13 October 2026

RE-Alliance and Community Power Agency submission: National Electricity Market Wholesale Market Settings Regulatory Reforms

Submitted to

NEM Review Team, Department of Climate Change Energy the Environment and Water, Australian Government

About RE-Alliance

RE-Alliance works to secure a responsible and rapid shift to renewable energy that strengthens regional Australia. We work with communities affected by renewable energy and grid projects, and collaborate with industry, government and civil society to improve community engagement and benefit sharing.

About Community Power Agency

Community Power Agency works with communities, government and industry to deliver beneficial outcomes from the renewable energy transition. For more than a decade, it has developed expertise in community engagement, benefit sharing, co-investment and co-ownership, workforce development and biodiversity outcomes, informed by direct experience in communities hosting renewable energy development. CPA has previously been engaged by various government departments to provide policy and regulatory advice on social criteria for the ACT reverse auctions, VRET and LTESAs, CIS and Tasmanian Code of Conduct.

Executive Summary

RE-Alliance and Community Power Agency welcome the opportunity to comment on the proposed reforms establishing the Electricity Services Entry Mechanism (ESEM).[1]

We support a mechanism that provides revenue certainty beyond the standard term of market contracts, enabling bankability and encouraging investment beyond the Capacity Investment Scheme.

However, important lessons have been learned from the deployment of market-based incentives such as the LTESA and Capacity Investment Scheme to date, showing that ESEM's success will also depend on its ability to incentivise proponents to build trust in the communities where they operate, alongside respect for First Nations rights and lasting regional benefits. **The current ESEM framework does not show sufficient recognition of community engagement and local benefits in shaping social licence and project delivery.**

[1] See the Department of Climate Change, Energy, the Environment and Water, *National Electricity Market Wholesale Market Settings Regulatory Reforms* https://consult.dcceew.gov.au/national-electricity-market-wholesale-market-settings-regulatory-reforms

As a government-led and consumer-funded investment mechanism, the Electricity Services Entry Mechanism (ESEM) must retain and strengthen the proven social merit architecture established under the CIS. Without embedding these standards into the ESEM, the energy sector will lose its only nationally consistent instrument for driving competition, continuous improvement, and accountability in community engagement and benefit sharing at the project level. Integrating robust, enforceable social performance practices into ESEM reverse auctions is essential to reduce compliance duplication, maintain investor and community certainty, and deliver the energy transition cost-efficiently and at pace.

Summary of Recommendations

To ensure the ESEM delivers concrete social value alongside timely, cost-effective project delivery, we recommend the following amendments to the proposed framework:

- **Embed robust, nationally consistent social merit criteria into the ESEM:** Amend **4AA.C.7** to expressly require proponents' capacity and commitment to meet national social standards, and amend the General Guidelines under **4AA.C.36** to specify mandatory evidentiary requirements.
    - *Preferred approach:* Carry the CIS competitive social merit assessment directly into the ESEM, rewarding stronger commitments across community engagement, benefit sharing, First Nations rights and participation, workforce standards, and environmental outcomes.
- **Allow jurisdictions to strengthen national social criteria:** Amend **4AA.C.7(a)(5)** and **4AA.C.9(d)** to establish national standards as a baseline floor. Participating jurisdictions must be permitted to supplement or strengthen national minimum conditions to reflect local expectations, but prevented from weakening or displacing them, supported by clear arrangements for resolving regulatory inconsistencies.
- **Make commitments contractually enforceable throughout project delivery:** Amend **4AA.C.18** (including **4AA.C.18(b)(5)**) and **4AA.C.36** to ensure bidding commitments translate into measurable, binding contractual obligations. Mirroring CIS Tender 3 precedents, contracts must include clear reporting milestones, lifecycle monitoring across construction and operation, and proportionate financial or contractual penalties for non-compliance.
- **Develop guidelines collaboratively with affected communities:** Establish a formally resourced working group under **4AA.C.36** comprising First Nations organisations, community representatives, unions, industry, and government to co-design practical merit criteria and standards prior to the commencement of procurement. Ensure the resulting guidelines enable flexible, community-designed benefit mechanisms, including regional benefit sharing, co-investment, and co-ownership.
- **Protect the climate and consumers from unverified fossil fuel procurement:** Strengthen **4AA.C.42** to ensure special-purpose procurement cannot bypass national minimum social conditions or support fossil fuel capacity where required system services can be met through a technology-neutral tender. Require applicants seeking fossil fuel-specific procurement to publish a rigorous public justification assessing clean alternatives, full lifecycle and upstream methane emissions, and consumer risk exposure (including fuel-price volatility, supply delays, and contract duration costs).

