

11 February 2021

Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

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

Project number: ERC0280

## **Integrating energy storage systems into the NEM Options Paper**

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Options Paper from the Australian Energy Market Commission (the Commission) on the Integrating energy storage systems into the NEM.

Snowy Hydro welcomes the Commission's focus on potential strategic improvements to the NEM and how to better integrate grid-scale energy storage systems into the NEM. The additional options considered by the Commission to modify existing participant categories or to set up a new participant category, a variant from AEMO's option, both require a significant amount of work that needs to be undertaken to achieve the desired outcomes.

Pumped hydro has efficiently and effectively participated in the NEM and there is no need to change what is being undertaken in the current environment to participate in the NEM, now and into the future as there have not been any material issues. Pumped hydro has been connected to the grid since the commencement of the NEM, providing energy and system support services, and will continue to play a critical role in meeting the challenges arising from the increased take-up of intermittent renewables.

Should either Option 3 and 4 proceed however then grandfathering rights need to be implemented on existing pumped hydro, batteries and hybrid facilities that are already registered participants. This would avoid unnecessary additional time and cost to transition to the new registration minimising any potential impact on the NEM. To improve investor certainty and operational efficiency we also continue to support the Australian Energy Market Operator (AEMO)'s solution is to provide clarity to battery proponents by establishing that transmission use of system (TUOS) would not apply.

### **Options 3 and 4**

Following the feedback Snowy Hydro provided for Options 1 and 2<sup>1</sup> to the Commission's consultation paper, the Commission should also consider the below key points when assessing Options 3 and 4 in the Options Paper:

- Redefining existing registered participant categories is a substantial change for the market and would come at a cost to the market. There will need to be grandfathering for existing assets, as well as assets with long construction times, such as pumped-hydro, which began construction when existing participant

---

<sup>1</sup> Snowy Hydro submission to Integrating Energy Storage Systems into the NEM, October 15 2020.

categories were in force. The Commission should undertake a cost benefit analysis if it is to proceed with a substantial change taking into consideration that there will be a sufficient amount of new entrants likely to be created in order to join the NEM.

- A participant would have 20 price bands to bid for both export and consumption, less than the price bands currently accessible to scheduled storage. Snowy Hydro however is concerned that reducing the price bands could also lead to complexities and the preference is to instead increase the price bands to 50-100 price bands.
- Under Option 4, the Commission should identify the benefits alongside the costs associated with implementing the new participant category. There is a lack of detail as to what obligations would attach to the new participant category, and therefore it is difficult to assess whether or not it should be pursued. However, facilities subject to this category should not be placed at a competitive disadvantage to existing generators. This is particularly relevant for new projects which commenced construction before the announcement of a new category, but which may be subject to that category.
- Given that storage and generators are not end users of electricity, and are connected to the network primarily for the purposes of providing flexibility and energy services, there is no rationale for them to contribute to both the generator connection costs and shared network TUOS charges.

### **The Trader services model under a Two-Sided Market**

Snowy Hydro believes in simplifying the existing registration process in the NEM there could be unintended consequences associated which could have costly impacts on the NEM.

Enabling new participation models that allow end users to obtain services from more than one trader at a site has been previously assessed by the Commission under the multiple trading relationship (MTR) consultation. Previous analysis of MTR concluded there would be no net benefit for consumers, due to a number of operational matters and unresolved questions about the administration of existing regulatory requirements. These issues also arise when a small customer installs multiple connection points.

For example, it is unclear how the management of hardship customers will occur where one market participant is aware of a customer experiencing financial difficulty but not the other or in situations where the customer requires life support. This complexity is furthered when a consumer is eligible for a concession or rebate and it must be applied to an account, rather than to a connection point. The separation of load across various settlement points also creates complexity with the requirement to deliver meter data information to a customer.

A further challenge is the allocation of consumer protections and regulatory responsibilities to a consumer's respective service providers if they install multiple connection points, particularly where some or all service providers can interrupt the supply of an essential service. We recommend the Commission apply a competitively

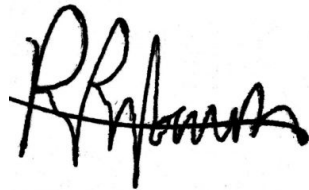


neutral framework that avoids placing particular business models or technologies at a disadvantage.

These issues illustrate that the Commission must carefully assess all aspects of any steps towards a more active two-sided market - including how they account for well established consumer protections and existing processes - before proceeding. Otherwise, these protections may be undermined or some market participants may bear a disproportionate compliance burden. In many instances, the purported benefits of a two sided market can be readily achieved through existing market arrangements without creating these risks.

Snowy Hydro appreciates the opportunity to respond to the Commission on the Options Paper on the Integrating energy storage systems into the NEM 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

