

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

This submission is short because we believe that the implementation of the NEVA order by the Victorian Government leaves us with virtually no ability to influence the PACR cost benefit analysis. While the NEVA order may speed up the process it does not fill us with confidence that the project will deliver net benefits for consumers.

We therefore focus on what we view as a lack of due process, including a stakeholder engagement process since the PADR that has fallen well short of our experience of best practice engagement.

VNI WEST ENGAGEMENT

The EUAA and others have had a torrid experience engaging on VNI West to-date. As a summary of our experience:

- It took some time to get AEMO's commitment to undertake the required post PADR engagement which eventually occurred on 1st December, 2022.
- There was a tortuous negotiation with AEMO over some weeks to get an agreed agenda; eventually AEMO sent a minimalist agenda a few days before the meeting that gave participants no confidence that the issues they raised in the PADR submissions would be addressed. We had sought a day-long session to cover these issues, AEMO agreed to a 5-hour session that we advised would not be enough time; that proved to be the case.
- It then took considerable time and effort to prepare Minutes and schedule a follow-up meeting to discuss the outstanding issues not covered in the first meeting; this was held on 6th February. Again, we advised AEMO that their proposed 1.5 hours would be insufficient time to address outstanding issues; again, that proved to be the case.
- A third and final meeting on 28th February – scheduled for 1 hour but which went for 1.5 hours – was to address outstanding issues particularly around the Gippsland REZ, and again it proved to be insufficient time to discuss the issues.
- All through this process over a number of months, various stakeholders were asking AEMO questions through email and during the course of the three meetings. They were looking forward to getting written answers to assist in preparing their submissions on the Consultation Report and finally received 25 pages of Q&A yesterday (4 April), plus webinar recordings.
- In the last week we had heard that farming communities had been given an extension until 19 April to make their submissions, but that extension was not available to the EUAA or other PADR submitters who attended the engagement meetings referred to above and asked a majority of the questions that were responded to yesterday.

The quality of engagement prior to the NEVA order was well below best practice. Moving forward, in our view the NEVA order effectively negates any chance of effective engagement where stakeholders consider their views are being listened to and changes made.

On a quick read of the 25 pages provided yesterday afternoon it appears AEMO/Transgrid will make no changes in the PACR cost benefit analysis. Given the NEVA order the EUAA will take no more than a monitoring role in future VNI West engagement.

VNI WEST LOSES TRANSPARENCY

The EUAA acknowledges the Victorian Minister for Energy's order pursuant to Section 16Y of the National Electricity (Victoria) Act 2005 (NEVA) and the implications for the VNI West project and consultation. Specifically, that AEMO:

- Assess alternative options for VNI West and WRL;
- Commence early works for VNI West;
- Complete the Project Assessment Consultation Report with Transgrid;
- Consult with stakeholders on the outcomes of the assessments;
- Consult with VicGrid; and
- Seek the Minister for Energy's approval prior to varying projects and/or entering into a construction agreement.

Of particular concern to the EUAA, is the limitation of consultation to the "outcome" and the inability for consultation submissions to discuss the "process" including the "modelling".

As such, the EUAA believes the NEVA declaration removes the transparency of the RIT-T process, including costings, for the development of the VNI-West project. This is due to the "process", "modelling" and selection of the "best" option (i.e. "outcome") are intertwined.

The EUAA does not have confidence that the modelling will be transparent and justifiable and we believe that nothing we say in any submission on methodology can change that view. We see no possibility of a report to the Victorian Government ever showing a negative net benefit project even though we consider that a reasonable probability.

VNI WEST MAY BE BUILT AT ANY COST

The EUAA acknowledges that the NEVA Order now means that the VNI West project will be built with the only uncertainty being around timing. While this is the right of the Victorian Government to make this decision, the EUAA is concerned that the NEVA Order may result in both VNI West and WRL projects being built at "any cost" rather than at "least cost" and that there is now limited opportunity to engage with the process.

