

Feedback Submission

Re: Victorian Transmission Investment Framework - Draft REZ Community Benefits Plan - June 2024

Executive Summary

Community Power Agency thanks the Victorian Government for the opportunity to provide feedback on the Draft REZ Community Benefits Plan ('the Plan'). Whilst Australia's renewable energy industry has been maturing its benefit sharing practices over the past two decades, the introduction of multiple new energy infrastructure projects in shared geographic boundaries, such as in Renewable Energy Zones ('REZs'), has led to the need for strategic coordination.

We commend the Victorian Government for drafting the Plan as a tool for coordinating benefit sharing, and seeking community input in the design of a benefit sharing model.

We have reviewed the Plan in detail, and provide the following feedback for your consideration, which is elaborated on in subsequent sections:

1. We commend the Government for making clear that REZ Community Energy Funds are an addition to (rather than a substitute for) project-level benefit sharing arrangements (offered by individual project developers to project neighbours and local host communities).
2. We commend the clarity that REZ Community Energy Funds must not allocate funding toward projects that duplicate government services.
3. While we support the concept of REZ Community Energy Funds delivering energy-related benefits in communities, the scope of REZ Community Energy Funds should be applied over a much broader range of initiatives including, for example, areas of sustainability, biodiversity, arts, culture, health, and transport, and should be prioritised by the community to address place-based needs and aspirations.
4. In addition, to deliver high quality community energy projects that enable genuine community involvement and benefit, it will be necessary to support community groups to form and develop project ideas. This will require funding and support allocation, either through REZ Community Energy Funds or separately. The Government's previous Community Power Hub program was highly successful in this regard. We recommend reinstating such support for community energy projects. Without it, quality, nature and

quantity of community energy projects applying to REZ Community Energy Funds will be lacking¹.

5. Communities should be supported to identify their own vision for future vitality, allowing them to clearly articulate their needs and prioritise the allocation of funding accordingly.
6. Communities should be given greater agency over the decision-making process of REZ Community Energy Funds, in terms of how funding is allocated. Community Reference Groups should have decision-making power, as opposed to the mere power to make recommendations to inform Government decision-making.
7. First Peoples should be given the opportunity to co-design a governance structure for managing partnerships with Government, as well as co-designing the models of dedicated benefits for Traditional Owners.
8. Rather than being available to all Victorians, we recommend a focus for REZ Community Energy Funds on (i) the communities and regions that host and enable new energy infrastructure, and (ii) addressing issues of disadvantage across the state.

CPA Capability

Community Power Agency is a not-for-profit organisation that works with a range of stakeholders to facilitate a faster and fairer transition to clean energy. Our staff currently work across four different state REZ contexts: Queensland, New South Wales, Victoria and Tasmania. Community Power Agency has been working with the renewables sector for over a decade to build capacity and improve practice around social licence building, community engagement, benefit sharing, co-investment and co-ownership models.

We have authored industry guides for the Tasmanian, ACT and Victorian governments; along with other specialist publications for bodies such as the Clean Energy Council and the Institute of Sustainable Futures. Notably, we recently authored a [discussion paper](#) on Regional Benefit Sharing², focused on creating strategic impacts for regions that host multiple renewable energy projects.

¹ Community Power Agency has done extensive research into community energy projects in Australia and overseas. One of the significant challenges faced by projects is having access to funding to cover the pre-feasibility, feasibility and development application stages of a project. Once projects have development approval, they can raise funds for capital costs via a share offer to the community.

² Hicks, J & Mallee K (2023) *Regional Benefit Sharing - Creating strategic impacts for regions that host multiple renewable energy projects*, Community Power Agency, Sydney. Available at: <https://cpagency.org.au/wp-content/uploads/2023/10/Regional-benefit-sharing-paper-2023.pdf>.

Our feedback is structured according to the sections presented in the Draft REZ Community Benefits Plan.

Section A - Introduction

In outlining the benefits that the energy transition will deliver, more emphasis should be given to the potential to foster benefits from thoughtful development, such as through biodiversity enhancement, regional economic development, and coexistence with farming – as well as the health benefits of moving to cleaner fuel sources and addressing climate change.

Providing opportunities for co-design with First Peoples is a good step in developing dedicated benefits for Traditional Owners. We would also like to see a (separate) co-design process with the broader community in relation to community benefit allocation and governance.

