
CCP35 Advice to AER – Ausgrid - Hunter Central Coast RNIP 2026-31- Revenue proposal

Consumer Challenge Panel (CCP) Sub-Panel CCP35

Helen Bartley

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Acknowledgement of Country

I acknowledge the Traditional Custodians of the various lands on which Ausgrid owns and operates its networks and facilities. I honour the customs and traditions and special relationship of those Traditional Custodians with the land as well as those where this report is being prepared. I respect the elders of these nations, past and present.

Confidentiality

To the best of my knowledge this report does not present any confidential information.

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1 Summary

Overview

In November 2024, the AER established CCP35 for the Central West Orana (Transgrid) and Hunter Central Coast (Ausgrid) Renewable Energy Zone (REZ) non-contestable 2026-2031 revenue determinations to provide advice to the Australian Energy Regulator (AER) on the following:

1. The effectiveness of the network operator's engagement activities with consumers and how this is reflected in the development of the respective network's revenue proposals.
2. Whether the network operator's proposal, or elements, are in the long-term interests of consumers.

Ausgrid lodged its HCC Revenue Proposal 2026-31 (the proposal) with the AER in relation to the NSW Hunter Central Coast (HCC) non-contestable project on 16 May 2025, which the AER subsequently published and will assess under the NSW Electricity Infrastructure Investment (EII) Act 2020.

This advice pertains to key aspects of Ausgrid's proposal over which consumers can have influence, and its engagement predominantly with its HCC REZ regulatory panel (the panel), appointed to represent consumer interests.

Nature of engagement

Ausgrid established the panel to obtain a customer perspective in the development of its proposal. Through an expression of interest process that was open to its broader customer panel and in addition by invitation, Ausgrid appointed three well credentialed and experienced independent customer advocates: Louise Benjamin, Mark Grenning and Mike Swanston.

The panel met six times (online and face to face) with Ausgrid from early January 2025 until April 2025. Specifically, the panel's role was to:¹

- Advise Ausgrid on key areas of interest for consumers in accordance with the AER's *Better Resets Handbook*, acknowledging the tight time constraints.
- Reviewing and providing feedback on elements of Ausgrid's proposal, and in particular:
 - The allocation of risk between Ausgrid and customers, including appropriate contingency and adjustment events for a substantial construction project and required to enable the HCC REZ to be delivered.
 - Demonstrate that the perspectives of consumers have been considered in Ausgrid's approach to the HCC REZ.

Ausgrid funded the panel to produce a report, which was lodged with the AER shortly after the business lodged its proposal. That report discusses the panel's perspectives on aspects of Ausgrid's proposal and Ausgrid's consideration of their views as consumer representatives.

I have reviewed the materials Ausgrid provided to the panel, observed all engagement sessions with the panel, read the panel's report and separately met with the business and the AER on various occasions as Ausgrid prepared its proposal.² These activities have informed the advice to the AER contained in this report.

¹ Ausgrid, *Customer Consultative and Specialist Committees Terms of Reference*, November 2024, p. 13

² See Appendix for list of engagement activities observed

Engagement effectiveness

Acknowledging the limited time and resource constraints, Ausgrid’s engagement with the panel focused on a combination of issues identified by Ausgrid. The engagement topics were in line with the panel’s terms of reference, as well as consumer interest topics identified by the panel where the panel considered Ausgrid could provide greater clarity or accountability.

In the lead up to Ausgrid preparing its proposal, I observed sincere intent by Ausgrid, and saw evidence of Ausgrid’s commitment to effective engagement through:

- A transparent recruitment process that was fit for purpose, i.e. Ausgrid sought to engage a small panel of skilled consumer representatives who could meaningfully engage on complex aspects of the proposal and respond in a short time frame
- Ausgrid selected panel members in line with its intent
- Ausgrid providing timely and detailed information to panel members where possible,³ including presentation slides; arranging a site visit and inviting panel members to observe (and meet) community members and landholders affected by the project
- Responding to challenge from the panel, such as exploring issues around the concept of “reasonable” expenditure and risk allocation more deeply than the business may have intended (including sharing internal data with the panel that is not publicly available and scheduling additional meetings)
- While Ausgrid published details of broader project information its website,⁴ I appreciate Ausgrid has not published any engagement materials, such as presentations to the panel or Ausgrid’s draft proposal due to confidentiality.⁵

The panel’s feedback is consistent with my observations. It summarises Ausgrid’s engagement as “excellent” given the limited time available for engagement under their contract with EnergyCo.⁶ In its report, the panel commends Ausgrid for its openness and the constructive way in which Ausgrid responded to the panel’s questions and concerns. The panel even considers Ausgrid’s engagement to be “industry leading”.⁷

Does Ausgrid’s proposal reflect consumer preferences?

Chapter 3 of Ausgrid’s proposal outlines its engagement approach and objectives with the panel and the wider community. Chapter 3 includes a summary table (Table 3-4) describing the key engagement topics and how what Ausgrid heard from the panel and other stakeholders shaped the proposal.

However, I consider Ausgrid’s proposal and its accountability to consumers would be strengthened through direct references to the panel’s feedback in the relevant sections of the proposal as more direct evidence of its influence, rather than be restricted to a summary table.

³ Due to confidentiality agreements with the Consumer Trustee and other parties some documents the panel would have liked to review were not available

⁴ See <https://www.ausgrid.com.au/In-your-community/Major-Projects/Hunter-and-Central-Coast-Region-Construction-Projects/Hunter-Central-Coast-Renewable-Energy-Zone>

⁵ As some of the material presented to the panel, and the issues discussed were confidential or internal to the business, I understand why Ausgrid did not publish any engagement materials. However, some high-level summaries of topics and broad outcomes would improve transparency

⁶ HCC REZ Reg Panel Report to the AER, May 2025, *Ausgrid Hunter-Central Coast Renewable Energy Zone Network Infrastructure Project*, p. 2.

⁷ Ibid

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While I observe some changes in Ausgrid’s capital expenditure (capex) and operating expenditure (opex) proposals between Ausgrid’s draft proposal and its proposal, it is not evident if any those changes a response to consumer feedback or other factors.

Ultimately, I am limited in my ability to form a definitive view as to the extent Ausgrid’s proposal reflects consumer preferences. This is due to the limited scope of engagement, and the difficulties drawing direct links between consumer influence and specific elements of Ausgrid’s proposal where Ausgrid did engage.

2 Context for this advice

2.1 NSW Renewable Energy Zones

In 2021 the NSW Government under the NSW EII Act⁸ appointed the AER as the economic regulator of infrastructure projects within its REZ along with the Energy Corporation of NSW (EnergyCo) as the infrastructure planner and AEMO Services as the Consumer Trustee to develop designated REZ in line with the NSW Electricity Infrastructure Roadmap⁹. EnergyCo, under the EII Act 202, as the NSW infrastructure planner, recommends REZ projects for NSW. AEMO Services as the independent Consumer Trustee, is responsible for authorising projects and setting the maximum prudent, efficient and reasonable project costs.

