

22 October 2020

Ms Merryn York
Acting Chair
Australian Energy Market Commission

Lodged online: www.aemc.gov.au

Re: Submission in response to the *Transmission Access Reform – Interim Report*

Dear Ms York,

Canadian Solar (CS) is one of the top five PV module manufacturers in the world as well as an active solar farm developer---having successfully developed and built over 4000 MW of solar PV generation plants worldwide. In Australia, CS has developed, constructed and completed five solar farms and are currently building two more large solar farms in NSW.

Canadian Solar welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC's) Interim Report in relation to its transmission access reform proposal. We have followed the development of the proposal with strong interest, both directly and through engagement with the Clean Energy Council, Clean Energy Investment Group and Smart Energy Council.

Canadian Solar lodged a detailed submission in response to the Discussion Paper advocating that work cease on the project as the concept was fatally flawed, would slow down investment in new generation (at the very time it is needed most), and would increase electricity costs to consumers.

Unfortunately, the concerns raised in our submission have not been addressed in the Interim Paper---which is not surprising as a number of the issues we raised cannot be successfully resolved in the COGATI model. As just one example, grandfathering, to some degree, is fair and should be included in such a model to avoid very serious issues of sovereign risk. However, providing existing generators in an area with FTRs will effectively sterilize that area for new generation until the grandfathered FTRs expire. Once FTRs are available, project financiers will require these for project financing, much as PPAs are required for project financing today---to minimise revenue uncertainty. Therefore, many areas of the grid will have no new generation built to replace the country's aging coal generation fleet inevitably leading to higher energy prices for consumers and businesses. There is no workable trade-off to this problem---either the AEMC introduces severe sovereign risks by not including grandfathering or it sterilizes every part of the network which encounters curtailment---which is most of the network.

For the avoidance of doubt, Canadian Solar continues to oppose this transmission access reform proposal and considers that any work to further develop and implement the proposal should be discontinued in order to free up AEMC and industry resources for other more pressing issues.

At a higher level, we provide the following comments.

- The proposed model does nothing to address the pressing need for increased transmission capacity.
- The uncertainty, complexity and additional costs associated with the proposal will increase the cost of capital for projects which will ultimately, and inevitably, result in higher consumer prices.
- At a time when new investment in clean generation is crucial, this reform would have a chilling effect on new investment reducing investment and jobs in regional communities.
- Actioning the Integrated System Plan and the development of Renewable Energy Zones will assist to address congestion and provide locational signals for new generators far more effectively than COGATI.

In summary, it is worth noting the proposal is **not** supported by the very organisations the AEMC claims will be assisted by it---new generation plant developers and investors. Clearly, there is a problem when the organisations you claim to be helping are nearly unanimously opposed to your proposal as evidenced by the strong opposition of the Clean Energy Investment Group.

If you have any questions regarding this submission or wish to discuss our position in more detail, please do not hesitate to contact the undersigned.

Sincerely,



Jonathan Upson
Director Project Development & Origination
