

The logo features a central white circle with a small white pentagon at its bottom edge. This circle is surrounded by several overlapping, semi-transparent circles in shades of green, blue, and orange. The background is a light grey gradient.

**ENERGY SECURITY BOARD
RENEWABLE ENERGY ZONES
PLANNING**

Response to submissions on
Consultation Draft REZ Planning Rules

February 2021

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Executive Summary

- In August 2020, the Energy Security Board (ESB) sought stakeholders' views on a set of amendments to the National Electricity Rules (Rules) to enhance the planning framework that applies to Renewable Energy Zones (REZs).
- This paper summarises views expressed in submissions to the draft Rules and provides the ESB's response to issues raised.
- On balance, there was broad support for proposal for Jurisdictional Planning Bodies (JPBs) to prepare REZ design reports. Most parties consider that the REZ planning rules should be long term not interim.
- There was support from community representatives who consider that current transmission planning framework does not include sufficient community consultation at the right stage in the process.
- Customers emphasised that they should not have to bear 100% of the cost of shared transmission assets associated with REZs.
- Some stakeholders raised concerns regarding the role of JPB due to potential for conflict of interest. It was suggested that there should be scope for different JPBs for different REZs.
- Several stakeholders suggested additional criteria for initiating a REZ including a sudden loss of supply, community acceptance, generator interest. Two parties criticised the State government support limb on grounds that it politicises transmission planning.
- Several respondents suggested that REZ design reports should be able to be triggered by private parties who are willing to fund and/or State governments. Some parties wanted a clearer commitment from generators prior to triggering REZ design report.
- Community groups emphasised the importance of community acceptance and requested that community impacts be given a more prominent place within the Rules framework.
- The proposed four-week minimum consultation period was considered too short by several stakeholders. Several stakeholders expressed support for a flexible and adaptable approach to REZ design report consultation.
- Network businesses suggested that to avoid duplication, governments should be able to lead certain aspects of REZ consultation where they consider it is appropriate.
- Network businesses raised concerns regarding the proposal to treat REZ design costs as operating expenditure due to difficulty of forecasting when they will be required to do one. They sought refinements to facilitate cost pass through applications.

1. Introduction

At the 20 March 2020 meeting of State and Federal Energy Ministers, Ministers requested that the ESB prepares rule changes to support the development of REZs. The first step in the ESB's process is to develop Rule changes that require the jurisdictional planner to develop a detailed and staged development plan for each priority REZ identified in the ISP. To this end, the ESB published draft REZ Planning Rules for consultation in August 2020.¹

The ESB received non-confidential submissions from 25 organisations, including from industry groups, generators, networks, community and customer groups:

- Australian Energy Council (AEC)
- AGL Energy
- ATCO
- Australian Wind Alliance
- Clean Energy Council (CEC)
- Clean Energy Investor Group (CEIG)
- Enel Green Power
- Electrical Trades Union of Australia (ETU)
- Energy Networks Association (ENA)
- Engie
- Australian Aluminium Council
- ERM Power
- Australian Sugar Milling Council
- Energy Users Association of Australia (EUAA)
- Major Energy Users (MEU)
- Maritime Union of Australia (MUA)
- Moyne Shire Council
- National Wind Farm Commissioner
- Origin Energy
- Queensland Energy Users Network (QUEN) (verbal submission)
- Reach Solar
- Spark Infrastructure
- The Australia Institute and University of Sydney
- TransGrid
- UPC/AC Renewables.

The submissions are published on the ESB's website.²

They are summarised, together with the ESB's response, in Chapter 2. The ESB, AEMC, AER and AEMO have subsequently worked together to consider issues raised in submissions and develop a set of recommended Rules to be submitted to Energy Ministers.

¹ Energy Security Board, Renewable Energy Zones Planning - Consultation on Draft Rules, August 2020. Available at: <http://www.coagenergycouncil.gov.au/publications/consultation-draft-isp-rules>.

² <http://www.coagenergycouncil.gov.au/publications/energy-security-board-renewable-energy-zones-planning-consultation>

2. Summary of issues raised in submissions and ESB’s response

2.1 Interim or permanent

Question 1 If implemented, should the REZ planning arrangements outlined in Chapter 3 be a permanent feature of the regulatory framework or only apply on an interim basis?

Respondent	Comment	ESB response
Enel, CEIG, CEC, Australian Wind Alliance, The Australia Institute/University of Sydney	The proposed arrangements should apply on a permanent basis.	The ESB has introduced the requirements on a permanent basis, subject to an AEMC review within 5 years.
ETU & MUA	If REZ planning arrangements are to be established, then it makes sense to establish them on a permanent basis. There is little benefit in applying the planning arrangements without changes to the broader regulatory settings.	As above. The REZ planning Rules will help to illuminate the positive and negative impacts of REZs in a timely fashion, however, they do not attempt to change the broader regulatory test that applies to transmission investments.
EUAA, ENA, Engie, Reach Solar	The Rules should be reviewed after a period in order to form a view as to whether they should be retained.	The ESB has introduced amendments to require the REZ planning framework to be the subject of an AEMC review by no later than 1 July 2025.
UPC/AC	These arrangements are likely to form the foundation of an interim framework for REZs in Australia before “permanent” arrangements are put in place. Future rules should not undermine the viability of first movers.	The ESB notes that the treatment of first movers will need to be considered in the context of the stage 2 process.

2.2 Staging of REZs

Question 2 Should the REZ planning framework promote a staged approach to REZ development?

Respondent	Comment	ESB response
Australian Energy Council	AEC supports staging, however caution will need to be exhibited to ensure that REZs built in anticipation of future transmission expansions don’t cause such future transmission expansions to be themselves justified.	The ESB agrees. The AER’s Cost Benefit Analysis Guidelines set out a framework for assessing option value.

ATCO	ATCO supports the proposed staged approach to REZ development, however additional clarity is required as to whether an asset will change its classification between unregulated and regulated as a result of the staged approach.	The ESB is considering issues relating to the funding of REZs as part of stage 2 process.
CEC, Enel, Engie, ETU & MUA, EUAA, Reach Solar, The Australia Institute/University of Sydney, UPC/AC	Support a staged approach to REZ development.	The ESB agrees.
ENA	<p>The REZ planning framework should allow a staged approach but should be flexible to the possibility that staging might not suit all circumstances.</p> <p>The rules should be clearer as to the effort that JPBs are expected to commit to the preparatory activities for each of the different stages of REZ development. This is particularly important when REZ design reports might be updated multiple times before a stage of development proceeds.</p> <p>Greater clarity is required in terms of how early stage investment in REZs, which may be dedicated connection assets, become later stage shared transmission assets.</p>	<p>The REZ Planning Rules permit a REZ to be developed in one or more stages.</p> <p>The Rules are designed to permit JPBs to adopt a proportionate approach to their REZ design activities, depending on how far into the future the REZ is expected to be required.</p> <p>The ESB is considering issues relating to the funding of REZs as part of stage 2 process.</p>

2.3 Party responsible for preparing a REZ design report

Question 3 Should the Jurisdictional Planning Body (JPB) be responsible for designing REZs?

