

Mr Daniel Westerman
CEO
Australian Energy Market Operator
Level 22/530 Collins Street
MELBOURNE VIC 3000

By email: VNIWestRITT@aemo.com.au



19 April 2023

Dear Mr Westerman,

RE: Victorian Farmers Federation Submission to the Consultation Report on the VNI-West Options Assessment

The VFF welcomes the opportunity to put forward this submission to AEMO's Consultation Report on the Options Assessment for the proposed VNI-West project.

As the voice of Victorian farmers and regional communities, the VFF has been actively engaged in the consultation surrounding the VNI-West project and we have previously submitted to the Project Assessment Draft Report (PADR) process in 2022.

Since that time, the scope of the proposed project has changed substantially with the recommendation for the Option 5 corridor for transmission thrust upon communities in North-Central Victoria without any warning.

The conduct of AEMO's consultation process has not only raised questions about the appropriateness of the proposed VNI-West project, but also the appropriateness of AEMO as the planner for transmission projects for and on behalf of the Victorian Government.

This concern is made most evident by AEMO's conflicted position as both the national market operator and as the authority responsible for transmission planning in Victoria, and is inherent in the following statement issued by AEMO in just the past week:

*In our role as Australia's not-for-profit independent power system and market operator, our focus remains on working with stakeholders to enable the energy transition **in the best interests of consumers.***

It is clear that AEMO's view on transmission planning is completely blinkered by the requirements it has to place energy consumers at the centre of investment decisions. This view has no regard for the interests of communities, landholders, businesses and families that are directly impacted by the construction and operation of transmission towers, and who bear costs that are not accounted for under the existing cost benefit arrangements. Without viewing the planning from an holistic perspective, adverse outcomes of increasing food prices, diminishing food security and impacting regional economies remain a huge risk. Most concerningly to the VFF, our members and all Victorians who value food and fibre production, AEMO's actions to date take no account of agricultural production and its importance to Victoria's economy.

The VFF understands and appreciates the challenge that is before all stakeholders in the national energy market, state governments and the Commonwealth in steering the transition of our energy requirements to come from renewable energy sources. We accept that some re-augmentation of the transmission network will be required and that this will mean agricultural land may be impacted.

However, we contend that impacts to agricultural production must be minimised, not only to protect the rights of farmers, but also to ensure Victoria's food and fibre security is not put at risk, and that the costs of these impacts be factored into investment and planning decisions.

The VFF is concerned the analysis relied upon to underscore the VNI-West project and the Option 5 corridor not only fail to account for these costs, but has been biased, and that a pre-determined outcome has already been arranged. It remains unclear at this stage whether that pre-determined outcome has been established by AEMO or the Victorian Government.

To this point, we draw attention to the submission prepared by Professor Bruce Mountain and Professor Simon Bartlett AM which challenges the very premise of the proposed VNI-West project. Their expert analysis not only outlines the reasons for which the VNI-West/WRL is not required, but also sets out reasons for which AEMO should not have the responsibility for transmission planning on behalf of the Victorian Government. This is central in the mind of the VFF.

The speculation put forward by Profs Mountain and Bartlett that AEMO's strategy in planning for Victoria's transmission network has been preoccupied with its 'defining corporate mission' to deliver its NEMLink vision holds great credence. This view is entirely consistent with the interactions that stakeholders including the farming community have had with AEMO to date. These are grave concerns that the Minister for Energy has a duty to investigate immediately.

The VFF contends that any cost benefit analysis for transmission infrastructure projects cannot be undertaken without the questions surrounding commercial consent and compensation measures being finalised. These are not matters that AEMO can resolve on its own and requires agreement between the Victorian Government and the Victorian public on a policy framework moving forward. Such a policy framework does not currently exist and the VFF is committed to collaborating with the government to achieve this outcome to ensure the rights of farmers and their communities are protected.

Failure to account for these costs opens the door to the cost of transmission infrastructure (as a public asset) being borne by private landholders. As the overwhelming amount of land subject to transmission infrastructure is agricultural land, it will be the agricultural industry that is forced to bear costs. These costs must be accounted for. The argument in favour of undergrounding transmission infrastructure (including HVDC technology) to avoid productive agricultural land will have considerable economic merit with these costs being considered.

The VFF believes that an immediate halt to all planning for the VNI-West and WRL projects must be undertaken, that the planning powers for all transmission network planning be vested in and executed directly by the Victorian Government, and that a state-wide plan for renewable energy and transmission, that accounts for issues of agricultural production, be developed by the government.

This submission sets out the VFF's objection to the Multi Criteria Analysis (MCA) that has been relied upon to determine the Option 5 corridor. The MCA fails to account for the true costs of transmission projects, the impact on agricultural and the need to consider fair, just and equitable commercial consent and compensation arrangements.

