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AEMC
PO Box A2449
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Integration of Energy Storage – Regulatory Implications

Snowy Hydro welcomes the opportunity to comment on the regulatory implications for the integration of energy storage discussion paper.

In general, Snowy Hydro supports the preliminary conclusions made in the discussion paper. However, Snowy Hydro has concerns that the existing regulatory frameworks may not be fit for purpose for balancing the competing objectives of competitive wholesale and retail markets and regulation of monopoly transmission businesses. Our concerns are largely around the risk the regulated segment of the market may negatively impact the competitive part of the market. We agree with the AEMC's view storage is a contestable product and a market-led approach to adopting storage is most likely to lead to efficient outcomes. Hence we support the AEMC view that¹:

“The Commission would not recommend any policy decisions to actively encourage the deployment of storage by networks in contravention of a framework that assumes that competitive energy activities should be market-led.”

Cost recovery

Snowy Hydro notes that Transmission Ring fencing Guidelines prevent TNSPs owning any form of generation (battery storage unit), unless it earns less than 5% of the TNSPs revenue stream. We recommend that consideration be given to lowering this percentage on the basis that the prevalence of other disruptive technologies in conjunction with battery storage may provide the network businesses with competitive advantages over Market Participants which are not adequately addressed through the regulatory frameworks.

Service classification

Snowy Hydro agrees with the AEMC's views that:

- storage is a “contestable service” and participation of network businesses must be done on a level playing field with other Market Participants; and
- there should be no policy to encourage the deployment of storage by networks in contravention of a market led roll out of storage facilities.

¹ AEMC, Integration of Energy Storage Regulatory implications Discussion Paper, p. 69

Ring fencing

Snowy Hydro agrees with the AEMC that the AER needs to closely monitor the ring fencing requirements to ensure that the vertical disaggregation of the electricity supply chain between regulated monopoly and competitive activities is maintained. We agree that strong enforcement and compliance obligations will also be required to give the market confidence that a level playing field is being maintained. For battery storage this means:

- Network businesses may use energy storage where it is efficient to do as applied under the RIT-T;
- Network businesses that install storage on the network to provide network services should separate the competitive energy parts of its business from the regulated components; and
- It is not appropriate for network businesses to own or directly control storage behind the meter except through a ring fenced entity subject to strict compliance requirements.

Should you have any questions on this submission, please contact me on 02 9278 1862 or on kevin.ly@snowyhydro.com.au

Yours sincerely,



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