Section B - Introducing the new REZ Community Benefits Plan

It is critical that the Plan sets the right goals for developing REZ Community Benefits, and greater clarity is needed across the four goals of the Plan:

- The first goal, to “*achieve better outcomes for communities hosting new renewable energy infrastructure*”, is too vague. It should clarify what is meant by ‘better outcomes’ and also commit to constant improvement.
- The second goal, to “*share benefits of the energy transition fairly with all Victorians*”, should commit to a fair distribution of benefits, with benefits flowing to regions that host (i.e. where technology is sited) and enable (e.g. where the workforce are housed, trained and serviced) renewable energy infrastructure. It should also include a commitment to using broader benefits to target disadvantage and inequality across Victoria. The benefits to all Victorians will come from a reliable, clean and affordable energy system, whereas the additional benefits possible from hosting infrastructure (i.e. the Community Energy Fund) should be directed to host communities and disadvantaged Victorians.
- The third goal, to “*deliver projects that make long-term positive contributions to host communities and are responsive to communities’ needs and priorities*”, should specify that such ‘contributions’ be allocated to meet community-defined needs and aspirations.
- The fourth goal, to “*identify opportunities for improving energy reliability, efficiency and affordability for host communities*”, should expressly indicate whether this has been identified as a community priority during consultation that has occurred so far. It is also

recommended that this point be broadened to *“identify opportunities for contributing to the strategic needs and aspirations as identified by REZ communities, including sustainability, biodiversity, arts, culture, health, and transport”*.

We also recommended that a fifth goal be included in the Plan, conveying an aim to foster positive long-term relationships between host communities, project proponents and other stakeholders. While this point is made elsewhere in Section B (i.e. under ‘1. *What is a community benefit?*’), given its importance, we would also like to see it reflected in the Plan as a goal.

Additionally, in outlining ‘1. *What is a community benefit?*’, the Plan should:

- Acknowledge that host (and surrounding) communities have a right to share in the benefits of monetising public resources of the sun, wind, water and sea.
- We commend the broad definition of community benefit currently presented as *“opportunities for sustained and inclusive social, economic or environmental improvements that are tailored to the needs of local communities.”* Hence, we offer our recommendation to expand the remit of REZ Community Energy Funds to apply more broadly than to local energy initiatives. As important as these local energy initiatives are, they are only one of many priorities in a local community.

In outlining ‘2. *What benefits are proposed?*’, the Plan should:

- Clarify what is meant by the statement that *“[t]hese payments are over and above existing compensation arrangements”*, particularly in terms of whether ‘existing compensation arrangements’ refer to landholder lease agreements or otherwise for transmission and/ or generation projects.
- Specify that REZ Community Energy Funds will fund projects that are most appropriate for communities across a broad spectrum of potential initiatives, without a required focus on improving energy outcomes where this is not appropriate for the community at hand. While we support a focus on improving energy outcomes for communities, we also see a role for REZ Community Energy Funds to contribute to other social, environmental and economic goals communities have.
- Commit to the co-design of benefits for the general community, in addition to the co-design of benefits for Traditional Owners.

In outlining ‘3. *When will these community benefits be available?*’, the Plan should:

- Consider the appropriateness of the timeline for financial contributions to be made by transmission companies and developers of new generation and storage projects, with a view

to balancing practicality against the need for benefits to flow to communities early in the project lifecycle.

In outlining '4. Existing arrangements and initiatives', the Plan should:

- Be commended for expressly recognising that the regional benefit sharing arrangements set out in this Plan are in addition to (rather than as a substitute for) existing compensation arrangements that project proponents enter into with project neighbours and immediate host communities. Benefit sharing undertaken by proponents at a project level is an essential aspect of building positive relationships with neighbours and local communities, so it is imperative that this is maintained.
- Specify whether the regional benefit sharing arrangements set out in this Plan are also in addition to payments in lieu of rates (PILOR) to Councils.
- Clarify that existing projects, for which REZ access rights are not necessary (as they have already commenced), will not need to contribute to REZ Community Energy Funds as outlined in this Plan.

Section C - Designing the REZ Community Benefits Plan with the community

In outlining '1. What we've heard so far', the Plan should:

- Clarify how the priorities of communities have been determined so far, and/or how they will be determined in consultation with communities through a coordinated co-design process going forward.
- Clarify the meaning of 'transformative energy projects' in the context of REZ Community Energy Funds, and the reason or source of 'transformative energy projects' as a focus or priority for these Funds. For example, specify whether 'transformative energy projects' refers to, or includes, community-owned energy projects such as mid-scale solar farms, solar gardens etc.
- Be commended for recognising that industry representatives support the role of regional benefit sharing arrangements (e.g. through the REZ Community Energy Funds) as an addition to (rather than as a substitute for) existing project-level benefit sharing arrangements, including contributions made directly to local communities (rather than into a centralised pool).
- Specify that "*a fund to support initiatives that deliver a direct energy benefit*" to host communities (e.g. by increasing the reliability and affordability of energy) would not replace industry obligations to deliver other (non-energy related) benefits to local host communities, or to limit the scope of benefits that should be delivered.

