



# 2025 Victorian Transmission Plan Client update

## Overview

On 17 August, VicGrid released the final 2025 Victorian Transmission Plan (**VTP**). The VTP outlines the approach for coordinating and developing renewable energy generation and transmission infrastructure in Victoria over the next 15 years.

The VTP focuses on three main areas:

- Renewable Energy Zones (**REZs**), which, once formally declared, will host renewable generation and storage projects;
- new transmission upgrades and projects that will be required to support the projects located in each REZ and improve network reliability; and
- a separate Gippsland Shoreline REZ, allowing for the efficient connection of offshore wind projects to onshore transmission infrastructure.

This VTP will remain in effect until 2027, after which it will be reviewed and updated as required. Updates will then be every four years, or more often if required. The VTP Guidelines, which set out the key steps to develop the VTP, will be revised in parallel.

*Note: This publication does not cover the offshore wind aspects of the VTP. However, those interested can refer to the full plan for further detail.*

## Key changes from the draft VTP

The draft VTP was released on 16 May. Following feedback from the community, industry and landowners, VicGrid has made several key changes in the final version:

### Changes to REZs

The number and footprint (shape, size and location) of the proposed REZs has shifted, with the following substantive changes:

- The draft VTP proposed seven REZs; this has been reduced to six (plus the Gippsland Shoreline REZ), with the Wimmera Southern Mallee and Grampians Wimmera REZs now consolidated into the Western REZ.
- The total REZ footprint has increased, now covering 7.9% of Victoria's land area.
- The South West, Central North and Western REZs have each been split into two sections (with specific areas removed).

### Clarification on generation estimates

VicGrid has clarified that the 2040 modelled generation figures for each REZ are indicative only, used to inform expected transmission infrastructure needs, and do not operate as caps on generation capacity in each REZ.

### Transmission infrastructure updates

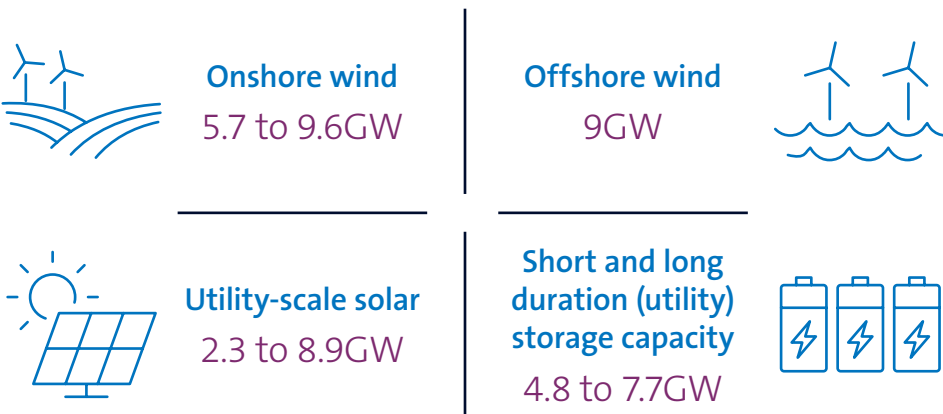
Minor refinements have been made to the scope, delivery timeframes and cost estimates of the transmission infrastructure projects, though the total number of projects remains unchanged. These refinements are informed by industry sounding on cost assumptions and delivery dates, and benchmarked against the Australian Energy Market Operator's (**AEMO**) 2025 transmission cost database, which was released after the draft VTP and includes significant updates to transmission cost estimates. The total estimated, unescalated economic cost of the optimal development pathway is \$7.9 billion.

# Role of VicGrid and key reforms

- The *National Electricity (Victoria) Amendment (VicGrid Stage 2 Reform) Bill 2025* (the **Bill**) was introduced to the Victorian Parliament in June 2025. It transfers declared network functions from AEMO to VicGrid, empowering VicGrid to plan and procure transmission augmentations. As part of this transition, VicGrid will become a State Business Corporation and AEMO will no longer be Victoria's transmission network service provider.
- Following the transfer, VicGrid's role will include:
  - coordinating the planning, procurement and development of transmission infrastructure;
  - developing detailed solutions for priority projects identified in the VTP; and
  - determining whether projects proceed via contestable or non-contestable procurement processes.
- The third reading of the Bill was passed in the Legislative Assembly on 31 July 2025, and the second reading was moved in the Legislative Council on 12 August 2025. The transfer of functions from AEMO to VicGrid is expected to take effect on 1 November 2025.

