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Community Power Agency
Cooperative Limited

www.cpagency.org.au

NSW Department of Planning, Industry and Environment
Renewable Energy Zones – Access Scheme

Via email: rez@planning.nsw.gov.au

CWO REZ Access Scheme Issues Paper

To whom it may concern,

Thank you for the opportunity to provide feedback on the Central-West Orana Renewable Energy Zone Access Scheme Issues paper.

We would like to congratulate the Government on their ambitious and progressive renewable energy strategy and the strong commitment to a fast energy transition making New South Wales a leader in the renewable energy space.

The [Community Power Agency](http://www.cpagency.org.au) is a not-for-profit organisation that works to ensure communities are engaged in and benefiting from the transition to renewable energy. Established in 2011, Community Power Agency provides expert advice to community organisations, industry and government. We seek to build strong support for renewable energy and foster the development of community energy. We have supported more than 50 community energy groups to develop and deliver their own clean energy goals.

Community Power Agency commends the general emphasis on social license, community engagement and partnership to achieve a smooth roll-out of all the REZs and look forward to seeing the ways that this commitment is implemented. We strongly believe that putting people at the centre of the energy transition will ensure that everyone can participate and benefit, and that this is paramount for the success of the entire Electricity Infrastructure Roadmap. Numerous academic and industry studies have shown that building strong community participation and benefit is central achieving a strong social license for renewable energy.

We are providing specific feedback on the following sections and questions from the issues paper, as well as some general comments at the end of this document:

In response to: Current arrangements to co-ordinate between generation, storage and network investment proposed the NSW Government to run a process to allocate access rights to the new network infrastructure in the REZ to help ensure that infrastructure in the REZ minimises impacts on local communities (p.6).

- We would encourage the Government to extend thinking beyond minimising negative impacts on local communities, to use this strategic planning opportunity to identify the potential to maximise the positive impacts. This is addressed further below.

In relation to: The implementation of each of the proposed access scheme models will involve a process to allocate access rights. This will allow projects to be assessed on their merits, including

social impacts and local economic benefits, and optimisation of the technology mix in the REZ to support the efficient utilisation of the REZ Shared Network (p.9).

- We fully support the commitment that access rights should take social criteria into consideration. Only companies and projects that can prove strong community engagement and benefit sharing should be allocated access rights.
- Social criteria need to include: the quality of community engagement done to date and planned for the future; the level of community support for the project; the expected community benefits from the project; and the extent of local development, procurement, jobs and training.
- Implementing a process to ensure that only projects with strong social practices are awarded access rights will help to guarantee the overall success of the REZ through the delivery of social benefit and through the contribution to a strong social license to operate.
- We have been involved in establishing criteria and assessing such complimentary requirements in other jurisdictions. Experience in the ACT, Victoria and with private Power Purchase Agreements is that these complimentary requirements are having significant impacts on developer practices. Actively encouraging and rewarding better quality community engagement and benefit sharing is having profound flow-on impacts on social license for individual projects and the industry at large. As such these mechanisms are having a positive impact on industry practice and generating the social conditions required for a rapid, effective and well-supported transition to renewable energy.

Question 2. What, if any, additional benefits should the CWO REZ Access Scheme deliver to provide value to connecting generation and storage projects?

The Access Scheme also needs to help deliver social license and local benefits. Local benefits need to include how specific renewable energy projects plan to share benefits with the local neighbourhood and region, as well as how local households, businesses and community groups are enabled/supported to participate in (and benefit from) the REZ (e.g. through their own installations).

Question 3: Do you agree with the proposed evaluation criteria? What, if any, additional criteria should be considered?

The evaluation criteria needs to include social criteria to ensure that process that gain access rights are also contributing to building and maintaining a strong social license to operate with in the REZ. Social criteria need to include: the quality of community engagement done to date and planned for the future; the level of community support for the project; the expected community benefits from the project; and the extent of local development, procurement, jobs and training.

Question 32. How should the potential impact of changes in distribution load and embedded generation on the CWO REZ hosting/export capacity be incorporated into the CWO REZ Access Scheme design and implementation?

- REZ implementation plans need to account for the local communities of each REZ to participate in the uptake of renewable energy.
- Future planning for the interactions between the distribution and transmission networks need to allow for communities to reach their energy ambitions, including increased local uptake of renewable energy generation, installation of batteries, increased smart grid capability as well as the growing interest in becoming zero-net energy communities and establishing virtual power plants, microgrids and other forms of embedded networks.
- Local households, businesses and community groups (including community energy projects) in the REZ will be spurred to participate in the opportunity of the REZ. It is highly likely that the REZ will be interpreted by these local proponents as an opportunity for them to also participate and benefit in renewable energy development.

