



TransGrid

# Stakeholder Engagement Overview Paper

Contingent Project Application for Project EnergyConnect

30 September 2020



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# 1. Purpose, structure and scope of this document

## 1.1 Purpose of this document

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This document supports our Contingent Project Application (Application) for Project EnergyConnect (PEC), submitted to the AER on 29 June 2020 and should be read in conjunction with our Application.

This document explains how we have engaged with our customers and stakeholders, what we heard, and how we have responded.

The purpose of our engagement has been to:

- > inform customers and other stakeholders about the proposed interconnector between South Australia (SA) and New South Wales (NSW) with an added connection to Victoria<sup>1</sup> (the investment now known as PEC), and
- > allow stakeholders to provide their views and perspectives on the project, so this feedback can be addressed and reflected in the joint Application.

This document supersedes our Stakeholder Engagement Overview Paper provided to the AER on 29 June 2020.

## 1.2 Structure

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The remainder of this document is structured as follows:

- > section 2 explains our approach to engagement, and
- > section 3 sets out what we have heard in our engagement activities and how we have responded.

## 1.3 Scope

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The scope of this document covers:

- > Our joint engagement with ElectraNet, and
- > Our own further engagement with NSW stakeholders and our customers.

This document is supported by three appendices:

- > Appendix A - PEC Stakeholder Consultation Plan
- > Appendix B - PEC Stakeholder Forum slides 25 July, and
- > Appendix C - PEC Stakeholder Forum slides 21 October.

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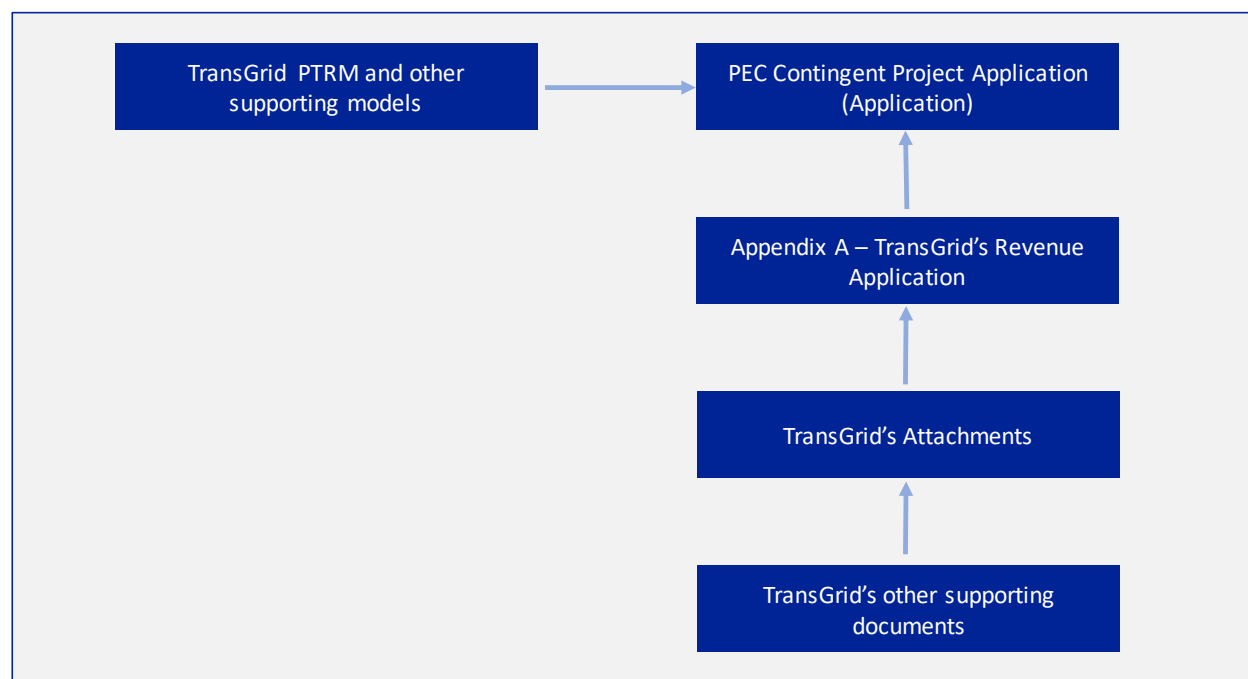
<sup>1</sup> This being the preferred option identified through ElectraNet's SA Energy Transition RIT-T process, described in the Application, and summarised in Attachment 01.

