

Submission to NSW Parliamentary Inquiry into the Impact of REZs on rural and regional communities and industries in NSW

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About the Justice and Equity Centre

The Justice and Equity Centre is a leading, independent law and policy centre. Established in 1982 as the Public Interest Advocacy Centre (PIAC), we work with people and communities who are marginalised and facing disadvantage.

The Centre tackles injustice and inequality through:

- legal advice and representation, specialising in test cases and strategic casework;
- research, analysis and policy development; and
- advocacy for systems change to deliver social justice.

Energy and Water Justice

Our Energy and Water Justice work improves regulation and policy so all people can access the sustainable, dependable and affordable energy and water they need. We ensure consumer protections improve equity and limit disadvantage and support communities to play a meaningful role in decision-making. We help to accelerate a transition away from fossil fuels that also improves outcomes for people. We work collaboratively with community and consumer groups across the country, and our work receives input from a community-based reference group whose members include:

- Affiliated Residential Park Residents Association NSW;
- Anglicare;
- Combined Pensioners and Superannuants Association of NSW;
- Energy and Water Ombudsman NSW;
- Ethnic Communities Council NSW;
- Financial Counsellors Association of NSW;
- NSW Council of Social Service;
- Physical Disability Council of NSW;
- St Vincent de Paul Society of NSW;
- Salvation Army;
- Tenants Union NSW; and
- The Sydney Alliance.

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Acronyms list

| Acronym | Full name |
|---------|---|
| ACOSS | Australian Council of Social Service |
| AEIC | Australian Energy Infrastructure Commissioner |
| EWCAP | Energy and Water Consumers' Advocacy Program |
| EWON | Energy and Water Ombudsman NSW |
| JEC | The Justice and Equity Centre |
| LTESA | Long-Term Energy Service Agreement |
| NCOSS | NSW Council of Social Service |
| RESB | Renewable Energy Sector Board |
| REZ | Renewable Energy Zone |

1. Introduction

The Justice and Equity Centre welcomes the opportunity to respond to the *NSW Parliamentary Inquiry into the impact of renewable energy zones on rural and regional communities and industries in NSW*.

Renewable Energy Zones (REZs) are critical to an orderly energy transition and to securing the future affordability and sustainability of energy for all NSW consumers. Through the Electricity Infrastructure Roadmap (the Roadmap), the NSW Government, EnergyCo, the Renewable Energy Sector Board (RESB) and other stakeholders have laid a strong foundation from which the energy transition can benefit NSW consumers, communities, workers and industries in both the short and long term. Processes such as this inquiry should be considered as opportunities to continue to optimise those benefits.

The people of NSW support the transition to renewable energy. A survey conducted in 2024 found that 70% of people living in REZs support clean energy projects on farmland in their local community and 73% of those with a connection to farming support clean energy projects on local farmland¹. Another survey of NSW consumers demonstrated that NSW households and businesses are willing to pay more for energy that provides benefits to NSW communities, industries and workers².

As with any upgrade and improvement of essential infrastructure, there have been challenges in the early phases of the Roadmap. The task for all stakeholders over the next 5-10 years will be to work together to address issues that arise and to ensure benefits to NSW consumers, communities, workers and industries are optimised. The NSW Government's ongoing priority must be to enable and oversee a fast and fair transition, that earns and maintains social licence both from the regional communities who host generation and transmission infrastructure and from the wider NSW community.

Through our Energy and Water Consumer Advocacy Program (EWCAP), the JEC are an expert advocate for equitable NSW household access to affordable and sustainable energy services. We also work to ensure the voice of NSW consumers and communities are able to directly influence and shape the energy system transition to best meet their needs and promote their interests. As part of this work the JEC is represented on a range of relevant energy business and government agency advisory bodies, including the Renewable Energy Sector Board and the Transgrid Advisory Committee.

Our submission draws on our experience and expertise in undertaking our role for NSW households and includes comment and feedback on:

- the importance of the NSW Net Zero Plan for the NSW economy;
- energy affordability in rural and regional NSW;
- the importance of robust community engagement;

¹ Farmers for Climate Action, 2024, [The quiet majority: Australians in renewable energy zones support the energy shift](#).

