



25 March, 2024

Ensuring the expanded Capacity Investment Scheme delivers for host regions

We are writing to express our strong support for the Government to ensure the expanded Capacity Investment Scheme (CIS) is designed to encourage and incentivise good projects, doing good community engagement, with good environmental plans with good local content outcomes. We want to see Government funds being awarded to projects that are in a 'race to the top' of better practice renewables development.

As noted in the recent report and recommendations from the Australian Energy Infrastructure Commissioner "the [energy] transition cannot succeed without community participation and effective engagement over a long and sustained period of time." Ensuring community participation, effective engagement and strategic outcomes for the host regions are embedded in the scheme design and operation is critical. We know we need projects built fast to deliver 82% renewables by 2030. We must *also* ensure they are designed and delivered *fairly* with communities so that the momentum of the industry can be sustained.

Support from communities that host CIS projects is critical to the scheme's success, and the wider energy transition. To have a high likelihood of community support being in place, the CIS tender design needs stronger reference to social factors, stronger social assessment processes and clear criteria that select for projects with excellent social practice and impact. The scheme should also ensure ongoing evaluation to make sure that projects deliver the social outcomes they commit to when awarded CIS contracts. For example, going beyond the contractual requirement to deliver "Social Licence Commitments" (as outlined in the SA/VIC tender) and scheduling annual reporting of social value delivered from these commitments as well as community sentiment. We would like to see strong social criteria, such as best practice



community engagement, benefit sharing, local procurement and a focus on building social licence, core to the CIS tender process.

Supporting continued industry maturation and practice improvement with regard to community engagement and benefit sharing practices will support the Government in achieving a supportive social context for its ambitious renewable energy policy goals on time. Industry research has demonstrated the importance of strong social merit criteria for encouraging better practice community engagement and benefit outcomes¹. It is through merit criteria that seek out high quality and best practice projects that other states have been able to encourage positive trends in developer practice, which has resulted in an improvement in industry-wide practices of community engagement and benefit sharing. Ultimately, better social practice and outcomes builds social licence for projects and the sector. Such practice improvement is of fundamental importance to successfully delivering the quantum of projects required through the CIS.

In addition, industry experience shows that quality engagement and benefit sharing can save \$5 per MWh on the cost of generation for a project via smoother and faster planning processes, reduced project delays and fewer ongoing complaints and unforeseen compliance requirements². Rather than increasing the overall cost of projects, quality community engagement and benefit sharing that starts early in project development can actually save project costs over the life of the project – and can certainly contribute to an easier and smoother social context for generation and storage project development and policy implementation.

On reviewing the CIS Design Paper, it is clear to us that:

- Projects must be zero emissions to be considered for funding, which is welcomed.
- There is limited specificity regarding what projects must provide for assessment on social and community; local procurement and local employment merit criteria.
- The best practice standards for community engagement, as described in the public participation spectrum (the “ IAP2 spectrum”³), is not reflected in the language used to describe this critical element.

¹ Hicks, J., Lane, T., Wood, E., & Hall, N. (2018). [Enhancing Positive Social Outcomes from Wind Farm Development: Evaluating community engagement and benefit-sharing in Australia](#). Clean Energy Council.

²J Hicks & T Lane (2019) [A Guide to Benefit Sharing Options for Renewable Energy Projects](#), Clean Energy Council: Melbourne.

³See for example: [https://iap2canada.ca/Resources/Documents/0702-Foundations-Spectrum-MW-rev2%20\(1\).pdf](https://iap2canada.ca/Resources/Documents/0702-Foundations-Spectrum-MW-rev2%20(1).pdf)



- There is no reference point made on how to guide community engagement inclusions for CIS merit assessment and no discussion of the interaction with state guidelines.
- There is no connection, yet, made with the recent AEIC recommendations on community benefit sharing.