## 1.4 Structure of PEC Application

There are a number of other attachments and models that support, and form part of, our Application for PEC. This document references these attachments, models and other supporting documents for further detail and should be read in conjunction with them.

Our Application is structured as illustrated in Figure 1-1 to be as clear and accessible as possible to the AER, our customers and other stakeholders.

**Figure 1-1: PEC CPA document structure**



The attachments and supporting models that, together with this document, comprise our Application are detailed in section 1 of the Application

## 2. Our Engagement Approach

We value the trusted relationships we have developed over recent years with our key stakeholders including consumer representatives, industry groups, the communities we operate in and our direct customers. Through our Advisory Council (TAC)<sup>2</sup>, we adopt an open, honest and transparent approach with stakeholders about our business as well as broader issues across the energy supply chain. We have continued this approach in our Application for PEC.

This document distinguishes between engagements relating to:

- > the RIT-T consultation and processes that commenced in 2016, and which identified the PEC investments as the preferred option,<sup>3</sup> and
- > consultation on our Application to enable delivery of PEC.

We have engaged on the Application specifically during 2019 and 2020. We will continue this engagement for the final stage of the contingent project regulatory approval process, the lodgement of the Application and assessment by the Australian Energy Regulator (AER).

Our commitment is to engage with stakeholders to provide information, and to seek input and feedback to help inform the Application. In light of customer feedback described in this document, we will continue to engage with stakeholders during the delivery stages of PEC.

### 2.1 Engagement Objectives

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Key features of our PEC engagement include our commitments in our Contingent Project Application Stakeholder Engagement Plan (CPA Engagement Plan) provided at **Appendix A**, finalised in September 2019. These commitments are:

- > customer representatives and key stakeholders will provide input to the process and the engagement approach to be followed
- > our senior executives will lead the engagement with stakeholders
- > to provide information openly, honestly and transparently, and
- > engagement will be meaningful and responsive as part of a “no surprises” approach to developing the Application, and we invite stakeholder input and feedback to guide its development.<sup>4</sup>

Separately, we have also engaged directly with customers and stakeholders in our network area affected by the project route in NSW. Our commitment is to provide safe, reliable and efficient transmission services to NSW, the Australian Capital Territory (ACT), and the National Electricity Market (NEM). In delivering against this commitment for PEC, we are committed to:

- > establish the need to build the proposed assets
- > involve stakeholders, consumers and communities
- > inform our planning with stakeholder views
- > respect people and landscapes

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<sup>2</sup> TransGrid Advisory Council (TAC)

<sup>3</sup> The preferred option is defined in clause 5.16.1(b) of the NER as the option that maximises the present value of net economic benefit to all those who produce, consume and transport electricity in the market.

<sup>4</sup> PEC, Stakeholder Consultation Plan, September 2019, Page 5. Provided as Appendix A to this attachment.

- > communicate openly and honestly and engage responsively
- > share knowledge

## 2.2 How We Engage

Our engagement on PEC has spanned three key areas:

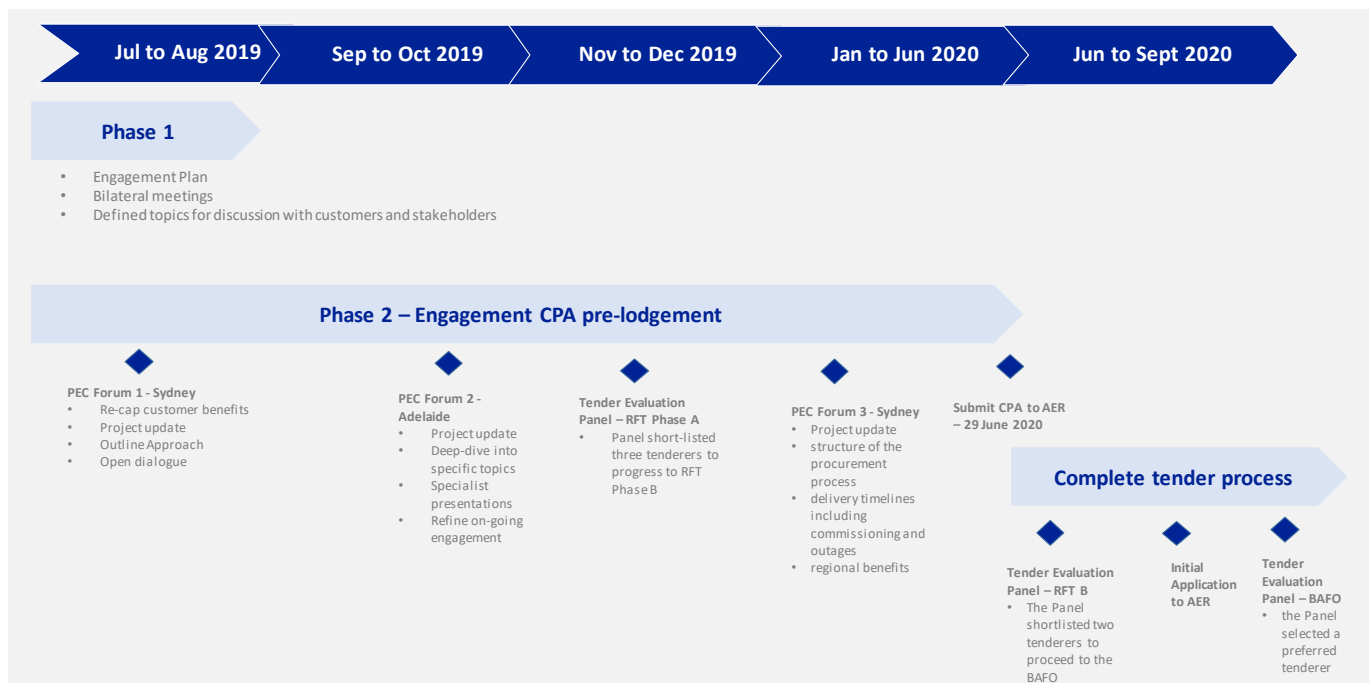
- > establishing the project need - full details of the RIT-T consultation are set out in ElectraNet's request for determination.<sup>5</sup>
- > selecting the project route - route selection engagement is ongoing and a summary of our engagement to date is set out in section 3.4.
- > preparing our Application - the focus of this document.

Our engagement approach for our Application is set out in our CPA Engagement Plan provided at **Appendix A**. We prepared a draft of this plan for feedback in July 2019, and finalised the plan in September 2019. Stakeholders' feedback was that the proposed plan was suitable and sufficient.

Stakeholders with whom we have engaged include consumer advocates, large energy users, business and industrial consumers, residential consumers and communities, generators and customers, First Nations People, primary producer groups, and landowners and local communities impacted by the interconnector route.

Our approach to the Application engagement is summarised in Figure 2-1.

**Figure 2-1: Contingent project application engagement approach**



<sup>5</sup> ElectraNet, *Letter to Paula Conboy, AER, Re: SA Energy Transformation RIT-T – Request for determination*, 11 April 2019, esp. pages 4 to 6, and Attachments 1, 2 and 3.

## 2.3 Chronology of engagement

Table 1 outlines our engagement chronology and summarises outcomes of that engagement.

**Table 1 – Engagement activity**

Engagement activity	Engagement feedback and themes
Early stakeholder engagement – including discussions with nine local councils along the potential route, First Nations People, executive staff from Regional Development Australia branches in the Riverina (Wagga) and Deniliquin (Murray), as well as to the NSW Farmers Association’s Business, Economics and Trade Committee	This engagement focused on the project need and route selection. Section 3.4 below explains feedback and actions arising from route selection engagement.
RIT-T engagement	All consultation materials, submissions received, and actions taken to address stakeholder comments in relation to the RIT-T process are available on ElectraNet’s SA Energy Transformation website.
July 2019 – Draft Stakeholder Engagement Plan issued to stakeholders for comment	Draft plan was supported. No substantial feedback was received other than endorsement of the appointment of an independent assessor.
25 July 2019 – Stakeholder Forum held in Sydney	See Table 2 below
August-September 2019 – ongoing engagement with stakeholders (various)	<p>We undertook a roadshow with key stakeholders, outcomes of which were that:</p> <ul style="list-style-type: none"> <li>&gt; stakeholders supported verification of cost and technical issues via independent assessor, which we have completed for inclusion in this Application</li> <li>&gt; stakeholders are broadly supportive of consumer benefits of interconnection projects within the NEM.</li> </ul>
17 September 2019 - Transmission Annual Planning Report (TAPR) public forum	We presented the 2019 TAPR, including the role of PEC, and answered stakeholder questions about the report.
21 October 2019 – Stakeholder forum in Adelaide	See Table 3 below
28 November 2019 – Tender Evaluation Panel	The Panel assessed the initial tender responses, received on 11 November 2019, based on an agreed criteria and weighting methodology.

