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Victorian Government
Department of Environment, Land, Water and Planning

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**VICTORIAN TRANSMISSION INVESTMENT FRAMEWORK PRELIMINARY DESIGN**

The Clean Energy Council (CEC) is the peak body for the clean energy industry in Australia. We represent over 1,000 of the leading businesses operating in renewable energy, energy storage and renewable hydrogen. We are committed to accelerating Australia’s clean energy transformation.

The CEC welcomes the opportunity to comment on the Victorian Transmission Investment Framework (VTIF) to the Department of Environment, Land, Water and Planning (DELWP, the Department).

We also welcome the Department’s commitment to achieving timely and efficient development of the Victorian Renewable Energy Zones (REZ), as evidenced by the range of policy reforms set out in the Options Paper, Preliminary Design Consultation Paper and Summary for Communities documents.

The CEC considers that the objectives of timeliness, regulatory simplicity and obtaining social license, are central to the success of a REZ. Timeliness comes with regulatory certainty – the simpler and more predictable a regulatory framework for REZ design, the easier it is for investors to make a decision to invest. This in turn speeds up the delivery of energy to customers. Obtaining social license is also critical to enabling this all to happen.

We therefore encourage the Department, throughout the policy development of the planning process, access framework and governance arrangements proposed under VTIF, to focus on these key objectives of regulatory simplicity, timeliness and social license.

The remainder of this submission provides further detail on how this may be achieved for each element of the proposed framework.

**Planning process**

The CEC commends the Department on the development of the seven-stage planning process. We look forward to working with the Department consider a number of elements require further work and/or reconsideration as to how they align with the principles of timeliness and regulatory simplicity. We encourage the Department to continue to consider how each stage of this process, namely the scenario modelling and identification, and Victorian Network Investment Test (VNIT), either meet this objective or could be further improved.

This should also address how duplication with existing processes may occur in the proposed framework, whether this can be minimised, and if not, clearly outline how the benefit outweighs the administrative and regulatory burden of the duplicative process.
We consider there is further opportunity to refine this framework through alignment with existing planning processes. This includes alignment with both top-down and bottom-up planning processes (e.g., the Integrated System Plan (ISP) and land use planning, respectively). Given VTIF will be taken as state policy within the ISP and subsequently as a modelling assumption, the inclusion of current local and land use planning arrangements would synergise local, state and whole-of-system planning.

VTIF has also indicated that the planning process would occur on a four-yearly basis, with annual reviews, over a 25-year planning horizon. We encourage the Department to consider the appropriateness of these timings and how they could better align with other processes, namely the ISP (noting its two-year cycle). The Department should also consider the need for backstop mechanisms should there be critical system need between reviews, noting a similar provision (Priority Transmission Infrastructure Projects (PTIP)) in New South Wales. This is discussed further below.

Additionally, the Department should consider how the scenario identification and modelling process proposed as Stage 1 can be streamlined and better utilise AEMO resources already put towards the development of the ISP. There would likely be economies of scale benefits in working with the existing ISP team, rather than the Victorian planner extending the work of the ISP as proposed. This also prompts further consideration around the governance arrangements of VTIF and split between the responsibilities between the relevant bodies and entities.

Similarly, the Department should apply learnings from the current Regulatory Investment Test (RIT) and associated issues explored in the AEMC’s Transmission Planning and Investment Review (TPIR) in developing its Victoria Network Investment Test (VNIT). While this is a critical step in ensuring projects are efficient in meeting the development pathway, the current national arrangements can significantly delay investment in transmission infrastructure. The Department should also consider the work completed by New South Wales in the development of the Transmission Efficiency Test as part of the NSW Electricity Infrastructure Roadmap.

The CEC commends the incorporation of community acceptance and early community engagement as a core component of VTIF. We strongly recommend that the Department extensively engages on this critical issue - obtaining this social license is critical to the speedy delivery of a REZ.

Overall, a refinement of the proposed planning process in line with the above discussion would adequately reflect the principles of timeliness and simplicity.

**Actionable projects**

We propose that identified priority projects should be expedited through the planning process. This will minimise delay in the delivery of key projects which have already been identified as critical, namely actionable projects identified in the ISP. The expedition of these projects could involve an expedited process that potentially bypasses parts of the VTIF, streamlining stages 1-3. This should still deliver key elements of VTIF (such as community engagement etc.) but enable projects which may otherwise be delivered later than is efficient.

This may be necessary given the lead time on developing the VTIF before implementation, time spent during the planning process, and construction time before delivery. We consider the
expedition of actionable projects may be necessary given the identified need for the delivery of a number of actionable projects such as HumeLink (by July 2026), Marinus Link (cable 1 by July 2029; cable 2 by July 2031) and VNI West (by July 2031).

