

JLL Response to Preliminary Position, TransGrid Contingent Project Application, Project EnergyConnect prepared by
Australian Energy Regulator – December 2020

Land & Easement Acquisition Forecast Costs

CONFIDENTIAL AND COMMERCIAL IN CONFIDENCE

Executive Summary

Instructing Party	TransGrid
Date of Advice	16 th February 2021
Purpose	To provide advice to TransGrid to assist with a response to the Australian Energy Regulator regarding forecast Land and Easement Acquisition costs required for Project EnergyConnect, NSW.

Summary of Advice

The quantitative data available to date is summarised as follows:

- [REDACTED] agreements made in “West” requiring an additional [REDACTED] above valuation to complete
- [REDACTED] counter-offers have been received in “West” that are [REDACTED] above valuation however it is anticipated that negotiations will finalise at approximately [REDACTED] or [REDACTED] above valuation
- [REDACTED] agreements made in “East” requiring an additional [REDACTED] above valuation to complete
- [REDACTED] counter-offers have been received in “East” that are [REDACTED] above valuation however it is anticipated that negotiations will finalise at [REDACTED] or approximately [REDACTED] above valuation
- Finalised negotiations at [REDACTED] or more above valuation have increased from [REDACTED] in August 2020 to [REDACTED] in February 2021 providing evidence of voluntary agreements being made at greater proportions above initial valuations
- Brownfield easements do not result in greater likelihood of agreements being made at valuation
- The change of scope for the 220kV between Buronga and Red Cliffs does not minimise risks to project delivery
- The proposed re-alignment of the transmission line to avoid extensive irrigation zones and agricultural land around Darlington Point does not decrease the risk of compulsory acquisition

In addition to the quantitative data summarised above, there are a number of qualitative arguments for preserving the requested negotiating margin including:

- Anecdotal evidence from other large linear infrastructure projects suggests that a margin of [REDACTED] or greater above valuation is required to close out voluntary agreements;
- Changing landowner and community expectations;
- Substantial project benefits to be realised by Project EnergyConnect in making voluntary agreements with landowners as opposed to pursuing lengthy and expensive compulsory acquisitions
- Nature of agreement making and the correlation between time taken to negotiate agreements and increase in compensation;
- Nature of properties impacted; and
- The requirement to undertake desktop assessments of compensation initially.

Based upon the data available to date and the growing trend being observed across the western end of the project, JLL strongly recommends the preservation of the [REDACTED] negotiating margin required to facilitate the vast majority of land and easement agreements.

Failure to do so will significantly increase the number of likely contested and compulsory acquisitions which will increase the quantity of matters at risk of extended legal dispute and impede the realisation of the benefits outlined in this document.

We refer to the Australian Energy Regulator’s (AER) paper entitled Preliminary Position, TransGrid Contingent Project Application, Project EnergyConnect dated December 2020.

In particular, Page 21 of the paper addresses forecast Land and Easement Acquisition costs and references a contingency for negotiating with landowners to secure easements at above market rates. Our previous advice recommended a margin of [REDACTED] above the total Estimate of Compensation being an amount of [REDACTED]

The AER considers a margin of [REDACTED] is reasonable above the total Estimate of Compensation which would represent an amount of [REDACTED]

The AER has tendered the following reasons within their Preliminary Position paper for the reduced negotiating margin:

- that current settlements over [REDACTED] of the route have been secured at or marginally above statutory valuations with the commercial margin being [REDACTED] above the statutory valuation; and
- the remaining settlements are over sections of the proposed route that are considered to be lower risk due to:
 - being parallel to existing lines;
 - avoiding high risk areas that are likely to require higher compensation and/or compulsory acquisition; and
 - changing scope for the 220kV line between Buronga and Red Cliffs to minimise easement requirements.

Current status

The following tables summarise the current status of voluntary agreements made as at the date of this Memorandum:

WEST (Stage 1 & 1A)

Table 1.0 Summary of Agreements Made (current)

Stage	Total Agreements Made	Total Valuation of Agreements Made	Total Agreed Amount	% increase over Valuation	\$ increase over Valuation
Stage 1	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Stage 1A	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Table 2.0 Summary of Agreements Not Made where Counter-offer received (current)

Stage	Total Agreements Outstanding	Total Valuation of Outstanding Agreements	Total Counter-offer Amount	% increase over Valuation	\$ increase over Valuation
Stage 1	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Stage 1A	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Table 3.0 Summary of Agreements outstanding where Counter-offer yet to be received (current)

Stage	Total Agreements Outstanding	Total Valuation of Outstanding Agreements	Total Counter-offer Amount	% increase over Valuation	\$ increase over Valuation
Stage 1	█	█	-	-	-
Stage 1A	█	█	-	-	-
TOTAL	█	█	-	-	-

The above data indicates that of the █ voluntary agreements made as at current date, a total margin of █ above valuation was required to make voluntary agreements totalling █ in additional payments over and above the valuation. This compares to the August 2020 advice whereby agreements had been made at a total margin above valuation of █ as noted by the AER in their response.