Engagement activity	Engagement feedback and themes
	<p>The Panel short-listed three tenderers for the next stage of the procurement process. We have reflected the costs from short-listed tenderers in this Application.</p>
<p>6 February 2020 – Stakeholder forum held in Sydney.</p>	<p>We presented an update on the procurement approach for PEC and answered stakeholder questions.</p> <p>Key themes included:</p> <ul style="list-style-type: none"> <li>&gt; structure of the procurement process</li> <li>&gt; delivery timelines including commissioning and outages</li> <li>&gt; regional benefits</li> </ul>
<p>February – June 2020 – Fortnightly updates provided via teleconference.</p>	<p>We have hosted fortnightly teleconferences for stakeholders on the tender process and key project developments.</p> <p>Stakeholders have an opportunity to ask any questions. These have included:</p> <ul style="list-style-type: none"> <li>&gt; impacts of COVID-19 on the project</li> <li>&gt; land acquisitions</li> <li>&gt; base case adjustments</li> <li>&gt; interactions with other ISP projects</li> <li>&gt; innovation</li> <li>&gt; risk allocation</li> </ul> <p>Stakeholders have welcomed these regular interactions with the PEC project team.</p>
<p>25 May 2020 – TAC meeting</p>	<p>A specific update on PEC was provided by our CEO at our May 2020 TAC meeting.</p> <p>TAC members appreciated the transparency provided by the briefing which covered the tender process and preparation of the Application.</p>
<p>11 June 2020 – We issued invitations to our Tender Evaluation Panel to review the final tender responses.</p>	<p>The Panel will assess the final responses we receive from the three short-listed tenders.</p> <p>Stakeholders have welcomed our commitment to transparency at this key stage for the project.</p>



Engagement activity	Engagement feedback and themes
6 August 2020 – Tender Evaluation Panel	The Panel assessed the RFT Phase B proposals received on 29 June 2020. The Panel shortlisted two tenderers to proceed to the BAFO
20 August 2020 – stakeholder webinar	Together with ElectraNet we provided a stakeholder update on PEC and ElectraNet provided an overview of its updated cost benefit analysis.
21 August 2020 – TAC meeting	<p>TransGrid's CEO provided an update to the TAC regarding the Investability concerns regarding the ISP projects, highlighting positive conversations had with the AER on the subject.</p> <p>A specific update on PEC was provided by TransGrid's CEO at the August 2020 TAC meeting, in response to questions from members.</p> <p>TAC members appreciated the transparency provided by the briefing which covered the project benefits, tender process and preparation of the Application.</p>
<p>3 - 9 September 2020 – One on one engagement with consumer and industry representatives on financeability rule change.</p> <ul style="list-style-type: none"> <li>&gt; Energy Consumers Australia – Lynne Gallagher</li> <li>&gt; St Vincent de Paul Society – Gavin Dufty</li> <li>&gt; Ai Group – Tennant Reed</li> <li>&gt; EUAA – Andrew Richards</li> <li>&gt; MEU – David Headberry</li> <li>&gt; PIAC – Miyuru Ediriweera</li> </ul>	<ul style="list-style-type: none"> <li>&gt; TransGrid consulted separately with a number of consumer and industry representatives on the proposed rule change to address financeability issues with the ISP projects.</li> </ul> <p>The key points raise by TransGrid:</p> <ul style="list-style-type: none"> <li>&gt; The misalignment between when an NSP incurs costs and when it recovers revenues for Major ISP Project, means that it cannot achieve the benchmark credit rating and gearing assumptions in the AER's 2018 RORI, which are used by the AER to calculate the rate of return. This in turn undermines an NSP's ability to access efficient debt finance and therefore the financeability of projects.</li> <li>&gt; The AER understand the issue but has indicated that it considers that the NER does not currently provide flexibility for it to address this issue</li> <li>&gt; It will shortly lodge a Rule change application with the AEMC to address this issue.</li> </ul> <p>Feedback from stakeholders:</p> <ul style="list-style-type: none"> <li>&gt; Stakeholders broadly understood TransGrid's concerns and the rationale for the rule change, recognising TransGrid's unique position within the NEM and the issues that the proportion of ISP projects within NSW presents to TransGrid from a financing perspective.</li> </ul>

