

19 August 2013

Major Project Development Assessment Processes  
Productivity Commission  
Locked Bag 2, Collins St East  
MELBOURNE VIC 8003

Dear Sir or Madam

**Re: Response to Report on Major Development Assessment Processes**

ElectraNet welcomes the opportunity to provide comment in response to the Productivity Commission Draft Report – Major Development Assessment Processes.

ElectraNet Pty Ltd (ElectraNet) is the principal electricity Transmission Network Service Provider (TNSP) in South Australia, operating in the National Electricity Market under the National Electricity Rules. The company's revenue is set by the Australian Energy Regulator (AER).

ElectraNet's role is to own, manage and operate the high-voltage transmission lines and substations that connect this state's electricity generation system to multiple customer connection points, including SA Power Networks' lower-voltage distribution network. ElectraNet's transmission network extends across some 200,000 square kilometres of the state. This network consists of transmission lines operating at 275,000, 132,000 and 66,000 Volts, which are supported by both steel lattice towers and tall poles.

A considerable number of ElectraNet's projects would meet the major project definition criteria used in the Commission's study. The applicable criteria in ElectraNet's case are the project cost and complexity including multiplicity of approvals and government regulation associated with major projects. In addition ElectraNet projects are often a major component of a larger project such as a wind farm or mining development requiring access to the transmission network. Considering the relevance of the Commission's Report to ElectraNet's core business, we provide the following specific comments on the Report's findings and recommendations.

**REPORT FINDING:** *Development Assessment and Approvals (DAA) regulations and processes provide a way for risks (which may have*

*irreversible outcomes) to be considered before significant capital investment takes place, typically by requiring the proponent to obtain various permits, authorisations and approvals. These approvals relate (but are not limited) to land acquisition, use and access (including zoning), planning, environmental regulations (covering pollution, waste management, habitat and biodiversity, fauna and flora and threatened species), Indigenous and non-Indigenous heritage, native title and public health and safety.*

COMMENT: In ElectraNet's experience a key issue to overcome in regard to addressing risks to major projects, is that the assessment and approval process in South Australia requires detailed design and siting of infrastructure for development applications to be assessed and approved. There is no formal concept approval process which would provide both ElectraNet and other stakeholders the confidence necessary to make timely and fully informed investment decisions.

Consequently, the proponent must carry assessment and approval risks into latter stages of project delivery beyond the concept design phase. This frequently results in duplication of process and added cost to address uncertainties and scheduling risks to infrastructure delivery. Typically, ElectraNet under current DAA processes in South Australia can incur up to 15-20% of total project expenditure before reaching the point at which it can apply for Development Approval. This places greater risk on the project of delays and added cost if additional project requirements are identified through the DAA process.

This has been recognised in recent planning reforms proposed by NSW which seek to introduce a concept approval for critical public priority infrastructure projects (referred to further below).

REPORT FINDINGS: *The Commission's proposals build on previous efforts and would strengthen the development assessment and approval regulatory framework by:*

- *better achieving regulatory objectives*
- *reducing regulatory overlap and duplication*
- *improving regulatory certainty, transparency and accountability*
- *improving timeframes and coordination*
- *reducing compliance costs.*

COMMENT: ElectraNet supports the above objectives, and as the principal TNSP in South Australia makes the following observations:

- The Planning system could better achieve regulatory objectives through DAA reforms that introduce a concept approval process for the early design phase of major infrastructure projects which in turn supports not just the infrastructure developer investment decision making but also affected customers including mining loads and energy generation projects.
- Improvements to the Planning system aimed at 'reducing regulatory overlap and duplication' could be achieved in the case of regulated infrastructure providers such as ElectraNet by explicitly acknowledging and recognising the regulatory investment approval

processes undertaken by TNSP's under the National Electricity Rules<sup>1</sup>. More efficient and cost effective infrastructure provision would result from streamlining approvals for major / state significant infrastructure projects in approved circumstances. These could include a level of self-assessment and Ministerial only approval (e.g. fast tracking where there is deemed to be low environmental risk).

- ElectraNet supports the goal of 'improving regulatory certainty, transparency and accountability' and believes major development assessment and approval processes should include utilising strategic land use and major infrastructure planning to anticipate future needs and anticipated developments, and accommodate these in State, Regional and local land use planning frameworks. Greater use of pre-planning and infrastructure corridor / site reservation through strategic land use planning processes should reduce the level of uncertainty and risk for both proponents and other stakeholders in respect to final assessment and approval processes.