Section D - Community benefits – landholders

In outlining ‘1. Who will be eligible to receive landholder benefits?’, the Plan should:

- Clarify whether landholder benefits apply to land over which transmission lines are positioned, or merely land upon which stanchions are placed.

In outlining ‘2. Landholder benefits payment rates’, the Plan should:

- Reconsider the rule that “[f]or easement lengths of less than 1 km, to a minimum of 100 metres, payments will be at a pro-rata rate”, instead provide for a minimum length requirement of 50 metres, and where a stanchion is placed on the land, disregarding the minimum length requirement. This will enable benefit payments for smaller lot sizes which helps to increase equity outcomes in regional areas between neighbours.

In outlining ‘3. Application and payment process’, the Plan should:

- In the context of providing landholders with application information, specify the need for a concierge process to ensure accessibility for applying for the payments. Additionally ensure no ‘sunset date’ for future landholders to apply for the remaining period of the 25 years that they would have been eligible for payments.

Section E - Community benefits – regional communities

Community Power Agency is supportive of the model of collecting mandatory payments from generation, storage and transmission line projects for the purposes of sharing placed-based benefits with a host community. In the design of the terms of reference for REZ Community Energy Funds, careful consideration should be given to the following:

1. Some communities that are outside of a REZ may need to be eligible, based on the impacts they experience due to servicing a REZ and particularly during the construction phase.
2. The scope of initiatives should not be limited to energy-related activities. With the possible volume of funds that will be available, coupled over the life span of the program, there will be a risk of exhausting the pool of quality community energy projects due to the narrow scope of project eligibility. While we understand the focus on community energy issues and recognise these as highly valuable, we also believe the funds should be able to be directed toward a broader range of strategic benefits, as identified by the community.

3. Whilst it is commended that contributions to the REZ Community Energy Fund “*will be over and above any discretionary payments that energy infrastructure developers may make*”, it will be important to ensure this is the case, such as through the assessment of benefit sharing activities as part of REZ tender processes. It would be unfortunate for the leading benefit sharing practices that industry demonstrates in Victoria to be reduced by apportioning funds to the state coordinated program.
4. Councils should be funded to respond to the strategic planning and community engagement needs that are required to realise excellent community outcomes from REZ and the energy transition more broadly. Positive results are already emerging from NSW Councils who have been supported by EnergyCo to complete localised and tailored work on benefits sharing coordination, community visioning/planning, housing and economic development.

In outlining the new REZ Community Energy Funds model, the Plan should be commended for expressly stating that “*the funds will not replace activities funded through existing sources and programs.*” However, more detail should be provided to explain the way that REZ Community Energy Funds will provide ‘strategic coordination’ of benefit sharing funds for local communities, while allowing communities to identify, design and fund projects that meet local needs.

In outlining ‘2. *Who will contribute to the REZ Community Energy Funds?*’, the Plan should:

- Clarify the meaning of “*discretionary contributions by industry to local communities*”, by detailing what sort of benefit programs could exist in conjunction with contributions to REZ Community Energy Funds. We assume (and recommend) that this refers to project-level benefit sharing with close host communities and neighbours, which is in line with the standard contribution rates laid out in the Victorian Guide to Community Engagement and Benefit Sharing for Large-Scale Renewable Energy Development.
- Provide “[f]urther details on the expected timeframes and payment processes” for REZ Community Energy Funds prior to the release of the final plan later this year, to allow time for feedback from the public.
- Provide further case studies that illustrate benefit programs *beyond* energy-related benefit programs, demonstrating the broader scope of community benefit programs that can be funded through a coordinated REZ Community Energy Fund approach.

In outlining ‘3. *What types of projects will be eligible to apply for funding?*’, the Plan should:

- Allow funding allocation for staff and grants to support the development of community energy groups and project ideas. To ensure quality community energy projects are at a stage of readiness to apply for funding, they will need some support. This support could also

provide communities with advice on the kinds of projects that can be pursued to deliver community benefit and involvement. Community energy projects are not straightforward and there is a lot to learn for a new group. The Government's Community Power Hub program did an excellent job of supporting communities to pursue energy related projects. To truly deliver good community energy outcomes, we recommend that this program be reinstated with a long term funding allocation.

