

**Submission
No 36**

**INQUIRY INTO IMPACT OF RENEWABLE ENERGY
ZONES (REZ) ON RURAL AND REGIONAL
COMMUNITIES AND INDUSTRIES IN NEW SOUTH
WALES**

Organisation: Ausgrid
Date Received: 31 January 2025

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The Hon. Mark Banasiak MLC
Chair
NSW Legislative Council Portfolio Committee No.4 – Regional NSW
Cc: portfoliocommittee4@parliament.nsw.gov.au

Dear Mr Banasiak MLC and Committee Members

Re: Ausgrid submission to Inquiry into the Impact of REZs on Rural and Regional Communities and Industries in NSW

Ausgrid welcomes the opportunity to provide a submission to the Committee's Inquiry into the Impact of Renewable Energy Zones (**REZs**) on rural and regional communities and industries in NSW (the **Inquiry**). Ausgrid operates a shared electricity network that powers the homes and businesses of more than 4 million Australians living and working in an area that covers over 22,000 square kilometres from the Sydney CBD to the Upper Hunter.

We welcome the Committee's interest in better understanding the social and economic impacts on the communities who host the infrastructure critical to supporting our energy transition. Our submission outlines the efforts Ausgrid is making, as both a NSW distribution network service provider (**DNSP**) and the preferred Network Operator for the Hunter Central Coast REZ (**HCC REZ**), to put communities at the centre of our decision making and the energy transition.

The Hunter Central Coast REZ will deliver renewable energy with less community impact

On 18 December 2024, Ausgrid entered a Commitment Deed with the Energy Corporation of NSW (**EnergyCo**), formally establishing Ausgrid as the preferred Network Operator for the HCC REZ. Ausgrid will deliver the backbone infrastructure needed to connect at least 1 GW of renewable energy by 2028, powering around one million homes and setting up these regions to take advantage of the energy transition through increased economic and employment opportunities. **Appendix A** shows the geographic boundary of the REZ and route of the network infrastructure.

The HCC REZ will be the first REZ that upgrades the existing electricity network to allow new renewable generation and storage to connect to the grid. Approximately 98 per cent of the HCC REZ network infrastructure utilises Ausgrid's existing network infrastructure corridors. Ausgrid will be able to utilise or augment (widen or extend) existing easements where applicable to accommodate the REZ infrastructure. This approach means that the socioeconomic, cultural, agricultural and environmental impact to the Hunter and Central Coast regions will all be significantly minimised.¹

¹ [Inquiry into the impact of REZ on rural and regional communities and industries in New South Wales Terms of Reference](#), Item A

These existing easements have been in place for many years, often before any major development in the regions. As a result, development activity has generally occurred around these easements, and so the use of the existing easements will have a reduced impact on the surrounding landowners.

The remaining two per cent of Ausgrid's proposed network infrastructure for the HCC REZ will require about 700 metres of new easements. Through the design optimisation process, Ausgrid has been able to deviate the proposed route around items of significance, utilising existing rail and road corridors to further minimise the impacts on surrounding landowners. Where new easements need to be acquired from existing landowners, Ausgrid will work with the individual landowners to negotiate a fair and reasonable value in line with the *Land Acquisition (Just Terms Compensation) Act 1991* (NSW).

We are also working with NSW Government to explore further opportunities to leverage existing easements and network infrastructure to connect more renewables and storage in the area. Our initial analysis suggests existing network upgrades could unlock a further 5.3 GW of capacity with considerably less impact on the local communities than new network infrastructure projects in other areas of NSW.

Ausgrid is committed to ensuring local communities and industry benefit from the HCC REZ

The Hunter and Central Coast regions are already critical hubs for NSW industry and have low unemployment by national standards. However, ensuring these regions have abundant access to renewable energy resources will ensure they can continue to play a major role supporting emerging technologies and hosting industries as they electrify. In relation to the Inquiry's focus on current and projected supply and demand levels of products, materials, and human resources needed for the completion of REZs², Ausgrid also understands the importance of creating further economic opportunities, through the HCC REZ project, for local industry, businesses and workers. To this end, Ausgrid has committed to ambitious targets for local industry and workforce participation. For example, 90 per cent of the ongoing operations and maintenance jobs will be filled by those living within a Hunter or Central Coast Local Government Area. We have also committed to procuring non-electrical services such as civil works, pole replacement, cable laying and vegetation management from local contractors and service providers.