1. How developer conduct shapes social licence, project costs and public support

Globally and within Australia over the past 20 years, considerable guidance, policy reform and learning has taken place around ensuring renewable energy delivers local and regional social value. This evolution has yielded several critical lessons:

- **Community engagement and local benefits shape social licence for renewable energy** - Renewable energy projects can create localised non-market externalities (visual, spatial, and land-use impacts) while concentrating revenue among developers and host landholders. There is a robust evidence base showing that community support and opposition is influenced by perceptions of negative impacts versus benefits, and the perceived fairness of how these are distributed across a community.[2] Community support and opposition is also influenced by how fair people feel the development process has been, and whether or not they have had a genuine opportunity to provide input and feedback. These experiences heavily dictate trust in government transition pathways and energy market authorities, fuelling anti-renewables sentiment and regional discontent.[3]

- **Social licence shapes project development outcomes, cost and public support for the transition** - Local opposition to renewable energy influences project development duration, cost and probability of projects progressing to become operational.[4] A recent report from First Nations Clean Energy Network and Ernst and Young showed that proponents working meaningfully with local communities stand to gain from quicker development cycles, access to (and lower cost of) capital, offtake preference and improved terms, secondary market premium valuations, as well as local workforce & operational cost optimisation.[5]

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[2] Susskind et al. (2022). Sources of opposition to renewable energy projects in the United States, Energy Policy 165: 112922. https://doi.org/10.1016/j.enpol.2022.112922; Hicks, J. (2020). Generating conditions of strong social support for wind power: Insights from community-owned wind energy projects. *Australasian Journal of Environmental Management,* 27(2), 137–155.

[3] CSIRO (2024). Australian attitudes toward the energy transition – Part 2: Attitudes and perceptions of renewable energy infrastructure – Solar farms, onshore windfarms, offshore windfarms, and transmission infrastructure. https://doi.org/10.25919/g6cj-xv94

[4] Jarvis, S. (2024). The economic costs of NIMBYism: Evidence from renewable energy projects. Journal of the Association of Environmental and Resource Economists, 12(4), 983–1022. https://doi.org/10.1086/732801; Lawrence Berkeley National Laboratory (2024). Survey of Utility-scale wind and solar developers, Energy Markets and Policy, https://emp.lbl.gov/publications/survey-utility-scale-wind-and-solar

[5] First Nations Clean Energy Network & EY (2025). Investor benefits of First Nations participation in clean energy projects, October 2025, https://assets.nationbuilder.com/fncen/pages/10975/attachments/original/1760931221/Investor_Benefits_of_First_Nations_Participation_%281%29.pdf?1760931221

2. The role of CIS social merit criteria within the broader policy landscape

The lack of a national social performance framework has led to a fragmented patchwork of state and REZ - level policies governing community engagement and local benefits. In an effort to fill this gap, industry bodies have also developed voluntary frameworks (such as the Clean Energy Council's Best Practice Charter for Renewable Energy Projects and the Developer Rating Scheme).

This policy patchwork has had serious implications for developers:

- Developers are overwhelmed by competing unaligned requirements across state and national levels, describing the current policy landscape as a complex "minefield" that is difficult to navigate.
- Within existing frameworks, developers stress that prescriptive one-size-fits all mandates are not effective, and that flexibility is required to allow for aligning engagement and benefit sharing mechanisms to local needs and context.
- Finally, developers emphasise the importance of clear and robust measurement frameworks that can objectively capture both the quality of engagement processes and outcomes for local communities.

