



TERRAIN SOLAR

Michelle Shephard
Commissioner
Australian Energy Market Commission
Level 15, Castlereagh Street
Sydney NSW 2000

17 June 2021

Dear Australian Energy Market Commission,

Terrain Solar - AEMC Submission re Draft Rule Determination – ERC0300 - Efficient Management of System Strength on the Power System

Terrain Solar is pleased to provide a submission to the Australian Energy Market Commission (AEMCs) Draft Rule Determination for the Efficient Management of System Strength on the Power System, dated 29 April 2021, reference ERC0300 (Draft Rule).

Terrain Solar is an intending participant in the National Electricity Market (NEM) as a generator and has developed a number of renewable energy projects in NSW and Queensland, many of which are either under construction or are operational, including:

- the Corowa Solar Farm;
- Junee Solar Farm;
- Wagga North Solar Farm;
- Warwick Solar Farm; and
- Molong Solar Farm.

Terrain Solar broadly supports the objectives and principles of the Energy Security Board's (ESB's) "two-sided market" in streamlining services for those who use electricity and those who sell electricity on behalf of end users. Development of market rules which encourage Network Service Providers (NSP's) to interact with the private sector and create a level playing field in the provision of network services is a critical element of the ESB's vision of a two-sided market.

Terrain Solar is supportive of the AEMC's objective of setting a new framework for providing system strength in the NEM. We support the view that the current arrangement for providing system strength is reactive and inefficient and leads to greater uncertainty for market proponents. However, we are concerned about the concentration of decision making in a TNSP-led central procurement approach given the conflicts of interests that may arise from the TNSP being able to charge connection proponents via unregulated connection services as well as recover costs from end-consumers via the revenue it would receive from its regulated asset base.

In light of these concerns, Terrain Solar seeks to highlight the following key considerations of the Draft Rule:

1. System Strength Services (SSS) should be a contestable service which can be delivered by non-network service providers. SSS should only be delivered as a non-contestable service as a last resort where TNSPs have demonstrated they have sufficiently tested the market and exhausted all other options. This alleviates the concern for TNSPs to gold-plate their networks or deliver stranded or underutilised network assets which will ultimately be paid by end-consumers. It will also work to ensure that the relevant TNSP actually does seek “non-network” solutions for system strength as the first, and most cost effective, option. Genuinely sufficient time frames, and a robust market process, should be mandated to redress the issue of TNSPs gaming the process that has been common when seeking non-network alternatives under existing RIT-T processes.
2. Consideration should be given preferably to determination of SSS requirements being undertaken on a NEM wide basis by AEMO.

This would ensure an appropriate market wide approach that is often missing from state based potentially myopic network build out strategy, and remove any perceived ability for the TNSP to game or gold plate the system to ensure a greater Regulated Asset Base (RAB) return. AEMO could determine the holistic SSS need and the NSP could then be responsible for seeking first non-network solutions, and failing that finally network based methods, and implementation of the most holistically cost-effective option.

This higher level “helicopter” view would also ensure alignment with the most likely of the AEMO ISP scenarios, to ensure best fit for need on a NEM wide basis.

3. TNSPs should determine system strength “identified needs” based on meeting AEMO’s forecast requirements over a 5 year time horizon and include these “identified needs” within its Transmission Annual Planning Report (TAPR) alongside other network planning considerations included in the TAPR. This gives proponents a longer time horizon to plan and coordinate their prospective connection locations.
4. When assessing the “minimum fault level requirement”, consideration must be given to the predicted time of day the minimum fault level occurs and it should be sympathetic to the impact of a particular technology and generation profile on the minimum fault level. For example, if the minimum fault level occurs at 3am, a solar generator should not be assumed to operating at 100% capacity and therefore be penalised for consuming the nodal fault level.
5. When considering which System Strength Mitigation Requirement (SSMR) option to pursue, IBRs should be allowed to carry out their own Full Impact Assessment (FIA) rather than have TNSPs carry out the FIA. This is because of the TNSPs ability to prejudice the outcomes of the FIA to encourage proponents to pay for system strength services provided by TNSPs, thereby serving the TNSPs own vested interests. TNSPs will have a conflict of interest if they are allowed to determine and control both proposed SSMR options.
6. System Strength Prices (SSPs) and System Strength Locational Factors (SSLs) should be capped at the price set at the initial regulatory control period. This allows the price to be decreased as other future proponents connect and contribute to system strength services, but also provides proponents with certainty over future connection costs which are required to finance long-term assets.
7. DNSPs should be liable under the SSMR to the extent they permit generating systems less than 5MW to connect thereby causing fault levels to decrease in the future.
8. System strength charges should only apply to new connection applications submitted post 1 July 2023. Connection applications submitted prior to 1 July 2023, but have not yet received an Offer to Connect, should be grandfathered under the current shortfall framework unless they elect to switch to the new system strength framework.

In light of the above and as an intending participant, we thank you for the opportunity to provide a submission to the AEMC's Draft Rule Determination.

If you have any questions in relation to this submission, please don't hesitate to contact Craig Peters at craig@terrainsolar.com.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Chris Wilson', with a horizontal line underneath it.

Chris Wilson

Director, Terrain Solar

Email: chris@terrainsolar.com