² NSW Renewable Energy Sector Board, 2022, [NSW Renewable Energy Sector Board's Plan](#), p.6

- benefits of the energy transition for NSW communities; and
- benefits of the energy transition for NSW industries.

2. NSW Net Zero Plan

NSW's Net Zero Plan and associated targets are fundamental elements of the action NSW must take to meet our international climate obligations and limit warming to 1.5 C degrees.

The coming decade is critical for the ambitious action required to meet this challenge while ensuring energy is affordable, and NSW homes and communities are healthy and resilient. The next 5-10 years must see huge investment in clean energy, prioritisation of energy efficiency, electrification of the energy system and economy, decarbonisation of industry and agriculture, and the rapid retreat of fossil fuels, with an urgent priority to halt new fossil fuel development.³

The Roadmap and the establishment of REZs are crucial vehicles for the achievement of the Net Zero Plan.

In their inaugural Annual Report published in November 2024, the Net Zero Commission (the Commission) identified that:

- “Unless action is accelerated, NSW may not reach net zero by 2050 and we will fail to meet our nearer term targets;
- Many of the foundational elements for NSW to commence the transition towards net zero are in place;
- The NSW Government's Net Zero Plan and Electricity Infrastructure Roadmap provide overarching frameworks for an array of policies and programs at the state level;
- Sustained progress towards achieving net zero requires not only the effective implementation of existing policies, but also the capacity to identify where these policies must be refined or improved.
- The electricity and energy sector remains central in the drive towards net zero, both in reducing its own emissions and enabling other sectors to decarbonise through electrification; and
- It is important that infrastructure projects are delivered on time. There are ongoing risks to the delivery of the Roadmap, particularly regarding transmission projects...A sustained focus on addressing barriers to implementation and streamlining processes is required to ensure critical electricity infrastructure is delivered as fast as possible.⁴”

These findings demonstrate the integral importance of REZs to the sustainability and prosperity of NSW's economy and community now and into the future. They also highlight the importance of

³ International Energy Agency, 2021, [Net Zero by 2050: A Roadmap for the Global Energy Sector](#)

⁴ NSW Net Zero Commission, 2024, [2024 Annual Report](#), pp.9-11

ongoing work to ensure the establishment of REZs is fast and fair, and that policies and actions are refined to earn and maintain strong community social licence.

When examining the energy and electricity sector, the Commission further identified that:

- “Within NSW, the electricity and energy sector remains the largest source of emissions, accounting for 40% of NSW net emissions in 2022;
- The rapid decarbonisation of the electricity and energy sector is critical to NSW achieving its emissions reductions targets. It is **the single greatest contributor to NSW emissions**, and electrification underpins many emissions reductions measures in transport, industry and buildings;
- Unless the pace of build of renewable generation is accelerated, **the Roadmap targets will not be achieved in 2030**;
- NSW needs to make greater use of existing transmission and distributed networks to connect new renewable generation. Continued expansion of the consumer energy resources also needs to be a priority;
- Only 17% of the Roadmap target capacity has been commissioned. With 5 years left to deliver the remainder, an additional 2GW will need to be commissioned each year. This is equivalent to the commissioned capacity over the past three years, highlighting the need for acceleration;
- All of NSW’s remaining coal generation capacity will likely need to be replaced in the next 10-15 years. The progressive reduction in output and closure of coal power generation is necessary for NSW to meet the state’s emission targets;
- Prolonged planning assessments, slow investment decisions by developers, and difficulties securing workforces and equipment have been identified as factors delaying the rollout of renewable generation and transmission; and
- A shortage of workforce capacity and failure to secure community support are key risks for delivery, especially in relation to large-scale transmission infrastructure.^{5”}

The JEC agrees with these findings, which align with our submissions to a range of related processes including the NSW Consumer Energy Strategy⁶, Opportunities for a Renewable Fuel

⁵ NSW Net Zero Commission, 2024, [2024 Annual Report](#), pp.17-23

⁶ Public Interest Advocacy Centre, 2024, [Submission to NSW DCCEE Household Energy Strategy Consultation Paper](#).