Respondent	Comment	ESB response
Australian Energy Council	In order to accommodate cross border REZs, there may need to be further detail in the proposed Rules to allocate responsibility to a lead JPB, with the other JPB taking a supporting role.	The ESB agrees that this could be a relevant issue, however it is not clear how a lead JPB would have jurisdiction in another State. The ESB expects cross-border issues to be managed via the joint planning process, which could involve appointing a lead JPB.
ATCO	State governments should have the ability to select parties other than the JPB to be the master developer for each individual REZ, with responsibility for preparing REZ design reports. The question of who is responsible for designing the REZs is key to attracting	As a purpose of the REZ design report is to ensure that the REZ is designed in a way that integrates with the wider network, the ESB considers that it would be problematic to have a different JPB prepare the REZ design report as it would entail having two bodies planning the same network. We note that the REZ design report stage is at a relatively early

	<p>new capital to REZs and ensuring competition with incumbent TNSPs.</p> <p>The incumbent TNSP has an important role to play but does not require complete control over the process. TNSPs may have a conflict of interest, particularly given their unregulated businesses. REZ design report process will give JPB access to valuable information that represents a commercial advantage.</p>	<p>stage in the planning process and there may be greater scope for contestability once the initial concept has been defined.</p> <p>The ESB agrees that it is appropriate for REZ design activities to be ring fenced from a TNSP's unregulated business. This is already the case as JPB functions are classed as prescribed transmission services.</p>
Australian Wind Alliance	<p>JPBs will need to expand their staff and resourcing of community engagement, which may not have been present until now.</p> <p>Support MOUs between government and JPB to provide clear framework for government input.</p>	<p>The proposed funding arrangements are designed to ensure that JPBs are able to recover the efficient and prudent costs of their REZ design activities.</p> <p>The ESB agrees that an MOU between government and the JPB may be helpful.</p>
CEC, EUAA	<p>Support for the JPB being the responsible party for REZ design reports.</p>	<p>The ESB agrees.</p>
Enel	<p>While overall planning should sit with the JPB, the rules should allow flexibility in terms of ownership and business models for the actual deployment and operation of REZ projects.</p>	<p>The ESB agrees.</p>
ENA	<p>The ENA supports the JPB being the responsible party for REZ design reports.</p> <p>Allocating role to JPB does not in itself ensure alignment with government policy re community impacts. Additional actions will need to be taken, perhaps in the ISP, to ensure that there is the appropriate level of government support for REZ design report.</p>	<p>The ESB agrees.</p> <p>The criteria for selecting REZs is intended to ensure that REZs selected for technical and economic reasons do not clash with broader government policies.</p>
ETU & MUA	<p>There are considerable risks in embedding existing JPB's as the bodies with oversight of REZ planning. This is an opportunity to review the criteria for a JPB, including: who they represent, how they manage conflicts of interest how they consult and with whom, their composition, and their objectives.</p>	<p>The issues raised go beyond the scope of the current review.</p> <p>The plan set out in the REZ design report will need to be assessed against other network and energy resource options as part of AEMO's ISP process before the REZ becomes actionable.</p>
EUAA	<p>JPB should be AusNet in Victoria.</p>	<p>Under the Rules, the JPB is nominated by the relevant State Government Minister.</p>

MEU	Except in Victoria, the JPB is the TNSP. TNSPs have an incentive to increase their RAB.	The plan set out in the REZ design report will need to be assessed against other network and energy resource options as part of AEMO's ISP process before the REZ becomes actionable.
Moyne Shire Council	In Council's experience, JPBs do not have specialist knowledge of local communities in the REZ.	The ESB notes the feedback. The Rules are intended to ensure that community impacts are considered as part of the REZ design process.
Reach Solar	JPB should be responsible for designing the REZ, however they should rely on competition and experience from project developers to develop project solutions.	The Rules are intended to provide opportunities for project developers to input into the REZ design process.
TAI/USyd	REZ planning should be coordinated by a government agency, eg Energy Corporation of NSW.	It would be beyond the scope of the National Electricity Rules to impose obligations on government agencies. However, the Rules are designed to enable JPBs to leverage activities undertaken by government agencies where it is government policy to coordinate REZ planning.
UPC/AC	Yes, since planning REZs is broader than planning transmission. TNSPs should not be JPBs due to concerns regarding their focus on transmission risk mitigation, lack of competitive neutrality (where REZ is developed on a contestable basis), conflict of interest.	Under the Rules, the JPB is nominated by the relevant State Government Minister. The ESB agrees that it is appropriate for REZ design activities to be ring fenced from a TNSP's unregulated business. This is already the case as JPB functions are classed as prescribed transmission services.

2.4 Mechanism for initiating a REZ design report

Question 4 Should the ISP be the vehicle for triggering a REZ design report?

Respondent	Comment	ESB response
Australian Energy Council	While the ISP may trigger a REZ design report, it may also be helpful if it could be initiated by the JPB. Transmission extensions may not be the sole solution (eg non-network investments to increase system strength could increase capacity).	The ESB notes that under the actionable ISP framework, TNSPs/JPBs have a role in identifying options to be considered via the ISP process. The REZ design framework encompasses solutions other than network extensions.
AGL	If a REZ design report is initiated outside the ISP, for example by a state government, we suggest that that REZ design report should still be subject to the same rules.	It would be beyond the scope of the National Electricity Rules to impose obligations on government agencies.
ATCO	The activity of renewable energy developers may also provide an impetus	AEMO's REZ assessment process in the ISP includes a high-level

	for design planning not prioritised in the ISP (noting that the REZ would ultimately need to be validated in the ISP).	assessment of generator interest and this contributes towards the REZ rankings. The REZ design process is an opportunity to check that the outcomes forecast in ISP modelling are commercially feasible.
Enel	Yes, the ISP should be the vehicle for triggering a REZ design report.	The ESB agrees.
ENA	The requirement for a REZ design report is strongly influenced by government policies and these can change within the ISP's two-yearly cycle.	The actionable ISP framework provides for ISP updates outside the two-yearly cycle.
MUA	The ISP should reconsider the inputs and the scoring system for the REZs it identifies to consider offshore wind and ocean wave and tidal-current energy generation. REZ scoring should be clearly distinguish between onshore and offshore sectors.	This issue is a matter for AEMO in its consultation on the ISP Methodology.
TAI/USyd	REZ design reports should be mandatory for all REZs. States should be able to trigger an REZ design report in appropriate circumstances.	The ESB considers it is prudent to give AEMO discretion to decide whether a REZ design report is needed, in case there are circumstances where the relevant issues are already understood. States can influence the ISP via the ISP Rules, which establishes criteria for a government policy to considered in the ISP.

2.5 Criteria for triggering a REZ design report

Question 5 Are the proposed criteria for selecting REZs for planned development appropriate? Are there other criteria that should be taken into account?

Respondent	Comment	ESB response
Engie, ETU & MUA, EUAA, Reach Solar, UPC/AC, ETU & MUA	The arrangements should be more flexible so that governments and/or project proponents can initiate a REZ design report (subject to appropriate cost recovery measures).	A key objective of the REZ Planning Rules is to ensure that the REZ leverages and contributes to the efficient design of the broader power system. There is scope for policy-driven REZs to be assessed via this framework due to provisions in the ISP Rules that seek to ensure that the ISP has regard to government policy. The SENE framework is an alternative mechanism available to project developers.