To date the NSW Government has declared five REZ shown on the attached map:¹⁰

Figure 2-1: NSW Renewable Energy Zones (May 2025)



On the recommendation of EnergyCo, the Consumer Trustee appointed Ausgrid to deliver the Hunter Central Coast REZ project, which largely involves upgrades to Ausgrid's existing distribution network, thereby reducing the impact on land, communities, the environment and cost.

2.2 Regulatory process

In November 2021, the AER was appointed as a regulator under the EII Act to assess whether the network operator's costs to deliver a REZ project are "prudent, efficient and reasonable".¹¹ Consequently, AER scrutinises these project costs to assess their prudence, efficiency and reasonableness. Importantly, it is not the AER's role to determine the size and scale of REZ projects per se.

In 2022, the AER published its *Transmission Efficiency Test and revenue determination guideline for non-contestable network infrastructure projects* (the Guideline). This Guideline details how the AER will make revenue determinations for network operators authorised or directed to carry out non-contestable network projects under the NSW Electricity Infrastructure Roadmap. The AER reviewed the Guideline in 2024 and published an *Explanatory Statement*. Importantly, the AER expects network operators to develop their proposals in line with the *Better Resets Handbook*, and for a

⁸ <https://legislation.nsw.gov.au/view/html/inforce/current/act-2020-044>, viewed on 27 May 2025

⁹ <https://www.energy.nsw.gov.au/nsw-plans-and-progress/major-state-projects/electricity-infrastructure-roadmap>, viewed on 27 May 2025

¹⁰ <https://www.energyco.nsw.gov.au/renewable-energy-zones/renewable-energy-zone-locations>, viewed on 27 May 2025

¹¹ Electricity Infrastructure Investment Amendment (Network Infrastructure) Regulation 2024, 19 January 2024, cl. 47E(4)

network operator to conduct “comprehensive pre-engagement”¹² with the AER and stakeholders on the content of the proposal before the network operator lodges its proposal.

Importantly, the *Better Resets Handbook* encourages networks to “develop high quality proposals through genuine engagement with consumers”¹³ which should lead to regulatory outcomes that better reflect the long-term interests of consumers. To this end the AER also encourages network operators to establish and engage with a consumer panel as soon as possible after it has been made aware it will be undertaking a non-contestable project under the EII.

Under the relevant AER guideline,¹⁴ the AER will publish an initial determination 55 days after receiving a network operator’s revenue proposal, (compared to 9 months for a regulatory proposal under the National Energy Rules(NER)), and a network has less than six weeks to lodge a revised proposal following the draft decision publication; with the AER then having less than seven weeks after receiving a revised proposal to publish its final decision (compared to five months from receiving a revised proposal under the NER).

Given the AER’s *Better Resets Handbook* expectations and these tight timelines, it is crucial for a network to engage early and effectively with stakeholders *before* lodging a proposal. Acknowledging the limited time and resource constraints, the Guideline expects Network Operators to engage on issues of most importance to consumers and where they can have maximum impact.

To this end Ausgrid established the panel late in 2024 to understand and consider consumer preferences, it prepared and consulted on its draft proposal and lodged its proposal with the AER on 16 May 2025.

¹² AER, June 2024, *Explanatory Statement, Final amendments to Transmission Efficiency Test and revenue determination guideline for non-contestable network infrastructure projects*

¹³ Ibid, p. 3

¹⁴ Ibid

3 Key elements of Ausgrid’s consumer engagement

3.1 Overview of approach and panel’s role

Ausgrid established a dedicated HCC REZ project regulatory panel to obtain a customer perspective in the development of its proposal. Through an expression of interest process open to its current and former customer panel members, Ausgrid appointed three well credentialed and experienced independent customer advocates: Louise Benjamin, Mark Grenning and Mike Swanston.

The panel’s role was to:

- Advise Ausgrid on key areas of interest for consumers in accordance with the AER’s *Better Resets Handbook*, acknowledging the tight time constraints and scope limitations.
- Reviewing and providing feedback on elements of Ausgrid’s proposal, and in particular:
 - The allocation of risk between Ausgrid and customers, including appropriate contingency and adjustment events for a substantial construction project and required to enable the HCC REZ to be delivered.
 - Demonstrate that the perspectives of consumers have been considered in Ausgrid’s approach to the HCC REZ.

Beyond their experience with Ausgrid, panel members provided a diversity of perspectives (such as consumer engagement, economics, engineering and legal perspectives) in their engagement with Ausgrid.

Ausgrid developed draft principles for the panel’s terms of reference, which the panel agreed to although it did not want to be constrained to preparing a five-page independent report. Ausgrid accepted the panel’s reasoning and amended that aspect of the terms.

3.2 Areas of engagement with the panel

In its first meeting with the panel, Ausgrid identified the following areas where it was seeking panel feedback. These included:

- Tendered works, such as Ausgrid’s contracting model and procurement process e.g. price and non-price criteria for evaluating tender
- Proposed criteria allowance for contingency
- Proposed adjustments to the regulatory determination if certain events occur that lead to increased costs
- Application of AER incentive schemes (EBSS, CESS and STPIS)
- Other matters including the infrastructure planner fee set by EnergyCo; labour forecasts, indirect costs, opex and land easement/acquisition

Additionally, the panel identified a need for an early understanding of the concept of “reasonable”, and the AER’s assessment of “reasonable” under the EII Act. The panel also noted an absence of a dedicated topic on risk and risk allocation and requested these areas be explored in more detail than Ausgrid originally proposed. Significantly, Ausgrid agreed to additional meetings to allow for detailed engagement on these topics.

A full list of meetings, topics covered, and observers is included in the Appendix.

3.3 Panel meetings with Ausgrid

The panel formally met with Ausgrid on six occasions from early January 2025 until April 2025, with meetings lasting two to four hours.

Ausgrid distributed slide packs around five days in advance of meetings, allowing panel members sufficient time to read the materials and formulate questions.

All panel members attended all meetings either online or face to face.¹⁵ Ausgrid's commitment to the panel and process was evident with consistent attendance and contribution by members of the Ausgrid REZ Team, Ausgrid's engagement team and members of the executive management teams.

AER and CCP representatives attended nearly all meetings as observers.

In addition to the formal meetings, Ausgrid hosted a site visit and invited observers to attend its landholder meetings. Two panel members and I attended the site visit and one panel member and I attended a community meeting in Singleton in February 2024.

Ausgrid funded the panel to produce a report, which the business lodged with the AER alongside its proposal.

3.4 Overall impression

Ausgrid's engagement process was well organised, transparent and fit for purpose

- Ausgrid's appointment of a small consumer focused panel with significant regulatory experience and knowledge of the business reduced the time required to upskill panel members to a level where they could competently challenge the business on its proposal.
- Ausgrid's materials appeared to be sufficiently detailed, easy to follow and distributed well in advance of meetings allowing panel members to absorb the information, form views and prepare and provide the business with written questions in advance of meetings.
- Ausgrid listened to the panel and was responsive to information requests from panel members, requests to explore some aspects of the proposal in greater depth (such as organising a risks workshop) and arranging and supporting supplementary meetings (with EnergyCo and the AER).

