility.

The questions for this forum will focus on what we changed in the guidelines regarding social licence based off the feedback we received so far.

During the forum, we will ask for your feedback on the explanation of social licence that we included in the amended guidelines and whether the words used and their intended meaning is fit for the purpose of planning transmission infrastructure.

We want to understand, in your view:

- Do the amendments address what you expected them to address?
- Is there a group, situation or scenario that we missed?
- Are the guideline changes too restrictive or too flexible?
- Should a section be expanded, contracted or is too unclear?

How your feedback will be used:

Your feedback will help shape any final changes to the renewed guidelines; applicable to future projects. The finalised guidelines will be published November 2024, and they will then be binding.

If you are unable to attend the forum, we would still love to receive your feedback or questions. You can do this by:

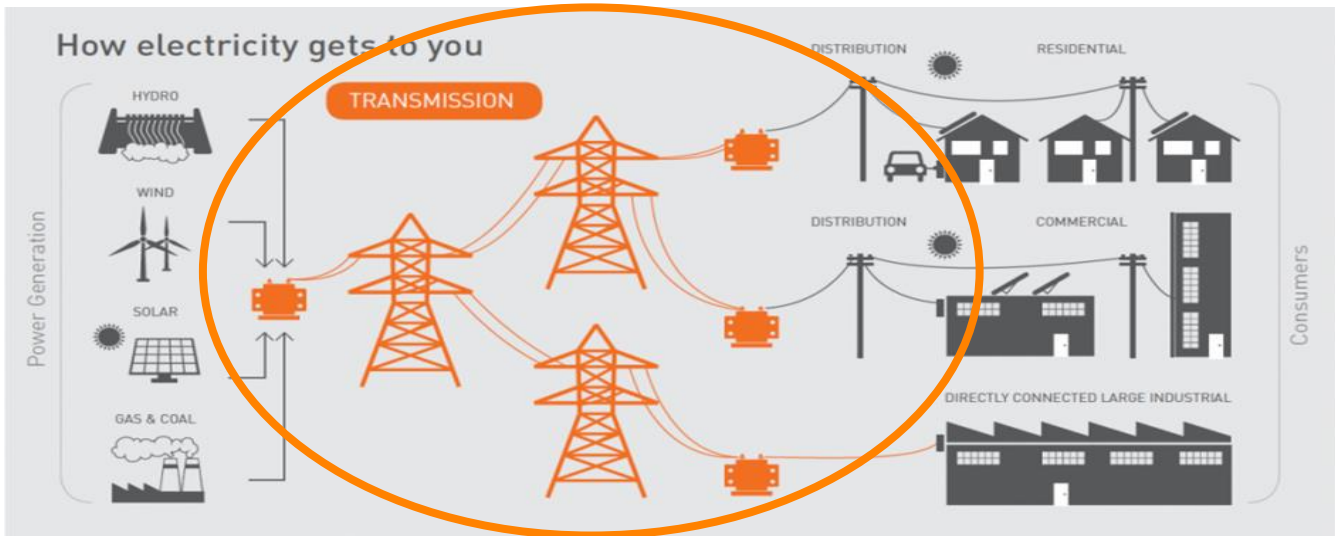
- Writing a submission.
- Or emailing the team directly at RITguidelines@aer.gov.au

Summary of the Draft amendments

The AER has published a number of draft amendments documents with proposed changes to the guidelines.

Our draft amendments are available on our [website](#) and show all changes marked up in red. This is to assist readers in identifying and facilitating feedback on these changes. There are changes referencing social licence in all 3 guidelines ([CBA](#), [RIT-T](#) and [RIT-D](#)). Our [explanatory statement](#) goes into detail regarding the logic behind intended purpose of the changes.

Our guidelines specifically service transmission and distribution network planning but not generation assets like solar and wind farms, see below.



Incorporating social licence

Using input from the first round of forums, we expanded our working definition of social licence to allow us to incorporate new considerations related to social licence. This includes:

- A community's awareness of a project
- A community's acceptance of a project
- Proponents should have clear strategies to form good relationships
- Relationships are built over time

Our guidelines focused on 3 main aspects of the RIT in which social licence concerns can be applied to.

1. Credible options
2. Community engagement
3. Costs and benefits

Credible options

During the planning phase for a new network build (i.e. which route(s) to take), a credible option refers to an option which is considered feasible and could be delivered on time to address an identified need.

Given that our position contends that social licence can be built over time, our amendments do not allow a business to rule out a project option as not credible due to initially low community support.

We suggest that the identification of credible options should be informed by early community engagement as well as building community awareness from the initial stages of a project.

Similarly, if likely costs to attain social licence for an option increases its price significantly, than a project may not be economically feasible and therefore not credible.

Community engagement

We received feedback on the importance of transparent, early and meaningful engagement noting that each project is different in size, complexity and nature.

We have placed a requirement for network businesses who are commencing a large project (identified by the AEMO's ISP) to create a stakeholder engagement plan outlining how they engage throughout delivery of the project and report against this plan throughout the RIT process. As part of this plan the business must:

- Identify a best-practice framework for engagement and explain why this is best for the particular project and satisfies the requirements in the National Electricity Rules.
- Publish the stakeholder engagement plan as soon as practical
- Describe methods of identifying stakeholders
- Provide a timeline of engagement activities and show how these meet community expectations

For projects not covered by our guidelines, the rules for community engagement do not apply. However, our amendments require all businesses undertaking the RIT-T and RIT-D process to describe in each RIT report how they engaged with stakeholders and sought to address relevant concerns.

Costs and benefits

As a RIT is a cost-benefit test, a proponent can allocate costs and benefits to different approved 'categories' for this comparison. Not every perceived cost and benefit is allowed to be included. Only cost and benefits to market participants (those who produce, transport or consume energy) may be included.

Our amendments state the costs related to social licence can be included, but not in its own cost category, it must fall under existing cost categories in the RIT instrument. Other benefits related to social licence that are external to the market are not included in the RIT (e.g., improving the natural scenery from rerouting a transmission line).

About the AER

We are the Australian Energy Regulator; an independent regulator of gas and electricity markets in Australia and we work to ensure a secure, reliable and affordable energy future.

We do this by managing the economic regulations and rules to ensure energy consumers have access to a reliable and secure market and that they pay no more than necessary for energy to their homes and businesses.

Key Terms:

Abbreviation	Explanation
AEMO	Australian Energy Market Operator – Manages the day to day operations of the markets.
AEMC	Australian Energy Market Commission – Develops the rules by which the market must operate.
AER	Australian Energy Regulator – Monitors performance and compliance with the rules
CBA guidelines	Cost Benefit Analysis guidelines – Cost-benefit test undertaken by AEMO and businesses to identify and commence large projects which are necessary to meet network needs (known as ISP actionable projects)
RIT-T guidelines	Regulatory Investment Test for Transmission – Guidelines for transmission projects that are not actionable ISP projects. Transmission networks move energy in bulk from where it is generated, like a power plant, to a distribution network in metropolitan areas.
RIT-D guidelines	Regulatory Investment Test for Distribution – Guidelines for distribution projects that are not actionable ISP projects. Distribution networks are the poles and wires that provide energy to consumers.
ISP	Integrated System Plan – A whole of system plan for efficient development of the national electricity market over the next 20 years and beyond