- Broaden the scope for types of projects eligible to apply for funding, and support/ enable communities to undertake their own planning (through an engagement and co-design process) to set self-identified priorities.

In outlining '4. *What types of projects will not be funded?*', the Plan should:

- Be commended for excluding projects that seek to fund "*part of local councils' core business.*" However, while these projects should not be used to replace or duplicate what is already the responsibility or 'core business' of (federal, state or local) government, the interpretation of what encompasses the 'core business' of government should not be applied so strictly as to prohibit communities from funding the projects they want/need, including those that could be best delivered in partnership with government.
- Emphasise the role that REZ Community Energy Funds may play in allowing funding to be pooled from various benefit fund-sources, to leverage bigger community development projects that achieve longer-term community wants/needs.
- Reconsider whether it is necessary to exclude projects that seek to fund "*ongoing operating costs or salary subsidies*", such as where those costs or salary subsidies contribute toward the employment of community development staff necessary for meaningful engagement with local communities, or the provision of services that the community has identified as necessary to address an unmet need (e.g. mental health, youth, refugee settlement, community grant writers, dental or medical care for disadvantaged/remote communities).

In outlining '5. *What types of organisations will be eligible?*', the Plan should:

- Specify whether the process of applying for funding from a REZ CEF is limited to grant programs, or extends to other programs such as partnership development, scholarships, networking etc.
- Explain why local businesses (but not individuals) are eligible to apply for funding from a REZ Community Energy Fund. How will this be monitored to ensure community outcomes are achieved?
- Include a requirement that eligible projects must all contribute toward a community or public benefit.

In requesting feedback on ‘5. How will funding decisions be made?’ for the proposed uses of the REZ CEF’s, the Plan should:

- Integrate existing community planning groups and existing community plans/visions into the development of any new Community Reference Groups (CRGs) and localised funding frameworks, to ensure alignment and avoid duplication.
- Articulate a process for ensuring that all community members are adequately represented on CRGs, and that CRGs do not become ineffective due to the magnitude of individual members or over-influence of industry representatives. This will require having clear targets for demographic and sectoral representation, as well as clear means for member nomination, selection and renewal.
- Membership of CRGs should include both elected and staff Council representatives.
- Clearly outline the role and weight of CRGs in influencing funding decisions. We recommend enabling local communities to make decisions, rather than overshadowing community voices in favour of state or regional decision making. The State should only play a review role (e.g. for risk and compliance).
- Outline a public process for creating and maintaining CRGs (including membership term length, publication of agenda and minutes, paid sitting fees etc.).
- Ensure that any “cross-government reference group” does not undermine or unnecessarily interfere with the empowerment of local community voices.

Section F - Community benefits – Traditional Owners

The Plan should be commended for committing to a “co-design process [that] aims to go beyond inclusion, to give First Peoples control over how the funds are spent.” However, further detail could be provided (e.g. about governance structure) to guide “[p]artnerships with Traditional Owners [that] will provide the basis for co-designing models of dedicated benefits for Traditional Owners” – or outline how this will be actioned.

The Plan should also clarify whether “[b]enefits for Traditional Owners [that] are expected to be funded by mandatory contributions from transmission, generation and storage companies” would be part of the mandatory contributions outlined elsewhere in the Plan, or separate/in addition to those other mandatory contributions.

Section G - Community benefits – significantly impacted neighbours

We recommend that this section of the Plan is clarified to refer to ‘significantly impacted neighbours’ of transmission developments only, and that there are existing industry norms that should be followed for generation and storage assets, as appropriate.

In outlining ‘1. *Who will be eligible to receive these benefits?*’, the Plan should:

- Consider expanding the eligibility of ‘significantly impacted neighbours’ to include those who are negatively impacted in other ways, rather than only stipulating visual amenity as part of the eligibility criteria.

In outlining ‘3. *Proposed payment rates*’, the Plan should:

- Outline how the proposed one-off payment (to be made by transmission companies) will interact with the Victorian planning process, whereby developers are required to mitigate direct impacts on visual or noise amenity already.

Conclusion:

We thank you for developing the Draft REZ Community Benefits Plan and providing the opportunity for feedback. We would welcome the opportunity to follow up and provide additional detail on any of the points made herein, if desired. We look forward to reviewing a revised version of the plan.

Regards,

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