Since 2023, the Capacity Investment Scheme has stood out in terms of providing a nationally consistent framework for social conditions that has raised industry standards, driving a 'race to the top' to deliver genuine local social value.[6] For example, the CIS has created new opportunities for First Nations equity participation and revenue sharing in renewable energy and storage projects.[7]

By May 2026, The Australian Government had reported $1.1 billion in shared community benefits and $894.8 million in First Nations benefits committed by 65 successful projects from the CIS.[8] Tender assessment findings also demonstrate that stronger bids incorporated community input, tailored benefits to local priorities and provided credible delivery plans.[9]

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[6] FNCEN (2026). Building on Progress: Embedding First Nations Outcomes in the Electricity Services Entry Mechanism, July 2026, https://assets.nationbuilder.com/fncen/pages/14671/attachments/original/1784593978/Briefing_Paper_-_Embedding_First_Nations_Outcomes_in_the_Electricity_Services_Entry_Mechanism_-_Jul_2026.pdf?1784593978

[7] Berka, A., Lane T., Hodge, C. and Hicks, J. (2025). Power in Partnership: A guide to developing a community stake in renewable energy. Community Power Agency.

[8] Bowen, C., Wilson, J. and Sanderson, A.-J., 2026, 'Joint media release: Biggest electricity boost in West Australian history', 2 May. https://minister.dcceew.gov.au/bowen/media-releases/joint-media-release-biggest-electricity-boost-west-australian-history

[9] Department of Climate Change, Energy, the Environment and Water, 2025, Capacity Investment Scheme Tender 4 – National Electricity Market Generation: Market Briefing Note – Assessment summary, November, p. 4. https://asl.org.au/-/media/services/files/cis/cis-t4-nem/251120-cis-t4-nem-generation-assessment-summary-market-brief.pdf

The CIS is securing concrete commitments across wind, solar and battery projects that connect renewable energy investment with local priorities, providing a strong basis for carrying its social merit criteria into ESEM. A snapshot:

- In NSW, Lightsource bp's Sandy Creek solar farm estimates "The project will deliver a total of $54,900,000 in benefits over its project lifespan (35 years)..." having committed to offering eligible neighbours home energy systems worth $20,000 or $15,000 cash payments, with annual payments of $5,000 for eligible residences closest to the project.[10]
- In North Queensland, Windlab's Gawara Baya wind project includes a $200,000 annual community fund, with the company explicitly stating that CIS support enables it to expand local training, workforce development and supply-chain participation beyond what would otherwise be possible. "The CIS award gives Windlab additional assurance to progress procurement, contracting, and early construction, with a strong focus on local and regional participation. The project will create more than 300 peak construction jobs, with strong local content commitments built into major contracts."[11]
- AMPYR's engagement with the Wellington Aboriginal community as part of its CIS bid also led to an agreement giving community-controlled Wambal Bila an option to purchase a 5% stake in the Bulabul battery, with potential lifetime returns estimated at $20–30 million for community reinvestment[12] [13]

While many longer-term benefits remain to be delivered, these examples demonstrate how CIS-linked commitments support practical opportunities in education, household energy affordability, regional employment and community ownership.

Table 1 below provides an overview of current instruments and frameworks on community engagement and benefit sharing, in terms of whether the instrument provides national consistency, sets a minimum benchmark for performance, encourages competition and improvement on social performance, and allows for monitoring and enforcement of social performance.

In absence of the Capacity Investment Scheme, there would be no nationally consistent instrument and robust framework to drive competition and continuous improvement in community engagement and benefit sharing at project level.

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[10] Lightsource bp, *Sandy Creek Solar Farm – Social Licence Commitments*, p. 1. https://lightsourcebp.com/app/uploads/2025/08/Sandy-Creek-Social-licence-commitments-for-web-publication-FINAL2.pdf

[11] Windlab, 2025, *Gawara Baya selected for Capacity Investment Scheme*, https://www.gawarabaya.com/news/gawara-baya-selected-for-capacity-investment-scheme

[12] Berka, A., Lane T., Hodge, C. and Hicks, J. (2025). Power in Partnership: A guide to developing a community stake in renewable energy. Community Power Agency, Pp 85-86.