The panel was well equipped to influence Ausgrid's proposal

- Panel members were well-prepared for the meetings. It is evident they had read the papers provided by AusGrid and discussed their content in advance of the meetings. The result was the panel was well placed to consider and challenge various aspects of Ausgrid's proposal particularly around risk allocation, and to raise other relevant issues, such as the regulatory concept of "reasonableness", alongside prudence and efficiency that stems from the EII Act, under which the AER is required to make its determination.¹⁶

The panel had some influence over Ausgrid's proposal

- Ausgrid referenced its engagement with the panel its draft proposal, although as the panel noted Ausgrid's description of the panel's issues, involvement in developing the draft proposal and influence on outcomes could have been more detailed. Accordingly, the panel provided Ausgrid with various suggestions to enhance the proposal, particularly in relation to the influence of Ausgrid's consumer engagement.

¹⁵ Cyclone Alfred impacted one member's availability to attend face to face at short notice, and another member's face to face attendance was impacted by changed flight schedules

¹⁶ Whereas a regulatory determination under the National Energy Rules is limited to an assessment of prudence and efficiency

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- While, Ausgrid’s proposal described the panel’s role,¹⁷ and summarised panel feedback (Section 3 of the proposal), the links between the panel’s specific feedback are not apparent in other parts of the proposal, with any references to the panel’s role concentrated in Section 3.
- Despite the panel providing detailed feedback on Ausgrid’s draft proposal, Ausgrid’s response to the panels suggestions is not apparent in the proposal; I found few changes in Ausgrid’s proposal in response to panel feedback proposal and its proposal, which would have otherwise enhanced the evidence of the panel’s influence.

The AER’s presence at meetings as an observer was invaluable

A regulatory determination under the EII Act is new and the AER’s guideline for non-contestable projects, including the benefit of consumer engagement, has not been tested. Consequently, the AER’s presence as an observer at Ausgrid’s engagement sessions with the panel provided considerable value for all parties.

- The AER could directly observe Ausgrid’s engagement approach, selection of topics and directly heard the questions consumer representatives asked Ausgrid.
- The AER was better placed to respond to regulatory questions and clarify issues, by being present at Ausgrid’s meetings with the panel and could provide timely clarification on regulatory matters as required.
- As the sole member of the CCP subpanel, involved in a new regulatory process, I had the benefit of being able share and discuss my observations with the AER, to hopefully result in a more effective process overall.
- I also had the benefit of being able to clarify any areas where I lacked understanding in real time.

While this regulatory process under the EII Act is being tested, as a CCP member, I encourage the AER to continue to provide resources to observe network engagement for the reasons described above.

¹⁷ Ausgrid’s description aligns with my observations and feedback from panel members.

3.5 Assessment against *Better Resets*

Our engagement assessment focuses on Ausgrid's engagement with the panel, and to a limited extent its engagement with affected landholders that I observed. I am aware Ausgrid has separately engaged with numerous other stakeholders including EnergyCo, the AER and local councils but I have not been involved in that engagement and so I make no further comment in that regard.

3.5.1 Nature of engagement

Measure	Attributes	Strengths	Issues/comments
Sincerity of engagement	<ul style="list-style-type: none"> Genuine commitment from network businesses boards and executives Openness to new ideas and a willingness to change 	<p>Commitment demonstrated through:</p> <ul style="list-style-type: none"> Ausgrid calling for expressions of interest to form a specialist regulatory panel for its proposal. Development of detailed terms of reference for the panel, with panel input before finalising the terms. Ausgrid appointing three experienced and well-regarded consumer representatives who were able to quickly understand the issues and the materials. Ausgrid listened to the panel in the first session and amended subsequent meeting agendas to reflect panel interests and concerns, such as the panel seeking to have a sound understanding of risks and Ausgrid's proposals around risk allocation. Ausgrid responding to the panel's request for a site visit and supporting the panel to observe landholder meetings. 	<ul style="list-style-type: none"> N/A

Measure	Attributes	Strengths	Issues/comments
		<ul style="list-style-type: none"> Commentary in the panel's engagement report referencing transparency, co-operation and commitment from Ausgrid. 	
	<ul style="list-style-type: none"> Ongoing engagement with consumers about outcomes that matter to them - consumers to 'set the agenda'. Ensuring consumer confidence in the engagement process 	<ul style="list-style-type: none"> Ausgrid developed a succinct and fit for purpose engagement plan for this proposal which it embedded in its broader <i>Customer Consultative Committee and Special Committees Terms of Reference</i>. Ausgrid scheduled regular meetings with its panel at mutually suitable times. The panel actively contributed to discussions and provided challenge to Ausgrid including requesting modifications to the agenda to ensure they were well equipped to engage on key elements of Ausgrid's proposal. 	<ul style="list-style-type: none"> Ausgrid did not publish materials from its engagement with the panel (noting the terms of reference for the panel indicate outcomes and presentations would be published subject to confidentiality).
Consumers as partners	<ul style="list-style-type: none"> Network businesses should collaborate with and, where appropriate, empower consumers in developing regulatory proposals Consumer engagement should be a continuous business-as-usual process 	<ul style="list-style-type: none"> Ausgrid sought to <i>involve</i> the panel in the development of its proposal and the panel sought to be as influential as possible. For example: <ul style="list-style-type: none"> Throughout the short engagement period members confidently asked Ausgrid challenging questions, such as seeking clarification on the meaning of "reasonable" costs, and requesting more detailed 	<ul style="list-style-type: none"> Various external factors limited the extent that consumers in general and the panel could be empowered in the development of this proposal. For example, the project scope and scale are EnergyCo's responsibility and confidentiality restrictions limited the scope of engagement. I am not clear as to Ausgrid's plan to continue engaging with the panel for example as Ausgrid responds to the AER's preliminary position paper.

