

Australian Energy Market Commission
PO Box A2449
Sydney South
NSW 1235

For the Attention of Ms Jess Boddington

8 August 2019

Dear Ms Boddington,

Co-ordination of Generation and Transmission Investment – Access Reform

Reach Solar energy ('Reach') is very pleased to provide its response to the guidelines prepared by the Australian Energy Market Operator (AEMO) titled "Co-ordination of Generation and Transmission Investment -Access Reform" dated 27 June 2019 ("CoGATI").

This response builds on the submission made by Reach to the AEMC on 1 May 2018 and the points made during our telcon with AEMC on 8 July 2019.

By way of background, the intent of Reach is to develop 1200MWac of large-scale solar photovoltaic (PV) by 2020/21. Reach developed the 300MWac Bungala solar project near Port Augusta. The first two phases (220MWac) raised \$500 million of project finance debt and equity with no grant being required.

Reach is developing a 900MWac solar PV project site in NSW. It remains focused on structuring solar PV projects such that they can compete with wind, gas and black coal-fired generation, be able to support the grid system and satisfying virtually all automatic access standards, and provide a portion of dispatchable power.

Reach management (see www.reachsolarenergy.com.au) have a proven track record with operations, development and raising large-scale capital for both energy and infrastructure projects in Australia and internationally.

In summary, Reach is not convinced that "more granular" regional pricing and the allocation of (at least some) transmission costs to generation will yield a reduced cost to consumers and promote more competition. Reach also consider the proposed transmission hedges are likely to have commercial terms which will limit their use. Reach does not support nodal pricing due its complexity, there remain opportunities to use under-utilised parts of the transmission system, and consider transmission constraints can be mitigated using other signals.

Reach provides the following specific comments on the proposed CoGATI principles:

1. **Use of Transmission hedges**

Reach suspect the transmission hedge contract terms will ultimately not be that “firm” and there will be a number of gaps between the electricity and transmission hedge arrangements e.g. the electricity hedge liability (currently up to \$14,800/ MWh) and recourse to the Transmission Network System Provider (“TNSP”) using the proposed transmission hedge. Reach expects the TNSP will insist on a modest liability cap which in turn will limit the commercial value of the transmission hedge.

It will also mean it is likely to not be commercially viable to use the transmission hedge to cover inter-regional price risk i.e. generate in one price node and sell to a customer in another node.

2. **Creditworthiness**

The creditworthiness of disparate project companies will (intuitively) be far less than the current retailers meaning a premium is likely to be charged for additional credit support (if indeed it can be obtained).

Reach suggest the AEMC conduct a proper review of the cost of this, and the impact on market liquidity. Reach considers at best it will be a “nil sum game”, and at worst electricity prices (and risk) will increase to consumers and there will be a lessening of competition.

3. **Regulation**

The impact on existing offtake arrangements is unclear. Reach is aware of a number of offtakers are already asking for the Project to accept 100% of the regulation risk associated with dynamic regional pricing

4. **“Grandfather rules”**

It is not clear at what stage a project will qualify to be grandfathered ? It typically takes two years to develop and raise capital for utility scale projects.

I hope this is of interest to AEMO and please do not hesitate to contact me if you have any questions on the same (0447 350 442 or julian@reachsolarenergy.com.au).

Yours sincerely,



Mr Julian Dichiera
EPC and Technical Manager
Reach Solar energy