

26 September 2019

Australian Energy Market Commission  
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Sydney South NSW 1235

Submitted by email to [aemc@aemc.gov.au](mailto:aemc@aemc.gov.au)

Project number: ERC0253

**Application of the regional reference node test to the reliability and emergency reserve trader,  
Draft rule determination**

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Draft Rule Determination (Draft Determination) from the Australian Energy Market Commission (the Commission) on the Application of the regional reference node test to the reliability and emergency reserve trader.

Snowy Hydro Limited is a producer, supplier, trader and retailer of energy in the National Electricity Market ('NEM') and a leading provider of risk management financial hedge contracts. We are an integrated energy company with more than 5,500 megawatts (MW) of generating capacity. We are one of Australia's largest renewable generators, the third largest generator by capacity and the fourth largest retailer in the NEM through our award-winning retail energy companies - Red Energy and Lumo Energy.

The Commission has given proper consideration to the flow on impacts that intervention pricing could create and which if not mitigated could cause distorted price signals and lead to inefficient investment outcomes. Snowy Hydro therefore understand the draft rule change proponents which include:

- clarification on the intervention pricing that should apply where an intervention responds to a region wide scarcity of a market traded commodity.
- clarification that intervention pricing should not apply in circumstances where the reason for the intervention is to obtain a service that is not traded in the market.

These proposed changes by the Commission will limit the use of intervention pricing to those circumstances where there is a relevant market price signal to preserve. Snowy Hydro however is concerned that the RRN test could be used as an alternate as to whether intervention pricing is appropriate, making the process unclear. We strongly believe that intervention pricing should continue to be applied if Australian Energy Market Operator (AEMO) intervenes in the market to maintain system security as opposed to intervening for reliability reasons.

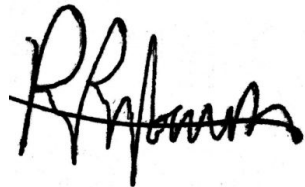
The intervention price provisions of the National Electricity Rules (NER) form an important component of pricing in the NEM. Intervention pricing is needed as the purpose is to minimise market distortion resulting from the intervention, maintain pricing outcomes with the removal resulting in unintended unfavourable outcomes to the market. The intention of intervention pricing and any type of AEMO intervention is always to ensure that despite the action of intervening, there is still a signal on scarcity of the energy or ancillary service.

Absent intervention pricing would result in a significant imposition of market interventions where additional energy supply is dispatched by the market operator leading to a Reliability and Emergency Reserve Trader (RERT) market by stealth. This would create perverse incentives and more incentives to direct. An efficient NEM energy only market will provide long term cost reductions to all consumers whereas inappropriately using the RERT imposes significant costs on consumers as it carries both direct and indirect costs.

In addition, directing generators with no intervention pricing will impact market participants by not allowing them to earn a return on investment thereby decreasing future investment in new or existing plant.

Snowy Hydro appreciates the opportunity to respond to the Draft Rule Determination and any questions about this submission should be addressed to [panos.priftakis@snowyhydro.com.au](mailto:panos.priftakis@snowyhydro.com.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. Priftakis', with a horizontal line drawn through the middle of the signature.

Panos Priftakis  
Head of Wholesale Regulation  
Snowy Hydro