Of the █ agreements that remain outstanding, counter-offers have been received for █ of these. The counter-offers received are currently █ above valuation or █ above the valuation amount. These agreements are currently in negotiation and it is anticipated that agreements will be made at a reduced amount of approximately █. Agreements at that amount would result in █ in additional dollar payments over and above the valuation amount.

As at current date, █ counter-offers are yet to be received. Indications are that the counter-offers for these properties will also be substantially above the █ valuation amount.

EAST (Stage 2 & 3 only)

Table 4.0 Summary of Agreements Made (current)

Stage	Total Agreements Made	Total Valuation of Agreements Made	Total Agreed Amount	% increase over Valuation	\$ increase over Valuation
Stage 2	█	█	█	█	█
Stage 3	█	█	█	█	█
TOTAL	█	█	█	█	█

Table 5.0 Summary of Agreements Not Made where Counter-offer received (current)

Stage	Total Agreements Outstanding	Total Valuation of Outstanding Agreements	Total Counter-offer Amount	% increase over Valuation	\$ increase over Valuation
Stage 2	█	█	█	█	█
Stage 3	█	█	█	█	█
TOTAL	█	█	█	█	█

Table 6.0 Summary of Agreements outstanding where Counter-offer yet to be received (current)

Stage	Total Agreements Outstanding	Total Valuation of Outstanding Agreements	Total Counter-offer Amount	% increase over Valuation	\$ increase over Valuation
Stage 2	█	█	-	-	-
Stage 3	█	█	-	-	-
TOTAL	█	█	-	-	-

The above data indicates that of the [REDACTED] voluntary agreements made as at current date, a total margin of [REDACTED] above valuation was required totally [REDACTED] in additional dollar payments.

Of the [REDACTED] agreements that remain outstanding, counter-offers have been received for [REDACTED] of these. The counter-offers received are currently [REDACTED] or [REDACTED] above the valuation amount. These agreements are currently in negotiation and it is anticipated that agreements will be made at a much reduced amount of approximately [REDACTED]. Agreements at that amount would result in [REDACTED] in additional dollar payments.

As at current date, [REDACTED] counter-offers are yet to be received. Indications are that the counter-offers for these properties will also be substantially above the [REDACTED] valuation amount.

NB. Stage 4 valuations are yet to be determined.

In summary, a total amount of [REDACTED] over and above the valuation amount has been agreed to as at current date with a forecast [REDACTED] required to close out negotiations for those currently under active negotiation. This would equate to approximately [REDACTED] of the AER negotiating margin provision of [REDACTED], being required to close out [REDACTED] agreements. Given there will still be at least [REDACTED] agreements required (to be determined once alignment is finalised for Stage 4) to close out voluntary agreements, a surplus amount of slightly in excess of [REDACTED] will not be adequate to achieve mostly negotiated outcomes. .

Status of Negotiation Outcomes

The growing evidence on this project also suggests that with the passage of time, the agreed compensation amounts will continue to increase over and above the valuation amounts to a greater extent.

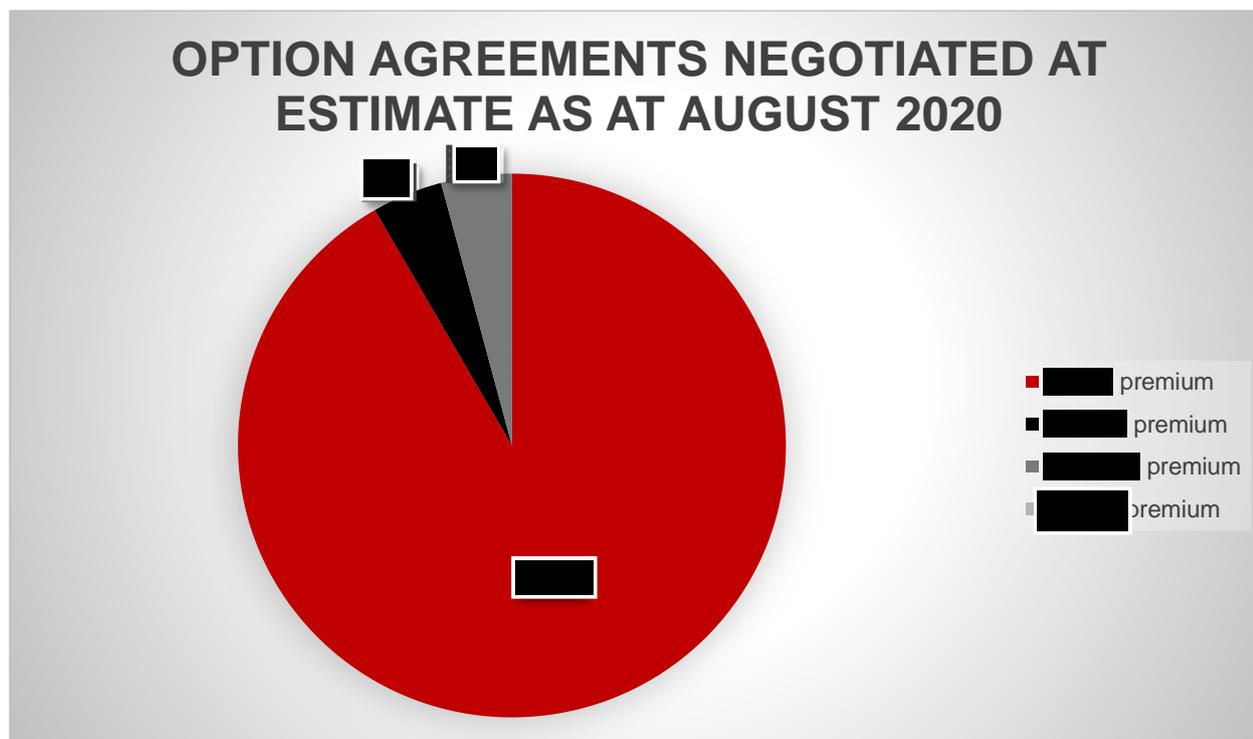
In JLL's previous advice dated August 2020, we advised that [REDACTED] compensation offers had been accepted within the following parameters:

- [REDACTED] agreements [REDACTED] negotiated at or within [REDACTED] of JLL's stated Assessment of Compensation;
- [REDACTED] agreement [REDACTED] negotiated with [REDACTED] of JLL's stated Assessment of Compensation;
- [REDACTED] agreement [REDACTED] negotiated within [REDACTED] of JLL's stated Assessment of Compensation;
- [REDACTED] agreement [REDACTED] negotiated above [REDACTED] of JLL's stated Assessment of Compensation.

Subsequent to that advice, a number of additional offers of compensation have been made; some of which have been accepted and a number are currently in negotiation.

Please see below comparative charts as at August 2020 and February 2021 indicating the proportion of agreements made within the following parameters;

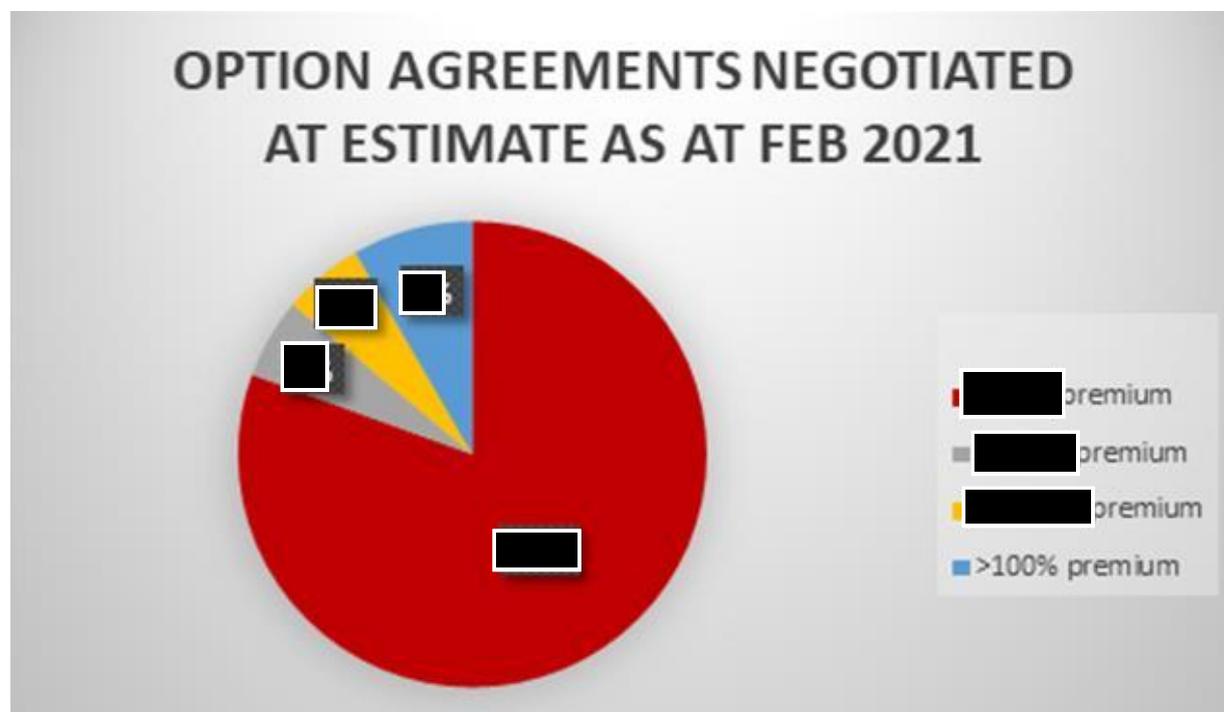
Chart 1.0 Compensation amounts agreed as at August 2020



As at February 2021, an additional 12 agreements have been made with the total numbers now falling within the following parameters:

- [redacted] agreements [redacted] negotiated at or within [redacted] of JLL's stated Assessment of Compensation;
- [redacted] agreements [redacted] negotiated within [redacted] of JLL's stated Assessment of Compensation;
- [redacted] agreements [redacted] negotiated within [redacted] of JLL's stated Assessment of Compensation;
- [redacted] agreement [redacted] negotiated above [redacted] of JLL's stated Assessment of Compensation.