Australian Energy Council, UPC/AC	The criteria for initiating a REZ design report should not include the requirement for State government support due to risk of politicisation.	As governments have a key role in providing environmental and planning approvals, the objective of the clause is to reduce the risk of wasted resources that could occur if AEMO were to seek to develop a REZ that is not feasible for social licence reasons.
Australian Energy Council	The timeframe for the REZ to be “on the development path within 12 years” may be too long for meaningful assessment and forecasting to occur given changing circumstances and technology. Recommends 10 years.	Having a forward looking REZ design report helps to expose issues and costs which are useful inputs to ISP; and may reveal difficulties that change priority of ISP projects. The ESB considers 12 years strikes an appropriate balance.
Australian Sugar Milling Council	Sugar industry is increasingly vulnerable to area losses and mill closures from solar farm developments. REZs should not be developed in areas designated as “Good Quality Agricultural Land” (Queensland). An “equally viable locational requirement” should apply.	Competing land use is a question for governments. Existing State government planning and environmental approvals process are unaffected by these proposals. The REZ design process will provide an opportunity to identify social licence issues.
CEC	The CEC supports the two proposed triggers for initiating a REZ design report. In addition to these, we suggest a ‘generation interest’ trigger accompanied by certain additional requirements, such as a MW threshold or generator cost recovery mechanism, to ensure only serious proposals precipitate a REZ design report.	The ESB expects any formal process assessing generator interest to occur as part of the REZ design report rather than before it. AEMO’s REZ assessment process in the ISP includes a high-level assessment of generator interest and this contributes towards the REZ rankings.
CEC, ETU & MUA	The ESB should consider adopting a ‘loss of supply’ trigger in the event of earlier than forecast retirements.	The actionable ISP framework provides for ISP updates outside the two-yearly cycle. An unexpected loss of supply could trigger an ISP update and hence a requirement to initiate a REZ design report.
Enel	Yes, proposed criteria for selecting REZs for planned development are appropriate.	The ESB agrees.
ENA	<p>Before an REZ design report is triggered, there should be support from both the JPB and the relevant jurisdictional Government, with the JPB confirming any known local issues impacting the suitability of the REZ for development. There also needs to be genuine and sufficient interest from a mix of renewable generators.</p> <p>A registration of interest does not represent a genuine commitment. A</p>	<p>The “government support” criteria for triggering a REZ is intended to avoid the wasted resources that could occur if AEMO were to seek to develop a REZ that is not feasible because the government is unwilling to provide the relevant approvals.</p> <p>The ESB expects any formal process assessing generator interest to occur as part of the REZ design report rather than before it.</p>

	<p>more substantial commitment from the future users of the REZ is required to ensure that the significant investment in REZ design reports is warranted.</p> <p>Additionally, AEMO should seek confirmation from the JPB that the selected REZ is appropriate taking into consideration local network issues.</p>	<p>The ISP joint planning provisions require AEMO to consult the JPB/TNSP regarding the content of the ISP prior to publication.</p>
EUAA	<p>We suggest criteria around the likelihood of the proposed generation assets proceeding (land access, planning approval, evidence of financial viability, conditional term-sheet etc) and reasonable REZ capex estimates with appropriate risk assessment on upper bounds.</p>	<p>The current criteria, together with the ISP cost benefit framework are intended to broadly achieve these outcomes. However, the ESB considers that the suggested threshold for the level of certainty associated with proposed generation is impractical given that the associated transmission is still in the early stages of planning.</p>
MEU	<p>MEU is very concerned at current criteria. If consumers are to absorb the costs for providing service to a REZ, there have to be commitments from generators as to the amount of generation they will install, and when, so that the logic of the REZ is demonstrable.</p>	<p>The purpose of the REZ design report is to progress the plans for the design of the REZ to a stage where it is feasible for generators to make commitments. Prior to the REZ design report, the generators will have nothing specific to commit to.</p> <p>The decision to proceed with a REZ investment comes later in the process. Stage 2 of the ESB's process will consider the need for commitment criteria prior to a REZ investment going ahead.</p>
Reach Solar	<p>The two criteria listed are acceptable but consideration should also given to existing renewable developments which may be within or adjacent to the proposed REZ. An "open access connected" development project should not be usurped by a planned REZ.</p> <p>The JPB should also agree to an REZ design report being triggered, not just AEMO.</p>	<p>The ESB notes that the treatment of pre-existing developments will need to be considered in the context of the stage 2 process</p> <p>The joint planning provisions require AEMO to work with the JPB regarding REZ design reports.</p>
TAI/USyd	<p>It defeats the purpose of the process to have the proposed narrow criteria proposed. The NSW submission to the AEMO ISP in 2018 had a set of 25 data layers for selecting REZs, and these need to be incorporated in some way to the ESB criteria at the selection phase, not just downstream.</p>	<p>By linking the criteria to the ISP, the decision to trigger a REZ design report assimilates all the inputs to the ISP. AEMO is able to enhance its ISP Methodology over time as it builds its capabilities.</p> <p>The "government support" criteria for triggering a REZ is intended to avoid the wasted resources that could occur if AEMO were to seek to develop a</p>

		REZ that is not feasible for social licence reasons.
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2.6 REZ design principles

Question 6 Do the REZ design principles require amendments or additions?

Respondent	Comment	ESB response
EUA	We are certain that if consumers were asked, they would prefer to see a more definitive “least cost” principle being pursued, rather than “the efficient development of the power system”.	This principle is intended to ensure that the REZ planning framework aligns with the broader actionable ISP framework. The ESB notes that when the modelling is being applied on a system-wide basis, “efficient development of the power system” will often mean “least cost”.
Enel	The design principles are appropriate.	The ESB agrees.
ENA	An additional REZ design principle is required that explicitly refers to consistency with the National Electricity Objective.	The REZ design principles are designed to give effect to the NEO as part of the broader regulatory framework. The NEO is not singled out elsewhere in the transmission planning framework, and to do so may raise questions regarding the applicability of the NEO elsewhere in the Rules.
Engie	Consideration should be given to how the planning process can minimise the REZ design “lottery” effect. This could include weighting design options based on project proponents’ willingness to contribute to the investment. In this way, they can have more influence over the design in return for offsetting the costs that consumers would otherwise bear.	The ESB is considering the funding arrangements for REZs as part of its stage 2 process.
MUA	Achieving social licence and confidence requires meaningful consultation with the workers, unions and communities who are affected by and have an interest in these decisions, as well as the broader public.	The ESB agrees.
National Wind Farm Commissioner	A REZ planning framework should also consider and identify: <ul style="list-style-type: none"> opportunities to prioritise optimal locations within the REZ which may better balance the likelihood of acceptance of projects potential benefits to any nearby regional and rural communities from 	The ESB has amended the recommended REZ Planning Rules to require that the content of a REZ design report should include the results of a community assessment. The community assessment should identify any barriers to community acceptance and incorporate an initial

	<p>the deployment of interconnected infrastructure and generation projects; and</p> <ul style="list-style-type: none"> inclusion of criteria such as local economic development and the ability to support regional and industry development. 	estimate of any costs associated with overcoming them.
Australian Wind Alliance	We propose a new design principle “that the REZ can secure broad community support across host communities”.	<p>The ESB has not added the proposed REZ design principle due to the risk of conflict with the overarching National Electricity Objective set out in the National Electricity Law, which is focussed on the interests of electricity consumers rather than host communities.</p> <p>However, the ESB has amended the content of the REZ design report to require the preparation of community assessments. This is intended to ensure that any obstacles to implementation are properly understood and assessed before plans are locked in.</p>
TAI/USyd	<p>Propose two additional principles:</p> <ul style="list-style-type: none"> contributes to a just energy transition with minimal environmental disturbance and sustained economic and social benefits for REZ communities mechanisms for optimal achievement of social licence in REZ communities. 	As above.
UPC/AC	There should be an explicit requirement that REZs promote the long-term reduction of greenhouse emissions through renewable energy generation and storage technologies linked to renewables.	This suggestion is beyond the scope of the recommended Rules.