Engagement activity	Engagement feedback and themes
	<ul style="list-style-type: none"> <li>&gt; Some stakeholders felt they needed more time and information to consider the rule change, while others were concerned about the cost burden on consumers in the early years of the project.</li> <li>&gt; One stakeholder was interested to explore how the rule change could be used to benefit consumers, through a flexible recouping of costs in the first five years of construction to provide benefit to consumers during the current economic downturn through lower costs.</li> <li>&gt; Some stakeholders expressed concern that other NSPs may also seek a derogation should TransGrid's be successful, and the impact that would have on consumers.</li> </ul>
10 September 2020 – The Tender Evaluation Panel on the best and final offer (BAFO)	The Panel assessed the BAFO tender responses received on 1 September 2020 to select a preferred tenderer

## 3. Our Engagement Outcomes

This section sets out what we heard and how it has influenced the Application.

### 3.1 Outcomes of PEC Application Stakeholder Forums

The feedback and our response to issues raised at the PEC contingent project application stakeholder forums are set out in Tables 2 and 3 below. The presentations from these forums are provided as Appendix B and C to this attachment.

**Table 2: July Stakeholder Forum in Sydney**

Issue	How we have responded
Implications for SA gas plant and energy security	The RIT-T considered various sensitivities AEMO continues to review and assess system security
Interest in ongoing oversight of project costs	We commitment to ongoing engagement on project and briefing of customer advisory panels
Support for independent cost assurance	We commissioned consultants to undertake independent cost review
Desire for further engagement on wholesale price impacts	We held follow up 1-1 stakeholder briefings
Preference for point estimate rather than cost range	We have prepared our contingent project application based on point estimate costings
Importance of robust commissioning and testing	Our commissioning workstream has commenced and our testing plan is to be developed
Desire for follow up stakeholder forum	Further forum was held 21 October, with future forums to be considered as required

**Table 3: October Stakeholder Forum in Adelaide**

Session 1 – Feedback Summary <sup>6</sup>		
Question/Feedback Summary	Response summary	Responder
How is land access and land acquisition and cultural heritage being managed?	<p>We are committed to developing long-lasting relationships based on respect and mutual understanding with First Nations People. The project team has engaged with Aboriginal Elders, eight Local Aboriginal Land Councils, twelve nations (or language groups) as well as members from Native Title, Aboriginal Affairs and National Indigenous Australians Agency on cultural heritage issues.</p> <p>More generally, the project will follow established processes for land access and, where needed, seek to acquire land by</p>	TransGrid

<sup>6</sup> These are summaries of feedback provided at the Forum, not *verbatim*.