Industry in NSW⁷, AEIC Review of Community Engagement Practices⁸ and the Commonwealth Electricity and Energy Sector Decarbonisation Plan.⁹

The Commission's report demonstrates how crucial it is that NSW not only continues on its path to develop REZs, but accelerates their development. This in turn demonstrates how critical it is to ensure that rural and regional communities impacted by REZs are being genuinely engaged in the process and are experiencing direct benefits of hosting and enabling this infrastructure which is so critical for all of NSW.

3. Energy Affordability in rural and regional NSW

Current circumstances in the energy market see NSW consumers facing sustained high retail energy costs alongside wider cost of living pressures placing serious stress on NSW households. Rural and regional NSW households often experience these pressures more acutely than metro households as a result of other structural issues.

3.1 The broad picture of energy affordability for NSW households

JEC's Powerless research¹⁰ into debt and disconnection/restriction of energy and water services reveals that utility affordability issues are more prominent than at any time since we commenced this research series in 2004. The pressure on lower income households is increasingly severe, with affordability and debt issues expanding to impact higher income groups. Consumers experiencing or at risk of energy debt and disconnection are likely to be impacted by structural disadvantage including First Nations, women, young people, people with disabilities, people experiencing mental health issues, people experiencing family and domestic violence, people on low-incomes, and renters.

⁷ The Justice and Equity Centre, 2024, [Submission to NSW DCCEEW on Opportunities for a Renewable Fuel Industry in NSW Discussion Paper](#)

⁸ The Public Interest Advocacy Centre, 2023, [Submission to the AEIC Review of Community Engagement Practices](#)

⁹ The Public Interest Advocacy Centre, South Australia Council of Social Service and Tenants' Unions of NSW, 2024, [Submission to Commonwealth DCCEEW Electricity and Energy Sector Decarbonisation Plan Discussion Paper](#)

¹⁰ The Public Interest Advocacy Centre, 2024, [Powerless: Debt and Disconnection](#). Survey respondents only included households who were experiencing significant payment difficulty.

Our Powerless research consistently demonstrated that rural and regional NSW households¹¹ experienced the impacts of energy unaffordability at a higher rate than their metro counterparts:

| Payment difficulty indicator | Regional | Metro |
|---|----------|-------|
| Used money that they needed for something else essential to pay for their energy bill on time | 70% | 60% |
| Stopped a payment plan because they couldn't afford it | 29% | 21% |
| Deliberately cut back their usage of things they need to try and bring the costs of energy bills down | 85% | 70% |
| Used as little energy as they could, even if it impacted on their wellbeing | 70% | 56% |

Further to this, only 27% of regional respondents in the research were aware of EAPA vouchers¹² and only 18% were aware that energy providers are required by law to help with payment difficulty.

These findings show many households in rural and regional NSW are experiencing payment difficulty in energy and, due to lack of knowledge or access, are not receiving the support they require to afford the energy they need for their health, wellbeing and social and economic inclusion.

The impact of affordability issues on essentials which support health and wellbeing are also consistently evidenced in the NCOSS Annual Cost of Living in NSW Report 2024¹³, in the ACOSS Raise the Rate Survey 2024¹⁴ and in the ACOSS Summer Heat Survey 2024¹⁵. Complaints to EWON are up over 30% from last year, with most complaints being about high electricity bills¹⁶.

Increasingly, these critical affordability issues are driving people to resort to non-traditional credit products such as Buy Now Pay Later and payday loans to pay for utility bills, further increasing their costs and raising risks to household financial security¹⁷.

¹¹ Not all of this data has been published at the time of writing. Stakeholders are invited to contact the Justice and Equity Centre for further information or access to data if required.

¹² NSW DCCEEW, [Energy Accounts Payment Assistance](#)

¹³ NSW Council of Social Service (NCOSS), 2024, [Impossible choices: Decisions NSW communities shouldn't have to make](#)

¹⁴ ACOSS, 2024, [Raise the Rate Survey 2024](#)

¹⁵ ACOSS, 2024, [ACOSS Summer Heat Survey 2024](#)

¹⁶ Energy and Water Ombudsman, 2024, [EWON Insights Report: July to Sept 2024](#).