2.7 REZ design parameters

Question 7 Do the REZ design parameters require amendments or additions?

Respondent	Comment	ESB response
Australian Energy Council	Parameters should also include the volume of storage and demand response, and the proposed location of any planned transmission network.	The proposed additions to the REZ design parameters entails an overly prescriptive role for ISP, however the ESB strongly agrees that these technologies should have the opportunity to contribute to fulfilling the power system need (specified in MW).

Australian Energy Council	The definition of a REZ refers to a “discrete geographic area”. It is likely that there will not be a clear geographic area associated with a REZ.	The ESB has amended the Rules to make the geographical location of the REZ one of the REZ design parameters specified by AEMO in the ISP. We have also removed the word “discrete” from the definition of a REZ.
CEC	It is critical that the timing of REZs and the subsequent generation development is not explicitly tied to the projected timeframes in the ISP. The flexibility to bring forward REZ development in response to market signals is critical to ensuring reliability is maintained.	The REZ design parameters with respect to timing and capacity are backstops, not fixed requirements. The plans set out in the REZ design report may over-deliver relative to the REZ design parameters.
Enel	The design parameters are appropriate.	The ESB has amended the REZ design parameters to include the geographical location of the REZ. Otherwise, we agree.
ENA	<p>ENA supports the flexible approach in the draft rules which allows a REZ to proceed on a different timeframe to the optimal development path as considered more appropriate by governments or JPBs.</p> <p>There is the potential for these design parameters to be continually refined over an extended period of time. Some constraints need to be placed on this updating process to limit the frequency with which they are refined, particularly for works that are long dated.</p>	<p>The REZ design parameters with respect to timing and capacity are backstops, not fixed requirements. The plans set out in the REZ design report may over-deliver relative to the REZ design parameters.</p> <p>The ESB considers that the ISP consultation process, together with the joint planning provisions, are sufficient to protect against superfluous decisions to require an update to a REZ design report.</p>
ETU & MUA	The REZ design parameters should include metrics for the broader economic benefits that can be achieved through development of REZs. This should include: the potential local, state and national supply chain opportunities, skills and workforce needs along with access to training, employment opportunities, community development opportunities, regional diversification opportunities.	Under the National Electricity Law, the ESB is bound to have regard to the National Electricity Objective (which focuses on the long term interests of electricity customers) when it recommends Rule changes.
Reach Solar	<p>It is not clear if the “generation capacity” in the “REZ design parameter” column refers to a staged MW from a project or the capacity in its Development Application approval?</p> <p>The design parameters should also incorporate the generation profiles and project lives of the generation being considered in the REZ design report. For example solar PV and wind generation have differing regimes and the REZ design parameters should take this into account to</p>	<p>The proposed additions to the REZ design parameters entails an overly prescriptive role for ISP, particularly at this stage in the transmission planning process.</p> <p>However the ESB agrees that the REZ implementation process should seek to deliver a supply mix that optimises the usage of the augmentation for maximum benefit.</p>

	optimise the usage of the augmentation for maximum benefit.	
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2.8 Content of REZ design report

Question 8 Is the proposed content of the REZ design report appropriate?

Respondent	Comment	ESB response
Australian Energy Council	AEC is supportive of requiring the JPB to consult widely in its preparation.	The ESB agrees.
AGL	<p>The rules should include a specific requirement for a cost-benefit analysis which assesses the proposed REZ (or REZ stage) and any non-network options.</p> <p>REZ design report should also be required to outline the likely impact on generators located outside the REZ.</p>	<p>The Rules require the JPB to investigate the costs and benefits of REZ stages as part of the definition of preparatory activities. However, the formal cost benefit analysis process remains the ISP/RIT-T, as for other projects.</p> <p>Under the NEM's open access regime, the transmission network is not planned in a way that maintains individual generators' network access. Hence a requirement to report on this matter would not be useful.</p>
Australian Wind Alliance	<p>Consideration of community attitudes and plans for community outcomes should be elevated beyond 'consultation' to be a more central part of REZ planning with socioeconomic assessments and community benefit plans included as required components of the report. Proper understanding of social licence risk is vital to REZ viability given potential for significant cost impacts.</p> <p>The outputs of the JPB's preparatory activities should be amended to include "a community assessment, including proposed community benefits".</p> <p>JPB shouldn't be expected to achieve community support (this requires more detail) but it should be expected to identify any roadblocks to social licence and estimate any costs associated with overcoming them.</p>	<p>The ESB agrees that proper understanding of social licence risk is vital to REZ viability given potential for significant cost impacts.</p> <p>The ESB has amended the content of the REZ design report to require the preparation of community assessments. This is intended to ensure that any obstacles to implementation are properly understood and assessed before plans are locked in.</p> <p>The ESB notes, however, that the overarching legal framework that applies to the National Electricity Market is designed to protect the long-term interests of electricity consumers, not communities. It is therefore necessary to coordinate between the NEM processes and the State and local government permitting processes.</p>
CEC	REZ design report should detail how the JPB will manage system strength and fault level across the REZ.	The ESB agrees that the REZ design report should detail how the JPB will manage system strength and fault level across the REZ. The recommended Rules do

		this through the obligation to develop a plan that is consistent with the achievement of power system needs, which includes system security.
Enel, Reach Solar	Yes, the proposed content of the REZ design report is appropriate.	The ESB has added a requirement for the REZ design report to include a community assessment, but otherwise agrees.
ENA	Non-network options should only be considered for REZ implementation stages that are expected to proceed within 12 years, noting that these would usually be considered as part of any actionable ISP project and RIT-T process anyway.	The ESB agrees that non-network options will continue to be fully assessed as part of the ISP and RIT-T processes, and that opportunities for non-network options may be clearer once the project is better defined. The intent is that the transmission planning process remains open to non-network alternatives throughout the process.
ETU & MUA	No, should also cover matters listed in response to Question 7.	See response to Question 7.
Moyne Shire Council	<p>A major issue of concern for the Council and its residents is the proliferation of power lines. There is a need for proactive coordination of power line infrastructure within the REZ. A government led strategic approach to infrastructure planning in REZ, beyond the planning of major transmission lines, is required. Need for undergrounding, road upgrades should be incorporated into REZ design reports.</p> <p>REZ design report should include an initial assessment of likely social and environmental impacts and community views and outline how these have been addressed in the design</p>	<p>The ESB has amended the content of the REZ design report to require the preparation of community assessments. This is intended to ensure that any obstacles to implementation are properly understood and assessed before plans are locked in.</p> <p>A coordinated REZ design process, using scale efficient assets, is likely to result in fewer power lines than the current approach where each individual generator has their own set of connection assets.</p>
National Wind Farm Commissioner	The planning framework should include sufficient guidance to provide for a comprehensive assessment of any potential impacts to local and nearby communities. There should also be sufficient consideration of how any potential negative impacts to such communities can be avoided or mitigated, including the method and routing of transmission infrastructure.	The ESB has amended the content of the REZ design report to require the preparation of community assessments. This is intended to ensure that any obstacles to implementation are properly understood and assessed before plans are locked in.
TAI/USyd	The design report content needs to explicitly include a 'community impact report' on social, economic and environmental impacts for REZ residents. It should also include a section on reporting on the consultation and	See above.