The MCA criteria cannot be relied upon and the VFF rejects them. A new methodology must be created that seeks to understand the impact of the transmission proposed on agricultural production. Continuing on this basis will confirm that transmission planners do not value agricultural land and see it as vacant land waiting to host infrastructure for energy consumers.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Emma Germano', with a large, stylized flourish at the end.

Emma Germano
President

Response to the Multi Criteria Analysis (MCA)

The VFF believes there are serious deficiencies in the MCA which has been relied upon to establish the preferred Option 5. These have come as a result of the failure to consult with potentially impacted farming businesses, the failure to provide them information required to understand potential impacts on agricultural production, and the consequent failure to understand those impacts and to account for their costs.

The NEVA order was meant to improve the consideration of factors outside the Rit-T processes. The MCA fails to achieve a broader consideration of social, environmental, economic or engineering factors. At best it seems to be aimed at finding land with few dwellings on the assumption that this will be cheaper to acquire and will be impact free.

The MCA criteria has not sought to identify irrigation areas, productive or improved soils, intensive production, and production supporting major industries which further diminishes its utility in providing an understanding of the costs on agricultural production.

The MCA seems to be motivated more by Rit-T factors than understanding agricultural land uses. It seems to be designed to identify lowest priced land rather than the land where transmission will have the lowest economic impact. This is perverse as the current practice accepts the business-as-usual approach that compensation is limited to decreased in land value, rather than impacts on future agricultural production.

Failure to understand or to account for the costs on agriculture and related service and processing industries cannot lead to the identification of an optimal route and method for transmission. Further, this lack of understanding will not enable compensation mechanisms to operate in a fair or transparent manner.

Undergrounding along transport corridors has not been given proper consideration because of the failure to account for the costs to landholders and farmers.

The MCA affected parties consideration exacerbates urban bias. It only considers impact on the number of land parcels not the impact of the proposal on the land use / business on that parcel. Farms are large. Fragmentation and land use conflict are seen as things to avoid to protect agricultural production.

The method is perverse as it places a higher value on fragmented land and land not in production. The true measure of impact is on the ability to undertake the land use – not the size of the land parcel or whether it has a dwelling.

The statement within the Consultation Report that *All options were comparable in relation to land use with Options 4 and 5 performing somewhat better. The differences were largely due to a relatively low level of impact on land scored to have high agricultural potential* clearly demonstrates that the MCA has not properly considered land use impact and access impacts to farmers. It has not identified agricultural productivity or the ability to improve productivity.

The Land Use criteria for agriculture in the MCA is difficult to understand. The location of the 100m wide corridor for modelling is unknown. Soils, topography, water access, production systems and productivity vary greatly within the study area. The full agriculture report has not been made available and the document it relies upon is not suited to this purpose. It is based on geology and takes no account of the actual productive capacity of farmland and any improvements that have been made to the land, or the future potential of that land. It is theoretical at best with no level of ground truthing or attempts to collect empirical evidence.

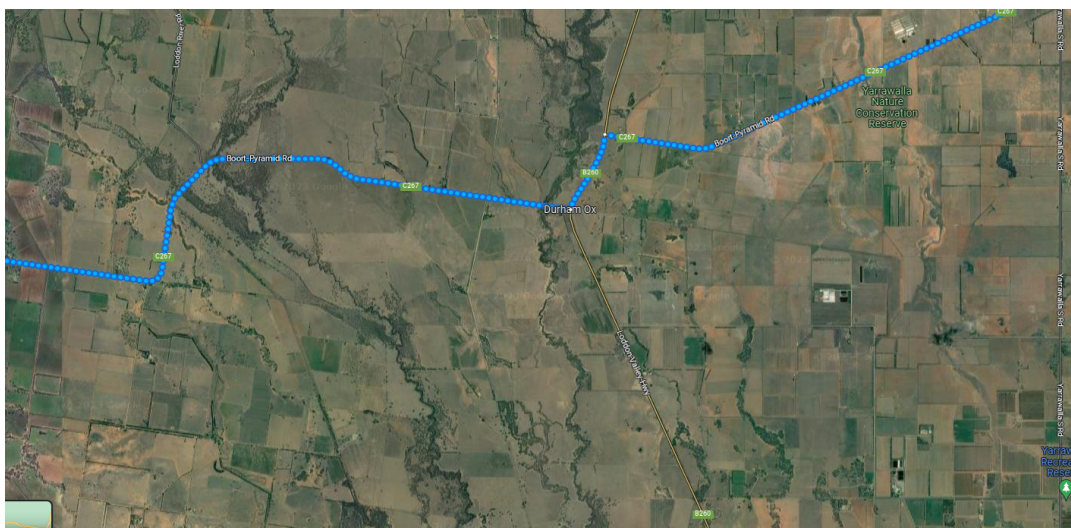


Section of the Corridor 5 – clearly showing intensive production / irrigation in the Boort district.

