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Australian Energy Market Commission
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Submitted by email to aemc@aemc.gov.au

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Generator registrations and connections

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Draft rule determination from the Australian Energy Market Commission (the Commission) on Generator registrations and connections.

As the NEM continues to transform the system will become more volatile and we will see considerable risk in diluting the information available to Australian Energy Market Operator (AEMO) about demand and supply considerations or reducing the incentives for some market participants to strictly comply with established market procedures. It is for this reason Snowy Hydro welcomes the Commission's decision to narrow the ground upon which generators can be exempted from scheduling, clarifying the arrangements in interpreting the threshold for generating systems within multiple units and increasing the transparency and predictability of the registration process through the creation of guidelines. This however is not enough to respond to a rapidly changing NEM.

The Commission's decision to not reduce the 30MW threshold and not oblige AEMO to publish reasons when it has exercised its registration discretion is concerning as this shows little understanding on the benefits improved scheduling can have on the market. The Draft Determination position risks exacerbating the problem as there are already inadequate transparency requirements for non-scheduled customers, who are not required to notify the market of their intentions or bid into the market. Sudden changes in demand under the current NEM, even for scheduled load, can destabilise the grid, as occurs when aluminium potlines are turned off in response to market volatility. Poor scheduling overtime will become a system security problem that the Commission will be lagging behind in understanding.

The GHD Advisory commissioned report which assessed the scheduling costs has taken a very poor approach at assessing the benefits of increased scheduling rather coming to conclusions that the costs would outweigh the benefits. The report notes "*the increasing sophistication of systems and increased requirements are likely to drive increases in costs that outweigh any gains from efficiencies associated with a broader range of options and different technology being made available. At least for the foreseeable future*" making this claim without considering the benefits scheduling would have to the NEM. We would question whether any benefits have actually been assessed.

We have previously stated that without an efficient price discovery process there would be market and operational inefficiencies, from reduced confidence in pre-dispatch prices, inaccurate reserve forecasting and procurement by AEMO, reduced ability for AEMO to manage the central dispatch process and inefficiencies in pricing of financial contracts, none of which have been properly assessed. A simple assessment of reducing the

exposure of some participants to regulatory and others costs (e.g RERT, FCAS) increases the costs that must be recovered from other participants, even in situations where the former are contributing to those costs has not even been considered.

The market is moving to 5 minute settlement, as the GHD report mentions, however with the greater participation in small generation it does not highlight that reducing the visibility of the activities of some market participants or diminishing the consequences of non-compliance will impact the market. In addition, the future performance of scheduling and dispatch following growth in the 5-30MW generator size category, as opposed to current performance has also not been assessed by GHD Advisory. The Commission needs to take leadership in assessing the concerns raised by market participants and the operator.

The Commission has yet to identify the extent to which the different types of non-scheduled generation affect market and power system outcomes, and whether any identified issues are likely to worsen in the short-to-medium term. This analysis by a consultation would have informed participants what different scheduling threshold may be required in the future rather than a piece of work that solely focused on the costs.


Schedule Lite

Snowy Hydro welcomes the Commission purpose of the scheduled lite work program that recognises the market trends might lead to smaller scale assets causing operational issues in the dispatch and forecasting process in the future. The work to develop a voluntary mechanism which incentivises currently unscheduled demand and supply side participants to provide more information to the market operator however still has numerous hurdles to cross before it can be relied on. The unlikelihood that parties will voluntarily elect to use the "scheduled-lite" proposal is a key concern.

The Commission had an opportunity through this consultation to address AEMO's existing practice for applying a 5MW scheduling threshold to batteries however has chosen to include it as part of the "schedule lite" process. The "schedule lite" process will need to future proof scheduling and dispatch following growth in the 5-30MW generator size category.

Compliance obligations on "scheduled lite" registrations should not be viewed as a barrier to entry rather as an important aspect to avoid the risks associated with not including these obligations. The scheduling features necessitate a number of obligations and incentives consistent with the obligations imposed on current scheduled generators. These include compliance with dispatch targets, bidding and rebidding obligations and incurring FCAS contribution factors deviating from dispatch targets. These obligations are vital for maintaining the integrity of the central dispatch and price setting process.

Concerns about the administrative burden of bidding and dispatch obligations, telemetry requirements and other requirements for participation in wholesale and energy services markets, such as their impact on market participation, should be addressed through a broader review that evaluates the administrative impact on all market participants. An approach that is too light on scheduling obligations risks not improving the transparency and efficiency in the NEM.



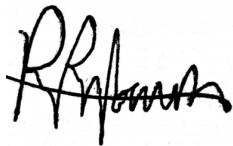
We recommended the Commission undertake a more detailed analysis on scheduling lite in particular, to fully understand their broader impact. The Commission should treat all generation as equitably as possible particularly as new technologies continue to enter the market.

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 rule 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 horizontal line.

Panos Priftakis
Head of Wholesale Regulation
Snowy Hydro