In our view, modifying elements in the CIS tender process can respond to the recommendations from the AEIC report which made it very clear that the social performance of every individual project is key. To ensure this occurs for CIS supported projects, the ability to assess the nuance of what creates strong social outcomes is essential. We urge the Government to adopt our recommendations to design for better community engagement, benefit sharing and incentivise better projects. This can be done in a way that ensures that leading state-based approaches are reflected in the assessment approach where they can be applied.

Our views are further expanded in a recent discussion paper [‘Incentivising best practice renewable energy development’](#).

Proposed specific changes to deliver a ‘race to the top’ in the CIS:

1. Modify the Design Framework Principles by including this edited principle first:
“Supporting our local communities and First Nations people: *Ensure communities are engaged in a meaningful and respectful way that enables productive input into project design and development.* Facilitate shared benefits to regional communities, support the industries that will drive our future economy and help First Nations people preserve their unique culture and heritage and remain on Country”.
2. Strengthen the CIS tender application process to align with leading state social criteria, including community engagement, benefit sharing, local procurement and building social licence.
3. Ensure the CIS assessment process places a strong priority on social criteria performance and involves a weighted assessment of the quality of a project’s performance against social criteria - rather than being a pass/fail or tick-box criteria. For example, the quality of engagement styles should be assessed not just the volume of consultation events.



4. Require an assessment of community engagement and benefit sharing undertaken to date as well as those planned for the future, involving an assessment of their appropriateness for the context and scale of the project, and including consideration of cumulative impacts on community (e.g. engagement fatigue).
5. Require that the application documentation includes:
 - a. A social impact assessment to have been completed and to demonstrate how knowledge of the social context has informed their approaches to community engagement and benefit sharing.
 - b. Community benefit sharing strategies that are consistent with best practice as outlined in the CEC “Guide to Benefit Sharing Options for Renewable Energy Projects”.
 - c. A community engagement plan to be presented outlining a variety of engagement methods used and planned to be used to foster understanding and social licence for the project, and to build relationships and trust in the project and proponent. The plan should indicate the methods used to notify the community and lead times given to attend engagement activities. The plan needs to demonstrate the outcomes of engagement done to date and evidence of responsiveness to community input. **(See Appendix A)**
 - d. Demonstration of engagement with relevant First Nations groups.
 - e. Demonstration of how community engagement has occurred to at least the “involve” level as per the IAP2 spectrum of public engagement, and ideally reference aspects of engagement that have occurred at the “collaborate” or “empower” levels of participation.
 - f. Demonstration of social licence strategies that include community participation in design, delivery and/ or governance e.g. in benefit sharing programs.
 - g. Demonstrate a commitment to and activities to actively enable local job creation (including apprenticeship/graduate opportunities) and local procurement.
6. With reference to the CIS tender process Stage B - Social Licence commitments should reference the benefit sharing approach with neighbours and the nearby community that host the project, as well as consideration of cumulative impacts and the approach to regional benefit sharing where appropriate. It is industry standard for benefit sharing to take place for solar and wind projects, and emerging for battery storage. The CIS design should reflect this best practice. In addition, Social Licence commitments need to



reference how benefit activities and engagement plans will be aligned. Achieving social licence is built on benefit sharing going hand in hand with quality community engagement, thereby aligning and achieving both procedural and distributional justice⁴.

7. Stage C of the assessment process should include the ability to make recommendations to successful projects for ways to improve the social performance of the project, if the assessment found certain aspects to be lacking.
8. Include a reference table and direct project proponents to the relevant guideline(s) applying to their project based on location and state.

Process and tender management recommendations

We understand that the Government has a tender process underway for SA and Victoria now and is planning to progress to national tenders every 6 months from ~May 2024. We would like to see the following in terms of process and tender management:

Use highest quality standards - We note that while there are challenges in assessing applications for projects in different states, it is incumbent on the Government to ensure that its design and assessment processes deliver for the communities hosting the projects as well. To meet this aim, we recommend the Government ensure that multi-state tenders are incentivised to the highest common denominator on social merit criteria and work with the states to ensure where existing frameworks are in place, there is no lowering of merit assessment for the CIS.