[13] First Nations Clean Energy Network, 'Bulabul Battery First Nations Equity Partnership'. https://www.firstnationscleanenergy.org.au/bulabul_battery_first_nations_equity_partnership

Table 1: Overview of policy instruments and frameworks that shape industry engagement and benefit sharing practices

	National Consistency	**Minimum benchmark**	**Competition on social performance**	**Monitoring and enforcement**
Capacity Investment Scheme	✓		✓	✓
LTESA			✓	✓
Community Engagement and Social Value Guidelines for renewable energy and transmission Projects (Victoria come into effect 2027)		✓	✓	✓
Proposed REZ Access Rights (New England)		✓		
Benefit-Sharing Guideline (New South Wales)		✓		
Code of Conduct (Tasmania and Queensland)		✓	✓	✓
Developer Rating Scheme	✓		(✓)	

3. Recommendations

As a government-led and consumer-funded investment support mechanism, the ESEM must demonstrate concrete benefits to the communities hosting renewable energy projects. At a time where social licence challenges are growing and pervasive, the energy sector needs a nationally consistent instrument and robust framework to drive competition and continuous improvement in community engagement and benefit sharing and to deliver projects cost-efficiently and at pace. Social performance practices should therefore be integral to

ESEM reverse auctions in order to ensure positive community engagement and local benefit outcomes, and timely, cost-effective project delivery.[14]

Specifically, we recommend the following changes to the proposed ESEM mechanism.

1. Embed robust nationally consistent social merit criteria into the ESEM

National requirements would provide consistency and certainty for communities and developers, reduce duplication and prevent projects with inadequate practices from undermining confidence in the transition.

The NEM Review Panel stated in their final report to Ministers that "Harmonising gateway criteria could be a means of reducing compliance costs and provide for a more efficient and effective outcome."[15] Built on government, industry, and community input, the CIS offers a proven framework that is now firmly integrated into developers' planning and delivery processes . Building on its effectiveness, institutional knowledge and industry experience would preserve progress, provide continuity and avoid the cost and complexity of developing new arrangements. The CIS provides a strong foundation for securing community and First Nations benefits through renewable energy investment, and the ESEM should build on this progress by retaining and strengthening these requirements.

We recommend amending **4AA.C.7**, particularly **4AA.C.7(b)**, to expressly require proponents' capacity and commitment to meet these standards, and amending the **General Guidelines under 4AA.C.36** to specify the detailed requirements and evidence needed. In order to ensure uptake, these conditions should be mandatory, rather than merely permitted.

There are two approaches to doing this:

1. Our preferred approach is to **carry the CIS's social merit assessment into the ESEM Guidelines**, **rewarding stronger commitments to community engagement and benefit sharing, First Nations rights and participation, workforce standards and environmental outcomes.** Competitive assessment encourages projects to deliver greater social value, and reflects the significant opportunity space and room for continuous improvement in practices.
2. If a merit-based approach is not adopted, we recommend **mandatory social conditions** as a fallback. Consistent requirements across participating jurisdictions would improve administrative efficiency, reduce duplication and complexity across states, and provide certainty for communities and developers. Jurisdictions should remain able to strengthen these requirements. The Rules should require minimum conditions covering meaningful community engagement and benefit sharing; First

[14] First Nations Clean Energy Network, 2025, *Submission NEM Review Draft Report Consultation* https://assets.nationbuilder.com/fncen/pages/10382/attachments/original/1758251918/Submission_-_First_Nations_Clean_Energy_Network_-_NEM_Review_Draft_Report_Consultation_%281%29.pdf

[15] Nelson, T., Conboy, P., Hancock, A., Hirschhorn, P., 2025, *National Electricity Market wholesale market settings review: Final Report*, Department of Climate Change, Energy, the Environment and Water, Canberra, December. https://www.energy.gov.au/sites/default/files/2025-12/national-electricity-market-wholesale-market-settings-review-final-report.pdf p. 204

Nations rights and participation; workforce standards; and environmental integrity, reflective of lower merit scores or eligibility criteria in the CIS tender process.