## Session 1 – Feedback Summary<sup>6</sup>

Question/Feedback Summary	Response summary	Responder
	negotiation wherever possible. Ongoing engagement with be an important part of project delivery.	
<b>How does the Contingent Project Plan work with the Integrated Systems Plan/other energy projects underway?</b>	PEC will be at the heart of the Integrated System Plan (ISP) and will create opportunities to expand, upgrade and plug in to these projects. These projects are complementary to PEC which delivers substantial benefits on its own, but these increase significantly with other ISP projects such as Humelink.	TransGrid
<b>Will there be auxiliary project impacts on communities and pushback when it comes to renewable generation investments that follow?</b>	The project cannot have direct input into future planning decisions and legislation as each future project will need to be assessed on its own merit, however the Environmental Impact Statement process will assess the broader and longer-term potential impacts to communities that flow from the project.	ElectraNet
<b>Exact point of crossing at the border?</b>	The route is north of the river, along old Wentworth Road, through Chowilla west of Calperum Station. <i>Note: More detailed discussions were held around the project maps during the deep dive session.</i>	ElectraNet
<b>Further clarity regarding the Contingent Project Assessment process, timeframe, and in particular how the issues paper and public consultation will work</b>	<p>The issues paper is not a legislative requirement however is something the AER believes may be useful for the public consultation process on this project.</p> <p>It has commenced work on the issues paper however needs the contingent project applications to finalise this.</p> <p>Encouraged TransGrid / ElectraNet to provide drafts of the applications to assist with timeliness of process.</p> <p>Will aim to publish an issues paper in the first week of the public submission period to maximise its usefulness and inform public submissions.</p> <p>Public submissions begin once the AER has published the contingent project application.</p> <p>The assessment timeframe can be between 2 - 5 months.</p>	AER
<b>What does AER intend to be the focus of the issues paper?</b> <i>Rainer Korte, ElectraNet</i>	The issues paper will be informed by the contingent project application and will therefore centre on capex and opex considerations, and more generally will raise issues where the AER would find stakeholder commentary useful to inform the decision.	AER
<b>Co-ordination between TransGrid and ElectraNet to maximise benefits to consumers.</b> <i>Miyuru Ediriweera PIAC</i>	<p>AER views this as a joint project and will consider a single submission for contingent project decision. It is in the interest of all parties to align the processes where possible (AER).</p> <p>TransGrid and ElectraNet are making every effort to align projects where relevant.</p>	AER and ElectraNet



## Session 2 – Deep Dive Sessions

Deep dive stations were a more informal opportunity to discuss project components, the joint Application, project risks and broader project considerations including environmental assessments and community / landholder engagement.

Participants took the opportunity to ask detailed questions about the route alignment, ecology and cultural heritage assessments along the route and implications for energy security. The session was well-received and initial feedback from participants was that their questions had been answered and that the project appeared positive for the states and Australia's energy security.

Key questions / issues raised were:

- > Route alignment around Renmark and the River Murray
- > Staging of construction along the route once construction is commenced
- > Whether engagement has commenced regarding cultural heritage
- > Further information about ecology along the route
- > Opportunities for alignment/co-operation between TransGrid and ElectraNet
- > Impacts on different types of customer (e.g. solar and non-solar) and whether distribution tariffs can be amended to pass through the costs more efficiently into variable components of the network charges (St Vincent de Paul)
- > SACOSS indicated its support for the project, reflecting on international trends in interconnection.

## 3.2 Specific Engagement Outcomes

### 3.2.1 Proposing a contingent project value, not a range

We sought feedback regarding stakeholder preferences for certainty around potential costs in the final project valuation for PEC. At the July PEC Forum stakeholders requested that we nominate a specific value in the Application, rather than nominating a valuation range as was contemplated at the time, to meet requests to expedite the application process before tender outcomes were known.

In response to this feedback, specific values for capex and opex, rather than ranges, have been adopted in our Application.

### 3.2.2 Giving confidence in forecasts

Further, to provide the AER, customers and other stakeholders with confidence that our forecast capex is prudent and efficient we have commissioned GHD to provide an independent assessment of our capex forecast. This is provided as an attachment to our submission. GHD verified that the scope of PEC is reasonable and realistic to meet the investment needs. Overall, GHD concluded that our forecast capex for Tendered Works for PEC is within a reasonable margin of GHD's comparative estimate. This approach was supported by our major stakeholders.

## 3.3 Engagement and oversight through tender process

We have kept stakeholders informed throughout the tender process and has facilitated ongoing feedback during this critical phase.

This has been undertaken in three key stages:

- > a stakeholder forum held in Sydney on 6 February 2020, outlining our approach to the tender process

- > fortnightly updates via teleconference (first held 13 March 2020) on the progress of the tender process, with the opportunities for stakeholders to ask questions about any aspect of the project; and
- > formation of an Evaluation Panel (Panel) comprising members of our Executive Team, the project director and an independent member. The NSW Government, the SA Governments and ElectraNet joined the Panel as observers. On 28 November 2019, the Panel assessed the initial tender responses, received on 11 November 2019, based on an agreed criteria and weighting methodology. The Panel short-listed three tenderers for the next stage of the procurement process. We have reflected the costs from short-listed tenderers in this Application. The Panel is scheduled to meet again at the completion of the tender process (expected in September).
- > In February 2020, we presented an overview of the tender process to stakeholders including AER, AEMO and consumer groups before releasing the tender documents to the short-listed tenderers on 11 February 2020. This provided an opportunity for key stakeholders to raise any issues with the procurement documents, process and structure. Stakeholders inquired about our approach to prioritising the use of Australian service providers. We responded to this feedback by developing an Australian Industry Participation Plan for the Project. The successful contractor will implement this Plan.