	coordination with local planning authorities and other sectors relevant to regional development such as education and skills training.	
UPC/AC	<p>Recommend additional items:</p> <ul style="list-style-type: none"> • high level cost estimates; • mix of generation, storage; • reactive and system strength remediations that may be needed; • any shared network upgrades required are to be identified/costed • Approximate implementation time frames • Outline of the results of a community consultation process for the preferred route. • Preliminary assessment of easement availability, environmental restrictions. <p>The REZ design report also needs more detailed milestones and a defined timeframe for completion.</p>	<p>All of the listed matters are included in the REZ design report with the exception of the optimal mix of generation and storage.</p> <p>Detailed timings will be dependent on whether the plan set out in the REZ design report (with associated cost estimates) forms part of the optimal development path as determined via the ISP process.</p> <p>The ESB agrees that it will be important to consider the optimal mix of supply side resources and storage, however this is best assessed in the context of the offers put forward as part of the REZ implementation process.</p>

2.9 Consultation process

Question 9 Is the proposed process for preparing a REZ design report appropriate?

Respondent	Comment	ESB response
Australian Energy Council	<p>Minimum consultation period should be 6 weeks rather than 4.</p> <p>Rather than requiring the JPB to make its own qualitative assessment of possible projects, the AEC recommends that the confidence that projects will proceed be linked to AEMO's Generation Information Page, by requiring that only "Maturing", "Advanced", "Committed*" and "Committed" projects are included, with "Emerging" and "Publicly Announced" projects excluded.</p> <p>Inputs to REZ design report should be open to scrutiny – AEMO practice is suggested as a model for JPBs.</p>	<p>The ESB has amended the minimum consultation period on the draft REZ design report to six weeks.</p> <p>The ESB agrees that AEMO's Generation Information Page is a useful resource when trying to assess the maturity of proposed developments. The Rules give JPBs flexibility in how they undertake their assessment, for instance, the JPB may work in collaboration with a State government-run process.</p> <p>The REZ design report will ultimately be fed into the ISP process with its associated requirements for transparency. The REZ design report consultation process is focussed on a subset of stakeholders – those who will be part of, or live in, the REZ.</p>
Australian Sugar Milling Council	Any expedited planning instrument should not diminish the minimum public consultation requirements contained in any relevant Planning Act.	Existing State government planning and environmental approvals process are unaffected by these proposals.

Australian Wind Alliance	The detail of the consultation should not be stipulated in the rule and could therefore adapt in response to lessons learned.	The ESB has amended the Rules relating to the consultation process to make it more flexible. A formal consultation process on the draft REZ design report is still required, however, this is in addition to other forms of consultation.
CEC	Supports opportunity for community consultation. Flexibility should be built in to allow a JPB to tailor its community engagement. However, the minimum required consultation periods should be outlined in the rules.	The ESB has adopted this approach. Rather than prescribing how the JPB conducts its stakeholder engagement, the ESB has set out principles that the JPB must meet. In addition to any targeted activities, JPBs are required to conduct a formal consultation on a draft version of the REZ design report.
Enel	Supports proposed process.	
ENA	<p>The REZ design report and development process should not be prescriptive in the rules and should avoid duplication. There should be flexibility to allow Governments to lead certain aspects of REZ delivery where they consider it is appropriate.</p> <p>Significant diversity that will exist between REZ design reports – while some will be quite preliminary and relate to projects ten years into the future, others will be very detailed and relate to imminent projects.</p> <p>The proposed drafting of rules 5.22.6(f) and (h) should be reviewed in this light to enable flexibility and avoid duplication. Rather than requiring the JPB to undertake preparatory activities (which include council and stakeholder engagement) and to consult, the drafting should be amended so that the “JPB must ensure” that the preparatory activities and consultation are undertaken. This would allow governments to lead certain aspects of REZ engagement.</p> <p>The AER already has a comprehensive framework for stakeholder engagement which can also be considered in light of these lengthy and iterative processes.</p> <p>As a minimum the Rules should require AEMO to ensure a reasonable time period is given to the JPB to produce the REZ design report when setting a date in the ISP. This could be specified as a reasonable time agreed with the JPB or, if a specific time frame is to be specified, at least 12 months.</p>	<p>Rather than prescribing how the JPB conducts its stakeholder engagement, the ESB has set out principles that the JPB must meet. These principles are based on the AER's Customer Engagement Guidelines.</p> <p>The Rules are designed to permit JPBs to adopt a proportionate approach to their REZ design activities, depending on how far into the future the REZ is expected to be required.</p> <p>The ESB has adopted the proposed amendment to Rule 5.22.6(f) (now renumbered to 5.24.1(b)).</p> <p>The proposed Rules require AEMO to take reasonable steps to cooperate and consult with the JPB to enable the JPB to prepare and publish a REZ design report. This requirement is sufficient to ensure that AEMO provides a reasonable deadline for the preparation of the REZ design report.</p>

ETU & MUA	4 weeks consultation is inadequate. Consideration should be given to how those stakeholders and impacted communities are supported to be engaged in the consultation in a meaningful way.	Rather than prescribing how the JPB conducts its stakeholder engagement, the ESB has set out principles that the JPB must meet. In addition to any targeted activities, JPBs are required to conduct a formal consultation on a draft version of the REZ design report. The minimum consultation period has been extended from 4 to 6 weeks.
EUAA	Minimum timeframe for consultation should be at least 8-12 weeks. JPB should also provide a detailed stakeholder engagement plan and demonstration of appropriate resourcing.	See above. The plan set out in the REZ design report will ultimately be fed into the ISP/RIT-T process with its associated consultation requirements. The REZ design report consultation process is focussed on a subset of stakeholders – those who will be part of, or live in, the REZ.
MEU	Draft rules need to include for wide stakeholder consultation at the time consideration is being given to extend the shared network to REZs.	See above.
Moyne Shire Council	Local government needs to be recognised in the paper as a land use and development planning authority alongside state governments. Local councils understand diverse views within their communities. 60 day consultation period should be the minimum standard.	In light of stakeholder feedback, the minimum consultation period has been extended from 4 to 6 weeks. The proposed Rules recognise local governments as a key stakeholder that should be included in the REZ design consultation process (see clause 5.24.1(d)(1)(B)).
National Wind Farm Commissioner	Planning arrangements for REZs should remain flexible and adaptable. Once developed, successful execution of the REZ planning should require effective community consultation processes, particularly in considering impacts to rural and regional communities, and include all aspects and implementation of the plan.	The ESB agrees.
Origin	In addition to the proposed consultation requirements, JPBs should: <ul style="list-style-type: none"> • Publish inputs and assumptions, including for consultation, especially where they differ from the ISP. • Consult on non-network options for all relevant aspects of the REZ. 	While there is no explicit obligation to publish inputs and assumptions, the JPB must provide stakeholders with information that is clear, accurate, relevant and timely. The plan set out in the REZ design report will ultimately be fed into the ISP/RIT-T process with its associated transparency requirements.