EUAA considers that, given the modelling approach and lack of transparency, our members (and all Victorian electricity consumers) have a high chance of being asked to pay for an uneconomic project when a component of that cost (which is a public good, and not a direct electricity consumer benefit) should be paid for by taxpayers or other beneficiaries of the project, such as connecting generators.

VNI WEST OPTION 5 SELECTION PROCESS

AEMO uses sensitivity analysis to test each option and to therefore select the preferred option.

EUAA notes that the VNI West Consultation report relies on the existence of offshore-wind in Gippsland to validate the preferred option (Option 5). i.e. Option 5 carries the lowest sensitivity to the existence or otherwise of Offshore Wind. Given that no deep water offshore-wind exists anywhere in the world, the EUAA considers this to be a huge risk.

However, as this is a question of process, a subject not open for consultation under the NEVA Order, the EUAA will not waste resources investigating the extent of this risk.

VNI WEST INCREASED OPPOSITION

EUAA is aware of the significant local landowner opposition to the building of both WRL and VNI West.

While both VNI West and WRL are designed to increase access to renewable generation in Western Victoria and increase connection with NSW to allow access to more renewables as well as Snowy 2.0 output, both were delayed by landowner opposition, in-part due to a lack of adequate consultation.

This opposition has been shown through protests, action through the environmental approvals process and legal action in the Victorian Supreme Court. These actions have led to a substantial delay in the WRL and VNI West timetables. EUAA recognises that these delays adversely impact on the ability of the Victorian Government to meet its renewable energy targets.

Unfortunately, since the release of the VNI West Consultation Report, the EUAA has witnessed a similar lack of adequate consultation with the newly impacted Option 5 communities and the existing WRL communities impacted by the uprating of WRL from 220kV to 500kV. The outcome of the NEVA order and inadequate consultation has, and will continue to be civil disobedience, which we saw recently in Dean. Perhaps the Victorian government and project proponents see that a level of opposition is inevitable and have taken the view that they will just have to grin and bear it while they pursue the project regardless.

Unfortunately, we would not be surprised if one of the consequences of AEMO/Transgrid's approach to engagement and the NEVA order is a continuation and possible escalation of the civil disobedience that has occurred recently along the proposed routes of WRL and VNI West. This shows not only a complete lack of social licence but also a potential reduction in the level of consumer licence i.e. the willingness of consumers to pay the costs of network AEMO says is required for the transition.

CHANGING THE RULES FOR FUTURE ISP PROJECTS

What has become very clear in our consideration of the VNI West project is that, despite AEMO/Transgrid's approach to engagement on the cost benefit analysis, it is absolutely necessary to retain the current rules provision that the RIT-T retain a requirement to assess net benefits. The AEMC Transmission Planning and Investment Review is considering having the ISP as the sole place for considering net benefits with the RIT-T relegated to only considering costs. We consider that to be poor regulatory policy and inconsistent with the NEO.

Consumers will have no confidence in the RIT-T process being in their long-term interests given the ISP's consideration of net benefits is so high level e.g. capex at AACE Class 5 and only a very high-level consideration of social licence e.g. without a selected route which is only decided post PACR.

It is the EUAA's position that shifting the cost benefit analysis to the ISP will have the effect of moving the now mobilised opponents to ISP projects to the ISP, delaying the process of this very important document which is required for an orderly transition to net zero emissions.

Our comments in this submission may appear harsh and some may erroneously characterise it as EUAA opposing the transition to net zero. We are being harsh because we need the proponents to do better on community social licence and because we need a strong regulatory regime to give consumers confidence in the outcome. Failing on either or both of these will slow down the transition to net zero and will certainly make it more expensive.

Given we support a just transition where we achieve net zero at least cost not at any cost the scenario we see unfolding will fail on both counts.

Do not hesitate to be in contact should you have any questions.



Andrew Richards
Chief Executive Officer