

ELECTRICITY INFRASTRUCTURE INVESTMENT AMENDMENT (PRIORITY NETWORK PROJECTS) BILL 2025

STATEMENT OF PUBLIC INTEREST

Need: Why is the policy needed based on factual evidence and stakeholder input?

The purpose of the *Electricity Infrastructure Investment Amendment (Priority Network Projects) Bill 2025* (the Bill) is to amend the *Electricity Infrastructure Investment Act 2020* (EII Act) to enhance the framework for directing network projects to respond to reliability and system security risks in a timely manner.

The Bill is needed to:

- Broaden the definition of *priority transmission infrastructure projects* to include both transmission and distribution projects, projects identified in a report prepared under relevant chapters of the National Electricity Rules (NER), and projects identified by the Infrastructure Planner where it is satisfied the project is an appropriate response to a reliability or system security need.
- Allow the Minister to issue more than one direction or authorisation for a project, enabling a staged approach to project delivery. This increased flexibility better aligns with the scale and complexity of large energy infrastructure projects.
- Allow the Minister to issue directions or authorisations to more than one network operator in relation to the same project, and, where necessary, to direct a network operator to operate infrastructure owned by a third party. This will accommodate a range of delivery models and support the timely delivery of large and costly projects.
- Enable directions to take effect sooner where the Minister is satisfied that reasonable alternative financial arrangements are in place to cover the period before a revenue determination is made.
- Strengthen requirements on directed parties to comply with information notices so that revenue determinations can be made promptly.
- Narrow the grounds on which a network operator can be excused from non-compliance with a direction.

Objectives: What is the policy's objective couched in terms of the public interest?

The objective of the EII Act is to give effect to the NSW Electricity Infrastructure Roadmap – an integrated policy framework to secure an affordable, reliable and clean energy future for the State. The EII Act coordinates and encourages investment in new electricity generation, storage, network, and related infrastructure by reducing risk for investors.

The Act provides for the Minister to direct network operators to carry out *priority transmission infrastructure projects* and *renewable energy zone network infrastructure projects*. Directions make clear what needs to be done and by when, provide certainty to directed parties, and facilitate cost recovery from electricity consumers. (The EII Act cost recovery process is a faster alternative to the time-consuming process that would otherwise apply under the National Electricity Rules.)

The Bill amends the directions framework to better equip the NSW Government to anticipate and respond promptly to emerging reliability and system security risks, as well as ensure timely delivery of critical network infrastructure projects.



The Bill expands the definition of *priority transmission infrastructure projects* to encompass distribution as well as transmission projects. This will allow the Minister to issue directions to carry out projects irrespective of what level of the network they connect into. The Bill also enables the Minister to direct projects identified in any report about network projects developed under relevant chapters of the National Electricity Rules, not just the Integrated System Plan. This will expand the options available to address emerging reliability and security constraints in shorter timeframes.

The amendments allow the Minister to issue more targeted directions, and to issue more than one direction or authorisation for a single project. For example, the Minister could issue a direction relating to preparatory activities, followed by a direction for construction, commissioning and operation. This increased flexibility will help ensure the timely delivery of network infrastructure that is critical to maintaining a reliable and secure electricity supply in NSW.

The Bill empowers the Minister to issue directions to different parties working on the same project, and to direct a network operator to operate infrastructure owned by another party. These amendments will facilitate alternate delivery models – for example, allowing one party to finance the construction of a network infrastructure project while another party operates and maintains the infrastructure.

Prior to the Minister issuing a direction, various legal requirements must be satisfied. These include consulting a range of parties, considering a range of factors, and ensuring that a direction is only issued if the Minister is satisfied that the project is in the public interest and consistent with the objects of the EII Act. The EII Act framework also has mechanisms in place to ensure that only those costs which are considered by the Regulator to be prudent, efficient and reasonable are passed through to consumers.

In short, the amendments support the reliability, affordability and sustainability of the NSW energy system.

Options: What alternative policies and mechanisms were considered in advance of the Bill?

The current wording of the EII Act creates issues that cannot be addressed other than via legislative amendment. Alternative policies and mechanisms are not able to address these issues and, as such, were not explored in detail. The status quo option was not preferred because it does not address the identified issues to enable the timely delivery of the NSW Electricity Infrastructure Roadmap and support a reliable, secure energy system in NSW.

Analysis: What were the pros/cons and benefits/costs of each option considered?

The benefits of the Bill far outweigh the status quo option and address the issues identified to enable timely delivery of the NSW Electricity Infrastructure Roadmap. Without the amendments, infrastructure projects which are critical to ensuring the reliability and security of electricity supply in NSW could not progress in a timely and efficient way, with adverse cost impacts on consumers, and on regional communities which have experienced major electricity supply interruptions.

Timely delivery of infrastructure projects such as the System Strength Project is critical to keeping the lights on. If these projects do not progress in a timely way, there will be significant impacts – including impacts on electricity reliability and costs to consumers.



Pathway: What are the timetable and steps for the policy's rollout and who will administer it?

The Bill does not introduce any new regulatory obligations or mechanisms – it simply adjusts existing regulatory settings. Existing agencies will continue to perform their existing functions under the EII Act. All proposed amendments are to commence on assent. This is to occur as soon as possible to facilitate directions to progress urgent projects.

Consultation: Were the views of affected stakeholders sought and considered in making the policy?

Yes, the Department of Climate Change, Energy, the Environment and Water (Department) undertook targeted consultation with key stakeholders during the drafting of the Bill. The Department consulted network service providers (ACERZ, Ausgrid, Endeavour Energy, Essential Energy, Transgrid) the Energy Corporation of NSW and the Australian Energy Regulator. The views of these stakeholders were considered and have informed the content of the Bill where appropriate.