Submission No 87

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

Organisation: Hay Shire Council

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Hay Shire Council Response to Inquiry into the impact of Renewable Energy Zones (REZ) on rural and regional communities and industries in New South Wales

Opening Statement

The Hay Local Government Area (LGA) is centrally located within the South West Renewable Energy Zone (REZ). This REZ and Hay's role in the clean energy transition represent the most significant economic, environmental, and social transformation for the community since settlement.

As a small rural community, this scale of development presents both opportunities and challenges. Hay Shire Council (HSC), representing the community, has actively worked to ensure that local aspirations and concerns are integrated into the decision-making processes of all stakeholders.

The region's topography, sparse population, and large-scale primary production make it well-suited for energy development. Together with council led community capacity building and engagement, Hay's residents are largely supportive of the energy transition and the transformational opportunity the REZ presents.

Compared to neighbouring LGAs, Hay has experienced fewer direct impacts from transmission projects, Project Energy Connect (PEC) and the Victoria to NSW Interconnector West (VNI West). This has assisted in facilitating more positive discussions about Hay's role in the energy transition. However, securing social license remains an ongoing challenge, particularly as the community faces the construction phase's disruptions, including transport, accommodation, water, waste, and long-term community impacts.

The scale and location of proposed REZ developments remain uncertain. Once the South West REZ Access Tender is announced, HSC will require significant resources and support to maintain the community's social license, resource an infrastructure build of this scale and maximize opportunities.

Current and Projected Socioeconomic, Cultural, Agricultural, and Environmental Impacts

1. Socioeconomic Impacts

- **Economic Diversification:** Hay's agrarian economy, reliant on primary production (33% of jobs, 40% of GDP), is exposed to the impacts of a drying climate, fluctuations in export markets, and water availability. The REZ provides an opportunity to diversify the economy by integrating renewable energy with primary production.
- **Landholder Benefits:** Hosting energy developments or receiving neighbour payments secures a guaranteed income stream for landholders. This allows them to run production at lower levels, leading to better long-term land management outcomes and increased resilience to climatic and market fluctuations. The financial security gained from renewable energy infrastructure will enable primary producers to realise greater equity in their businesses and make better investment decisions, particularly during drought conditions.
- **Capital Investment:** Renewable energy projects have the potential to attract other industry sectors to the region, particularly energy-intensive industries like data processing centres and value add Agricultural production, leveraging Hay's low land costs and access to affordable energy.
- **Employment and Construction:**
    - Given the scale of the developments and the expected length of the construction phase, benefits will be realised in the local economy across the local workforce, construction industry, and hospitality and food sectors.
    - The opening of the Cobb Highway Transgrid camp in December 2024 has already led to increased economic activity in Hay, with hospitality and construction sectors seeing positive impacts. Since the opening of the camp in December 2024, there has been an 13% increase in visitor spend in the local economy accounting for $2.41 million in economic activity for January 2025.
    - While existing high employment levels mean limited direct employment opportunities for locals during the construction phase, operational roles will provide long-term local employment. On average, each project will maintain an operational workforce of between 20–30 employees, a significant workforce increase for Hay.

- **Boom-Bust Cycle Concerns:**
    - A temporary workforce influx (up to 250 workers, ~8% population increase) risks driving up housing costs, food prices, and service demands.
    - HSC has engaged with developers on the opportunity around long-term community legacy projects, including repurposing worker camps for affordable housing and investment in education pathways.
    - Given there will be multiple projects potentially being built in the region, Council sees EnergyCo having a role in coordinating whole of government support during the construction phase, to limit negative impacts on Hay.

2. Cultural Impacts

- Developers and EnergyCo have extensively engaged with First Nations groups over the past three years. Although HSC has not been involved in discussions, we are aware of the community benefits that have been proposed as part of the Access bid process that will support First Nations people.

3. Environmental Impacts

- Environmental Impact Statements (EIS) prepared by proponents have delivered extensive and long-term studies on environmental impacts.
- Hay Shire Council, to-date, has reviewed five EIS as part of the SW REZ. This has required an extensive time and additional resources refocused from business as usual activities. While HSC has commented on each EIS, the ability of HSC to influence EIS or decisions beyond this process appears limited.
- The ability to monitor potential impacts on biodiversity, water resources, and land use require ongoing monitoring and are beyond the resourcing levels of HSC. This role will need to be resourced appropriately at a State Government level to ensure compliance and community trust.