# Planned renewable generation capacity

The VTP outlines the following additional renewable generation capacity targets by 2040, including capacity from already committed projects:



These modelled figures are indicative only and do not cap the amount of generation that may ultimately be developed. Instead, generations caps will be set under the proposed new access regime for each REZ.

# Social licence initiatives

## Landholder and community benefit arrangements

- Developers seeking to build projects within REZs will need to negotiate access with landholders. Landholders who agree to host new renewable energy infrastructure will receive financial compensation, to be negotiated directly with the developer. VicGrid has indicated that projects seeking access rights through the competitive tender process expected in 2026 should have already commenced engagement with landholders and communities in relation to their proposed project sites.

**ACTION:** Developers intending to participate in the tender process should ensure this engagement is underway.

- As part of the proposed transmission programs, VicGrid has introduced new benefit arrangements for landholders, neighbours, communities and Traditional Owners who will be significantly impacted by new transmission infrastructure. These benefits are in addition to existing compensation arrangements and any discretionary payments. Landholders who host new electricity transmission infrastructure will receive payments of \$8,000 per kilometre of typical easement area per year, for a period of 25 years.

## REZ Community Energy Funds

VicGrid is proposing to introduce new *Renewable Energy Zone Community Energy Funds*, which aim to support REZ-hosting communities by improving energy supply, reliability, efficiency and affordability for households, businesses and local communities, and creating economic development opportunities.

As part of the REZ declaration process, a *REZ Area of Benefit* must be proposed in the draft REZ order. This defines the geographic area in which eligibility for funding under the REZ Community Energy Fund will be assessed.

## Dedicated benefits for Traditional Owners

VicGrid is partnering with Traditional Owners to develop a model for dedicated benefits for those affected by REZs and new transmission corridors, and ensure Traditional Owners have control over how funds are spent. These benefits will be funded through mandatory contributions from generation and storage developers within REZs and transmission companies, and are in addition to existing compensation arrangements and any discretionary payments.