Chart 2.0 Total compensation amounts agreed as at February 2021



The charts clearly indicate that between August 2020 and February 2021, the percentage of agreements made at or within [redacted] of the valuation amount has diminished significantly as a total proportion of the agreements being finalised (down from [redacted] with substantial growth in those negotiated in excess of [redacted] as depicted in yellow, grey and blue in the February 2021 chart.

This trend should be expected to continue as negotiations progress and the negotiation period moves towards the scheduled commencement of adverse compulsory processes.

Growing Trends

Whilst consideration has been given to the above-mentioned negotiated agreements, we have also given consideration to the likely outcomes that are expected for properties where counter-offers have been submitted by property owners and compensation is under active negotiation.

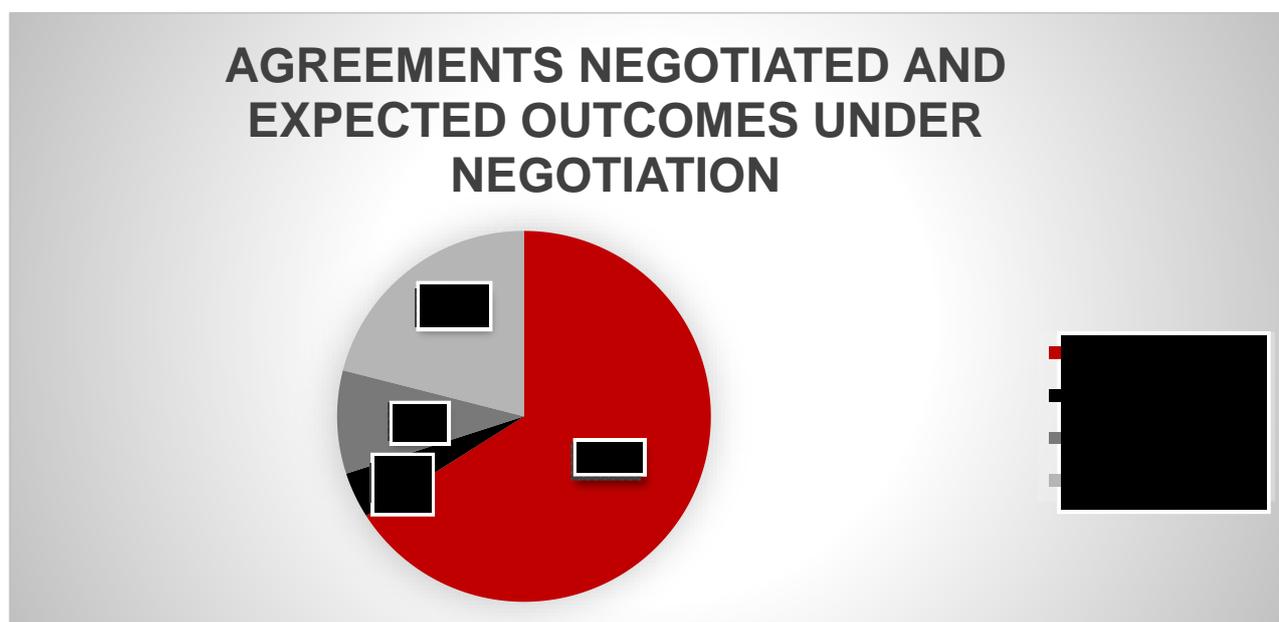
Discussions with the Land Access Consultants have provided some indication as to the likelihood of reaching a negotiated agreement with these property owners at a point between the initial offer and the counter-offer. The likelihood of reaching agreements at these rates is based on property owner sentiment, subsequent to an on-site inspection identifying previously unknown property attributes or upon review of valuations provided by property owners, in support of their counter-claim. Based on that information, empirical evidence indicates the following trend for deals achieved and/or actively under negotiation which have been classified into four "agreement bands"

- Agreements made or expected within [redacted] of valuation;
- Agreements made or likely to be achieved between [redacted] of the initial offer;
- Agreements made or likely to be achieved between [redacted] of the initial offer;
- Agreements made or likely to be achieved in excess of [redacted] of the initial offer;

The following chart summarises the trend as at February 2021, reflecting the percentage of agreements made and expected outcomes expected of actively negotiated counter-offers.

- [redacted] of agreements are predicted to be achieved within [redacted] of the initial offer.
- [redacted] of agreements are likely to be achieved between [redacted] and [redacted] of the initial offer.
- [redacted] of agreements are likely to be achieved between [redacted] and [redacted] of the initial offer.
- [redacted] of agreements are likely to be achieved in excess of [redacted] of the initial offer.

Chart 3.0 Total compensation amounts agreed and expected to be agreed as at February 2021



Further review of the value of negotiated agreements achieved and the expected value of deals achieved actively under negotiation provide further empirical evidence that identifies the percentage premium expected within each agreement band.

- Within [redacted] of initial offer – an average premium of [redacted] as been paid or is expected to be agreed.
- Between [redacted] and 50% of initial offer – an average premium of [redacted] has been paid or is expected to be agreed.
- Between [redacted] and 100% of initial offer – an average premium of [redacted] as been paid or is expected to be agreed.
- Over [redacted] of initial offer – an average premium of [redacted] has been paid or is expected to be agreed.