- **If the REZ only caters for large companies developing large projects, and does not support the energy ambitions of smaller local proponents, this could lead to serious social license issues and outrage.**
- The REZ planning process needs to address how small projects will be better enabled to connect to the distribution network as a result of REZ work at BSP and transmission levels.
- Local proponents (households, businesses, community groups) wishing to install renewable energy need to be supported to do so in a way that gets best local outcomes for the community and the network. For example, the REZ could help establish clear and easy pathways for local proponents to work with DNSPs to make enquiries, do required studies and connect projects. At present, the cost, difficulty and long timelines associated with this process are prohibitive for many local proponents. A reformed process could support community proponents to access fast and cost-appropriate modelling and collaborative problem solving regarding best locations and scales for projects, and the opportunities for pairing generation with batteries, inverters and other hardware or software to increase the ability to connect to the distribution network.
- Enabling local participation in renewable energy will increase social license for the REZ. Restricting, or making it difficult, will spark anger, frustration and feelings of unfairness.
- REZ process should explore ways to free up space in the distribution network to free up space for community access.

Question 33. Should non-scheduled generation and exempt generators be required to hold access rights under the CWO REZ Access Scheme, and/or should the total capacity of non-scheduled generation or generation from exempt generators permitted to connect be capped? Is there an alternative approach to the treatment of non-scheduled generation or generation from exempt generators which should be considered?

- Local businesses, households and communities installing renewable energy not be capped - they need to be able to participate and benefit to the maximum degree otherwise they are sure to be enraged. Can you imagine being a local community member who is putting up with high density renewable energy development in your region, which you aren't particularly happy about, and you decide to also get on board and install renewable energy - and then you aren't allowed because apparently the network is already full and you can't even install a measly little 100kW system for your business? It would feel outrageous. It is a guaranteed way to get everyone offside at a local level. To avoid this, planning needs to take into account the ability for a generous/ unlimited amount of household, business and community energy projects to connect into the distribution network as non-scheduled generation.
- REZ planning and implementation needs to consider a range of strategies for managing overload of distribution lines to avoid capping or curtailing local proponents (households, businesses, community projects). This could include a range of strategies such as batteries, local smart grid activation, shifting larger connections from distribution to transmission lines, etc. We also recommend exploring options to set up pumped hydro or hydrogen generation or batteries to use excess generation rather than cap or curtail this excess renewable energy - or set up local industry that has high energy inputs but can easily ramp up and down when there is an excess of cheap electricity (e.g. synthetic diesel).
- There may be some ways to plan for local community-owned renewable energy generation capacity connecting in to distribution networks through a carve-out for community energy within the REZ or RET. See ideas below for a community energy target and feed-in-tariff.

General recommendations for the NSW Government:

Community involvement: ownership & investment

Community members hearing about the REZs are likely to assume that the establishment of a renewable energy zone will mean more reliable local electricity supply, cheaper electricity, the ability for them to more easily install/ access renewable energy, etc.. These expectations will need to be managed and met in order to build and maintain a social license to operate.

At present the CWO REZ specifically supports large-scale renewable energy developments. We recommend expanding the remit to include how the REZ can support small-scale local renewable energy development, as mentioned above and elaborated below.

We would like to see increased attention to and support for community owned renewable energy projects. Such projects take many possible forms, but all include local communities in the development, ownership or management of renewable energy projects, thereby delivering a range of local benefits including financial, social, environmental, technical and political benefits.

Community energy projects may be small in terms MW of installed capacity, yet they offer significant contribution in terms of bringing the community along and delivering local benefit. Community energy projects operate at a scale and in such a way as to actively involve people and build their understanding of, support for and connection with renewable energy. This social license can then transfer to other projects, creating the conditions required for effective and rapid uptake of renewables.

➤ Establish a Community Energy Target & FiT

We recommend being more specific on how communities can participate and benefit from the REZ. We recommend establishing a carve-out of the CWO REZ for community energy of up to 100MW and establishing a Feed-in-Tariff (FiT) for mid-scale community energy projects of 6-7c above wholesale/PPA rates for 15 years. The proposed criteria for the community energy FiT is:

- community-led project or community/developer partnership
- local shareholding inclusive of community investment (minimum 20%), including council, water authority, etc (> 50% total)
- project scale > 1MW - 10MW
- local control and decision-making power related to the project
- local distribution of the social and economic benefits generated through the project.
- project is appropriately scaled to the local environment and/or community
- project harnesses the skills and capital of the local community

➤ Encourage Community-Developer Partnerships

Partnerships between local communities and renewable energy developers can ensure that large-scale projects address the community needs and concerns, and include benefit sharing opportunities. Such partnerships include opportunities for community co-own or invest into large renewable energy projects being developed in the local area. Community-developer partnerships leverage the best of both worlds while creating benefits for the community and the environment. For example, CWP Renewables and Partners Group has enabled community investment into their 270 MW Sapphire Wind Farm in the New England region of NSW. They offered community members a minimum investment of \$1,250 and a maximum investment of \$200,000. The minimum aggregate investment is \$3,500,000, and a cap of \$10,000,000 for the total aggregate investment. The large-scale project provides clean energy to power around 115,000 homes and displaces 700,000 tonnes of CO₂ each year. Investors receive a return of 6-10% per year. National and international studies confirm that community-developer partnerships support the

creation of social licence of large-scale renewable projects and facilitate fast and fair transitions processes.