Relying solely on soil models to identify and determine the value of agricultural land is deeply flawed. Under the Minister for Planning's *Strategic Agricultural Land Assessment version 1*, the Koo Wee Rup district in Gippsland was not identified as an important production area due to its soils. In fact, Koo Wee Rup soils support extensive horticultural production with good management. The asparagus industry alone had a farm gate value of over \$40M in 2022, the vast majority of which is grown in that area deemed 'unimportant' by the assessment. There are similar key horticultural areas within Option 5 corridor that have not been captured by the Land Use methodology.

The productivity of agricultural land is subject to many factors beyond soil type. By no means an exhaustive list, some of these factors include:

- Proximity to market
- Availability of water for irrigation
- Proximity to urban centres to ensure supply of labour
- Economies of scale
- Access to capital



Floodplains and waterways in corridor 5

Cultural Heritage assessment in the MCA seems to be predominantly tailored to *Aboriginal Heritage Act* or *Heritage Act* matters. This places Option 5 at a disadvantage. In Victoria, the great majority of heritage places on a statutory register are listed under the *Planning and Environment Act*. Many municipalities in Option 5 were not funded to undertake a Heritage Study. The local planning scheme should be augmented by undertaking an assessment against the framework of historical themes for any broader corridor.

Social impact criteria in the MCA has an urban bias. Residential zones and significant landscape overlays have been elevated above farmland and the nuanced way in which agriculture production occurs on it, including variable income levels year on year. This reinforces a principle that urban populations are more important than rural populations.

Small rural councils do not have the resources to undertake heritage or landscape studies. The State has not funded these studies in many of the corridors. Some studies have been undertaken but not translated into the planning scheme due to the controls being designed for urban areas and not suited to agricultural areas. This exacerbates the urban bias effect in the MCA.

Engineering The VFF notes concerns by local communities over the interaction between transmission infrastructure and significant floodplains located within the Option 5 corridor, particularly along the Avoca, Loddon and Murray rivers. The potential for widescale flooding in the region is high and was observed in the recent 2022 flood event. In addition, the undergrounding along transport routes may be viable if proper consideration is given to the true cost of impacts on production that underpin the agricultural industry.

How the MCA may be improved

The impacts on agricultural production cannot be properly considered without understanding the different production systems that operate along each potential route, including discussions with farmers and an understanding of how they operate their businesses. By not considering how the land is farmed and what improvements have been made to the productive capacity of the land, the MCA methodology and data in relation to agricultural land is flawed and cannot be relied upon.

Considerations such as the type of machinery used now (and in the future) and its compatibility with transmission lines, irrigation set ups and requirements, and the variance in soil structure are just some of the critical issues that should be assessed on a farm-by-farm basis.

Commercial consent, compensation and land access arrangements

In determining the costs and benefits of any proposed public infrastructure project, there must be a true understanding of the array of costs that will impact on all parties who are entitled to compensation for loss. This is even more critical where compulsory acquisition powers may come in to effect.

Unlike wind and solar generation developments, transmission infrastructure does not require commercial consent between the developer and the landowner. Without commercial consent there is no process in the MCA or Rit-T to ascertain the income earned from the land and what impact the project will have on agricultural productivity, agricultural supply chain businesses and regional economies. Where a system exists that enables commercial consent, the costs of a project can be determined through market forces whereby the proponent and landholder agree to terms. The landholder is able to calculate any or all costs for which they seek to be compensated for, including that of foregone production and earning capacity from the land.

If it is not possible to estimate the cost of commercial consent arrangements over the proposed transmission project, then it is important the method for calculating the costs of compensation includes factors such as the life of the asset and any rehabilitation costs at the end of life.

Land access arrangements must also be clarified and understood in terms of their relative cost to agricultural production and factored into any MCA criteria. There are precedents for establishing a framework for land access on agricultural land, and these should be considered in establishing a framework for land access for transmission development.

For example, the *Mineral Resources (Sustainable Development) Act (MRSDA)* grants certain powers to force access to farmland. Although the VFF has highlighted possible improvements to this Act, it does establish a regulatory minimum for all the issues identified in the VFF's *Managing Entry to Farm* policy statement, thereby affording farmers a minimum level of protection.

The MRSDA regulatory system includes access agreements, compensation payments and rehabilitation plans (including soil structure). The VFF and Minerals Council of Australia guide promotes land access discussions considering how impact can be avoided or made good. The legislation also contains a clause relating to agricultural impacts where this needs to be considered in project approval.

The VFF *Managing Entry to Farm* policy statement provides guidance on how to create a fit for purpose investment test that properly considers impacts on private land and the livelihoods that farmland support.