For Stage 1,1A, 2 and 3, approximately [REDACTED] in compensation claims have been agreed or are expected to be agreed where counter offers have been received. The assessed value for these agreements is [REDACTED] which represents a negotiation margin of approximately [REDACTED] above the Assessed Valuation figure, as summarised below;

Table 7.0 Summary of Expected Premium, where Agreements have been made or are expected to be agreed.

	Total Assessed Valuations	Amount Agreed/Expected	Premium %
Stage 1&1A (Agreed)	[REDACTED]	[REDACTED]	[REDACTED]
Stage 2 & 3 (Agreed)	[REDACTED]	[REDACTED]	[REDACTED]
Stage 1&1A (Expected)	[REDACTED]	[REDACTED]	[REDACTED]
Stage 2 & 3 (Expected)	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL	[REDACTED]	[REDACTED]	[REDACTED]

Based on the above data alone, JLL contends that an amount of [REDACTED] over and above the valuation amount is not adequate to reach voluntary agreements and that the initial [REDACTED] negotiation margin be preserved.

Brownfield easements v easements adjacent to existing lines

Often Transmission Network Service Providers (TNSPs) will favour a route or alignment that parallels an existing transmission line as it is generally considered to be the most favourable route and the route that is most likely to result in least resistance.

In practice however this is not found to be the case for a number of reasons including:

- Landowners have often developed their land up to the edge of existing easements to extract the full earning capacity out of the land (this has been observed to date on Project EnergyConnect) and therefore any parallel infrastructure development will likely have a greater impact and result in more lengthy and complex negotiations;
- As noted elsewhere within this paper, in the past TNSP's utilised statutory compulsory acquisition powers to a greater extent to acquire land and easements. In many cases particularly generational farming districts, the land has been held in the same family for many years and quite often legacy issues remain from the original construction of the power line.

Given the power line was originally constructed by a government authority using statutory powers available at the time, compensation by today's standards was not considered to be adequate. Many landowners see the more consultative approach and the greater emphasis on reaching a mutually acceptable position as an opportunity to "claw back" compensation they perceive to have missed out on when the original power line was constructed; and

- As the network operator, TransGrid accesses land within the parameters of the rights conferred under the existing easements which generally affords the ability to access land for operations and maintenance purposes. Once again, landowners do not always agree that access to land conducted by TransGrid for operations and maintenance purposes is carried in accordance with current land access practices. Whilst often not the case this can make landowners very wary about agreeing to access to land for survey purposes and most definitely makes them more cautious about entering into an agreement with TransGrid.

It is noted within the AER paper that TransGrid have selected a proposed corridor that will run parallel to existing 220kV easements for [REDACTED] of the route, which should have the effect of minimising the impact on landowners and correspondingly their likelihood of seeking higher compensation for their land.

The contrary is likely to be the case.

Stages 2 and 3 largely parallel the existing 220kV line where a negotiating margin of almost [REDACTED] has already been observed in the preliminary stages of negotiations. Using the properties that are currently in active negotiation as a guide, if negotiations are completed at anticipated levels (below the counter-offer amounts), the negotiating margin at that point will be [REDACTED] above valuation, or [REDACTED] in dollar terms.

Changing the scope of the 220kV between Buronga to Red Cliffs

It is also noted within the AER position paper that the scope for the 220kV line between Buronga and Red Cliffs will minimise easement requirements and associated risks to delivery. This section of the alignment is referred to as Stage 1A.

Whilst the evidence to date shows that for completed agreements in Stage 1A, a margin of [REDACTED] has been observed, it is very likely that the eventual agreements will be significantly greater than the valuation amounts offered and therefore the change in scope between Buronga and Red Cliffs will not minimise associated risks to delivery.

In support of the quantitative data provided above, there are a number of qualitative factors that are relevant to the proposed preservation of the negotiating margin.

Anecdotal Evidence

It is JLL's professional opinion based upon more than 20 years' experience working in this specialist field that substantial additional budget over and above the total valuation estimate of compensation is required to negotiate voluntary agreements for the land delivery functions of any major project.

For a range of commercial in confidence reasons, it is not possible to publish data from other TNSP's or other linear infrastructure developers around Australia that shows agreed compensation outcomes when compared to initial valuation estimates.

Whilst hard data on commercial compensation settlements are confidential, we know from our own experience and understand from general discussions with other land acquisition professionals in the onshore gas industry that settlements [REDACTED] above valuation have been common with some exceptions being [REDACTED] above valuation. Similarly, discussions with electricity industry professionals in other states reveal commercial margins up to and above [REDACTED] of valuation depending on the delivery drivers and social licence risks associated with the project.

We also refer to the Case Study No.1 – TransPower's North Island Grid Upgrade (NIGU) Project (NZ) referred to in our previous advice whereby landowners were able to leverage reduced timeframes to drive acquisition costs upwards.

It is also noted that many TNSP's make initial individual offers at [REDACTED] or greater above the valuation amount to incentivise landowners to enter into timely agreements to ensure tenure is secured and possession of site can be provided.