Measure	Attributes	Strengths	Issues/comments
		<p>information on risk allocation and social licence.</p> <ul style="list-style-type: none"> ○ The panel also sought and was granted meetings with EnergyCo and the AER. • Ausgrid has kept affected landholders and the community informed through landholder sessions, public meetings, webinars and other meetings. 	<ul style="list-style-type: none"> • I note Ausgrid is proposing to establish an HCC Local Engagement Committee under its social licence proposal to work with EnergyCo and the local community to deliver the project, but this is not specific to Ausgrid's proposal development.
Equipping Customers	<ul style="list-style-type: none"> • Networks must provide them with accurate and unbiased information necessary to meaningfully participate • Consumers need to have the ability to source independent expert advice • Consumers are appropriately remunerated for their contribution to the development of proposals. • Independence and integrity of consumer engagement processes 	<ul style="list-style-type: none"> • Ausgrid provided the panel with detailed and easy to read papers to enable them to meaningfully engage with the business. • Panel members sought independent advice and were granted meetings with EnergyCo and the AER. Ausgrid also provided them with opportunities to observe landholder engagement to form their own views on social licence, risks and other aspects of the project. • From the terms of reference, I note that members were appropriately remunerated for their time. • The three panel members are all highly knowledgeable and experienced and offered a diversity of perspectives when engaging with Ausgrid and were not afraid to question or challenge Ausgrid. 	<ul style="list-style-type: none"> • N/A

Measure	Attributes	Strengths	Issues/comments
		This is indicative of a robust independent consumer engagement process.	
Accountability	<ul style="list-style-type: none"> Transparent reporting and consultation 	<ul style="list-style-type: none"> Ausgrid has established an online engagement website (https://yoursay.ausgrid.com.au/hccrez) where it has published accessible information about the HCC, Ausgrid's role and a brief statement about its landholder engagement. Ausgrid produced and consulted on a draft proposal before lodging its proposal 	<ul style="list-style-type: none"> As previously mentioned, due to confidentiality Ausgrid has not published presentations or meeting minutes from its engagement with the panel.

3.5.2 Breadth and depth of engagement

Measure	Attributes	Strengths	Issues/comments
Accessible, clear and transparent engagement	<ul style="list-style-type: none"> Outlining objectives, engagement issues/topics and the level of participation and influence consumers can expect Consultation time frames should have regard to the complexity of the issues in the regulatory proposal and provide consumers with adequate time. Engagement on different aspects of the same issue may require different engagement methods 	<ul style="list-style-type: none"> Meeting agenda defined the meeting topics and specifically articulated the expected level of engagement (IAP2 spectrum) with panel members (limited to Ausgrid informing, consulting and involving panel members depending on the topic). 	<ul style="list-style-type: none"> The short time frame meant Ausgrid needed to ensure the engagement focused on the key issues (those over which customers can have the greatest influence); thus the scope of engagement was (reasonably) narrower than the scope that would be expected for a proposal under the NER. Given the project's parameters are set by EnergyCo, the scope for engagement was limited compared to a regulatory proposal under the NER; and consistent with this, the ability for consumers to influence the proposal was constrained which also (reasonably) constrained the expected level

Measure	Attributes	Strengths	Issues/comments
			of engagement in line with the IAP2 Spectrum of Public Participation (the spectrum) to involving customers in the proposal development.
Consultation on desired outcomes and then inputs	<ul style="list-style-type: none"> Consumers should guide, and be seen to guide, the development of proposals Networks will consult with their consumers on their desired outcomes (including opex and capex) and then craft the inputs of regulatory proposals Networks to engage with consumers on changes. Engagement may explore a consumer's lived experience within the energy system – including customer services and interactions with the network. 	<ul style="list-style-type: none"> Initially Ausgrid appeared to be leading the topic identification (which is reasonable at the project establishment stage), but as panel members became familiar with the project and Ausgrid's proposal they provided Ausgrid with challenge on a number of topics (such as risk allocation), Ausgrid subsequently accepted challenge from the panel to recast its engagement approach (such as adding sessions, and inviting EnergyCo to participate in a session with the panel). The panel had an opportunity to appreciate the potential direct impacts of the project on consumers (lived experience) through the site visit and observing landholder/community meetings. 	<ul style="list-style-type: none"> The extent consumers can influence the desired outcomes for a REZ proposal are limited given the project's parameters are set by EnergyCo, and essentially the project cost is capped by the consumer trustee.
Multiple channels of engagement	<ul style="list-style-type: none"> Multiple complementary engagement channels are necessary Engage with (end) consumers as well as engaging with consumer representatives 	<ul style="list-style-type: none"> The blend of online and face to face meetings worked well and helped build trust and confidence in the process, which is challenging when an entire engagement program is delivered online. Panel members could also engage with Ausgrid outside formal meeting times 	<ul style="list-style-type: none"> Multiple complementary engagement channels are necessary only to the extent that different consumer groups are likely to prefer different methods of engagement, depending also on the purpose and the issue – this was not a relevant concern for this proposal.

Measure	Attributes	Strengths	Issues/comments
	<ul style="list-style-type: none"> A network business should aim to understand, represent and balance the interests of all its consumer cohorts 	<p>(e.g. to obtain additional information or provide Ausgrid with questions in advance of scheduled meetings).</p> <ul style="list-style-type: none"> Ausgrid is also holding meetings on location with affected landholders, and landholder engagement will continue as the project is delivered. 	
Consumer influence on the proposal	<ul style="list-style-type: none"> Engagement should consider the IAP2 spectrum Network businesses and consumers should consult with each other on the range of issues consumers can have influence over Issues over which consumers will have more influence should be at the upper (empower) end of the IAP2 spectrum Network businesses should encourage consumers to test assumptions and processes that underpin the proposal 	<ul style="list-style-type: none"> Meeting agenda clearly articulated Ausgrid's desired level of engagement with the panel (IAP2 spectrum). The desired levels were reasonable in the context of a time and scope-constrained REZ proposal. Regardless of Ausgrid's desired engagement, panel members willingly tested Ausgrid's assumptions and processes that informed its proposal, and provided suggestions to improve the proposal, and the business did not discourage the challenge. 	<ul style="list-style-type: none"> Documented evidence of consumer influence on the proposal is largely limited to Section 3 of Ausgrid's proposal. Ausgrid's proposal would be strengthened if it incorporated evidence of consumer influence into the relevant aspects of the proposal, for example to more explicitly explain how Ausgrid considered and responded to the panel's views on the allocation of different risks.

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3.5.3 Clearly evidenced impact

Measure	Attributes	Strengths	Issues/comments
Clearly evidenced impact	<ul style="list-style-type: none"> Proposals linked to consumer preferences. Networks need to provide evidence of consumer preferences - for example through independent surveys, research or focus groups. A comprehensive draft regulatory proposal for stakeholder comment to be developed. Regulatory proposal submitted to set out how the NSP has responded to the submissions received on the draft regulatory proposal. Networks to engage with consumers beyond those they consulted with in preparing their draft proposal. 	<ul style="list-style-type: none"> Ausgrid prepared (and consulted on) a draft proposal which it shared with the panel, the AER and the CCP. The proposal acknowledges the role of the panel and details the panel's influence on different aspects of the proposal (Section 3 of Ausgrid's proposal). The panel (in Meeting #6) provided feedback on Ausgrid's draft proposal. 	<ul style="list-style-type: none"> Ausgrid has engaged more broadly with landholders in relation the delivery of the HCC REZ project. Although this engagement does not directly affect the proposal, it has provided insight into the potential risks and magnitude of those risks (especially related to social licence) and has assisted the panel to understand and develop their views on aspects of project risk. It is disappointing that Ausgrid's proposal does not include any reports on the outcomes of that engagement and how it helped inform its social licence proposal Ausgrid could have provided clearer links between consumer preferences and aspects of its proposal beyond the summary presented in Section 3 of its proposal.