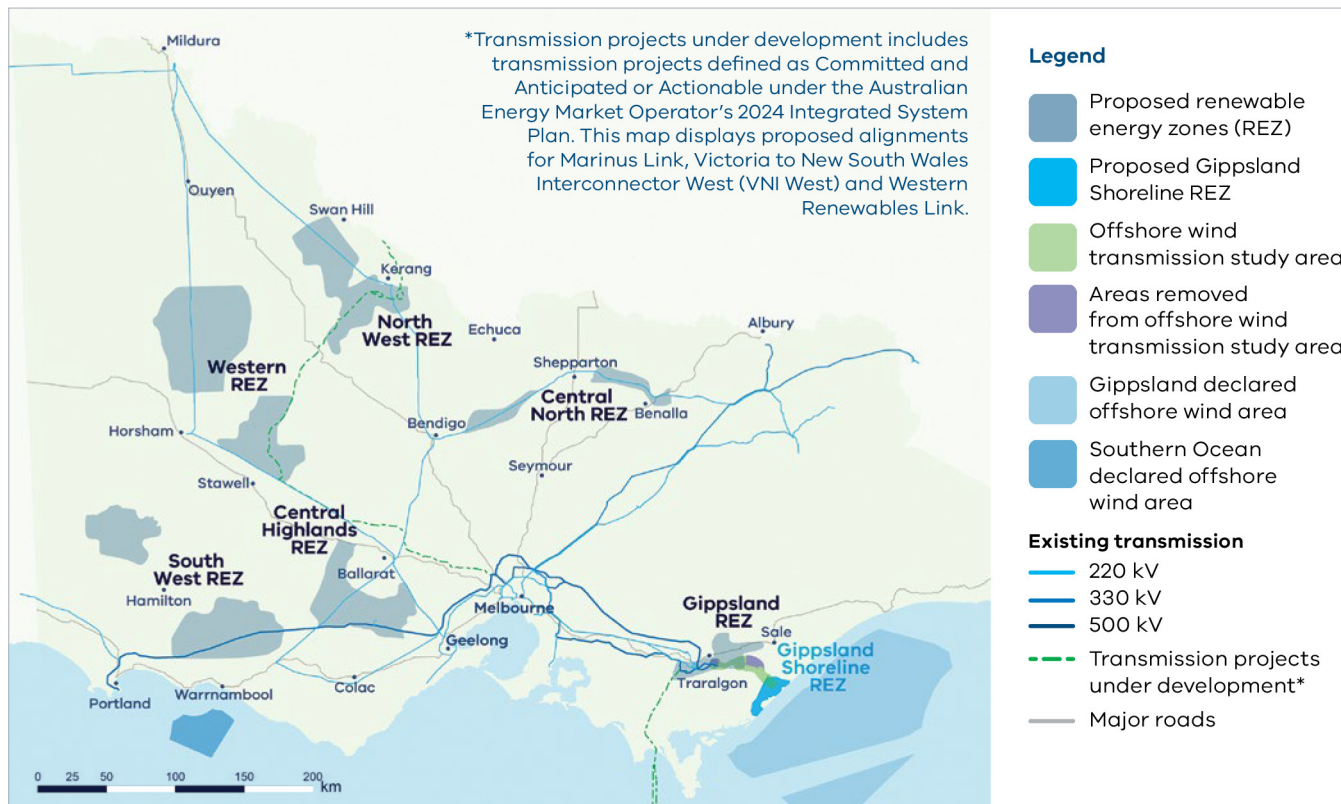
## Engagement requirements for access

The new REZ access arrangements will set out how developers must engage with landholders, communities and Traditional Owners. These requirements will form part of the access application assessment.

**ACTION:** Developers will need to comply with these engagement standards in order to gain access rights and should familiarise themselves with the requirements once published.

# Overview of proposed REZs

VicGrid has proposed six REZs, covering a combined 7.9% of Victoria's land area.



The proposed REZs and their expected wind and solar capacity (including already committed capacity) are:

<p>Western REZ (now split into two sections)</p> <p>0.8–4.5GW</p>	<p>North West REZ</p> <p>0.4–1.9GW</p>
<p>Central Highlands</p> <p>2–3.6GW</p>	<p>Central North REZ (now split into two sections)</p> <p>0.9–3.3GW</p>
<p>South West REZ (now split into two sections)</p> <p>1.3–2GW</p>	<p>Gippsland REZ</p> <p>0.6–1.3GW</p>

Image source: VicGrid 2025 Victorian Transmission Plan, page 64, Figure 9.



The VTP goes into detail on the changes made to each proposed REZ since the draft plan, including the basis for them, such as stakeholder feedback, or further biodiversity or land use impact studies. A consistent theme emerging from this feedback, and reflected in the revised REZs, is the importance of biodiversity and land use considerations. While REZs identify areas of strategic opportunity, they do not equate to blanket development approval.

**ACTION:** Developers will need to carefully assess siting and biodiversity impacts at the project level, and should not assume that inclusion within a REZ removes the need for detailed environmental and land use due diligence.

Those seeking more detail can consult the VTP for a comprehensive explanation of the changes.

VicGrid intends to allocate generation within each REZ by technology type (ie wind or solar), and apply access limits—caps on the maximum generation capacity that can connect in each REZ. These limits will be based on transmission capacity, and are intended to coordinate with planned transmission infrastructure and avoid overbuild. Access limits will also define the maximum generation that can connect without breaching technical constraints or exceeding efficient levels of network curtailment within the REZ, giving developers greater confidence in their ability to export generation to the grid. Specific access limits for each REZ are yet to be developed.

The six REZs and their boundaries remain indicative, and subject to finalisation by the Minister for Energy and Resources via formal declaration.