Landowner, Community and Government expectations have changed

In the past, TNSP's utilised statutory compulsory acquisition powers to a greater extent to acquire land and easements for new projects. By virtue of their government ownership they used beneficial legislation to resume land for public purposes and in the process provided a high degree of certainty that land would be available when required.

Landowners and the wider community were generally accepting of the need for and proposed location of public infrastructure such as roads, rail, electricity, water and gas projects and limited opposition was raised. There was largely a sense of resignation and grudging acceptance amongst communities.

In the past 20 years however, there has been a paradigm shift in landowner and community sentiment regarding infrastructure projects on private land and this has been driven by an increasing:

- emphasis on preserving the existing social, environmental and productive values of properties and the surrounding community from potentially incompatible development;
- expectation that developers understand the norms of the existing community in which they propose to work and be able to work with them; and
- expectation that developers will transparently engage with landowners and the wider community, genuinely consider the impact of their projects on those stakeholders and make demonstrable changes to minimise those impacts.

During this period, we have also seen the rapid development of the internet and social media channels which have provided stakeholders with the ability to quickly and effectively raise concerns regarding any aspect of a project, to quickly source information on rights and responsibilities and to connect with groups that have opposed similar style projects. This fast influencing capability can significantly impact the level of landowner and community sentiment towards a project, its ability to obtain development approval and overall corporate reputation. It can also result in delays to and increased costs for the delivery program across all project phases – Design and Approvals,

Construction, Operations and Maintenance. In essence, the inability of a project to secure its social licence can have wide ranging and costly implications.

Consistent with this more collaborative approach, landowners consider they are providing an important asset to facilitate the project and should share in the commercial returns that will be realised by the owners and users of the asset. Traditional compulsory compensation methodologies that simply return the landowner to their original position (the *Principle of Equivalence*) are no longer considered reasonable. This changing landowner expectation is becoming increasingly important in the National Electricity Market as the vast majority of network augmentations are no longer reliability based and instead are either delivering net market benefits or for direct connection of a renewable generation facility.

In step with the change in landowner and community expectations, government authorities and agencies have shifted their focus to encourage landowners and acquiring authorities to make all efforts to reach a negotiated outcome. Where negotiated outcomes are unable to be reached, government ministers will require evidence that all genuine and reasonable attempts have been made to reach a negotiated outcome.

With these factors in mind, TransGrid has developed its commercial compensation strategy on the basis of providing reasonable incentivisation to landowners provided they agree to a range of actions which de-risk project delivery and facilitate long term maintenance activities. Commercial compensation is not viewed as simply “throwing money” at the landowner until they sign. Taking this approach enables TransGrid to demonstrate the prudence of its proposed commercial incentivisation to regulatory bodies.

Benefits of Negotiated Agreements and Commercial Compensation Payments

With the need to secure voluntary land and easement agreements in the first instance, TransGrid has developed its land acquisition and commercial compensation strategy for Project EnergyConnect to facilitate agreement while realising a range of project, operational and social licence benefits in return. These benefits are not available under a compulsory acquisition framework and deliver savings far in excess of the proposed total acquisition budget to support negotiated voluntary agreements.

To achieve these benefits, TransGrid must have flexibility to negotiate voluntary settlements at varying commercial compensation levels across the landowner cohort. The AER’s proposed significant reduction in the total commercial compensation allowance will not make it possible to achieve voluntary settlements and realise the significant project benefits outlined below.

Facilitating project delivery

Achieving voluntary settlements with landowners provides significant time savings as it avoids use of compulsory acquisition under the *Land Acquisition (Just Terms Compensation) Act*. These time savings are estimated at a minimum of 6 months.

The following construction benefits can be realised:

- Opportunity to potentially advance construction start date and reduce schedule risk;
- Increased construction staging flexibility with the ability to better optimize the delivery of each phase (i.e. clearing and access, foundation, erection and stringing); and
- Ability to better manage risk items in the construction contract.

Providing greater certainty

Voluntary agreements allow TransGrid to secure the optimal alignment quickly, and progress detailed design activities with greater certainty.

TransGrid's voluntary easement agreements also contain provisions that enable the planning and approval process associated with the project to proceed in a more timely fashion due to landowner consents. This will assist to minimise the number of submissions received to the Environmental Impact Statement (EIS) thereby expediting the approvals process and increasing EIS approval certainty.

Securing off easement areas

The voluntary easement agreements contain provisions to secure "off easement" access through a licence arrangement. This will facilitate construction and long term maintenance activities through an agreed mutual understanding of the access conditions, rights afforded to TransGrid by the landowner and reduce the likelihood of landowner lock outs or disputes.