¹⁷ See: The Justice and Equity Centre, 2024, [Powerless: Debt and Disconnection](#), pp. 49-50 and NSW Council of Social Service (NCOSS), 2024, [Impossible choices: Decisions NSW communities shouldn't have to make](#), pp.46-49

3.2 REZs and regional energy affordability

REZs are the crucial foundation for a fast and fair transition to NSW's zero-carbon-ready economy and society. They are also critical for establishing long-term energy affordability and sustainability for all NSW consumers. However, the current affordability circumstances and *short-term* costs of transitioning the energy system are a relevant consideration in assessing ongoing measures to improve implementation of REZ's and the Net Zero Plan.

There is a timely opportunity to accelerate REZ implementation through ensuring benefits alleviate energy affordability concerns in both the short and long term, particularly in REZ host communities. In their final report, the inquiry committee could recommend the NSW government prioritise consideration of:

- targeted rebates or grants for home energy efficiency upgrades, electrification, electric vehicles, or home batteries. These measures could be general and/or prioritised for REZ hosting communities;
- targeted investment in community electric vehicle charging infrastructure or community batteries to facilitate local solar sharing schemes in REZ hosting communities;
- recovering the cost of environmental and efficiency schemes more equitably¹⁸; and
- recovering the upfront costs of large transmission investments and Renewable Energy Zone infrastructure more equitably¹⁹.

These reforms would materially alleviate energy affordability concerns generally, with opportunity to target regional and rural households, while demonstrating the benefits of the energy transition and supporting social licence in REZ host communities.

We note the Federal Government has recently directed ARENA to fund pilot projects on suburb-wide electrification²⁰. There is a clear opportunity for the NSW Government to work with ARENA to establish some of these trails in REZ hosting communities.

4. Community Engagement

Genuine community engagement and robust decision-making, meaningfully shaped by host communities, is crucial to the ongoing success and acceleration of the Roadmap.

The JEC undertakes two distinct roles in advocating for the interests of NSW households.

- An independent expert advocate for the interests of NSW households in equitable and dependable access to affordable, resilient and sustainable energy and water services. In this

¹⁸ Environmental scheme costs recovered from bills place a disproportionate burden on many low income households and others without scope to install their own solar or reduce their usage. Recovering these costs on budget or considering other ways to address inequities in cost recovery could improve fairness and affordability.

¹⁹ There is opportunity for further reforms to the cost recovery mechanisms for the Roadmap – including recovering costs via transmission instead of distribution connections, ensuring all transmission connected energy users contribute to cost recovery (on the basis all users benefit from them), and ensuring connecting generators contribution to REZ establishment costs remains fair.

²⁰ The Hon Chris Bowen MP, 2025, [Electrifying more homes to bring down bills for good](#).

role we engage with energy and water businesses, regulators, governments and their agencies and other community stakeholders in all processes influencing outcomes for NSW households.

- As an independent stakeholder shaping, observing and assessing direct NSW consumer and community engagement in processes which influence their energy and water outcomes. In this role, we seek to ensure engagement enables people and communities to ‘speak for themselves’ and provide the most meaningful expression of their own values, preferences and priorities on these issues. We concentrate on the process of engagement, the principles which underpin it, how it is structured and conducted, and how its results are translated and integrated through decision-making practices.

As part of this role, we shape, observe and assess engagement processes conducted by electricity and gas network service providers, NSW water businesses as well as relevant Commonwealth and NSW Government agencies. Our deep, long-term involvement in a range of consumer and community engagement processes has provided us with deep experience and a unique understanding of what robust, meaningful consumer and community engagement requires.

To date the community engagement undertaken as part of implementation of the Roadmap has generally not yet met good practice standards, and there is an opportunity to ensure it is consistently more robust, and better able to meet community expectations and address community concerns. Poor and inconsistent engagement, particularly that undertaken by TNSPs, is a key contributor to the current challenges in earning and maintaining social licence for the energy transition, including some parts of the Roadmap. Ensuring earlier, more robust and meaningful engagement with NSW communities, and guarding against engagement fatigue, is one of the best opportunities to improve outcomes through the NSW Net Zero Plan and the Roadmap.

The JEC has provided detailed submissions to two relevant processes on community engagement for renewable energy transmission and generation²¹. In particular, we recommend members of the committee review our submission to the *Australian Energy Infrastructure Commissioner’s Review of Community Engagement Practices*²², which we have included as an appendix to this submission. It provides greater detail on barriers to stronger community engagement alongside solutions to address those barriers.