- ElectraNet supports 'improving timeframes and coordination', on the basis that the DAA process enables concept approval and under approved circumstances 'fast tracking'. The ability for greater certainty and priority approvals for state significant developments should be strictly managed to ensure only valid projects can be assessed and approved under exclusive DAA processes.

- ElectraNet supports 'reducing compliance costs' given that lower infrastructure delivery costs result in lower cost outcomes for consumers. ElectraNet in collaboration with construction contractors creates Construction Environmental Management Plans which identify statutory compliance risks and mitigation methods to be enforced. A combination of contractor and developer auditing is conducted throughout the construction phase to ensure the development is delivered in accordance with approval conditions. This process proves to be cost effective for ElectraNet projects which are largely of low risk from an environmental impact perspective. Reforms to DAA processes including 'fast tracking', should ensure that compliance requirements are clearly identified by the approval authority and do not add unnecessary additional costs for low risk developments.

REPORT FINDING: *The Commission considers that the practice of early consultation between regulators, proponents and community stakeholders could be undertaken more systematically.*

COMMENT: ElectraNet agrees with Commission's views and has a policy of active community and stakeholder engagement prior to finalising development applications for assessment and consideration by the relevant planning authority.

As noted above, a key concern is that under the South Australian Planning system a Development Application for large scale public infrastructure requires design details to have been completed to an unreasonable degree before DAA approval and formal consultation processes can commence.

ElectraNet views this requirement as counter to the risk management and scheduling processes associated with the efficient and timely delivery of major projects and investment decision making. ElectraNet supports an approval process at concept design phase with

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<sup>1</sup> Such as the application of the Regulatory Investment Test for Transmission (RIT-T) which involves a detailed economic evaluation and public consultation process for all major network augmentation projects

environmental risks and amenity impacts clearly identified and mitigation measures proposed adequately defined.

The NSW Government White Paper<sup>2</sup> on Planning Reforms has acknowledged the failure of the traditional DAA process to allow for concept approval of major infrastructure projects. The White Paper identifies the proposed introduction of Public Priority Infrastructure Assessment and Approval processes for major infrastructure projects deemed to be of state significance.

Under these proposals an approval can be considered at the concept design phase of a major development. This effectively asks if the proposed development is suitable for the corridor and / or site intended for development. The process should ensure sufficient detail is provided to assess risks including potential environmental and social impacts and to consider proposed mitigation measures.

An approval with appropriate conditions at the concept design phase then can provide the proponent and other interested parties with sufficient confidence to consider the primary investment decision, which is usually made prior to further detailed design and investigations. The post concept design phase considers the more intricate elements of the project and how it is to be delivered. The further investment in a project at this stage requires a high level of certainty in respect to land use provisions, environmental and regulatory approvals.

From a DAA perspective, having a specialised priority approvals pathway for concept design, as proposed in NSW, will improve project delivery efficiency, leading to associated project schedule and financial savings to the benefit of infrastructure users.

The NSW State Government White Paper states that "Public Priority Infrastructure projects will be those projects agreed by government and identified in high level NSW Government strategies such as the State Infrastructure Strategy and the NSW Long Term Transport Master Plan. For planning purposes, the declaration of development as Public Priority Infrastructure will authorise the carrying out of these projects without the need for further planning approval. The environmental assessment will then focus on the environmental management measures to minimise any adverse impacts of the project".

It further states that "Project development and assessment may be undertaken in stages. This will better suit the project delivery models for complex projects, while remaining consistent with future strategies"<sup>3</sup>.

ElectraNet is actively participating in the South Australian Planning System Review which provides a timely vehicle for consideration and implementation of the reforms recommended by the Productivity Commission's Draft Report-Major Development Assessment Processes. ElectraNet has argued in that review for the need to ensure private sector major infrastructure providers are included in both the reform debate, development of improvements to legislation and processes and implementation of new approaches that will deliver significant economic benefits to all Australians.

ElectraNet supports the continued reform of regulatory provisions pertaining to assessment and approval of major developments. Should you require clarification of any matters referred

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<sup>2</sup> <http://whitepaper.planning.nsw.gov.au/provision-of-infrastructure/public-priority-infrastructure/>

<sup>3</sup> <http://whitepaper.planning.nsw.gov.au/provision-of-infrastructure/public-priority-infrastructure/>

to in this correspondence or wish to discuss the issues further please contact ElectraNet Planning Approval Manager Myles Somers on 08 8404 7212 or email at [somers.myles@electranet.com.au](mailto:somers.myles@electranet.com.au).

Yours sincerely

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