## Victorian Access Regime

The *Victorian Access Regime* was tabled in Parliament in June 2025 and remains subject to the passage of legislation later this year. The regime covers both REZ access schemes and the Grid Impact Assessment process (each discussed below).

## REZ access schemes

### Competitive access allocation

Developers building projects within the declared REZs will benefit from network access arrangements, designed to guard against excessive curtailment. Access to the REZ network will be allocated through a competitive application process, and successful projects will be awarded a REZ scheme authority (which will include a list of enforceable conditions, such as community engagement or technical performance requirements, and delivery timeframes).

### Upcoming consultation paper

Further detail on the proposed REZ access schemes and connection arrangements for projects within REZs will be outlined in VicGrid's *Access and Connection Consultation Paper*, which will include information on:

- proposed access limits for each type of renewable generation;
- annual access fees to be paid by approved projects;
- access conditions; and
- the process for allocating access.

Proposed access schemes will be tailored to the unique requirements of each REZ.

## Grid Impact Assessment

Generators and storage developers seeking to connect, or amend an existing connection, outside a declared REZ, or within a REZ using technologies not specified in the relevant access scheme, will be subject to a Grid Impact Assessment, carried out as part of the grid connection application process.

As part of this assessment, connection applicants will be required to demonstrate that:

- their project is unlikely to cause excessive curtailment of generation within REZs; and
- they meet requirements for community, landholder and Traditional Owner engagement and deliver meaningful benefits.

# What's on the horizon?

1

## Declaration of REZs and access schemes:

- The Minister for Energy and Resources will consider whether to proceed with formal declarations of each proposed REZ. VicGrid is expecting to publish draft orders for the proposed REZs in the coming weeks, with a view to finalising and declaring all of the REZs by the end of this year.
- Each declaration will be made via formal order, setting out key details including REZ boundaries, intended transmission hosting capacity and REZ access limit.
- **OPPORTUNITY:** Draft REZ orders will be placed on public notice for a minimum of six weeks, during which feedback will be sought from communities, industry and Traditional Owners. This consultation will be particularly important for REZs that have been expanded, as the newly added sections have not yet undergone public consultation. VicGrid will only proceed with formal declaration of these expanded REZs following this additional round of engagement.
- Once a REZ is declared, VicGrid will publish a draft REZ access scheme for consultation.
- VicGrid also expects to commence the competitive access rights allocation tender process in the first half of 2026. This process will determine which projects may connect to the REZs, and will assess (among other things):
  - the overall level of development within each REZ, ensuring it does not exceed transmission capacity;
  - the density and cumulative impact of projects over time;
  - coordination of REZ connection infrastructure; and
  - whether developers are meeting engagement requirements and delivering tangible benefits to REZ-hosting communities.

## Access and Connections Consultation Paper:

- **OPPORTUNITY:** VicGrid will publish and seek feedback on the *Access and Connections Consultation Paper*. Publication is expected within the next few weeks.
- The paper will outline the detailed design of REZ access and connection arrangements for projects within REZs. It will also provide guidance for developers with projects already underway, including transitional arrangements. The paper is expected to outline options to accommodate projects that are well advanced, to minimise disruption.
- **ACTION:** Developers with progressed projects should be aware of these proposals once released.
- **OPPORTUNITY:** VicGrid will shortly consult on these transitional arrangements and initiate a process to determine project eligibility.
- Allens has experience advising on access rights through our involvement in the Central West Orana and South West REZ competitive tender processes in New South Wales. We are happy to share lessons learned and insights on access right processes.

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## Draft Grid Impact Assessment Guidelines:

- **OPPORTUNITY:** VicGrid will release and seek feedback on the draft *Grid Impact Assessment Guidelines*.
- These guidelines will set out the detailed design for the Grid Impact Assessment framework, and detail the Grid Impact Assessment application and assessment process, and are expected to be published shortly.

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## Draft Community Engagement and Benefits Guidelines:

- **OPPORTUNITY:** VicGrid will publish and seek feedback on an updated *Guide to Community Engagement and Sharing Economic and Social Benefits*. Publication is expected later in 2025.
- This guideline will set minimum expectations and requirements for how developers engage with communities, Traditional Owners and landholders, and deliver long-term social value, and will apply to projects both within and outside REZs.
- It will also serve as a benchmark in VicGrid's assessment of access right applications by project developers.