3.5.4 Independent consumer support for Ausgrid's proposal

Measure	Attributes	Strengths	Issues/comments
Independent consumer support for the proposal	<ul style="list-style-type: none"> Independent report from consumers setting out consumer perspectives on a proposal as lodged to the AER. The independent consumer report can also provide views on technical issues in the proposal. Independent report to address the process for drafting the report and selection of an appropriately qualified and experienced author of the report. 	<ul style="list-style-type: none"> The panel prepared a detailed independent report on their own terms. (e.g. Ausgrid initially wanted to limit the length and scope of the panel's report). The panel was well-equipped to prepare their report with members having the necessary skills and experience. The panel's report provides robust and evidence-based commentary on their views of their engagement with Ausgrid and technical aspects of the proposal. The panel commended the way Ausgrid engaged both directly with the panel and its observations of landholder engagement, particularly given the time, confidentiality and scope constraints. 	<ul style="list-style-type: none"> Although Ausgrid funded the panel to prepare its report, I am confident Ausgrid had no influence as to what the panel wrote (apart from fact checking and redacting confidential information as appropriate).

4 Key issues

This section of my advice focuses on my view of the substantive issues which were the focus of Ausgrid's engagement with the panel.

4.1 Risk allocation

4.1.1 Overview of risks

While Ausgrid identified topics where it was seeking panel feedback (as listed in Section 3.2 of this advice), the overarching engagement theme associated with these topics was the subject of risk, how those risks can be reduced or mitigated and who is best placed to control the risks. These risks include:

- Delays to the project
- Cost overruns
- Contract breaches

In its second meeting with the panel, Ausgrid presented a list of factors that could jeopardise the on-time, on-budget delivery of the project, ranging from a force majeure to more tangible factors such as ground conditions, industrial risks, resource shortages and property damage.

4.1.2 Ausgrid's proposed approach

Ausgrid has proposed:

- Risks that could be controlled with greater certainty, such as competitive procurement of contracts would be included in the base capex.
- The proposal would include a contingency allowance to account for more foreseeable likely risks, with a defined incentive (reward/penalty) under the AER's capital expenditure sharing scheme (CESS); and a maximum payable by customers if the ex-ante allowance is not spent,
- Adjustment event mechanisms would apply to less foreseeable uncertain events, such that customers would only pay for these less foreseeable uncertain risk events if they occur.

4.1.3 Issues raised by the panel

The panel's overarching concern in relation to Ausgrid's risk management proposal was the extent to which project risks are fairly allocated between consumers and other parties; especially when consumers are not well-placed to control those risks.

I commend Ausgrid for scheduling a dedicated risk workshop at the panel's request (part of Meeting 5) and for sharing detailed information with the panel on its cost-risk analysis approach and Ausgrid's modelling to identify the extent the business can control different risks. Ausgrid also shared its consultant's report assessing the accuracy of its cost estimates for the project with the panel and its HCC REZ Risk Register.

The panel's report provides details of its challenge to Ausgrid and their views of Ausgrid's response to the issues raised. The panel is to be commended for its depth of challenge to the business on factors that determine risks and how they should be managed, including issues such as:

- Ausgrid's processes for determining owners' costs

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- Tendering processes for suppliers and outsourced/contracted aspects of the project
- The classification of cost estimates
- The accuracy of costs
- The likelihood or risk that the costs could change

In particular, the panel sought:

- *Greater transparency* from Ausgrid around the risk management processes, amounts consumers were being asked to pay and the reasons.
- *Assignment of risks to the party that is best able to manage them* – Ausgrid, suppliers or contractors or consumers.
- The *reasonableness of the contingency allowance* included in the revenue proposal, to accommodate controllable risks *versus use of adjustment mechanisms*, and assurance that events that could trigger an adjustment to the revenue had not been otherwise accounted for in the base capital.

4.1.4 Ausgrid's proposal and response to the panel

Transparency

Much of the detailed material that sits behind Ausgrid's proposal is confidential, and an assessment of specific information such as assumptions underpinning tenders for outsourced work were out of scope for the panel and the CCP. I also note the Consumer Trustee's calculation of maximum capital costs is shared only with the AER and the Minister (i.e. Ausgrid is not privy to these costs).

Given these constraints, the panel sought Ausgrid's reassurance on several aspects of Ausgrid's proposal. A key assurance that the panel sought around the allocation of risks was that there was no overlap between Ausgrid's *ex-ante* expenditure forecast and its proposed adjustment events. For example, the panel questioned whether Ausgrid had double counted its labour costs between its 2024-29 electricity distribution regulatory proposal and aspects of the current proposal such as owners' costs, community and social licence, design works and regulatory costs.

While Ausgrid confirmed there was "no double counting" in its proposal,¹⁸ and emphasised the AER will assess any cost-pass through proposals, Ausgrid did not include any additional evidence of its own actions in the proposal to support the statement.

Assignment of risks

The panel sought to have confidence that the risks identified by Ausgrid were assigned to the party best able to manage it – whether it be Ausgrid, its suppliers and contractors or NSW electricity consumers. The panel accepted that consumers may ultimately benefit from the project. However, they questioned Ausgrid on its assignment of risks, including those capital expenditure items assigned to base capex with a contingency risk allowance, and those items for which Ausgrid could seek a revenue adjustment if project costs changed (revenue adjustment events). Ultimately, the panel wanted assurance that the assignment of risks ensured NSW consumers would pay no more than necessary for the HCC REZ to be built in accordance with the Commitment Deed and predetermined timeline.

¹⁸ Ausgrid, Revenue Proposal, May 2025, *Hunter Central Coast Renewable Energy Zone Network Infrastructure Project*, p. 79

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Ausgrid acknowledges in its proposal that it received robust challenge from the panel on the efficiency of its risk allocation and as a result it included a more detailed articulation to explain the reasoning behind each risk category, and how the allocation (as a contingency or adjustment mechanism was in the best interest of consumers). While Section 5.3 in Ausgrid’s proposal (entitled Efficient Allocation of Risk) describes its approach to the efficient allocation of risk and its reasoning why this produces efficient allocation for consumers, I cannot find any substantive difference between the draft proposal (Section 5.3) and Ausgrid’s proposal or evidence that indicates more detailed articulation as suggested by the panel.

A key concern expressed in the panel’s report is the inconsistency between Ausgrid’s statements.¹⁹ Ausgrid states efficient outcomes are achieved for consumers by:²⁰

“allocating risks to the party that is best placed to bear and/or manage the risks”

At the same time Ausgrid expects that any risk that cannot be reasonably measured by Ausgrid should be borne by consumers (Group C capex costs).²¹

The panel argues the breadth and definition of adjustment events includes events that Ausgrid and its contractors are better equipped to manage than consumers and they should be included in base capex or as a contingency rather than events that could trigger an adjustment. The panel suggests these events are not symmetrical and do not have an equal chance of increasing or decreasing project costs.²²

The panel has reviewed Ausgrid’s risk register but remains concerned that this issue is unresolved. Much of the commentary on the panel’s observations has been redacted in their report. At this stage I am not confident Ausgrid has adequately addressed the panel’s concerns. I encourage the AER to consider the panel’s concerns in forming its preliminary position.