		The proposed Rules require the JPB to describe the reasons for the proposed engineering design, including any consideration of non-network options.
Reach Solar	How does this proposed process interact with Planning requirements and the interaction between the renewable project and the landowner/local community?	<p>A lack of social licence can significantly affect the cost of a proposed project. The REZ Planning Rules seek to ensure that any obstacles to implementation are properly understood and assessed before plans are locked in.</p> <p>The overarching legal framework that applies to the National Electricity Market is designed to protect the long-term interests of electricity consumers, not communities.</p> <p>It is therefore necessary to coordinate between the NEM processes and the State and local government permitting processes.</p>
TAI/USyd, UPC/AC	Propose a more expansive, iterative consultation process with multiple stages of consultation which are longer than the proposed four weeks.	<p>The consultation process has been left flexible to enable JPBs to adopt targeted methods depending on the circumstances. The ESB has specified principles that the consultation process must meet relating to the suitability and timeliness of the information provided.</p> <p>In addition to any targeted activities, JPBs are required to conduct a formal consultation on a draft version of the REZ design report. The minimum consultation period has been extended from 4 to 6 weeks.</p>
TransGrid	<p>The Rules should explicitly allow roles undertaken by Government to fulfil the JPB's obligation to consult. This would prevent an outcome where aspects of consultation with communities and generators is duplicated, impacting the quality of that consultation.</p> <p>A four week consultation period is not necessarily appropriate. The proposed changes should require rigorous consultation, while allowing discretion in how that consultation is conducted.</p>	<p>The ESB has amended the Rules so that the JPB must ensure that the specified consultation requirements are met, rather than explicitly requiring the JPB to carry out the activities. This change is intended to clarify that the JPB may rely on consultation undertaken by other parties, including Governments, so long as the standards set out in the Rules are met. Where the Rules requirements are only partially met, the JPB may need to carry out supplementary activities.</p> <p>The ESB agrees a range of targeted engagement strategies are needed, not just a consultation</p>

		document. The ESB has amended the proposed Rules to make it clear that the requirements for a formal written consultation on the draft REZ design report is in addition to the other activities.
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2.10 Integration of local vs system wide considerations

Question 10 Do the draft Rules effectively integrate both local and system-wide considerations?

Respondent	Comment	ESB response
AGL	<p>Rules should include requirement for JPB and AEMO to cooperate with the TNSP to account for situations where the TNSP is not the JPB.</p> <p>Rules should provide further guidance on arrangements for a REZ which may extend across NEM regions.</p>	<p>The proposed Rules have been amended to separate the JPB/AEMO joint planning provisions from the TNSP/AEMO joint planning provision. See 5.24.2.</p> <p>The ESB expects cross-border issues to be managed via the joint planning process.</p>
Australian Wind Alliance	<p>A change in mindset will be required across all JPBs to see themselves not just as builders of infrastructure in communities but as genuine partners with communities.</p> <p>Additional costs will be well and truly recouped in the choice of more palatable infrastructure outcomes for communities and more expeditious project timelines.</p>	<p>The ESB agrees that it is important for the transmission sector generally to effectively engage with communities, particularly given the scale of new transmission development required. The REZ Planning Rules are intended to be a step in this direction.</p>
ENA	<p>The draft Rules integrate local and system wide transmission planning considerations, however, ENA is concerned that there is inadequate consideration of local issues in the development of an ISP before committing to the preparatory works for a REZ design report.</p>	<p>Transmission planning is an iterative process. The purpose of the REZ design report is to provide a vehicle for the local issues to be considered before a project becomes an actionable ISP project. The ESB considers that JPBs are better placed than AEMO to conduct targeted community engagement. In addition, TNSPs have the ability to inform AEMO about local issues as part of the ISP joint planning process.</p>
ETU & MUA	<p>ETU would argue that the current planning framework is flawed however this is reflective of the broader planning regime. It is one thing to be “Technology Neutral”, it’s entirely another to be “Reality Agnostic”.</p>	<p>This issue is beyond the scope of the current Rule change.</p>
EUAA	<p>While there are benefits to cooperation, EUAA is concerned about potential for confirmation bias</p>	<p>From a regulatory design perspective, the transmission planning framework is able to be updated for new information. Each</p>

	and risk that REZs gain unstoppable momentum.	stage in the process requires a reassessment of whether the project still forms part of the optimal development path, given the latest information regarding the costs and benefits of the project.
Reach Solar	Not clear whether a project may be designated as an actionable ISP project in advance of a renewable project achieving committed status.	The ISP involves a system-wide optimisation that models efficient generator locations across the NEM (known as “ISP development opportunities”). These modelled results may cause a transmission project to become actionable before the relevant generation projects achieve committed status.
TAI/USyd	The draft Rules fall short on principles and procedures to integrate community level with system-wide considerations in REZ selection and design. The NER has limited scope and is not the appropriate vehicle to achieve all the objectives for REZ planning that ESB has raised.	<p>The ESB agrees that NER is not the appropriate forum for trading off the interests of electricity customers and local communities. This is a matter for local and state governments via the planning and environmental approvals process.</p> <p>A lack of social licence can significantly affect the cost of a proposed project. The REZ Planning Rules seek to ensure that any obstacles to implementation are properly understood and assessed before plans are locked in.</p> <p>The overarching legal framework that applies to the National Electricity Market is designed to protect the long-term interests of electricity consumers, not communities.</p>

2.11 Funding of REZ design reports

Question 11 Do the proposed funding arrangements support the delivery of the REZ planning framework?

Respondent	Comment	ESB response
ATCO	ATCO would like to see an alternative funding mechanism, as the proposed approach provides an advantage to incumbents and will deter new entrants to the market. Proposes that funding should be controlled by State governments.	<p>The ESB proposed that the JPBs are responsible for REZ planning in order to ensure that REZs are designed in a way that leverages and contributes to the development of the broader power system.</p> <p>While State governments can and do fund transmission planning activities from time, the regulatory framework should not be dependent on government intervention.</p>
CEC	If REZ design report is triggered by commercial interest (see question 5) costs should be recovered from proponent.	The REZ Planning Rules are designed to drive the development of REZs based on power system needs rather than commercial interest.