Avoided costs

Securing voluntary agreements minimises the likelihood of:

- Construction delays and contractor stand down due to ongoing poor landowner sentiment;

Stand down rates in the construction contract can range between [REDACTED] and [REDACTED] per day. Poor landowner sentiment is estimated to result in one lockout per two months for a duration of up to three days. Over an estimated 18 month construction period, this risk cost could exceed [REDACTED] in contract delay costs

- Legal and professional costs resulting from potential legal compensation disputes within the Land and Environment (L&E) Court;

It is conservatively estimated that [REDACTED] of total agreements (EnergyConnect - Border to Wagga Wagga estimated at approximately [REDACTED] landowners would be progressed through the compulsory acquisition process. Compensation in these cases would then be determined by the NSW Valuer General. TransGrid estimates that it would be reasonable to anticipate half of these cases would face further legal dispute concerning the compensation value and would proceed to a legal challenge within the L&E Court. TransGrid estimates the legal and professional costs associated with taking a negotiation through a contested compulsory acquisition process is not less than [REDACTED] dispute, and thus would incur costs of between [REDACTED]

- Higher internal labour and contract labour costs associated with prolonged management of landowner issues.

Nature of negotiated agreement making

It is logical and evidently clear from experience that a correlation exists between the length of time taken to negotiate a voluntary agreement and the quantum of compensation agreed i.e. the longer the time taken to negotiate an agreement the greater the quantum of agreed compensation. Those agreements that have been settled within a relatively short time will naturally be at or close to the statutory valuation (assessment of compensation) amount.

There are many reasons that this may be the case. These include:

- With the benefit of additional time, landowners are more likely to seek independent third party advice from lawyers, valuers, agronomists etc. which will result in a greater likelihood of an increased settlement amount. Those that elect to enter into an agreement without seeking expert third party advice are highly likely to agree compensation at or close to the offered amount;
- Rapid increases in rural land values across Australia, partially fuelled by historically low interest rates and improved seasonal conditions will only result in compensation expectations ratcheting up as time progresses;

The charts below illustrate the rapid increases in land values being experienced across the project area with more pronounced increases being experienced in the eastern sections of the project.

Chart 3.0 Increase in land values in Wentworth district for cropping/grazing lands

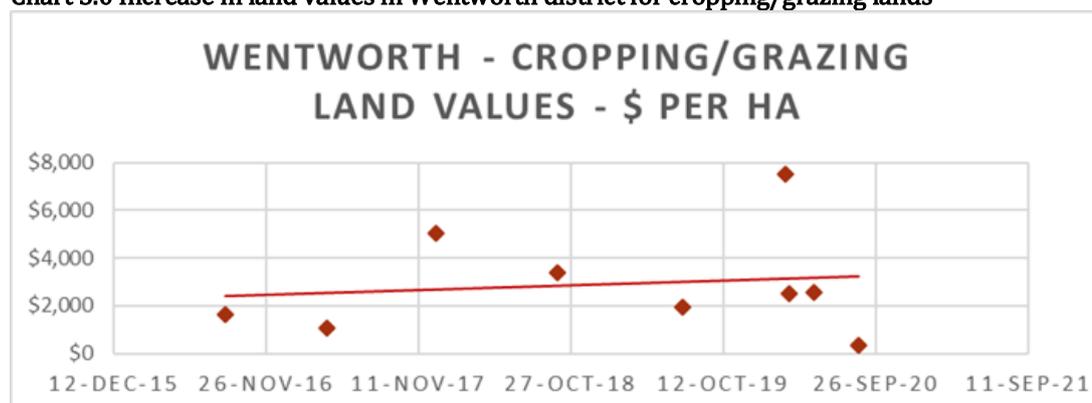


Chart 4.0 Increase in land values in the Edward River district for cropping/grazing lands