Example amendments to the proposed rule could include:

- 4AA.C.7 (a) (2) - the proposed project must satisfy the ESEM project criteria including social criteria; or,
- 4AA.C.36 (b) (6) - eligibility criteria for ESEM Proponents and ESEM projects including social criteria; or,
- add an extra clause between (6) and (7) in 4AA.C.36 (b) that states - social criteria for ESEM Proponents and ESEM projects eligibility to participate and bid assessment; or,
- 4AA.C.36 (b) (11) - the assessment methodology to be applied by the ESEM Administrator in assessing ESEM project bids including social criteria;

Additionally, an amendment to include a reference to social criteria in the National Electricity Law would be timely with the proposed changes being considered to enable the ESEM, to include a clause equivalent to that which exists in the QLD Electricity Act 1994, which expressly states under 180.2 (f) *"the social licence criteria prescribed by regulation are satisfied for the generating plant to be connected to a transmission grid or supply network under the authority."*

2. Allow jurisdictions to strengthen the national social criteria

National standards should provide a minimum level of protection, while giving jurisdictions the flexibility to require stronger outcomes. No jurisdiction should be able to weaken the national minimum.

We recommend amending **4AA.C.7(a)(5)** and **4AA.C.9(d)** to make clear that jurisdictional requirements can supplement or strengthen national minimum conditions, but cannot weaken or displace them. Projects should meet both sets of requirements, with clear arrangements for resolving inconsistencies without reducing protections.

3. Make commitments enforceable throughout project delivery

Commitments made by developers to secure ESEM support must be contractually enforced to ensure they translate into tangible outcomes for communities, First Nations people, workers, and the environment. . It is important that robust mechanisms are in place to monitor and enforce social commitments, ensuring proponents remain accountable throughout the entire project lifecycle. Without binding contractual milestones and financial penalties for non-compliance, commitments made during the bidding phase risk being abandoned during construction and operation.

We recommend amending **4AA.C.18**, including paragraph **(b)(5)**, and **4AA.C.36** to specify that relevant eligibility commitments become measurable obligations in ESEM-related contracts, and to specify reporting requirements alongside monitoring and proportionate consequences for non-compliance throughout development and operation, where relevant.

There is an established precedent. The CIS Tender 3 *First Nations and Social Licence Market Briefing Note* explains that projects with low merit against individual criteria may not progress, and successful proponents' commitments become contractually binding and subject to monitoring and enforcement. ESEM should build on this experience as it moves towards price-based auctions.[16]

4. Develop the guidelines with affected communities

To be robust and effective, merit criteria, scoring and weighting, or standards must be practical, clear and shaped by those affected. Communities and First Nations organisations should have the resources and opportunity to participate meaningfully, with requirements settled before procurement begins.

We recommend that the process under **4AA.C.36** includes a resourced working group involving First Nations organisations, community representatives, unions, industry and governments. Standards should be published before procurement begins and allow benefit mechanisms to be designed collaboratively with communities to reflect local priorities, including regional benefit sharing, co-investment and co-ownership.

The Rules should establish the obligations, the Guidelines should explain implementation, and contracts should secure delivery.

5. Protect the climate and consumers

As an instrument ultimately funded by consumers, ESEM should accelerate a reliable, affordable renewable electricity system consistent with Australia's climate commitments and a science-based pathway pursuing 1.5°C. Procurement should reduce emissions and avoid long-term fossil fuel dependence.

We recommend strengthening **4AA.C.42** to ensure special-purpose procurement cannot bypass national minimum social conditions or support fossil fuel capacity where the required services could be procured through a technology-neutral tender. Applicants should be required to publish justification for any fossil fuel-specific procurement demonstrating the public benefit and assessing clean alternatives, lifetime emissions including upstream

[16] DCCEEW (2024) Capacity Investment Scheme Tender 3: National Electricity Market – Dispatchable Capacity, https://asl.org.au/-/media/services/files/cis/cis-t3-nem/241113-cis-t3-first-nations-and-social-licence-market-briefing-note.pdf

methane, and additional costs and risks to consumers. This should include fuel-price exposure, potential construction and equipment supply delays, contract duration and who bears the costs.

Contact

RE- Alliance and Community Power Agency welcome further engagement on practical standards that deliver investment certainty, a safer climate and lasting benefits for communities. We can also assist in providing advice in the drafting of social criteria wording for the NEL, NER or ESEM guidelines as we have previously done with department teams.

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