Enel	Yes. Planning and design of the REZ is a core function of the TNSP. Prudence of design expenditure can be delivered through the AER process.	The ESB agrees.
ENA	<p>Given the uncertainty of REZ design reports in relation to timing and potential number of iterations, ENA suggests that:</p> <ul style="list-style-type: none"> the Rules clarify that the specification of a REZ in an ISP or ISP update which requires the preparation of a REZ design report is a regulatory change event for the purposes of the definition of a regulatory change event the materiality threshold should not apply to cost pass through events related to the preparation of REZ design reports, or alternatively that the materiality threshold should be applied to the total expenditure on REZ design reports in a year rather than to each individual REZ design report the costs associated with REZ design reports should be excluded from the Efficiency Benefits Sharing Scheme. 	<p>For current regulatory control periods, the transitional arrangements state that the REZ Planning Rules, together with an obligation to prepare a REZ design report, constitutes a positive change event for the purposes of 6A.7.3.</p> <p>For future regulatory control periods, TNSPs are able to nominate unanticipated REZ design reports as a category of cost pass through event for a revenue determination in accordance with existing NER 6A.7.3(a1)(5).</p> <p>While the form of any nominated cost pass through event is a matter to be determined by the AER as part of the revenue determination process, the ESB envisages that the minimum cost pass through threshold should apply to REZ design reports, consistent with the treatment of other cost pass through events. However, the TNSP may aggregate the costs of each REZ design report required in a given ISP (where the ISP triggers multiple REZ design reports to be prepared by a JPB) for the purposes of assessing whether the minimum cost pass through threshold is met.</p>
ETU & MUA	A framework needs to be developed for appropriate, proportional funding based on shared costs and recognising who benefits. A study should be initiated to explore better, more certain funding arrangements including options such as a levy.	<p>The REZ Planning Rules include arrangements for funding the preparation of a REZ design report.</p> <p>The ESB is considering the funding arrangements for REZs as part of its stage 2 process.</p>
EUAA	If these costs are particularly high in a jurisdiction and not reasonable to be absorbed by the TNSP, state governments provide a funding pool to support this activity given it is largely being undertaken as a direct result of their policy.	While State governments can and do fund transmission planning activities from time, the regulatory framework should not be dependent on government intervention. Policy-driven REZs will only be included in the ISP where the criteria set out in NER 5.22.3(b) are met.
MEU	Generators seeking connection must be responsible for the costs incurred by the TNSPs for any design work needed to	The ESB considers that REZ design activities should be treated as prescribed transmission services since generators cannot commit to connect

	assess the viability of the proposed connection, including to REZs.	to an asset that is still in the early stages of the transmission planning process.
Reach Solar	Regulatory funding is appropriate, however 5 year regulatory period might be insufficiently frequent to respond to grid requirements.	The ESB proposes to manage the risks of uncertainty to both JPBs and customers using the cost pass through event mechanism.
Spark Infrastructure	<p>We do not support the recommendation for REZ design activities to be included in operating expenditure allowances or in a cost pass through application for TNSPs. These costs will be both difficult to forecast and manage without compromising the output and the strong incentive to minimise these costs could undermine an otherwise effective planning framework.</p> <p>We recommend that these costs are passed through in annual variations to transmission prices in a similar manner (and process) as that which applies to transmission planner costs incurred by AEMO.</p> <p>We also recommend further consideration of specific arrangements for Actionable ISP Projects to mitigate unintended revenue and risk challenges under the current regulatory framework.</p>	See response to ENA comments on Question 11.
TAI/USyd	<p>If states create dedicated agencies in order to deliver the range of REZ planning functions given to the Energy Corporation of NSW, then those agencies would have their own independent funding.</p> <p>Within this broad function, it could be appropriate for JPB/TNSP's to do engineering design work and this would be funded through AER revenue determination processes.</p>	<p>The ESB agrees that if the Minister nominates a party other than the TNSP to be JPB, then the State government will need to establish alternative arrangements for JPB funding.</p> <p>To the extent that the JPB functions are carried out by the TNSP, then the AER revenue determination framework applies.</p>
TransGrid	<p>To achieve the intended approach two matters should be clarified in the proposed rule changes:</p> <ul style="list-style-type: none"> Rules should explicitly state that an AEMO decision to trigger a REZ design report meets the definition of "regulatory change event". the AER should be required to publish guidance on how it wishes TNSPs to approach forecasting of these costs. 	See response to ENA comments on Question 11.
UPC/AC	We support pass through of TNSP REZ design costs, except where the REZ	The REZ Planning Rules are designed to drive the development of REZs

	design is initiated by and paid for by private industry. We also support TNSPs undertaking preliminary REZ design activities in anticipation of identification of a priority REZ.	based on power system needs rather than commercial interest.
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2.12 Transitional arrangements

Question 12: What, if any, transitional arrangements are required to give effect to the REZ planning framework?

Respondent	Comment	ESB response
Australian Energy Council	Inappropriate to use s90F for this Rule change as it is intended to progress urgent issues of a system security nature. Further clarity is required regarding Stage 2 in order for stakeholder to be able to comment meaningfully on Stage 1. Stakeholders should have the opportunity to revisit their comments on Stage 1 once they've seen stage 2.	<p>The ESB considers that the recommended Rules are clearly within scope of s90F of the NEL, which enables the ESB to recommend Rules in connection with long-term planning for the NEM. Section 90F does not refer to urgency.</p> <p>The ESB considers that Stage 1 has merit irrespective of the outcome of the Stage 2 process, and it would be helpful to have a REZ planning framework in place as soon as possible given the long lead times associated with the planning process and the current level of interest in developing REZs.</p>
Engie	The REZ planning rules should allow due recognition of processes that are already in train at the time of implementation of the rules, such as the Central West Orana REZ. Nonetheless, there may be value in ensuring those existing processes do not pose extra risk to consumers than would be the case by applying the preferred ongoing approach.	The requirement for a REZ design report is triggered at AEMO's discretion. If previous planning activities already covered the relevant issues, there would be no need for another REZ design report. Central West Orana REZ falls in this category.
ENA	<p>Proposed transitional arrangements for Stage 1 are unclear.</p> <p>Central-West Orana REZ should be excluded from the REZ planning framework.</p> <p>If the ESB does not accept that the Rules should clarify that a requirement to prepare a REZ design report is a regulatory change event and/or that the materiality threshold should not apply to cost pass through events related to the preparation of REZ design reports, then the transitional arrangements should include these provisions for at least the current regulatory control period.</p>	<p>As the REZ Planning Rules only have an impact in the event that AEMO triggers a REZ design report in an ISP or ISP update, transitional arrangements are not required, other than in relation to the funding arrangements (see Question 11) and the requirement for an AEMC review of the REZ Planning Rules by 1 July 2025.</p> <p>The requirement for a REZ design report is triggered at AEMO's discretion. If previous planning activities already covered the relevant issues, there would be no need for another REZ design report. Central West Orana REZ falls in this category.</p>