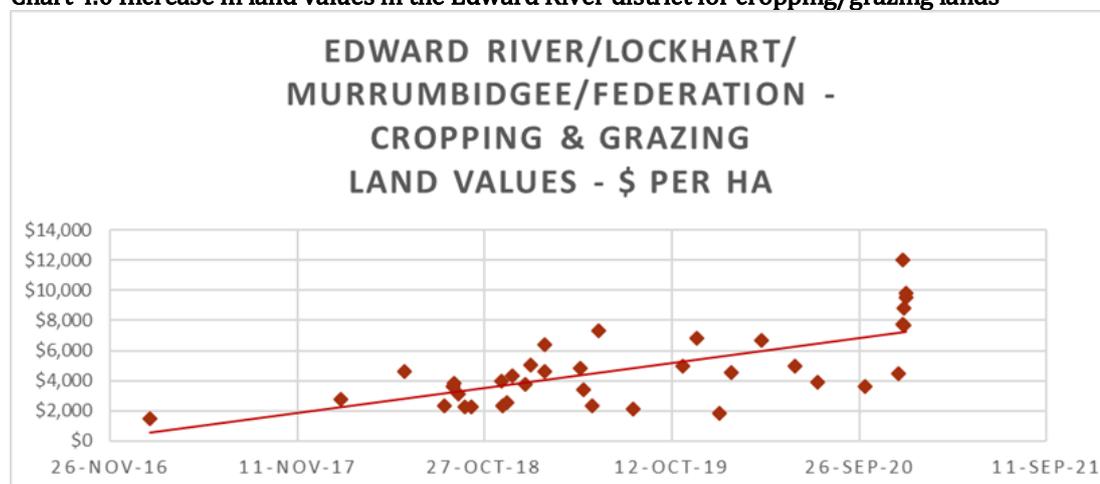
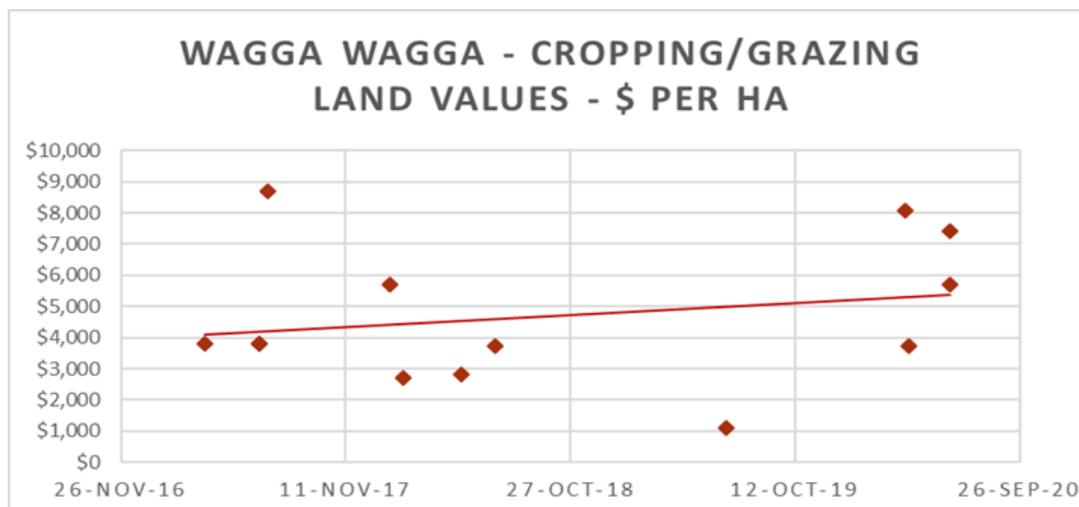


Chart 5.0 Increase in land values in Wagga Wagga district for cropping/grazing lands



Primary producers, farmers and graziers in the broader project area, have in general experienced an excellent season which will result in increasing compensation expectations, including base valuations and what constitutes a commercially appropriate negotiation, as time progresses;

- Additional time allows landowners the opportunity to more deeply consider the impacts the project may have on their land and the business operations which is more likely to result in increased settlement amounts;
- As time taken to progress negotiations increases, so too does the uncertainty around securing a voluntary agreement to meet with contracted property/easement access dates. This uncertainty will naturally increase the likelihood of negotiating margins being employed in these latter stages to mitigate against the risk of lengthy and costly adverse acquisition processes. These circumstances were reflected in the NIGU case study presented by JLL previously and is anticipated to be a relevant consideration for TransGrid and EnergyConnect.

Nature of Properties

It has been the case that negotiation of land access agreements commenced in the westernmost part of the project i.e. adjacent the SA/NSW border and are progressively being rolled out in an easterly direction. Therefore negotiations are more progressed in the west and are less progressed or have not commenced in the east.

Underlying land values which form the basis of the estimates of compensation are in general lower in the western part of the project and increase to the east. Land use is generally of a larger grazing pastoral land holding type, from the SA/NSW border towards Buronga, with smaller more intensive land uses observed east of Buronga including large scale horticulture moving into lifestyle properties further east towards Wagga Wagga.

Negotiations with landowners will undoubtedly become more challenging and complex as offers of compensation are made, moving east. The impact on land will be greater and landowners will have more access to resources to assist in their negotiations. More institutional and corporate owners are observed to the east as well. These factors will undoubtedly contribute to a greater negotiating margin being required to finalise voluntary agreements with more well resources landowners, on properties where the lifestyle component is more prevalent, where more corporate landownership is observed and the impact of the transmission line proposed is considered greater.

Desktop assessments

As is the growing trend for major linear infrastructure projects, statutory valuations are increasingly prepared on a desktop basis and whilst spatial data, aerial photography and access to reliable property information is becoming increasingly better, it is no substitute for field inspection data and intelligence gathered from a landowner or occupier.

Naturally, the presentation of a desktop assessments of compensation is more likely to result in a landowner seeking their own advice which then in turn is more likely to result in upward pressure on the valuation.

Summary

TransGrid has developed its land acquisition and commercial compensation strategy for Project EnergyConnect to secure voluntary agreements with landowners while realising a range of project, operational and social licence benefits in return. These benefits are estimated to deliver material project cost and program savings, ensure it is delivered in the most efficient manner possible and enhance TransGrid's *Social Licence to Operate*.

In order to realise these benefits, TransGrid proposes to preserve the total easement compensation allowance of [REDACTED] above the initial valuation estimates, which equates to a total proposed allowance across Project EnergyConnect of \$30,285,000.

The AER's proposed \$6,057,000 allowance is not considered sufficient to facilitate voluntary agreement making, thereby significantly increasing the number of likely compulsory acquisitions. This, in turn, will increase the number of matters at risk of legal disputes in the Land and Environment Court and will impede realisation of the benefits outlined in this document.

Regards



Jamahl Waddington
Head of Infrastructure
Advisory & Consulting Services – Australia