➤ Establish a Community Power Hub in each REZ

Set up one Community Power Hub in each REZ to build community capacity and facilitate the establishment of community owned and co-owned energy projects. For example, see the [Community Power Hubs program](#) established in VIC, as advocated by us. This program was highly successful in generating community benefit and leveraging government investment, as well as increasing local social license for renewable energy.

Community engagement

We agree that quality community engagement will be essential to achieving the Framework. We recommend encouraging best practice via Guides, workshops, training programs and peer-to-peer learning opportunities. To date, developers have not been very good at sharing what is working and not working. They need encouragement to do this.

Local procurement, jobs and training

Local procurement and jobs are a key opportunities for renewable energy development to increase local benefits in communities. Such local benefits are not a given, as contracts are often fulfilled by external EPC contractors and FIFO workers. Government can play a role in encouraging local procurement, local industry preparedness and workforce preparedness in order to realise these regional development benefits. We encourage explicit attention to these aspects in the design of the access mechanism and the delivery of the REZs.

Renewable Energy Zones Implementation

We believe the REZs will benefit from community engagement, community awareness raising and industry preparedness at the REZ level. Such activities will help to deliver regional benefit, as well as facilitating harmonious development of the REZ and the projects therein. This could involve school programs, community events and celebrations, information stalls, information boards, competitions etc. to increase the general level of awareness and support for renewable energy. Industry preparedness would include efforts to inform and prepare local industries to take up the opportunities associated with renewable energy development, as well as establishing training and education programs. Both these will help increase the realisation of local renewable energy jobs.

Benefit Sharing



If, in implementing the Framework, the Government is seeking to regulate aspects of benefit sharing, we recommend setting expectations around:

- minimum contribution per installed megawatt, variable as appropriate to the technology, and
- local involvement (and ideally local control) in the governance and decision making of the funds.

However, we recommend allowing for and encouraging flexibility in how funds are spent (e.g. do not require a community grants program). This will allow funds to be allocated to local needs and will allow benefit sharing strategies to be tailored to local context, thereby creating greatest local impact. Importantly, it will also ensure local involvement and a level of local empowerment as a result of renewable energy development. Local involvement of this nature has been shown to be powerful in increasing local support for renewable energy projects.

Where there are a number of projects within one geographic area (as is intended with the REZs), we recommend the government require the establishment regional coordination of community benefit funds. This could be as simple as streamlining application and approval processes, so as to reduce confusion, duplication and wasted effort of community volunteers. Alternatively, it could involve the community benefit funding from several renewable energy projects being pooled into one regional fund that is independently governed (e.g. by a purpose built or existing regional foundation).

It is essential that benefit sharing is offered alongside quality community engagement, or it will risk being seen as an effort to buy support. Essential to this is to start socialising the idea of benefit sharing early, and to include the community in the design of the benefit sharing strategy. It is also essential that benefit sharing starts before the disrupting impacts of the development are felt (i.e. starts before construction).

If you would like to receive more detailed information about our suggestions and feedback, please get in touch  or . We are also available to provide detailed program design advice and implementation support.

Kind regards,

Kristy Walters and Jarra Hicks

For further information please also refer to the following documents and links:

Community Power Agency Website: www.cpagency.org.au

Lane and Hicks (2019) A Guide to Benefit Sharing Options for Renewable Energy Projects. Link: <https://assets.cleanenergycouncil.org.au/documents/advocacy-initiatives/community-engagement/guide-to-benefit-sharing-options-for-renewable-energy-projects.pdf>

Hicks, J., Lane, T., Wood, E., Hall, N., Webb, A. and Mey, F. (2018). Enhancing Social Outcomes from Wind Development in Australia: Evaluating Community Engagement and Benefit Sharing. Clean Energy Council, Melbourne. Link: <https://www.cleanenergycouncil.org.au/advocacy-initiatives/community-engagement/enhancing-positive-social-outcomes>

Lane, T. and Hicks, J. (2017). Community Engagement and Benefit Sharing in Renewable Energy Development: A Guide for Applicants to the Victorian Renewable Energy Target Auction. Link: https://www.energy.vic.gov.au/data/assets/pdf_file/0027/91377/Community-Engagement-and-Benefit-Sharing-in-Renewable-Energy-Development.pdf

Department of Environment, Land, Water and Planning, Victorian Government, Melbourne. Lane, T. and Hicks, J. (2014). Best Practice Community Engagement in Wind Development. ACT Government Environment and Planning Directorate, Canberra.

Lane T., Hicks j., Memery C. and Thompson B. (2015) Guide to Community-Owned Renewable Energy for Victorians. Melbourne. Link: https://www.energy.vic.gov.au/data/assets/pdf_file/0030/57945/Community-Energy-Projects-Guidelines-Booklet-A4-WEBSITE.pdf