For example, a national multi-state round can reference state guidelines on community engagement (see list in the table below). Where states do not have these guidelines in place, the highest common denominator guideline should be the reference point.

Table: State and industry guidelines on community engagement, benefit sharing, local procurement and First Nations engagement

Reference guidelines	Jurisdiction	Focus
Community engagement & benefit sharing guide	Victoria	Community engagement, benefit sharing

⁴ Hicks, J., Lane, T., Wood, E., & Hall, N. (2018). [Enhancing Positive Social Outcomes from Wind Farm Development: Evaluating community engagement and benefit-sharing in Australia](#). Clean Energy Council.

(Draft) Guideline for community engagement, benefit sharing and local procurement	Tasmania	Community engagement, benefit sharing, local procurement
(Draft) benefit sharing guideline	NSW	Benefit sharing - solar and wind
A guide to benefit sharing options for renewable energy projects	Industry - Clean Energy Council	Benefit sharing
Leading principles - First Nations and renewable energy projects	Industry - Clean Energy Council	First Nations engagement
First Nations Guidelines: Central-West Orana	NSW	First Nations engagement, place-specific. Community expectations from electricity infrastructure development.
First Nations Guidelines – Electricity Infrastructure Roadmap	NSW	First Nations engagement, NSW general. Community expectations from electricity infrastructure development.

Follow up on commitments - It will also be important that the social licence commitments - in terms of future community engagement, benefit sharing, local jobs and local procurement - become part of the contract and that their implementation is evaluated over time. It is a key social risk for projects to over-promise on social outcomes but then under-deliver. We welcome the requirement in the CIS SA/VIC tender for contractual obligation of Social Licence commitments but recommend this is backed up by an annual reporting and evaluation process for social criteria over the development of the project to at least 5 years post operational commencement- and recourse for it if commitments are not met.

Tendering stage options - We support the 3-stage tendering process whereby Stage A criteria are also re-considered at Stage B, ensuring that Stage A criteria on community and First Nations engagement are considered alongside financial and technical aspects.

Incorporate Australian Energy Infrastructure Commissioner’s review - Respond to the call from the Australian Energy Infrastructure Commissioner to recognise that the energy transition cannot succeed without sustained investment in community engagement, centred on building good relationships. The expansion of the CIS and its subsequent tender design is a powerful



initiative that can enact the necessary changes outlined in the AEIC's review in a tangible and practical way.

Reference State/Industry guidelines - We strongly recommend the Government incorporate specific reference to appropriate industry and state guidelines, with the higher thresholds applying (see table above). In our view this would still align with the intent to allow jurisdictions the flexibility to create or modify local requirements to which the CIS would refer.

Disclose weighting - We recommend the Government add further clarity over how merit criteria is weighted and assessed to ensure that social criteria are given a strong priority in the process.

First Nations and Community Considerations

The CIS could be used to support and encourage community and First Nations contributions to achieving renewable energy targets. We suggest consideration of the following in CIS design:

Incentivising community and first nations ownership - We recommend adding a desirable or stretch goal merit criteria for shared ownership models including community and First Nations co-ownership, and exploring how that might be incentivised alongside other social and community engagement requirements. In the CIS consultation webinar reference was made to this for First Nations examples of success but incentivisation of co-ownership for the wider host communities also has many positive rich examples, especially in Europe.

Incentivising community energy initiatives - We suggest future rounds of the CIS may be able to carve-out a certain MW capacity for a specific tender that targets community energy projects, including First Nations projects. There are already over 220 community energy projects across Australia, ranging in scale from 110kW to 5MW. Many communities are motivated to participate directly in the energy transition, and they do an excellent job of bringing their communities along in the process. It would be extremely positive and beneficial for the CIS to support Australian communities pursuing their own renewable energy projects and to recognise the contribution they can make to national renewable energy targets in terms of winning 'hearts and minds', and in terms of new generation. Noting, however, that the scale and intensity of the application process will need to be adapted to suit these projects.



