TERRAIN SOLAR

Ms Martina McCowan
Senior Adviser
AEMC
PO Box A2449
SYDNEY SOUTH NSW 1235

25 January 2021

Ms McCowan,

Terrain Solar - AEMC Submission re Draft Rule Change - ERC0294 - Connection to Dedicated Connection Assets

Firstly, thank you and the AEMC for the opportunity to comment and make a submission re this very important rule change, currently at the Draft Rule stage of the implementation process.

Terrain Solar Pty Ltd (**Terrain**) is one of Australia's leading independent and Australian owned PV solar development teams. We have extensive experience across the project development lifecycle, including land, planning approvals, engineering, grid connection, offtake and financing. Collectively, the Terrain team have delivered in excess of 2,000 MWp globally and 275 MWac in the NEM within the past 18 months alone.

As mentioned, Terrain is an independent player in the renewable energy space. We are small, nimble, dynamic, and resourceful. Whilst we strongly believe in the value of participants like Terrain in achieving the ambitious stretch targets being set by Australian State and Territory governments, we do not possess the resources or balance sheets of some of the larger players in this space. This can place Terrain, and other participants like us, at a significant competitive disadvantage when competing with the "big boys" and this disadvantage can be inadvertently exacerbated when rules, regulations, and frameworks, are written with the "big boys" at the forefront of influence and decision making.

1. Broadly Supportive of the Rule Change

Terrain is broadly supportive of the proposed Rule change, as set out in the Draft Rule.

The modification to the originally proposed AEMO Rule Change Request, whereby the TNCP is moved from the point of connection to the existing transmission trunk network, and instead is now proposed to be at the DNA is a good one. As well as addressing the technical issues re performance standards, et al., this change considerably strengthens the likelihood of opening up potentially vast tracts of cheap land with good renewable resource that otherwise may have lain dormant and unexploited.

The proposed Rule also introduces much needed competition where it has not previously existed. This is long overdue, and absolutely critical to the successful development and construction of the renewable energy assets needed to move Australia into a new more sustainable epoch.

Connection costs are a very significant portion of project development, and have been the death of many a nascent renewables project that otherwise would have contributed to jobs, economic growth, and emissions reductions. Despite the great majority of the NSP personnel that developers deal with being helpful, within the constraints they are forced to work, there is little to no impetus for the incumbent NSPs to innovate, compete, or deliver cost effective outcomes at present. Hopefully this formalisation of a competitive framework will kickstart that process for the betterment of us all.

We also note that within the Draft Rule Change (section 2.1) there is a proposal to remove the ownership restrictions on IUSA, such that there will no longer be the requirement / restriction whereby the IUSA cannot be owned by the same entity as the generator asset connecting to the IUSA.

This is a significant step change. We support this proposal very strongly. It will remove what was an unwieldy and largely unworkable framework (as evidenced by the lack of proponents that have delivered projects on this basis to this point), and will actually open this IUSA space up to competitive tension, as opposed to the pretence of competitive tension that looks good on paper but is all but pointless in actuality.

2. Concerns re the Draft Rule Change

Terrain does have some reservations, and harbour some concerns about the currently proposed rule. These are set out below:

1. The 30km minimum distance trigger for categorizing connection assets seems arbitrary. From where was this parameter devolved? What was the logic behind it, and where are the workings to demonstrate how that number was chosen?
    a. This sets a high, and costly bar, to be achieved before the proponent/s is afforded the access rights protections proposed under the Draft Rule Change.
    b. This places smaller proponents such as Terrain, without the deep pockets of the “big boys” at a considerable competitive disadvantage.
    c. By affording similar access rights protections to ANY proponent who funds the construction of network assets, so that they can defray costs for any other projects connecting to that infrastructure as well, the playing field would become much more level.
2. There is the opportunity for the law of unintended consequences to deliver further unfair benefits to vertically integrated players in the industry at the expense of all others.
    a. Where a company or group seeks to own assets across the supply chain, for instance regulated monopoly networks, and generation assets (Spark for example), there exists a very possible scenario where that proponent could:
        i. Construct and own a DNA (teeing off the monopoly transmission network they already own / operate);
        ii. Defray the entirety of the DNA connection costs across other generation assets connecting to that DNA;
        iii. Construct and operate their own generation assets behind the DNA; and
        iv. As a result effectively deliver themselves a generation asset with ZERO connection costs at the DNA (and perhaps further upstream).
    b. This scenario, whilst an unintended consequence of the Draft Rule Change, would provide that vertically integrated player with an unfair competitive advantage in the form of a much lower delivered cost of energy, thus handing them significant and unwarranted market power in terms of both selling the energy generated at a lower price point then competitors could afford, and / or delivering outsized profits should the generation be sold at market prices.
    c. This is of course additional to the return on investment that the DNA owner will seek and earn on the infrastructure assets.
    d. This is a scenario that must be avoided in order to ensure a competitive market framework outcome, and the Draft Rule Change should be amended to incorporate safeguards to ensure the market is not distorted and corrupted.
3. Interface works or "cut-in works" are listed as non-contestable. What sets the boundaries of "cut-in works"? For example, design and construction of switching stations for cutting into an existing TNSP line should not be considered part of "cut-in works", these should be contestable. The actual

cutting in and termination of the existing transmission lines is understandably to remain non-contestable, but should not have “monopoly pricing” detriments. This needs to be better defined.

4. Operation and maintenance of 3rd party IUSAs - charges under Network Operating Agreements (NOA) should be cost-reflective and there should be transparency in the charging methodology. TNSPs have a conflict of interest (whether perceived or real) and proponents will be concerned they will use their monopolistic powers to increase service charges in order to force proponents to get TNSPs to design, construct and own IUSAs (in order to get a discount) and thereby reduce the value of a contestability framework.

5. Regarding the option to purchase 3rd party IUSA at fair market price on early termination of the NOA - given the real or perceived conflict of interest for TNSPs, TNSPs should not be allowed to exercise their option to purchase 3rd party IUSAs on early termination of the NOA if they directly or indirectly caused the proponent to default on the NOA thereby leading to a termination event.

6. Regarding the separability limb of the contestability framework, the Rule needs to be clarified in a similar way as above to ensure that a contestability framework applies to the design, and construction of switching stations. That is, the TNCP or boundary point of the IUSA should be contestable subject to interface or "cut-in" works.

7. Very importantly, given the nature of the industry, and the positive impact that the Draft Rule Change will have for development of renewable generation, existing connection enquiries made prior to the commencement date that request additional or alternative information as a result of the Rule Change should not incur additional charges from the TNSPs. This should be ingrained in the making of the Rule. TNSPs will be able to recoup these costs in the long run and were aware of the Rule Change at the time that existing connection enquiries were made.

Thank you again for this opportunity. I trust that our submission will prove beneficial in helping to ensure that the right outcomes are delivered by the proposed change, and that the rule of unintended consequences does not damage what is a considerably positive overall proposal.

Sincerely,

Craig Peters

General Manager
Terrain Solar
craig@terrainsolar.com
0407 142 556