Adjustment mechanisms - maximum allowance

While the Consumer Trustee calculates the maximum capital costs for the project, I understand the maximum does not account for future events that may alter the cost. The AER is required to assess Ausgrid’s proposal against the Consumer Trustee’s calculation and risks that could trigger an adjustment mechanism after the AER has made its determination.

One of the key risks for consumers in relation to Ausgrid’s proposal, is there is no maximum amount or cap on the adjustments that the AER can approve. The panel reviewed Ausgrid’s risk register and other materials and considered that a range of circumstances within and outside Ausgrid’s control could lead to Ausgrid seeking adjustments to its revenue determination from the AER.

In its proposal, Ausgrid has assumed that its proposed adjustments will be approved by the AER, in line with nominated pass-through events that apply to distribution and electricity determinations under the NER. Ausgrid argues if they are not approved, Ausgrid’s opex and capex assumptions

¹⁹ HCC REZ Reg Panel Report to the AER, May 2025, *Ausgrid Hunter-Central Coast Renewable Energy Zone Network Infrastructure Project*, p. 41

²⁰ Ausgrid, Revenue Proposal, May 2025, *Hunter Central Coast Renewable Energy Zone Network Infrastructure Project*, p. 40

²¹ Ibid

²² HCC REZ Reg Panel Report to the AER, May 2025, *Ausgrid Hunter-Central Coast Renewable Energy Zone Network Infrastructure Project*, p. 42

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would not hold.²³ The panel remain concerned that there is no maximum amount or cap on the adjustments that the AER can approve and encouraged the AER to impose a cap.

4.1.5 CCP view

Ultimately, consumers need to have trust that the AER's assessment is in their long-term financial interests. **To the extent the AER is able, given the short time frame and the confidentiality constraints, I expect the AER will confirm it has tested and validated Ausgrid's proposal in its position paper and subsequent decision particularly focusing on aspects of Ausgrid's claims that are made without supporting publicly available evidence.**

In relation to the issue that there is no maximum amount on adjustments that the AER can approve, like the panel, I have significant concerns.

Although the two projects are not directly comparable, I note the AER's Waratah Super Battery draft decision capped the unavoidable contract variation adjustment at \$30 million, which the EUAA, PIAC and the CCP subsequently supported in their submissions.²⁴

Similarly, **the AER should consider imposing a cap on the adjustments resulting from unavoidable contract variations that it can approve.** As noted in the AER's draft decision on the Waratah Super Battery, no maximum limit "undermines the incentives created by an efficient revenue allowance. It also weakens the incentive provided by the CESS – as it effectively removes the expenditure cap with no penalty."²⁵

4.2 What are "reasonable" costs?

As previously mentioned, under the EII Act, the AER must assess whether the network operator's costs are prudent, efficient and *reasonable* (referred to in the Act as the transmission efficiency test). The concept of "reasonable" is specific to determinations under the EII Act, and unlike "prudent" and "efficient" has not been widely tested in other regulatory determinations; no clear definition is identified in the Act nor has a definition been established by precedent.²⁶

4.2.1 Issues raised by the panel

An early issue for the panel was the AER's intended approach to assessing whether Ausgrid's proposed costs were reasonable (alongside its assessment of the prudence and efficiency of the costs). Without clarity around "reasonable" and the AER's intended approach the panel was especially concerned about the potential impacts on capex capitalisation, risk allocation and Ausgrid's contingency allowance.

The AER met with the panel on 11 February 2025, with Ausgrid, and CCP attending as observers.

From an observer's perspective, the meeting was productive. Panel members could directly question the AER, including exploring the interaction between prudence, efficiency and reasonableness, and whether a prudent and efficient proposal could be inferred to be reasonable.

²³ Ibid

²⁴ AER, December 2023, *Final Decision Transgrid Waratah Super Battery (non-contestable) (1 July 2024 to 30 June 2029)*, p. 34

²⁵ AER, Draft Decision, *Decision Transgrid Waratah Super Battery (non-contestable) (1 July 2024 to 30 June 2029)*, September 2023

²⁶ Noting the AER's determination on the Waratah Super Battery in 2024 was made under the EII Act, with reference to "reasonable", but without any clarity as to the meaning of "reasonable", separate to "prudent and efficient".

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However, the AER's answers did not appear to satisfy the panel or clarify how consumers' interests will be served if the AER assesses the proposal or elements of it as reasonable.

Importantly, as suggested by one panel member "costs can't be decided *ex ante*, but *ex post* [one] can decide whether the accuracy of costs is reasonable". Unfortunately, the AER does not have the benefit of *ex post* knowledge for this determination.

4.2.2 Ausgrid's proposal

In its proposal, Ausgrid acknowledged it engaged with the panel on the meaning of the term "reasonable capital costs",²⁷ and Ausgrid stated:

"'reasonable' requires a tailored assessment of whether good industry practice has been employed in the circumstances under which a cost estimate has been developed."²⁸

However, it is not clear if or how Ausgrid's engagement with the panel helped form this view, given the panel indicated to Ausgrid that it had not represented their views in the draft proposal and Ausgrid has not altered its definition or commented further in its proposal.

In its proposal, Ausgrid also described its capex proposal as *reasonable* because "it is **based on an estimate that Ausgrid has developed** using good industry practice within the accelerated timeframes that apply under the EII Act."²⁹ [emphasis added]

4.2.3 CCP view

I accept the time frame for Ausgrid to prepare its proposal is accelerated, and that Ausgrid has applied what it considers to be good industry practise to determine its capex proposal. However, from a consumer perspective, a condensed time frame for a network operator to prepare a proposal (which is based on an Ausgrid developed estimate), that contains less detailed costings should not be a supportive argument that the costs are reasonable.

I recognise the AER will assess the prudence, efficiency and reasonableness of Ausgrid's proposal. While the AER's guidance tries to define "reasonable" as indicated below, I am not clear as to the meaning of "based on reason" or the threshold for "reasonably open" indicate [emphasis added].³⁰

"In assessing whether the capital costs are reasonable, we will assess whether the costs, and the calculation of those costs, **are based on reason or reasonably open** based on the facts before us.

Accordingly, in calculating prudent, efficient and reasonable capital costs, we will calculate costs that are prudent and efficient as per our current Expenditure Assessment Guideline, whilst ensuring that the calculations are **reasonably open based** on the facts before us."

²⁷ Ausgrid, Revenue Proposal, May 2025, *Hunter Central Coast Renewable Energy Zone Network Infrastructure Project*, p. 40

²⁸ Ibid, p. 39

²⁹ Ibid

³⁰ AER, July 2024, *Guideline Transmission Efficiency Test and revenue determination guideline for non-contestable network infrastructure projects*, p. 26

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In its report, the panel discusses in even more detail its concerns about the lack of clarity on the interpretation of “reasonable” and encourages the AER to provide clarity on interpretation and how its interpretation informed its decision.

