

Statement of Public Interest

Tabled by MS ShagelB. Shagel

Clerk of the Parliaments

14 / 10 / 25

ENERGY LEGISLATION AMENDMENT BILL 2025

STATEMENT OF PUBLIC INTEREST

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

As coal-fired power stations retire, households and businesses in New South Wales need a secure supply of affordable, reliable, clean electricity. The Electricity Infrastructure Roadmap (the Roadmap), legislated under the *Electricity Infrastructure Investment Act 2020*, provides the framework to deliver this supply. This Bill responds to findings from independent reviews, and community and industry consultation, to ensure the frameworks to deliver electricity in NSW are timely, efficient and fair.

Renewable Energy Zones (REZs) are modern-day power stations that bring together new wind, solar and storage projects and connect them to the grid through high-capacity transmission infrastructure.

Before a REZ network infrastructure project can proceed it must first receive authorisation. The authorisation process is one of the consumer protections built into the *Electricity Infrastructure Investment Act 2020*. Before authorising a REZ network infrastructure project, the NSW Consumer Trustee needs to assess whether the project is in the long-term financial interests of electricity consumers. This provides an independent check that each project will deliver net financial benefits to NSW electricity consumers and is consistent with our energy objectives. The authorisation also sets an upper limit on the capital costs that the Regulator may determine is payable to the network operators who carry out the projects.

Experience from the authorisation of the Central-West Orana REZ network infrastructure project showed that the current authorisation process creates duplication and sequencing delays, adding administrative burden and financing risk. The independent Transmission Planning Review (2025) has recommended reforms to streamline and clarify roles, responsibilities and approvals, and to regulate the connection of new infrastructure into the grid.

The Bill acts on the first set of recommendations from the Transmission Planning Review. It supports a more efficient process for planning and delivering the infrastructure needed to connect REZ network infrastructure to existing transmission infrastructure. This will help ensure timely and efficient delivery of new networks. This is in the public interest because it reduces the potential for costly delays, supports investor confidence, accelerates the energy transition, and lowers the costs ultimately paid by consumers.

System strength services are essential to maintain grid stability as coal exits the electricity system and more renewables connect. The findings of the Transmission Planning Review highlighted gaps in the Australian Energy Market Operator's (the market operator's) ability to set system strength requirements and manage system security on network infrastructure not owned by Transgrid. In response, the Bill provides a statutory framework for planning and delivering the required system strength assets for the state's REZs. This is in the public interest because it ensures a secure and stable grid as more renewable energy generation comes online and helps avoid costly market interventions as coal-fired power retires.

The energy transition fundamentally relies on regional communities across the State to host new transmission and generation infrastructure. This makes it essential that community benefits from the transition are shared fairly. Consultation with local communities, regional councils and Aboriginal organisations suggested that Access

Scheme community and employment benefit sharing should extend beyond strict geographical REZ boundaries, so that communities are not arbitrarily excluded. The Bill addresses these proposals by expanding eligibility for existing benefit schemes, ensuring that the rollout of energy infrastructure is matched with fairer and more inclusive outcomes for affected communities. It also provides greater flexibility for the types of landowners who can receive benefit payments.

Delivering large-scale renewable energy zones requires significant upfront development costs, which must be managed in a way that is both efficient and transparent. The Bill establishes a direct statutory funding pathway for the REZ infrastructure planner to directly recover these costs, reducing reliance on private finance by network operators. This is in the public interest because it improves project financeability, lowers the risk of higher costs being passed to consumers and ensures the timely delivery of critical infrastructure. The Bill also allows the infrastructure planner to recover some operating costs, consistent with other entities appointed under the EII Act and ensuring the infrastructure planner can fulfill its statutory functions.

Embedded networks supply electricity to households and small businesses in apartments, retirement villages, shopping centres and caravan parks, but customers in these arrangements often face higher prices and weaker protections than those on the open market. The Independent Pricing and Regulatory Tribunal's (IPART) 2024 review recommended stronger safeguards, including setting maximum prices, requiring Ombudsman scheme membership, energy input-based billing and public price disclosure. The Government's *Consumer Energy Strategy* committed to implementing these reforms. The Bill delivers them, ensuring embedded network customers have fairer pricing, access to rebates, and protections equivalent to all other NSW energy users. This is in the public interest because it addresses inequities faced by an often-vulnerable group of consumers.