We note the positive steps that decision-makers have taken towards ensuring rural and regional NSW communities have avenues through which to seek compliance and enforcement of certain aspects of the Roadmap. These include the establishment of the Australian Energy Infrastructure Commissioner and expansion of EWON’s remit to cover renewable energy infrastructure complaints. These represent a significant shift in approach and the resources available to

²¹ See: Public Interest Advocacy Centre, 2023, [Submission to the AEIC Review of Community Engagement Practices](#) and Public Interest Advocacy Centre, 2023, [Submission to the AEMC Enhancing Community Engagement in Transmission Building Draft Rule Determination](#).

²² Commonwealth DCCEEW, 2023, [Community Engagement Review](#)

communities compared to legacy processes available to communities hosting fossil fuel infrastructure. This shift represents commendable progress which should be built upon.

4.1 First Nations engagement

Through commissioning of general and region-specific First Nations Guidelines²³, EnergyCo and NSW DCCEEW have demonstrated a positive commitment to genuine and meaningful engagement with First Nations communities in the implementation of REZs. The challenge remains in ensuring these guidelines are consistently followed and implemented (in letter and intent) by all relevant stakeholders, including generation and transmission businesses.

We encourage the committee to review the more recently published *First Nations Clean Energy Strategy*²⁴ for opportunities to ensure the Roadmap best aligns with the principles, actions and outcomes detailed in that document.

5. Community Benefits

There is a timely opportunity to accelerate the accrual of benefits associated with the energy transition to REZ host communities. Benefits which alleviate affordability concerns in both the short and long term are particularly relevant in the current circumstances.

Outside of measures addressing affordability, stakeholders have highlighted a broad range of community benefits that should be actively considered. We note the work of the Community Power Agency and RE-Alliance as particularly worthy of further examination by this process. Both of these organisations have been working in and with host REZ communities in NSW to understand the benefits these communities most want to see from hosting generation, storage and transmission infrastructure for the good of all NSW energy consumers.

We recommend the committee review their submissions to this inquiry as well as the following reports to take advantage of the place-based knowledge and experience these organisations have accumulated:

- Community Power Agency, 2023, [Regional Benefit Sharing Discussion Paper](#)
- RE-Alliance, 2023, [Building Stronger Communities: How community benefit funds from renewable energy projects support local outcomes](#)
- RE-Alliance, 2021, [Community Benefits Handbook: How Regional Australian Can Prosper From the Clean Energy Boom](#)

²³ NSW DCCEEW, 2022, [First Nations Guidelines: Increasing income and employment opportunities from electricity infrastructure projects](#)

²⁴ Commonwealth DCCEEW, 2024, [The First Nations Clean Energy Strategy 2024-2030](#)

6. Supply Chains, Employment and Skills

Decarbonisation of NSW's energy sector also represents a massive opportunity to build domestic capacity, resilience, prosperity and employment during a period of substantial ongoing global economic disruption.

Through mechanisms including the eligibility criteria for LTESAs, the RESB and the NSW Electricity Infrastructure Jobs Advocate, the NSW Government has built strong foundations from which NSW industries and workers can benefit from the Roadmap and REZs. However, as with other aspects of the Roadmap, there have been challenges in implementation and there are opportunities for improvements would see these benefits better realised.

In the inaugural NSW RESB Plan²⁵, the Board detailed how NSW could achieve:

- \$520 million of net economic benefits from the minimum requirements for local content
- \$1.3 billion of net economic benefits from the stretch goals
- 13,400 job years created between 2020–2041 from the minimum requirements for local content.

The RESB commissioned research into “willingness to pay” that demonstrated households and businesses in NSW were willing to pay more for energy that was produced with local content, provided job opportunities for apprentices and trainees and provided participation opportunities for First Nations people.²⁶

We recommend the committee review the RESB Board reports²⁷, the reports of the Jobs Advocate²⁸ and NSW Government responses²⁹ to better understand the opportunities and challenges for NSW industries and workers in the energy transition.

7. Continued engagement

We welcome the opportunity to meet with the Committee, the Department and other stakeholders to discuss these issues in more depth.