4. Agricultural Impacts

- Economic Diversification: Hay's agrarian economy, reliant on primary production (33% of jobs, 40% of GDP), is exposed to the impacts of a drying climate, fluctuations in export markets, and water availability. The REZ provides an opportunity to diversify the economy by integrating renewable energy with primary production.
- Landholder Benefits: Hosting energy developments or receiving neighbour payments ensures a reliable income stream for landholders. This allows them to run production at lower levels, leading to better long-term land management

outcomes and increased resilience to climatic and market fluctuations. The financial security gained from renewable energy infrastructure will enable primary producers to realise greater equity in their businesses and make better investment decisions, particularly during drought conditions. The ability to sustain livestock production while receiving a stable income from energy projects provides a safeguard against external pressures such as commodity price volatility, water restrictions, and adverse weather conditions.

- Additionally, the long-term guaranteed income stream enables primary producers to invest in property improvements, new technologies, and workforce expansion. This reduces the reliance on short-term financial solutions, allowing for sustainable growth and adaptation to changing environmental and economic conditions. The integration of renewable energy with agricultural operations ensures that energy developments complement rather than compete with traditional land uses in the rangelands environment.
- Hay's rangeland landscape, characterised by semi-arid conditions and low rainfall is best suited to livestock production (66% of primary production GDP). Livestock production is well-suited to renewable energy integration.

Community Engagement and The Principles Document

Recognising the scale of engagement required, Hay Shire Council engaged RE-Alliance to deliver a series of workshops that built community capacity around the REZ. The outcome of these workshops was the **Fundamental Principles of Successful Renewable Energy Development in Hay**, which places the community at the centre of all discussions with EnergyCo and developers.

This document outlines the key areas of concern identified by the community, including:

- Preventing consultation fatigue
- Avoiding a boom/bust cycle
- Ensuring housing quality and availability
- Provision of affordable local worker accommodation
- Sustainable waste management
- Road maintenance and traffic impact management
- Minimising visual impacts
- Mitigating environmental and biodiversity impacts

- Community understanding of planning processes
- Planned and responsible decommissioning of projects
- Financial security of construction projects
- Planning and investment in service capacity
- Complementarity of energy production with agricultural operations

The **Principles** has been instrumental in ensuring that large-scale wind, solar, and battery projects develop with community collaboration rather than imposing external decisions upon them. Through the NSW State Significant Planning process, Hay Shire Council has continually highlighted these key concerns for each proposed development.

Infrastructure and Community Resources

1. Transport and Roads

- The haulage of large wind turbines and transmission towers requires significant road upgrades, particularly at key crossings such as the Hay Bridge, which is not currently rated to cater for large loads such as transformers or wind turbine blades.
- State Government investment is required to upgrade and maintain state and local roads impacted by REZ developments.
- Increased road congestion from construction traffic will impact primary industry transport, requiring additional local government resources to maintain other local roads that will be utilised to avoid congestion and delay. **The Principles** document clearly states that the development of the energy industry must not be at the expense of our existing industry.

2. Waste Management

- HSC supports the recommendation of LGNSW that a detailed Waste Management Plans (WMP) should be mandatory for all renewable projects.
- Waste Management Plans must be developed in consultation and agreement with councils to ensure alignment with infrastructure and resourcing capacity.
- Where possible, circular economy initiatives should be integrated into waste management plans between Council and developers. With adequate funding there is potential for further diversification of our local economy, through the recycling and reuse of construction material waste streams ensuring materials are reused or recycled to minimise landfill contributions.

- Consideration should be given to the end-of-life management of renewable energy infrastructure, including clear decommissioning requirements to prevent long-term waste accumulation in the region. Council sees EnergyCo playing a pivotal role in researching and developing end-of-life repurposing of infrastructure.

3. Water Resources

- Renewable projects' water requirements must be assessed at a state level to manage cumulative impacts on existing water resources across multiple largescale infrastructure projects
- Developers should identify alternative water sources to avoid competition with community water needs, particularly during droughts.
- The cumulative impact of multiple renewable projects, existing infrastructure projects (such as PEC), and other competing industries should be identified and planned for at the state level.
- As the Local Water Utility (LWU) operator and manager, HSC is committed to the supply of water to the township of Hay. Developers should consider alternative water sources, such as bores or desalination, in the event of prolonged drought periods that may put pressure on community water reserves.
- Coordination between local and state authorities is required to ensure that water-intensive construction phases do not negatively impact agricultural, industry and residential water supply.

4. Workforce Development and Local Content

- It is important to manage the expectation of the local community in regards to local content. For all proposed developments, local content is defined as Australia and New Zealand not the local township, LGA or region. Given the current skills shortage it will be challenging for local content requirements to be met within the geographic region.
- HSC has identified the need to support workforce development to support those businesses that may be able to benefit from the construction and operational phases of the projects. This will require a coordinated workforce development planning across the region to support up skilling, recognising that the tendering and contracting process for many regional businesses will be beyond current capacity.