The introduction of two-way export charges for rooftop solar in July 2025 created a need to ensure households are not unfairly penalised for participating in the energy transition. To safeguard consumers, the Bill prohibits negative solar feed-in tariffs and charges, delivering on the NSW *Consumer Energy Strategy* commitment to protect households. This measure is in the public interest because helps maintain household-level benefits for investing in distributed energy resources.

Finally, the Bill amends the Renewable Fuel Scheme, a core component under the NSW *Hydrogen Strategy*. Based on ongoing consultation with early producers, green hydrogen production is now forecast to start in 2027. Changing the Scheme's starting year to 2027 and reducing the 2027 target ensures that Scheme aligns with these industry developments.

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

This Bill seeks to ensure that REZ network infrastructure projects can be delivered effectively and efficiently, removing regulatory barriers that can slow down approvals, increase costs, and ultimately put energy reliability at risk as coal retires. There is a clear public interest in making sure new renewable generation and storage are in place before coal power exits, so households, schools, hospitals, businesses and industry continue to have access to affordable and reliable power.

The Bill also has an important consumer and community fairness objective. It strengthens protections for embedded network customers by implementing the recommendations of IPART and the Government's *Consumer Energy Strategy*. This ensures these customers have access to fairer prices, rebates and Ombudsman support.

It also prohibits negative solar feed-in tariffs to maintain confidence in rooftop solar and preserve the social licence of distributed energy.

The Bill expands community and employment benefit schemes to ensure regional communities hosting REZ infrastructure share equitably in the benefits of the transition.

Other minor administrative and governance amendments are also included. These amend the definition of Long-Duration Storage to ensure the Consumer Trustee can procure the right mix of technologies; provide the Minister with a protective termination power if they are reasonably satisfied that the independence of the Consumer Trustee is compromised; allow the Secretary to delegate certain functions for more efficient administration; establish a clear head of power for issuing and updating Accredited Service Provider Scheme Rules; and streamline network operator licensing processes by modernising consultation and reporting requirements.

The measures in the Bill ensure the energy transition is managed in a way that is efficient, reliable, fair, and accountable, and delivers tangible benefits for households, businesses and communities across NSW.

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

Non-legislative measures such as guidelines or administrative processes cannot resolve the statutory timing, accountability and cost-recovery issues identified by the Transmission Planning Review which are impacting infrastructure delivery. Critical reforms including streamlined REZ network authorisation, enforceable connection requirements, a statutory head of power for system strength, and a sustainable funding pathway for the infrastructure planner require legislative amendment to be effective.

Consumer and community fairness measures, including embedded network protections, a prohibition on negative solar feed-in tariffs, and expanded benefit-sharing schemes, also depend on legislation to guarantee enforceability and equity. The Renewable Fuel Scheme similarly requires a statutory framework to establish binding targets and compliance obligations. In each case, only legislative change provides the certainty and accountability required in the public interest.

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

The Bill streamlines project authorisation, introduces enforceable network connection requirements and provides a clear statutory head of power for system strength in contestable settings. These measures remove duplication, reduce negotiation asymmetry, and close gaps in accountability. The key risks include poor sequencing of approvals, delay in connection processes, or role uncertainty in the authorisation process. These are mitigated through statutory safeguards such as regulations and guidelines, phased implementation, and in the case of system strength, alignment with the National Electricity Rules and the market operator's functions.

The rollout of REZ is strengthened by allowing the infrastructure planner to recover project expenditure directly through the Electricity Infrastructure Fund. This reduces the scale of private finance required by network operators for renewable energy zone network infrastructure projects, lowering the overall cost of those projects for consumers. The infrastructure planner can also recover some of its operating costs from the Electricity Infrastructure Fund to make it consistent with other entities appointed under the EII Act. Oversight of the infrastructure planner's project expenditure is provided through existing governance structures, including the Transmission Acceleration Facility Investment Committee, EnergyCo Board, Infrastructure NSW and the Expenditure Review Committee of Cabinet. Oversight of the infrastructure planner's

operating costs is provided through existing governance structures, including the EnergyCo Board. There is also oversight from the Scheme Financial Vehicle and Australian Energy Regulator when recovering costs from consumers through the contribution determination and making payments out of the Electricity Infrastructure Fund.