# Overview of proposed transmission programs and timing

VicGrid has proposed seven transmission infrastructure programs to be delivered over the next 15 years, including four new transmission projects.

These programs consist of upgrades to approximately 430 kilometres of existing transmission lines and construction of around 380 kilometres of new lines, to support the development of the proposed REZs and maintain network reliability.

These programs (described in the following table and pictured in Figure 3) are based on VicGrid's optimal development pathway, which was selected over two alternative pathways identified to meet future energy demand.

## REZ backbone networks

VicGrid will work with project developers to coordinate REZ connection infrastructure. The need for additional shared transmission infrastructure will depend on each REZ's proximity to the existing network and the locations developers select for their projects. To support this, VicGrid is proposing to develop a *REZ Infrastructure Plan* for each zone, setting out a preferred strategy for coordinated connection.

## Transmission procurement reform

VicGrid is proposing changes to the procurement of major transmission projects in Victoria, to ensure the approach is sufficiently flexible to meet the pace required to deliver on emissions reduction commitments. Under the proposed procurement reforms, VicGrid would be able to plan and procure transmission augmentations without the need for further regulatory investment tests, given that projects identified in the optimal development pathway will have already been tested through the cost-benefit analysis undertaken as part of developing the VTP. The proposed reforms will also set out VicGrid's approach to determining contestability for transmission projects.

PROGRAM	DETAILS	PROPOSED TIMING
<b>Western Victoria reinforcement program</b>	Four minor network augmentations and upgrades to existing infrastructure. Supports generation in the Western, Central Highlands and South West REZs.	2028–30
<b>Eastern Victorian reinforcement program</b>	Minor augmentations, upgrades to existing infrastructure, and a new line between Hazelwood and Yallourn. Supports generation in the Gippsland and Central North REZs, and the Gippsland offshore wind area.	2028–30
<b>North West strengthening program</b>	Replacement of a single circuit line with a high-capacity double circuit line. Supports generation in the Western and North West REZs.	2035
<b>South West expansion program</b>	New double circuit 500kV line and associated works. Supports generation in the South West and Central Highlands REZs.	2033
<b>Gippsland offshore wind transmission stage 2 program</b>	New transmission loop to support offshore wind infrastructure. Supports generation in the Gippsland offshore wind area.	2033–38
<b>Latrobe Valley strengthening program</b>	New power flow controllers and dynamic load rating devices. Supports generation in the Gippsland REZ and offshore wind area.	2034–35
<b>Offshore wind upgrade</b>	Upgrade of existing lines from Heywood to Portland. Supports generation from the Southern Ocean offshore wind area.	2038 (or earlier)



Image source: 2025 VicGrid Victorian Transmission Plan, page 20, Figure 3.

## What's on the horizon?

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### Transmission project planning and consultation

Detailed planning for transmission projects under each proposed program will commence shortly, including whether the project will follow a contestable or non-contestable procurement process and the project-specific approach to delivery, operations and maintenance. VicGrid will provide further opportunities for consultation as planning progresses, including in relation to study areas and preferred corridors for new transmission projects.

2

### Procurement process

Procurement reforms are subject to the passage of the *National Electricity (Victoria) Amendment (VicGrid – Stage 2 Reform) Bill 2025* in the Victorian Parliament, after which VicGrid will commence the procurement process for transmission projects, with this process to be subject to independent oversight.

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### REZ Infrastructure Plans

VicGrid intends to develop a *REZ Infrastructure Plan* for each REZ, to support a coordinated approach to network infrastructure. Further details will be provided in the *Access and Connections Consultation Paper*, expected later this year.

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### Draft Community Engagement and Benefits Guidelines

This guide (see page 5 for details) will also inform how developers of transmission projects must engage with the community when tendering for transmission projects. As part of its transmission tender evaluation, VicGrid will apply social performance criteria, requiring developers to demonstrate how their approach meets the specific requirements of each project.