Although the HCC REZ Project's delivery program is two to three years, as the existing DNSP for these regions, we understand the importance of providing enduring skills, development and employment opportunities. We have committed to 30 per cent of our workforce being made up of apprentices and learning workers, at least 1.5 per cent First Nations participation, and 15 per cent of our total workforce being made up of underrepresented groups including young people, women, and people who are long-term unemployed. We will also collaborate with Local and State Government bodies to identify cross-sectoral (such as mining, power generation, transparent and/or agricultural) employment opportunities so that our construction workforce will be well supported with long-term local employment opportunities.

Regarding the Inquiry's interest in shared benefits³, under the *Electricity Infrastructure Investment Act 2020* (NSW) (**EII Act**), REZs with declared Access Schemes (such as the Central West Orana REZ) are required to recover fees specifically for 'Employment and Community Benefit' purposes. The NSW Government has not declared an Access Scheme for the HCC REZ. Despite this, subject to regulatory approval, Ausgrid has proposed a \$5 million community benefits program to support local initiatives. If approved, this program will

² [Inquiry into the impact of REZ on rural and regional communities and industries in New South Wales Terms of Reference](#), Item F

³ Ibid. Item D(ii)

be co-designed with the community in 2025 with funding allocated over the two-and-a-half-year design and construction phase.

HCC REZ costs will be independently authorised and determined to confirm they are prudent, efficient and reasonable

In relation to the historical, current and projected future financial costs of a REZ⁴, even though the selection of the Network Operator for HCC REZ was a competitive process, the HCC REZ network infrastructure is going through an independent process to determine final costs. This is a requirement for all non-contestable REZ Network Infrastructure Project under the EII Act, which includes:

- AEMO Services, the appointed NSW Consumer Trustee, will be required to authorise the HCC REZ. In fulfilling this responsibility, AEMO Services must determine if the REZ network infrastructure project is in the long-term financial interests of NSW electricity consumers and if the project helps achieve the infrastructure investment objectives. The minimum infrastructure investment objectives include construction of 12 GW of generation and 2 GW / 16 GWh of long-duration storage by 2030⁵. AEMO Services can then authorise Ausgrid to carry out the HCC REZ and set a maximum for the capital cost for its development and construction.
- The independent economic regulator, the Australian Energy Regulator (**AER**), will run the transmission efficiency test to assess the prudence, efficiency and reasonableness of Ausgrid's proposed costs. It will determine the amount payable to Ausgrid for carrying out the HCC REZ.

REZs are largely funded through the legislated Electricity Infrastructure Fund⁶, which is, in part, paid for by NSW electricity customers through their energy bills. The purpose of this independent process is therefore to give NSW consumers' confidence that these projects will improve the affordability, reliability, security and sustainability of NSW's electricity supply. We have developed our proposed network infrastructure for the HCC REZ with the long-term interests of NSW consumers at its centre. Ausgrid will work closely with AEMO Services and the AER over the coming months to support them in their authorisation and determination functions so that construction of the HCC REZ can commence in a timely way.

Ausgrid has also established the HCC REZ Regulatory Panel, to obtain our customers' perspectives on our regulatory proposal to the AER. The Panel will be asked to review draft material and provide an independent written report on key issues affecting consumers. This advice will inform our final regulatory proposal.

Ausgrid aims for best-in-class consultation and community engagement practices

Communities are at the centre of everything we do. Ausgrid shares the Inquiry's focus on community consultation and engagement.⁷ Our approach to engagement is integrated into the planning, construction, operation, and maintenance of our electricity network. Recognising that every community is unique, we apply flexible, scalable, and adaptable engagement activities tailored to individual projects. We strive to communicate openly about our activities and decisions, creating opportunities for community involvement in

⁴ [Inquiry into the impact of REZ on rural and regional communities and industries in New South Wales Terms of Reference](#), Item C

⁵ S44(3) *Electricity Infrastructure Investment Act 2020* (NSW)

⁶ Part 7 *Electricity Infrastructure Investment Act 2020* (NSW)

⁷ [Inquiry into the impact of REZ on rural and regional communities and industries in New South Wales Terms of Reference](#), Item I

decisions that affect them. Our integrated project teams work to develop mitigation measures to minimise the impacts of our activities and maximise positive outcomes for communities.

