

10 September 2021

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted by email to aemc@aemc.gov.au

Project number: EMO0041

Review of the Gas Supply Guarantee

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the draft report from the Australian Energy Market Commission (the Commission) on the Gas Supply Guarantee.

Snowy Hydro does not have a strong view as to whether the Guarantee should be retained. As the Commission notes, it has not been invoked since it was implemented in 2017 and we do not view it as an essential risk management tool to ensure access to fuel for our gas-fired power stations. Most significantly, the Guarantee does not undermine the incentives for commercial market participants to enter into contracts for the supply and transportation of gas in its current form.

We acknowledge that the Australian Competition and Consumer Commission recently expressed some concern about the supply of gas to southern states in the short term in its recent interim report on the supply, demand and pricing of wholesale gas in Australia.¹ This may prompt some concern from policymakers about future gas market outcomes.

However, the Commission's draft report refers to the numerous regulatory and other developments that have occurred in recent years, in addition to forthcoming measures. They will continue to encourage investment in gas supply and transportation, and allow the market to respond to incidents of peak energy demand. We are confident that current market settings, in addition to standard commercial incentives to contract in order to manage risk, are sufficient to ensure adequate gas supply in coming years.

While we have no objection to the Commission recommending the retention of the Guarantee as a precautionary measure, we do not support the proposal to broaden the definition of a gas shortfall beyond a peak demand period. As the Commission explains, this would enable AEMO to utilise the Guarantee in an 'increased number of electricity peak demand reliability situations' and in other scenarios at AEMO's discretion.

We consider this would lead to additional interventions that are unnecessary in light of the other measures in place to maintain system reliability and security during times of peak demand. More significantly, uncertainty about AEMO's response to expected peak demand events undermines efficient gas usage and commercial incentives to manage risk through contracts. Over the longer term, a greater prevalence of centralised responses will undermine incentives to invest in gas supply and transportation, leading to worse outcomes for energy consumers.

¹ Australian Competition and Consumer Commission (2021), *Gas inquiry 2017–2025, Interim report* July 2021

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 report and any questions about this submission should be addressed to me by email to geoff.hargreaves@snowyhydro.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'G Hargreaves', written in a cursive style.

Geoff Hargreaves
Wholesale Regulation
Snowy Hydro