Consumer and community fairness is reinforced by implementing IPART's 2024 review and the Consumer Energy Strategy. Embedded network customers will gain maximum price protections, Ombudsman access and eligibility for rebates. Rooftop solar households are protected by a prohibition on negative feed-in tariffs, ensuring fairness as two-way pricing reforms commence. Community and landholder benefit schemes are expanded, ensuring regional and Aboriginal communities share equitably in the benefits of hosting new infrastructure in their communities. Risks of inequity, cost escalation or loss of confidence are managed through clear guidelines, transparent design and ongoing community consultation.

The Bill amendments to the Renewable Fuel Scheme signal to gas retailers that 2025 and 2026 target costs should not be passed onto gas consumers. The amendments also prevent unnecessary compliance costs and obligations to liable parties and IPART in 2026. Any green hydrogen produced in 2026, before the new Scheme commencement date, will still be eligible for certificate creation that can be surrendered against 2027-2029 targets.

Overall, the Bill maximises public-interest benefits by accelerating the transition to clean energy in a way that is timely, efficient and fair, while identified risks are specifically managed through a mix of supporting regulations, Ministerial guidelines, phased implementation, alignment with national frameworks, strong governance and ongoing stakeholder engagement.

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

The Bill primarily adjusts existing frameworks and is intended to commence on assent, enabling early authorisation for REZ network infrastructure projects, improved network connection processes, establishment of a REZ system strength framework, and immediate progression of consumer and community benefit measures.

Where relevant, existing agencies including the Department of Climate Change, Energy, the Environment and Water, the Energy Corporation of NSW as Infrastructure Planner, the market operator, the Australian Energy Regulator, IPART and NSW Fair Trading will administer within current roles.

Subordinate instruments including licence conditions and Ministerial guidelines for network connections, landholder payments, Strategic Benefit Payment pass-through regulations, embedded network pricing determinations.

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

Many of the reforms in this Bill have come from either the Independent Transmission Planning Review or IPART's review into embedded networks. Both of these reviews included multiple stages of public exhibition and stakeholder feedback.

The Department of Climate Change, Energy, the Environment and Water has consulted parties on the drafting of the Bill including:

- **Authorisation of REZ network infrastructure projects:** the Energy Corporation of NSW, ASL as the NSW Consumer Trustee, the Australian Energy Regulator, NSW Treasury, The Cabinet Office and the Transmission Planning Review panel.
- **Network-to-network connections:** consultation with network businesses and other stakeholders, including via Transmission Planning Review; Australian Energy Regulator, IPART, Department of Communities and Justice.
- **System strength in the REZ:** the Energy Corporation of NSW and the market operator to formulate agreed policy principles.
- **Infrastructure Planner funding:** the Energy Corporation of NSW, the Australian Energy Regulator, the Scheme Financial Vehicle, ASL, NSW Treasury, and The Cabinet Office.
- **Embedded networks:** Distribution Network Service Providers, authorised energy retailers, the Energy & Water Ombudsman NSW, IPART, market bodies, embedded network operators, consumer representatives, and the Department of Customer Service. Development reflects IPART recommendations and the Government's Embedded Network Action Plan
- **Community and employment benefits and Strategic Benefit Payment Guidelines for impacted landholders:** the Energy Corporation of NSW.
- **Accredited Service Provider (ASP) Scheme:** consultation with the Parliamentary Counsel's Office to clarify the Minister's rule-making power for the Scheme.
- **Long-Duration Storage (LDS) definition:** engagement with the market operator and ASL to ensure the updated LDS definition aligns with technical capabilities and supports the Consumer Trustee's tenders.
- **Renewable Fuel Scheme:** known early-mover hydrogen producers including Orica, BOC, Hirlinga Energy and AGIG.
- **Strategic benefit payments (cost pass-throughs):** consultation with transmission operators and the Australian Energy Regulator to ensure transmission operators can recover backdated payments and align with national cost recovery frameworks.
- **Ombudsman membership requirement for network operators:** engagement with Energy & Water Ombudsman NSW, Transgrid and IPART to establish oversight consistent with previous inquiries into community engagement and transmission development.

The Department has considered these inputs in finalising the Bill to ensure changes are targeted, workable and aligned with consumer and community interests.