²⁵ NSW Renewable Energy Sector Board, 2022, [NSW Renewable Energy Sector Board's Plan](#)

²⁶ Ibid, p.6

²⁷ NSW DCCEEW, 2025, [Entities Delivering the Roadmap: Renewable Energy Sector Board](#).

²⁸ NSW DCCEEW, 2025, [Entities Delivering the Roadmap: Electricity Infrastructure Jobs Advocate](#)

²⁹ See: NSW OECC, 2022, [Response to the Renewable Energy Sector Board's advice to the NSW Government to build the capacity and capability of the NSW renewable energy sector](#) and NSW Premier's Department, 2024, [NSW Government Response to Recommendations: Electricity Infrastructure Jobs Advocate's Second Report](#)

8. Appendix 1: Submission to the AEIC Review of Community Engagement Practices

Introduction

PIAC welcomes the opportunity to respond to the Australian Energy Infrastructure Commissioner's (AEIC) review of community engagement practices (the review).

Failure to acquire social licence from communities for energy generation, storage and transmission projects has the potential to substantially increase the cost and time associated with the transition. It is vitally important to get the regulatory settings right to ensure that local communities feel their perspectives and preferences are considered in, and impact, planning processes and decisions.

Currently, the work being done on improving social licence for transmission, generation and storage projects includes:

- The Australian Energy Market Commission's (AEMC) rule change on enhancing community engagement in transmission building, which aims to implement recommendations made in stage 2 of the Transmission Planning and Investment Review (TPIR);
- An update to the guideline from the Australian Energy Regulator (AER) to accompany this rule change;
- The First Nations Clean Energy Strategy being developed under the Transformation Partnerships; and
- The ongoing work of the Energy Charter.

There is consensus on the fact that social licence for energy projects outcomes have been poor. However, there is not a well-established or -accepted narrative on why this is. This makes coordination between these different interventions difficult.

We provide here our understanding of the main dynamics preventing effective acquisition of social licence for energy projects based on our experience and discussions with landholders, community and energy advocates, transmission network service providers (TNSP), distribution network service providers (DNSP), energy retailers, energy consumers and regulators.

In the second section, we outline the interventions needed to alleviate these impositions. These include a set of changes to the regulatory settings concerning the stakeholder engagement activities of network service providers (NSP) and the introduction of a new authority coordinating and championing the direction of benefits of the energy transition to regional communities.

In the third section we outline our list of criteria for effective stakeholder engagement. This functions to illuminate the aim of the regulatory recommendations in section two. It is also proposed as a foundation for the more rigorous minimum standard that NSPs must demonstrate

to have fulfilled in both the RIT-T and revenue determinations, which we recommend being introduced in section two.

What has prevented acquisition of social licence for transmission projects?

PIAC has observed that more effective and meaningful community and stakeholder engagement is currently impeded or disincentivised by the following dynamics:

1. TNSPs consider governments and the economic regulators, who impact their revenue streams, as the key stakeholders who determine and maintain their licence to operate. Communities impacted by transmission infrastructure, along with consumers, are stakeholders who are impacted by TNSPs actions, but who do not have clear channels to immediately influence investment decisions or revenue streams. As a result, they are understood by TNSPs as stakeholders who need to be informed and managed. They are not viewed as actors whose licence needs to be acquired to proceed with projects.
2. TNSPs do not have any incentive to go beyond the minimum standards needed to pass the requirements in the national electricity rules (NER) and the Australian Energy Regulator's (AER) cost benefit analysis (CBA) test guidelines. Assessment of their associated engagement is essentially binary, in that it can either be demonstrated to have occurred or not.
3. The planning process for large-scale transmission projects (particularly those related to the ISP), including REZs, locks in the substantive decisions impacting local stakeholders before engagement occurs. That is, the decisions that something will be built, what it is, and where it is, are largely determined before communities are involved. These decisions are also made between the NEM-wide planner and the TNSP, giving further weight to them. By the time local community engagement does occur, the stakeholders in this group start in a perceived position of disempowerment; the scope for substantive changes to projects are limited and those which are possible – such as route alterations – are often presented as costly to both the TNSP and the NEM as a whole. There are important differences between the planning bodies and operations in different states – NSW's EnergyCo has undertaken substantial consultation in its planning operations, for example. However, stakeholder engagement practices are not standardised across the NEM, even to the level of a coherent minimum standard.
4. The enforcement mechanism for TNSPs conducting baseline community engagement concludes with the regulatory investment test for transmission (RIT-T), except for separate (if related) processes related to environmental and planning approval. Best practice engagement would continue throughout the project, but there is no way to compel or incentivise TNSPs to do this. It is worth noting that current experience of significant community pushback through planning and environmental approval stages of projects is likely to be in part driven by the absence of meaningful ongoing community engagement through earlier stages.