For example, in its 2024-29 regulatory determination, the AER praised Ausgrid for its consumer-centric approach, which spanned 18-months and included over 80 hours of talking to more than 100 customers through our Voice of Community Panel. The result is investment decisions to be made over the next five years that were made based on consumer preferences and needs, and strong social licence for our projects.

Ausgrid's peak customer advocacy group, the Customer Consultative Committee (**CCC**), is made up of external customer advocates who represent a diverse mix of perspectives, customer representation and technical expertise. The CCC meets regularly to advise us on the long-term customer impact and benefits of our projects, to hold us to account for the delivery of customer regulatory commitments, and to support us in the development of key policy and regulatory framework submissions. The CCC is a testament to Ausgrid's commitment to incorporating our customers into our business operations.

We will apply this same approach to community engagement for the HCC REZ Project. As the Infrastructure Planner, EnergyCo is responsible for coordinating the delivery of REZs and other priority network infrastructure projects in NSW, including coordinating the delivery of community, industry and local employment benefits. However, as the existing DNSP for the Hunter Central Coast regions, Ausgrid has maintained its regular community and industry engagement throughout the planning, technical and commercial development of the HCC REZ infrastructure project. We have been part of community events including the Upper Hunter Show, Tocal Agricultural Show, Festival of the Fleeces, as well as industry events such as Muswellbrook and Singleton Chambers of Commerce.

Now that Ausgrid's role as the preferred Network Operator has been formalised, we will begin implementing our rigorous community engagement and social licence delivery plans, building on our existing strong community relationships. We have developed procedures and protocols for engaging stakeholders and the community, including managing and resolving enquiries, issues and complaints. These are already being put into practice. In January this year, we began hosting community drop-in sessions in-person and online to give landholders and the local community a chance to share their thoughts on the project.

We understand we are not delivering the HCC REZ in isolation. It is one of many projects impacting the same communities across the Hunter Central Coast regions. As part of our engagement approach, we are continuing to work with EnergyCo to identify opportunities to streamline engagement and project delivery to minimise the impacts of overlapping projects and reduce confusion and consultation fatigue.

Distribution networks and urban centres can do more to support Australia's energy transition

We recognise that the energy transition is disproportionately affecting rural and regional communities in NSW. In relation to the Inquiry's focus on suitable alternatives to traditional large-scale renewable energy sources⁸, we strongly believe more opportunities across both the distribution network and NSW urban centres should be explored and supported. This would reduce the pressure on landholders required to host new large-scale transmission projects, such as REZs.

⁸ [Inquiry into the impact of REZ on rural and regional communities and industries in New South Wales Terms of Reference](#), Item H

Ausgrid has been considering opportunities to host more renewable generation and storage across all levels of our network. We are participating in a study with the NSW Department of Climate Change, Energy, the Environment and Water to assess hosting capacity across the sub-transmission level of our network.

We've also identified a range of opportunities at lower voltage levels. Our network area includes 25 million square metres of rooftop area on commercial and industrial buildings that could unlock significant new solar generation with minimal grid investment. We are developing a 'Distributed Energy Zone' concept, which can deliver direct benefits to households and businesses, enable greater access to the benefits of distributed energy resources, and allow businesses to de-carbonise faster. The concept will provide greater opportunities for all customers to participate in the energy transition, including renters, people living in apartments, and disadvantaged customers by creating products that are simple and not dependent on your living arrangements. We are in discussions with the AER about regulatory avenues available to progress this project.

We welcome the opportunity to discuss our submission with the Parliamentary Committee further. Please contact _____, Senior Policy Advisor at _____ for further information.

Regards,

Group Executive, Transmission Development & Growth

Appendix A: HCC REZ Geographic Boundary and Infrastructure Route Map

LEGEND

Facilities

- Existing Ausgrid Substation
- Proposed New Substation
- Existing Transgrid Substation or AGL Powerstation

Connections

- Proposed power line corridor to be rebuilt
- Proposed communications cable to be installed within power line corridor

Boundaries

- HCC REZ Boundary