This follows the work completed in New South Wales in the identification of Priority Transmission Infrastructure Projects (PTIP). While this mechanism is intended as a backstop solution to a potential breach of the NSW Energy Security Target (EST), we consider the expedited delivery that it enables is applicable in the Victorian context. We also note the potential for the National Electricity (Victoria) Act (NEVA) to provide similarly expedited delivery, though appreciate the certainty which would be provided should an expedited process be developed instead of the use of this Act. This is discussed further below.

**Access scheme**

The CEC commends the comprehensive backgrounding and analysis in the access Options Paper. The paper indicates that the objectives of the bespoke access arrangements are to:

1. Attract new renewable energy investment, reducing curtailment risk and increasing revenue uncertainty
2. Improve coordination between generation and network development, supporting community acceptance
3. Not introduce undue complexity and be feasible to implement

We would consider that any work completed towards the development of a bespoke access scheme must be clearly linked to all three of these objectives. This is consistent with minimising regulatory complexity to enhance the timeliness of REZ delivery, which we consider to be the key overarching objectives of REZ design.

We therefore encourage the Department to focus on simplicity and risk reduction (rather than full de-risking) in the development of any access scheme. While access schemes can help reduce the degree of investor risk, a full de-risking is neither possible nor desirable. Project developers remain the parties best able to assess and manage risk. A mechanism to fully de-risk investment would likely be highly complex and time consuming to design and could therefore actually increase the degree of regulatory risk faced by investors.

Access schemes should be designed around the principle of simplicity, with a view to reducing rather than eliminating investment risk. This can be done by increasing certainty, through provision of meaningful information to connecting parties. For example, a simplified ‘physical access rights’ model provides valuable information regarding the likely extent and timing of competing connections within the REZ. Developers can take that information and combine it with their own analysis of curtailment, MLF and congestion risk, to reduce uncertainty and determine the likely risk profile of investing in the REZ.

The Department should also consider how REZ design and general planning can help manage investment risk through complementary measures. For example, good planning for centralised provision of system strength and other system services (preferably utilising the national frameworks wherever possible) in the initial REZ design, can go a long way to providing investors with increased

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certainty regarding likely curtailment risk. It can also help minimise costs for connecting parties, by taking advantage of scale economies through centralised delivery of system services.

Similarly, good joint planning processes can assist in managing the risk that REZ connected generators will be curtailed due to connection outside of the REZ. Again, such processes are not a complete de-risking for investors; however, if executed properly they can provide useful information and a transparent process that can help reduce investment risk.

Finally, the Department should consider how other technical elements of REZ design can contribute markedly to investment risk. For example, connection processes are very relevant to investment risk; measures to speed up and coordinate connection in a REZ will be key to encouraging investment. These technical elements should be considered in tandem with the design of access rights, and the design of auction frameworks for their allocation, with recognition given to the fact that poorly designed technical frameworks can reduce the efficacy and attractiveness of access rights. Rather, these two elements of REZ design should be developed in tandem, with attention given to how they can effectively complement and reinforce each other.

It is important to remember not to let perfection be the enemy of the good. However, if the framework is overly complex, takes too long to implement, or imposes unnecessarily onerous technical obligations, it will simply dissuade investors from locating assets in a REZ in the first place.

**Other considerations**

Further work is needed to ensure that the governance arrangements and legislative implementation of the scheme contribute to the objectives of timeliness and simplicity. We acknowledge the preliminary nature of thinking on these topics and encourage the Department to further consult on potential pathways forward.

The current Victorian governance arrangements are complex. This involves a number of roles and functions being carried out by:

- AEMO in its role as market operator
- AEMO in its role as Victorian planner
- AEMO in its role within the connection process
- VicGrid as a division within DELWP
- Ausnet as the DTSO

Further complexity is overlayed in the planning and delivery processes, which involve:

- AEMO in delivering the ISP
- Proponents and EPCs

There must be a clear, transparent, well-planned and independent split between the responsibilities of the above bodies and entities. Failure to address this complexity in governance framework will impact projects. For example, this will reflect through the numerous counterparties required for connection agreements and associated complexity in the connection process. Further, poorly defined governance arrangements will result in adverse outcomes in handovers from the planning function to procurement function and then to the proponent. Probity must also be ensured in the framework. As such, further work should be completed around the existing and newly proposed responsibilities in order to identify where functions and/or entities should be brought together; this warrants a broader review to be completed as part of the development of VTIF.