		The proposed Rules include transitional arrangements to clarify the application of the cost pass through mechanism during the current regulatory control period.
ETU & MUA	Transitional arrangements should include requiring an assessment of existing REZ developments to allow for the expansion of their planning to incorporate broader economic benefit assessments.	Under the National Electricity Law, the ESB is bound to have regard to the National Electricity Objective (which focuses on the long term interests of electricity customers) when it recommends Rule changes.
CEC	It would be of great concern if the development of in-train REZs were to be delayed due to the need to undertake additional steps to satisfy rules that are designed to facilitate their development	The requirement for a REZ design report is triggered at AEMO's discretion. If previous planning activities already covered the relevant issues, there would be no need for another REZ design report.
Reach Solar	Transitional arrangements should exist to recognise existing renewable energy (RE) projects which are within or adjacent to a REZ. Care should be taken to ensure project value is not destroyed as part of a planned REZ process and it should not have to bid to connect to the grid as part of the planned REZ process. There is a risk of capital being drawn to planned REZ projects – because they appear to be favoured by government and/ or regulators - and this in turn will result in reduced appetite for other REZ (with open access). Govt/ Regulators need to reinforce the message that this is not the case.	Under the NEM's open access regime, the transmission network is not planned in a way that maintains individual generators' network access. The underlying policy objective of a REZ is to coordinate transmission and generation by creating incentives for generators to connect in particular locations. REZs are only a partial solution to the challenge of coordinating transmission and generation as the arrangements apply on a localised basis rather than a system-wide basis.
TAI/USyd	There should be an early review of the Central West Orana process conducted for the ESB and this used to inform the final NER rules and broader economic and regional development guidelines.	While the timeframes do not align for a review to inform these Rules, the ESB agrees that the Central West Orana process is a relevant case study of how the REZ design process may be applied in practice.

2.13 General comments

Respondent	Comment	ESB response
Australian Energy Council	Query whether further codification of the REZ concept is warranted as it may: <ul style="list-style-type: none"> • add administrative burden • slow the process of evolution and innovation • create boundary issues and disputes between superficial classifications. 	REZ design reports are initiated at AEMO's discretion. If the extra stakeholder engagement is not needed, then AEMO may make a project actionable without the need for a REZ design report.
Australian Energy Council,	The need for this Rule change is unclear given existing Rules frameworks.	At the margins, there is an ongoing need for measures to ensure that the transmission network is

ERM Power, MEU		designed in a way that takes into account the needs of local communities and developers. This is particularly critical in the case of transmission infrastructure to support a REZ due to the significant impact on local communities and the fact that the purpose of the new transmission is to connect new generation.
AGL, Origin, UPC/AC Renewables	It is difficult to provide feedback on step 1 of the interim REZ framework without further clarity with respect to step 2.	The REZ planning framework is designed to deliver transmission investment that balances technical, economic and social considerations. The ESB considers it has merit irrespective of the outcome of the Stage 2 process.
Aluminium Council	Supports a “causer-pays” approach to ensure transmission network expansions are only built only when to do so is more cost effective than building new storage or firming generation.	The ESB is considering the funding arrangements for REZs as part of its stage 2 process. Network, generation, storage and demand side options are all assessed as part of the ISP modelling under the ISP Rules.
Engie	REZ planning arrangements should look where possible to ensure there are incentives for generation projects interested in connecting to the REZ to credibly signal their willingness to make <i>some</i> contribution to the investment, noting the challenges in seeking to get a REZ fully funded by generator contributions under the current arrangements. Otherwise, consumers bear a stranding risk that they do not have any direct way to manage.	The ESB is considering the funding arrangements for REZs as part of its stage 2 process.
ERM Power	We strongly endorse the ESB’s observation that the objective of the REZ consultation should be to strike an appropriate balance between technical, economic, and social license considerations. If not well managed, the REZ planning process may potentially result in sub-optimal development of network infrastructure such that renewables are not able to be brought on line as required, and/or consumers bear the ultimate cost of inefficient investment in transmission assets with lengthy operational lives. We encourage the ESB to adopt a principle of co-creation that will ensure that REZs benefit from the expertise of	The ESB agrees.

	broad range of stakeholders at the earliest stage of concept design, including scope for firming technology that can reduce or defer costs associated with new network infrastructure, and thereby minimise energy costs for consumers.	
EUAA, MEU, QUEN	Consumers should not continue to pay the entire cost of prescribed transmission assets, particularly where the function of the new transmission is to connect generators. Customers have no ability to manage the risk, and transmission and generation would be more coordinated if generators were to bear at least part of the cost of transmission.	The ESB will consider the funding arrangements for REZs, including whether it is appropriate for customers to bear the full cost of the prescribed transmission assets associated with a REZ, as part of its stage 2 process.
EUAA	REZs have specific risks of asset stranding given that the transmission assets have a longer asset life than generation assets. Further, assets are likely to be subject to low utilisation yet customers fund 100%.	As above
MEU	The current rules do not prevent any generator funding their own transmission assets to remove congestion, but if they do so, the rules do not permit allocation of a property right to the generator. This should change as a matter of priority.	As above
National Wind Farm Commissioner	Highly supportive of the proposed planning framework in order to balance technical considerations with community and environmental impacts.	The ESB agrees that the transmission planning framework should have regard to social licence issues as they have the potential to affect the relative merits of different development options.
Origin	The ESB should also align and coordinate its work with the AEMC's rule change on DCAs as they could be an important aspect of implementing REZs.	The ESB agrees that DCAs have the potential to be an important element of REZs and the ESB and AEMC are working closely on these issues.
Spark Infrastructure	We support the recommendations to establish an integrated planning framework to support REZ development.	The ESB agrees.
Australia Institute/ University of Sydney	Our general view is that REZ and other large-scale renewable energy projects could make a very substantial and broad contribution to regional communities but that this requires a development process far more comprehensive than would be possible within the narrow remit of the NER.	The REZ planning rules provide a mechanism for social considerations to be explored, however ultimately the National Electricity Law requires the market bodies to promote the long-term interests of electricity consumers. There is there is a role for state and local governments in reconciling social considerations with the interests of electricity customers.

<p>TransGrid</p>	<p>TransGrid strongly supports the work of the ESB in developing a special planning regime for REZs.</p> <p>Arrangements should ensure contestable asset design and specification, as well as the ultimate ownership and operation, is consistent with technical standards required to maintain a secure and reliable power system.</p>	<p>The ESB proposes to retain the existing framework for contestability subject to the AEMC's decision on the Dedicated Connection Assets Rule change. The question of whether the shared transmission network should be developed on a contestable basis is a matter for State governments.</p>
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C Abbreviations and Technical Terms

AEC	Australian Energy Council
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
CBA	Cost Benefit Analysis
CEC	Clean Energy Council
CEIG	Clean Energy Investor Group
DR	Dispute resolution
ECA	Energy Consumers Australia
ENA	Energy Networks Association
ESB	Energy Security Board
EUAA	Energy Users Association of Australia
ETU	Electrical Trades Union of Australia
MEU	Major Energy Users
MUA	Maritime Union of Australia
NEL	National Electricity Law
NEM	National Electricity Market
NER	National Electricity Rules
NNO	Non network option
NSCAS	Network Support and Control Ancillary Services
NTNDP	National Transmission Network Develop Plan
QUEN	Queensland Energy Users Network
RIT-T	Regulatory Investment Test for Transmission
REZ	Renewable Energy Zone
TAI/USyd	The Australia Institute and University of Sydney
TNSP	Transmission Network Service Providers

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