I agree with the panel’s suggestion. For accountability to consumers and transparency, **I encourage the AER in its preliminary position paper and subsequent decision to elaborate on its assessment to explain the costs that it has assessed as reasonable and costs that it has assessed as not reasonable, and the principles behind that assessment.** This should be an important consumer consideration in any response to the preliminary position paper and future AER decisions under the EII Act.

4.3 Incentive schemes

Ausgrid is proposing to apply the Efficiency Benefit Sharing Scheme (EBSS) (operating expenditure efficiency) and Capital Expenditure Sharing Scheme (CESS) to the HCC REZ project. I understand the AER’s Service Target Performance Incentive Scheme (STPIS), is not applicable in the first regulatory period, so it is not discussed further in this advice, and I assume the AER would apply the same rationale for EBSS to Ausgrid as it did for Transgrid.

EBSS

Ausgrid is proposing to apply the EBSS (excluding debt raising costs) to the project, and accounting for any shared costs across its current electricity distribution regulatory period. As far as I can establish, Ausgrid has not engaged with the panel on its EBSS proposal.

I note in the Waratah Super Battery determination that the AER deferred its decision on the EBSS until the end of the regulatory period for that project, on the basis that there was no historical opex upon which to base forecasts.³¹ It seems reasonable to apply the same logic to Ausgrid, as there is also no historical opex upon which to base opex forecasts that are specific to this project (or a like project), and therefore CCP considers **the AER should defer its decision on the EBSS until the end of the regulatory period for this project.**

CESS

Ausgrid is not proposing any adjustments to the standard CESS sharing ratios, so I make no further comment in that regard. However, Ausgrid has proposed two modifications to the CESS, which I discuss below and on the following page.

1. Inclusion of pre-regulatory period capital expenditure

Ausgrid argues that the HCC REZ project is unusual because a significant proportion of its proposed capex will be incurred before the start of the regulatory period. If the CESS was only applied to the capex incurred within the regulatory period, a perverse outcome would be for Ausgrid to overspend before the regulatory period commences and underspend during the regulatory period to gain a greater benefit from the CESS.

This modification was not mentioned in Ausgrid’s draft proposal, and I also understand it has not been the subject of engagement with the panel; and hence is not mentioned in their report.

³¹ AER, December 2023, *Final Decision Transgrid Waratah Super Battery (non-contestable) (1 July 2024 to 30 June 2029)*, p. 30

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Regardless, the principle behind Ausgrid’s proposal for its pre-regulatory period capital expenditure to be included in the CESS seems reasonable, as it encourages capex to occur at appropriate stages in the project rather than creating a situation where capex occurs to maximise a potential CESS benefit for Ausgrid. I therefore **support the inclusion of pre-regulatory period capital expenditure in the CESS**.

2. Exclusion of the social licence allowance

Ausgrid is proposing a \$5 million upper limit to address “identified impacts and deliver social outcomes and benefits for local communities”.³² Ausgrid is proposing to establish an HCC Local Engagement Committee (LEC) that will be responsible for selecting local initiatives for the funding. Ausgrid proposes that if it did not use the full allowance for that purpose, it was not an efficiency gain, and equally there is no possibility of over-spend and therefore the allowance should be excluded from the CESS.

Ausgrid consulted with the panel on the application of the CESS initially proposing CESS modifications that excluded \$5.3 million from the social licence plan capex. The panel concluded that it is reasonable for consumers to expect Ausgrid to spend the full amount for the benefit of Ausgrid (and NSW distribution connected) customers, rather than treating underspends as an efficiency and noted AER did not exclude the social licence expenditure from the CESS in its decision on the Transgrid Humelink stage 2 decision.³³ The panel did not comment further, leaving the decision to the AER. I do not have a strong view on this issue, but if the AER’s decision is different to the Transgrid decision then it needs to be clearly explained and could set a confusing precedent.

4.4 Social licence

4.4.1 Pre lodgement engagement

Ausgrid has engaged extensively with landholders to date, both individually and through a range of public forums as listed in Table 3-3 in its proposal.³⁴ I support Ausgrid’s engagement to inform landholders and affected communities about the project and understand their issues and concerns. Effective early engagement also helps identify and assess any social licence risks to the project. However, for transparency and accountability, the outcomes of such engagement and a network provider’s responses need to be documented

On various occasions and following Ausgrid’s publication of its draft proposal, the panel questioned Ausgrid as to what it heard from customers and requested more detailed information, including presenting more evidence of the outcomes of the engagement in its proposal.

Following the panel’s observations of the community and landholder meeting at Singleton and the site visit the panel queried Ausgrid about potential concerns as to the visual impact of the new poles that will replace existing infrastructure along the proposed route. These concerns are warranted as the proposed poles will be 8 to 10 metres taller than Ausgrid’s existing poles and will be constructed

³² Ausgrid, Revenue Proposal, May 2025, *Hunter Central Coast Renewable Energy Zone Network Infrastructure Project*, p. 57

³³ HCC REZ Reg Panel Report to the AER, May 2025, *Ausgrid Hunter-Central Coast Renewable Energy Zone Network Infrastructure Project*, p. 46

³⁴ Ibid, p. 23

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from steel instead of timber as shown in Figure 2 of Ausgrid’s proposal, although easements will reduce and land acquisition is limited.³⁵

However, the detailed outcomes of Ausgrid’s early engagement, such as whether any landholders were concerned about the height and appearance of the poles and how Ausgrid plans to respond to concerns if they emerge are not clear.

Regardless, Ausgrid has indicated it has not received any significant backlash from landholders to the extent that Ausgrid noted in its draft proposal:

“Most stakeholders have expressed a willingness to collaborate with Ausgrid, demonstrated interest in identifying a preferred route, and emphasised their desire to remain informed and engaged as the HCC RNI Project progresses.”³⁶

Ausgrid’s proposal would benefit from more detailed evidence of the outcomes of its pre-lodgement engagement and identification of any resulting social licence risks, beyond a stated need to continue engagement with landholders and the community.

4.4.2 Ongoing engagement

I understand EnergyCo required a social licence plan in the tender phase, but did not stipulate its form or size.

Ausgrid is seeking a \$5.3 million capped (\$2025-26) capex allowance for community and social licence to help it make tailored social licence investment decisions that are required to deliver the project.³⁷ Despite limited benchmarking data, Ausgrid considers its social licence proposal to be prudent, efficient and reasonable on the basis that “studies suggest that major infrastructure projects should allocate between 1.0-1.3% of their total budget to social licence activities.”³⁸

I note Ausgrid’s social licence plan for the HCC RNI Project to gain support, and acceptance will see the establishment of an HCC LEC. Ausgrid has indicated its purpose for establishing LEC is to ensure the community feels “valued, heard and included.”³⁹ Ausgrid argues its \$5.3 million proposal falls within the *National Guidelines on Community Engagement and Benefits for Electricity Transmission Projects*.⁴⁰

Early in its engagement with Ausgrid, the panel queried the allowance and sought more detailed information about the requirements of the LEC such as meeting minutes. I have not established whether these were provided to the panel.