The CEC again encourages the Department to consider the approach taken in NSW, with the installment of EnergyCo as the Infrastructure Planner. Any further work or review should consider the function and independence exemplified in this approach.
As discussed above, further work is also needed to explore the expedition of delivery of critical projects. While this was discussed in the form of a PTIP mechanism, the Department should consider alternative approaches to the expedited delivery. This may include the use of NEVA or alternative funding and/or contestability models. Regarding contestability, the Department should look to the current work being completed under the Transmission Planning and Investment Review (TPIR) and consider how the contestability threshold as well as the broader contestability framework (insofar as it applies to VTIF) contribute to the timely delivery of transmission infrastructure.

The CEC also encourages further detail on the legislative instruments underpinning this process. Namely, the intended use of NEVA within VTIF should be clarified. This clarification should outline how NEVA may be utilised to expedite delivery of actionable projects, or else how/if it will be used in the delivery of transmission infrastructure as currently proposed under the scheme. In doing so, the Department should outline how VTIF (or an expedited process as discussed above) may deliver the outcomes enabled by the Act, which may render it redundant.

Community engagement

The CEC supports the emphasis by the Victorian Government on early, inclusive and ongoing community engagement. REZs will result in increased development of some Victorian regions, and it is essential that host communities are provided with clear information from the early stages of planning about what this means, and how they will be involved in shaping the future of that development.

The Victorian Government has a critical role to play in establishing and communicating the overarching vision for the REZs in regional communities. It is essential that the Government invest heavily in community information and engagement programs, working with established community groups to build awareness of the rationale for these REZs, provide assurance that the infrastructure build will be planned and delivered in consultation with communities, and to communicate the Government’s commitments to maximising the economic, employment and quality of life benefits for communities, as a result of this landmark investment. We therefore welcome the Government’s move towards a more participatory process, to increase opportunities (and the visibility of these opportunities) to be involved in the planning process for Traditional Owners, stakeholders and local communities. We b

We note, however, that there is a risk of ‘consultation fatigue’ by the time renewable energy project proponents commence their own ongoing engagement to identify and respond to issues and to deliver local and regional benefits. We suggest that clear communication between the Government and project proponents is necessary to ensure that no unnecessary, duplicative consultation is being conducted. It also may be that there is potential for proponents to be connected by Government where they may be consulting similar communities.

We also seek to clarify whether there will be any Government guidance around how to engage with local communities in the REZ for renewable energy project proponents. We note that similar guidance is being developed in other states, such as Tasmania, and we recommend that if any similar guidance is being considered, that it be as consistent as is reasonably possible with other states. This is because many proponents are developing projects in multiple states, and it is confusing to have multiple, different guides dealing with the same principles. The CEC would therefore welcome a national approach to these engagement standards.

The CEC also welcomes the Strategic Land Use Assessment (SLUA) map as a helpful tool to identify candidate corridors for transmission and consider the land use values suggested by the Consultation Paper are appropriate. The CEC recommends that any potential or preferred corridor
should take into consideration the areas around the corridor as well, to ensure that there is appropriate land nearby and adjacent to the transmission on which to build renewable energy projects.

We also consider that the SLUA map would be a useful tool for generation project developers. However, the CEC suggests that a SLUA tool for generation projects could be improved or enhanced by including a clarification around the inclusion of different types of landscape characteristics.

We also support the Multi-Criteria Assessment as suggested by the Consultation Paper and the draft list of criteria is appropriate.

Benefit sharing

We support the Victorian Government’s promotion of the Community Engagement and Benefit Sharing in Renewable Energy Development in Victoria (CEBS Guide) for application in the development of REZs. Benefit sharing is an important and increasingly commonplace feature of renewable energy projects. We also consider it is appropriate to use the CEBS guide for transmission projects.

Any benefit sharing mechanisms should be flexible and responsive to ensure that benefits are maximised across various types of communities. Complementary - rather than competitive - programs between projects would further optimise the outcomes for communities. The Government might consider providing a coordination role with voluntary opt-in for renewable energy entities that would like to collaborate for synergistic community outcomes. This would allow some projects to provide innovative benefits sharing solutions that are tailored to the needs of the specific community while also providing an option for a larger, coordinated approach. Ruling out the former option would stymie progress in this area. We would be happy to discuss this in further detail.

Thank you for the opportunity to comment on the consultation paper. If you would like to discuss any of the issues raised in this submission, please contact Jordan Ferrari, Policy Officer, jferrari@cleanenergycouncil.org.au or Christiaan Zuur, Policy Director – Energy Transformation czuur@cleanenergycouncil.org.au.

Kind regards,

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