

10 February 2022

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted by email to aemc@aemc.gov.au

Project number: ERC0332

Updating Short Term PASA Rule 2021, Draft determination

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Draft determination from the Australian Energy Market Commission (the Commission) on Updating Short Term (ST) Projected Assessment of System Adequacy (PASA) Rule.

Snowy Hydro agrees that the ST PASA updates are important to accommodate for the continued transition and diversification of generation, load, and network requirements. We are supportive of amendments to the ST PASA that improve forecasting accuracy however there are changes that continue to require further consideration and, as they stand, could continue to lead to inefficient and inequitable market outcomes.

Principles based framework for ST PASA

The Commission correctly highlights the risks associated with the principle based approach which include

- The potential for reduced certainty regarding requirements and information published in ST PASA.
- Risks associated with the interaction between ST PASA and the LOR and RERT frameworks.
- The potential for ST PASA to become less transparent.

It is therefore important that AEMO being provided more flexibility doesn't take away the certainty and transparency of the ST PASA process. The Draft Determination approach which states that AEMO must comply with the rules consultation when updating the ST PASA is one step to minimising the risks of principle based approach. A major concern on this was that AEMO could start making changes for significant information requests, that could be a significant burden on market participants, through a short rule change process without assessing changes effectively.

The Commission indicates that when ST PASA procedures are minor or administrative they should not undertake a rules consultation procedure. The Draft Determination however does not indicate what minor or administrative changes entail and this will need to be clarified prior to the final determination.

The ST PASA consultation should be aligned with the Commission's proposed changes to consultation procedures in the National Electricity Rules (NER) and National Gas Rules (NGR). As we noted in our submission to the consultation, we do not agree with any proposal to reduce the formal opportunities for market participants and other stakeholders to comment on changes to subordinate instruments. AEMO's rule change proposal would do this by defaulting to a single round of consultation on a draft

instrument, except in very specific circumstances. Furthermore, we do not support changes that grant considerable discretion to regulatory authorities about the process they must follow when progressing regulatory initiatives. Snowy Hydro's preference is that there should be a two stage consultation process in the vast majority of instances, and it should remain the default.

Generators required to provide more unit information

Snowy Hydro continues to highlight that providing more information on individual scheduled generators needs to strike the right balance with market participants providing more information and an understanding of the uncertainties they are faced with in the market.

The Commission's draft decision that AEMO must publish the available capacity and PASA availability of individual scheduled plant and wholesale demand response units is considered on benefits outweighing the costs and risks. The benefits and costs assessment by the Commission makes no mention of the inadequate transparency requirements for non-scheduled customers, who are not required to notify the market of their intentions. The proposal is risking not solving the problem posed by AEMO, but rather seeking more information from (the already transparent) generators.

Sudden changes in demand, even for scheduled load, can destabilise the grid, as occurs when aluminum potlines are turned off in response to market volatility. AEMO will need to be more active in the market to accommodate inflexible generation and / or unpredictable demand response over which it has reduced visibility. Individual aggregators or larger customers who want to participate in wholesale and energy services markets are relatively small individually but their cumulative impact is significant. The Commission should not ignore the need for this data until it is too late and must not give certain technologies or sectors an unfair advantage.

Recall times

Snowy Hydro does not believe the benefit in knowing the initial recall time for an outage, outweighs the associated costs with requiring participants to bid a changing recall time through each trading interval. This has not been demonstrated in the draft determination and the consultation paper.

There needs to be further consulting with participants to redefine the current 24-hour time frame. The Commission has not addressed the costs associated with requiring participants to bid a changing recall time through each trading interval. By removing the specification of a 24-hour recall period there will be a significant compliance burden imposed onto market participants to meet the new standard.

As the recall time proposal stands it will only add to the confusion for participants, whilst also increasing the burden and reporting requirements. The costs to participants for these required changes to their bidding and outage management systems, coming at a time after significant and costly changes have occurred due to 5MS in the NEM.

PASA Availability and Recall Time

With AEMO seeking to gather recall information for each interval over the corresponding PASA Availability period, AEMO should remove the need to report to the Generator recall portal as this will avoid the duplication of work. There is no need to keep the ability for participants to keep two tranches of recall and capacity and associated recall time.

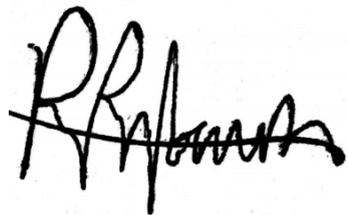


About Snowy Hydro

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.

Snowy Hydro appreciates the opportunity to respond to the Draft determination and any questions about this submission should be addressed to me by email to panos.priftakis@snowyhydro.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Panos Priftakis', written over a light grey circular stamp.

Panos Priftakis
Head of Wholesale Regulation
Snowy Hydro