Following publication of Ausgrid’s draft proposal the panel also sought more detail on the governance arrangements for the social licence plan. I commend Ausgrid for including details of the governance arrangements in its social licence proposal (Chapter 3).⁴¹

In relation to the \$5.3 million, I question whether this amount is too high on the basis that this project seems to have reasonable acceptance in the community and whether Ausgrid’s proposed

³⁵ Ibid, p. 2

³⁶ Ibid, p. 22

³⁷ Ausgrid, May 2025, 2026-31 HCC RNI Project, Attachment 5.7 Social Licence proposal, p.1

³⁸ Ibid, p.2

³⁹ Ibid, p. 3

⁴⁰ Energy and Climate Change Ministerial Council, July 2024, *National Community Engagement Guidelines*, p. 21

⁴¹ Ausgrid, May 2025, 2026-31 HCC RNI Project, Attachment 5.7 Social Licence proposal

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social licence engagement plan is too ambitious in the circumstance. Ultimately it is up to the AER to assess the prudence, efficiency and reasonableness of Ausgrid's social licence proposal in line with its regulatory role and in the context of both the scale of the project and evidence as to the landholder and community support for the project or otherwise; but this latter evidence is not apparent in the proposal.

Accordingly, **the AER should seek more detailed evidence of the outcomes of Ausgrid's pre-lodgement engagement and identification of any resulting social licence risks, to better inform its assessment of Ausgrid's social licence proposal.**

5 Conclusion: Is Ausgrid’s proposal in the long-term interest of consumers?

The second question for CCP35 to consider is:

Is the proposal, or elements of the proposal, in the long-term interests of consumers?

Chapter 3 of Ausgrid’s proposal outlines its engagement approach and objectives with the panel and the wider community. Chapter 3 includes a summary table (Table 3-4) describing the key engagement topics and how what Ausgrid heard from the panel and other stakeholders shaped the proposal.⁴² Beyond Chapter 3, Ausgrid’s proposal only makes two references to the panel: one in relation to engagement with the panel on the EII framework and the other on the meaning of the term “reasonable capital costs”.

I appreciate the short time frame for Ausgrid to prepare its proposal and the limited scope for engagement. However, it is disappointing that the panel’s influence on behalf of consumers is not directly acknowledged other than the information presented in Table 3.4. For example, in relation to the reasonableness of Ausgrid’s proposed capex, Ausgrid acknowledges it engaged with the panel, but it is not clear how it considered the panel’s views on the meaning of reasonable to inform its own view. Similarly, while Attachment 5.7 responds to the panel’s request for more information about the prudence of the social licence expenditure,⁴³ the attachment does not explain *how* it incorporated panel feedback.

I consider Ausgrid’s proposal and its accountability to consumers would be strengthened through direct references to the panel’s feedback in the relevant sections of the proposal as more direct evidence of its influence, rather than be restricted to a summary table.

Ultimately, I am limited in my ability to form a definitive view as to the extent Ausgrid’s proposal reflects consumer preferences due to the limited scope of engagement, and the difficulties drawing direct links between consumer influence and specific elements of Ausgrid’s proposal where Ausgrid did engage.

⁴² Ausgrid, Revenue Proposal, May 2025, *Hunter Central Coast Renewable Energy Zone Network Infrastructure Project*, pp. 23-24

⁴³ Ausgrid, May 2025, *2026-31 HCC RNI Project, Attachment 5.7 Social Licence proposal*.

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6 Other matters

Ausgrid's proposal under the NSW EII Act is only the second for the AER,⁴⁴ and the first in which a network operator has engaged directly with consumer representatives. This is also the first proposal under the EII Act that is being assessed in line with the expectations of the Better Resets Handbook and the short timeframe.

The AER is to be commended for its attendance at Ausgrid panel meetings, predominantly as an observer, but to also provide timely responses to questions raised in the meetings from Ausgrid, the panel and others.

Further, as a single CCP member appointed to provide advice on a new regulatory process, I have appreciated the opportunity to seek clarification on aspects of the project and share my thoughts with the AER in real time. I consider this is particularly important, given the short engagement period and had I been concerned about any aspects of the engagement, collectively we had the opportunity to provide the network with timely feedback.

⁴⁴ The first being the AER's determination on the Transgrid Waratah Super Battery (non-contestable) project in 2023.

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Appendix: HCC REZ Panel meetings and observations

Meeting and date	Topics (Ausgrid’s expected engagement IAP2 Spectrum)	Observers
Ausgrid REZ Panel Meeting 1: 13 January 2025 (online)	<ol style="list-style-type: none"> 1. NER vs EII Act (inform) 2. Expectations of panel role (involve) 3. Project overview (inform) 4. What we’ve [Ausgrid] heard so far (inform)⁴⁵ 	CCP35 (HB) AER
Ausgrid REZ Panel Meeting 2: 04 February 2025 (online)	<ol style="list-style-type: none"> 1. Regulatory process mud map (inform) 2. Expenditure summary (inform) 3. Overview of risk mechanisms (involve) 	CCP35 (HB) AER
<i>Ausgrid landholder meetings 06 February 2025 (in person Singleton, NSW)</i>	<i>Displays, appointments and drop-in meetings for affected landholders to learn more about the project and seek clarification on project issues</i>	<i>HCC REZ member CCP35 (HB)</i>
<i>AER REZ Panel Meeting 11 February 2025 (online)</i>	<i>AER presented its view of “reasonableness” under the EII Act and the panel discussed the topic and raised issues on the topic with the AER</i>	<i>CCP35 (HB) Ausgrid</i>
Ausgrid REZ Panel Meeting 3: 25 February 2025 (online)	<ol style="list-style-type: none"> 1. Regulatory process mud map (inform) 2. Issues register - top issues that we need to focus on (involve) 3. Risk allocation (involve) 	CCP35 (HB) AER
Ausgrid REZ Panel Meeting 4: 06 March 2025 (face to face and online)	Site visit to inform the panel about the project <ol style="list-style-type: none"> 1. Recap of last session (inform) 2. EnergyCo question and answer session (inform)⁴⁶ 3. Capex outline (consult) 4. Calculation of revenue (consult) 	CCP35 (HB) AER
Ausgrid REZ Panel Meeting 5: 27 March 2025	<ol style="list-style-type: none"> 1. Presentation on contingency methodology/outcomes (inform) 2. Work through panel questions (consult) 3. Risk allocation (involve) 	HB (Listened to recording)
Ausgrid REZ Panel Meeting 6: 14 April 2025	Panel feedback on Ausgrid’s draft proposal	CCP35 (HB) AER

⁴⁵ Refers to discussions between Ausgrid and the AER related to the regulatory process and proposal elements

⁴⁶ Session requested by the panel (attended by EnergyCo representatives and observed by AusGrid).