Stakeholders have provided positive feedback about our transparency and willingness to engage throughout the tender process.

### 3.4 Engagement and oversight through project delivery

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At a May 2019 meeting of TAC, members expressed a desire to implement a Stakeholder Monitoring Committee (SMC) structure similar to that established for Powering Sydney's Future (PSF). The PSF SMC was formed in 2018 and meets twice a year to examine all issues pertaining to the delivery of that project. Some members of the TAC are members of the PSF SMC.

A similar request was made at the PEC Stakeholder Forum in July 2019.

We have committed to forming a stakeholder monitoring committee for this project. We envisage the committee being formed once a lead contractor has been appointed.

In the meantime, we have kept stakeholders informed and provided opportunities for them to ask questions through the fortnightly stakeholder teleconferences. Stakeholders have also been invited to observe the tender evaluation process when it commences in the second half of 2020.

We are extremely mindful of our cultural heritage obligations during project delivery. We have worked closely with First Nations People to understand cultural heritage impacts along the project route and our Aboriginal and Torres Strait Islander Engagement and Participation Strategy for Major Projects includes an Unexpected Finds Protocol which will be adhered to at all times.

### 3.5 Route Selection Engagement and Risk

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PEC has been declared to be Critical State Significant Infrastructure for NSW<sup>7</sup> and the SA Government has granted major project status and lent financial support for early works from 2018 including for:

- > detailed line route and site selection
- > coordinated planning approvals
- > environmental and social studies

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<sup>7</sup> Media Release, NSW Planning and Public Spaces Minister Rob Stokes, 29 August 2019.

- > community engagement including landowner consultation for land access.

The South Australian Minister for Mines and Energy has stated:

"An interconnector between South Australia and New South Wales is a nation building project that will allow both states to export their excess energy to one another to help bring down prices and improve the security of our systems."<sup>8</sup>

We met with various councils, members of parliament and representative organisations, including First Nations People, affected by the route selection. Themes arising from this engagement that have been accounted for in our route selection and project implementation plan include:

- > the need to preserve tourism and heritage sites
- > engaging local businesses for work wherever possible will help achieve council support
- > flagging the Willandra Lakes Region as a key environmental sensitivity in Balranald and Wentworth Shires
- > that councils are broadly supportive and willing to help
- > that councils value the coordinated approach to engagement with all parties
- > stakeholders have residual interest in telco services associated with fibre optic support infrastructure

The project team has traversed approximately 700 kilometres of Aboriginal land and has engaged with Aboriginal Elders, eight Local Aboriginal Land Councils, twelve nations (or language groups) as well as members from Native Title, Aboriginal Affairs and National Indigenous Australians Agency.

Project activities undertaken in consultation with Aboriginal community groups and Traditional Owners during the development phase include:

- > preliminary introductions, meetings and project consultation;
- > undertaking field surveys identifying any constraints corridor and route identification;
- > construction pre-clearance surveys for geotechnical investigations;
- > registrations of Interest for Registered Aboriginal Parties;
- > EIS field studies for Aboriginal cultural heritage impacts; and
- > our cultural awareness and on Country inductions

Notwithstanding the state and local government support, as well as broader cooperation from other stakeholders, PEC service providers will face ongoing route and cost risks as the project is implemented in line with any other major infrastructure project of this scale.

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<sup>8</sup> [Media Release](#), SA Minister for Energy and Mining Dan van Holst Pellekaan, 19 December 2018.

# Glossary

Abbreviation	
ACT	Australian Capital Territory
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
Capex	Capital Expenditure
CPA	Contingent project application
NER	National Electricity Rules
NSW	New South Wales
Opex	Operating Expenditure
PACR	Project Assessment Conclusion Report
PEC	Project EnergyConnect
PSF	Powering Sydney's Future
RIT-T	Regulatory Investment Test for Transmission
SA	South Australia
SMC	Stakeholder Monitoring Committee
TAC	TransGrid Advisory Council
TAPR	Transmission Annual Planning Report
TBC	To be confirmed