Thank you for the opportunity to provide feedback on this critical initiative in the shift to a zero carbon energy system. We would welcome the opportunity to provide additional information or guidance if appropriate.

Sincerely,

Dr. Jarra Hicks, Kim Mallee and Dr. Elianor Gerrard, Community Power Agency

Bridget Ryan, Policy & Industry Engagement Director RE-Alliance.



About us

Community Power Agency

Community Power Agency is an industry leader in understanding the social aspects of renewable energy development, and particularly the impact of different practices of community engagement, benefit sharing and local procurement on social outcomes and social licence.

We have worked with state governments (ACT, VIC, TAS) to design renewable energy guidelines, policies and auction processes that have successfully enhanced social support for renewable energy. This includes providing advice to the ACT government on the design and delivery of the Community Engagement and Benefit Sharing component of their Renewable Energy Auctions from 2014-2016, including chairing the assessment panel for social criteria. In 2017 CPA worked with the Victorian Government to author the [Community engagement & benefit sharing guide](#) for applicants to the Victorian Renewable Energy Target Auction and to advise on social criteria assessment. In 2022 CPA provided advice on the development of the criteria and assessment process for community engagement and benefit sharing in the NSW LTESA and REZ Access process. From 2020-ongoing CPA has worked with the Tasmanian Government to develop their [Guideline for community engagement, benefit sharing and local procurement](#), as well as advising on social aspects of their Renewable Energy Zone process.

RE-Alliance

[RE-Alliance](#) is working to secure an energy transformation that delivers long-term benefits and prosperity for regional and rural Australia. We do this by listening to the needs of communities most impacted by the transition, facilitating collaboration across the renewables industry to deliver social outcomes and advocating for meaningful engagement and benefits for regions.



APPENDIX A

Recommendations for the Application Process

To adequately assess community engagement and benefit sharing, we recommend that project proponents be required to include the following in their applications:

A Community Engagement Plan that:

1. Is not more than 40 pages long, AND
2. Includes the following content:
 - a. Basic project information: size, location, technology, project status, description of social context & any cumulative impact considerations
 - b. Purpose, principles & objectives of community engagement
 - c. Summary of engagement done to date, key outcomes, feedback received and how it has been addressed
 - d. Summary of social feasibility studies, including a summary of the Social Impact
 - e. Assessment and community & stakeholder identification
 - f. Planned methods & activities by project stage, the intended purpose, level of engagement (referencing the IAP2 spectrum of public participation) & target community / stakeholder segments
 - g. Outline project aspects for which community feedback / input is / has been sought
 - h. Benefit sharing plans (including quantum and governance)
 - i. Engagement associated with developing the benefit sharing strategy
 - j. Communications plans, channels & key messages
 - k. Evaluation process & timing, including success indicators
 - l. Contact person & details
 - m. Complaints management process

Responses to 4-5 key questions, such as:

1. Please describe how opportunities have been created for community input and feedback on project plans (e.g. including engagement and benefit sharing plans) at various strategies.
2. Please describe and provide evidence to show how you have been responsive to feedback from the local community and how this has influenced the project.
3. Please describe the engagement process with project neighbours and how you have sought to minimise potential negative impacts and increase positive impacts (benefits).

A social risk assessment or social impact assessment



Evidence of support in the local community, such as:

1. Letters of support
2. Evidence of partnerships with local business, organisations and/or local government
3. Outcomes of local surveys
4. Outcomes of evaluation processes that have included public participation
5. A summary of submissions to the Development Application
6. Evidence of support in the local media
7. Evidence of how local community concerns have been responded to and/or plans for how outstanding community concerns are going to be responded to.