5. Regional communities who host transmission lines (and other energy projects) do not believe that the benefits of these projects accrue to them. There are entrenched narratives that regions start from a position of disadvantage relative to urban communities, in terms of health and education outcomes and economic opportunities. The energy transition not only fails to redress this, it is believed, but actually embeds it further by imposing costs on regions and benefits on cities.
6. The promised benefits of cheap energy and increased job opportunities have failed to appear. As each month passes, the credibility of what is perceived as an elite and urban set of actors comprising regulators, policymakers, and private actors, such as TNSPs and DNSPs, erodes as the promised benefits fail to materialise.

This list primarily relates to transmission infrastructure and the regulatory structures governing it. Some of the dynamics are different or less pronounced when it comes to generation and storage projects, or to the roles of state- or NEM- planning agencies. We have focused the list on issues facing transmission projects in particular because the failure to acquire social licence for these stands as the most important threat to a smooth and swift transition.

To summarise the position: communities, often rightly, do not feel that they are included in decisions that affect them. They feel increasingly disempowered and mistrustful of the private and public actors governing the transition. The regulatory system takes an erroneous view that transmission companies will pursue best practice stakeholder engagement practices voluntarily out of their own interest.

What must be done to address these impediments?

Our understanding of this review is that it aims to take a high-level survey of the issue of social licence to operate in the energy sector. In keeping with this, our recommendations here are high-level and speak to the aims rather than the specific changes that we feel need to be made.

There are two broad areas of intervention required. The first is regulatory; the second relates to benefits accruing to host communities.

Regulatory changes

An intervention in the regulatory settings governing energy planning and project approval should aim to bring about a cultural change in TNSPs and to continue the positive trajectory of commitment to effective stakeholder engagement by DNSPs.

Community stakeholders and consumers must be reframed as stakeholders whose social licence must be acquired for projects to go ahead, rather than affected stakeholders who must be informed of decisions and who must be managed in order to allow business operations to proceed.

Networks are rightly expected to ensure their regulatory proposals reflect and are shaped by consumer preferences, and to demonstrate how they promote the long-term interests of their

consumers. Local communities affected by generation, transmission, and storage projects, and identified stakeholder groups within these, should be elevated to be included in this expectation also.

Network businesses' commitments to cultures of good engagement should be dynamic. There should be an expectation that an organisation's understanding of best practice will evolve and develop continually over time. Businesses need to commit to learning lessons from their experiences, identify and honestly address issues and weaknesses, and build on strengths. The alternative, which we see from the worst offenders, is an over-eagerness to self-congratulate on progress made, even as previous poor practice and outcomes are acknowledged.

Network businesses' commitments to cultures of good engagement should occur through all levels of the organisation. The commitment must be a top-down process entailing board and executive staff members pushing for good consumer engagement practices to be embedded in the day-to-day operation of a business. It should be expected that cultural change takes time and that the commitment to improve should be consistent and persistent.

In terms of how to effect these organisation-cultural changes, it is likely that enforcement and incentive settings will need to be changed. Up until now, it has largely been assumed that NSPs would see effective stakeholder engagement as being in their own self-interest as the necessary means to manage the threat of community opposition leading to costly project delays or disruptions. This has proved not to be a valid assumption.

It will be difficult to incentivise NSPs to pursue best practice without providing a positive inducement. This is problematic for two reasons. First, it pays an actor to do something it should already be doing, and so necessitates the payers – in this case energy consumers – paying for the privilege of avoiding a poor outcome. Second, the only path to ongoing effective stakeholder engagement is commitment to good engagement culture. Deep and lasting cultural change is unlikely to be effected if changes to practice are driven by external incentives, rather than internal commitments.