5. Council Resourcing

The development of the SW REZ and its daily impact on HSC is beyond business as usual. In our experience, EnergyCo has provided little support to communities or

councils impacted by the REZ. In the Hay LGA, HSC has delivered all community consultation. The deficit in support—and the fact that EnergyCo is under resourced—poses a concern for HSC as the REZ enters the construction phase.

There is a need for strategic coordination at the State Government level to sequence projects and minimise impacts on local communities, resources, and councils. Councils must be compensated for the additional resources required at the local level to:

- Coordinate the expected impacts of infrastructure projects on roads, waste, water, and workforce that affect normal usage by residents, particularly if multiple projects are planned to occur concurrently
- Manage community expectations regarding construction impacts, continuous communication, and complaints resolution.
- Fund the repair and maintenance of infrastructure (such as roads) that experience increased use as the community diverts away from high traffic areas. This is not just the expected transport routes identified in the EIS, but also local roads impacted by the diversion of business as usual traffic due to the expected impact of the construction activities.
- Fund the delivery of Voluntary Planning Agreements. The Agreements are expected to be signed for 30-year periods and will require ongoing management. In addition, projects and programs identified by the community will need to be delivered through the VPA to deliver community benefits.
- Fund the monitoring of projects, including projected and real time cumulative impacts.

6. Community Benefit Funds and VPA

HSC engaged with developers using the draft Benefit Sharing Guidelines (DPHI) to negotiate Letters of Intent. As a council is presently without a s7.12 developer contribution plan, the Guidelines were of value in setting the quantum of funds from wind and solar generation. This process allowed HSC to secure projects and programs identified by the community during consultation. These projects included energy programs, legacy housing projects, and funding for education pathways.

HSC required each developer to review The Principles document and adjust their Letter of Intent to follow The Principles. Using this document as a guide provided HSC with a framework for negotiation and responses to the challenges and opportunities set out in The Principles.

From the community capacity sessions and The Principles, HSC and the community committed to using Community Benefit Funds to deliver:

1. The community vision for the future.
2. Agreed long-term goals.
3. A community plan that can be supported by Developer funds (VPA) and Community and Employment Benefit Funds.
4. Funding for projects and programs that ensures trust in the VPA process and transparency of benefits.

HSC is concerned about the ongoing value of the VPA, which is indexed to CPI. This method does not account for the increased cost of delivery, particularly for infrastructure projects. Releasing a large percentage of VPA funds upfront (for example, 50% at the start) would allow communities to deliver infrastructure projects, create a future fund, and have certainty in resourcing.

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7. Impact on Visitation

- In 2024, Hay's visitor economy accounted for approximately $30 million in local spend. It is the third largest employment sector and supports the economy during climate disruptions such as drought.
- Economic benefits have flowed to the food and hospitality industries during the planning stages of developments (2022 onwards). The opening of the Transgrid Cobb Highway workers camp in December 2024 has seen a further increase in the spend to account for 13% of total for January 2025.
- Hay's location at the junction of four highways and its tourism offerings result in accommodation occupancy rates above 80%. The reliable availability of accommodation across all budgets is necessary for a sustainable visitor economy. However, long-term workers are using accommodation at all levels, with 38% of all accommodation utilised by this segment in January 2025. This trend reduces available accommodation and will have a long-term impact on the visitor economy.
- To address this impact and secure long-term benefits, HSC is working with developers to investigate the development of workers accommodation camps within the urban footprint. The camp would then be repurposed for assisted living, essential worker housing or worker housing post construction. To reduce cumulative impacts on the accommodation sector, there is an opportunity for multiple developers to use a single site to avoid the construction of additional workers camps. HSC will require planning and policy support from the State Government to deliver this type of project.

Conclusion

HSC has actively engaged with the REZ process to maximize opportunities and mitigate impacts. However, significant challenges remain, particularly in securing state-level coordination, infrastructure funding, and cumulative impact assessments.

Ensuring long-term community benefits requires:

1. Adequate resourcing for HSC to manage the REZ transition.
2. State Government coordination and sequencing of energy development projects.
3. Transparent and strategic allocation of community benefit funds.
4. Continued collaboration between HSC, developers, and state agencies to address emerging challenges.

HSC remains committed to advocating for the best outcomes for the Hay community and ensuring that renewable energy development aligns with local needs and aspirations.