As positive incentives are not optimal and relying on network businesses' own self-interest to pursue better stakeholder engagement practices is insufficient, we are left with negative incentives. Our prescription is to set a mandatory minimum standard for NSPs' stakeholder engagement practices that is as high as possible. Expectations should not be expressed in terms of high-level principles, as the AEMC and AER have expressed a preference for, but rather in terms of tangible, practical, and measurable criteria. As a starting point for this high minimum standard, we provide our own criteria for effective stakeholder engagement below.

Benefits accruing to host communities

The narrative that regional communities start from a position of relative disadvantage and that this disadvantage is being compounded by the energy transition should be combatted with an aggressive program of benefits targeted to regional actors. Benefit programs should be designed in conjunction with the communities themselves, but should also start with an explicit aim of accelerating the accrual of the specific benefits associated with the energy transition to these communities.

On a consumption level, this could include rebates for electrification, electric vehicles, or home batteries; targeted infrastructure investment in things like electric vehicle charging stations or community batteries. It could include targeted measures aimed at enhancing regional energy resilience and preparedness for extreme weather events.

On an industrial level, the program could include skills and training programs, or public-private partnership investments in new industries replenishing demand for skilled workers as fossil fuel industries retreat.

Above the level of the actual benefits, a new coherent structure of authority for delivering and narrating these benefits should be defined. While different NEM governments offer many of these types of rebates and industry and skills policy ambitions, these are currently piecemeal, from the perspective of the regional community member. Some are delivered by governments and funded by taxpayers; some are delivered by TNSPs and DNSPs and funded by energy consumers. Inevitably, in a rollout without a governing authority, there are gaps and inconsistencies, and benefits are distributed on a seemingly arbitrary basis.

A new authority is needed to coordinate and champion the delivery of benefits from the energy transition to regional communities specifically.

9. Evaluation criteria for effective stakeholder engagement

We offer the following thirteen criteria as a starting point for defining a rigorous minimum standard prescribed above that NSPs would have to fulfil as part of their RITs and revenue determinations. They also serve to describe what we believe the aims of the regulatory settings relating to NSPs' stakeholder engagement should be.

| Criterion | Description |
|--|--|
| Genuine commitment to engagement process | NSPs have a top-down commitment to embedding good consumer engagement into business as usual business practice. |
| Willingness to compromise | NSPs are willing to compromise when they have a different view to consumers. |
| Open-mindedness | NSPs are open to new ideas and information presented by consumers. |
| Deliberative engagement | NSPs use deliberative engagement processes to reach negotiated outcomes with consumers. |
| Ongoing engagement | NSPs integrate consumer engagement into their business as usual work, rather than limiting it to the months before a regulatory proposal is submitted. |

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| Strategy-driven processes | NSPs design engagement programs that facilitate good consumer outcomes, not use 'process-driven strategies' to shape outcomes through a pre-determined engagement process. |
| Start talking early | NSPs begin engagement early enough to ensure that consumers can materially influence particular business decisions. |
| Flexible planning | NSPs adapt their plans as circumstances change. |
| Clarity of purpose | NSPs clearly articulate the purpose of consultation when they engage with consumers. |
| Fair and balance information | NSPs provide balanced information that does not lead consumers to a particular answer. |
| Providing the appropriate amount of information | NSPs provide the right amount of information to consumers, pitched at the right level; not so much that it is overwhelming, not so little that it is not useful. |
| Producing accessible communications | NSPs provide required information in a manner in which consumers can easily access it. |
| Effective inquiry | NSPs actively seek responses and do not just assume that no response means agreement. |
| Proactivity | NSPs are proactive in their consumer engagement. |
| Openness | NSPs are willing to share ideas and information without excessive confidentiality. |
| Information by request | NSPs provide the information requested of them by consumers. |
| Stakeholder identification | NSPs identify the consumers with whom they need to engage and share relevant information with them. |
| Consumers influence business planning | NSPs demonstrate that consumers have had input into the business planning process. |
| Consumers preferences are reflected in regulatory proposals. | NSPs demonstrate how revealed consumer priorities are reflected in their final regulatory proposals to the AER. In some ways, this the desired output of the criterion above. |