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Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

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Submission by email at: aemc.gov.au

Rule Change Proposal - Participant compensation following market suspension

Snowy Hydro Limited welcomes the opportunity to comment on this Rule change proposal.

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 supports the Rule change proposal which seeks to introduce participant compensation arrangements for electricity market suspension events. Direction compensation is the only avenue for participant compensation in respect of market suspension pricing. This should be rectified as the use of directions should be a last resort.

As the Rule Proponent highlights, the proposed rule change will remove the incentive for market participants to minimise financial loss and await direction rather than voluntarily supporting the restoration and/or maintenance of electricity supply during a market suspension.

Snowy Hydro's clear preference is for setting Spot prices during a market suspension based on normal dispatch pricing. This would occur where market suspension is not affecting AEMO's ability to run central dispatch and determine dispatch prices, spot prices and ancillary service prices. Setting prices through central dispatch allows for orderly bidding, supports efficient market outcomes, and removes the need for Participants to seek additional compensation due to the application of the Market Suspension Pricing Schedule (MSPS).

For the compensation framework under market suspension, Snowy Hydro agrees with the following aspects of using the Administered Price Period (APP) and Directions compensation frameworks:

- The APP framework enables claimants to seek compensation for their direct costs and opportunity costs. All costs under the compensation framework under market suspension should be claimable including direct costs, loss of revenue, and opportunity costs.
- A \$5,000 threshold per trading interval.

Other aspects of the compensation framework under MSPS that we suggest are:

- Costs should be recovered only be paid by customers in the region in which the market suspension occurred.
- AEMO wants Market Participants to respond without being directed. To be clear, Participants aren't incentivised to seek additional compensation because the process of doing so is unfamiliar and their systems and processes are not set up to efficiently handle these rare instances. Due to the rarity of these events, Executive and Board approvals may need to be sought before seeking additional compensation. Hence, any inconsistency between compensation frameworks under market suspension compared to directions would incentivise Participants to take the less onerous approach. For these reasons, the calculation of compensation for Participants seeking compensation during a MSPS should be automatic and set at 90% prices in the previous 12 months. This is a trade-off between potentially overcompensating claimants versus a reduction in administration cost for the AEMC and Participants being incentivised to return the electricity system to a secure and reliable state given the certainty of compensation for what is a rare event.
- Where the 90% price is insufficient and the Participant seeks additional compensation beyond 90%, clear timeframes are required ie direct cost only claims (i.e. not including any opportunity costs) are processed within 45 business days. For claims including both direct and opportunity costs, the AEMC is to make a decision around 90 business days after formal commencement.
- Where administration of the additional compensation beyond the 90% price is done using only AEMC resources no administration costs is passed on to the Claimant. Where the AEMC engages an external consultant to process the claim, the Claimant's share of the administrative cost will be 50% of the external consultant costs capped at no more than 50% of the gross amount of additional compensation payable to the Claimant.

Snowy Hydro appreciates the opportunity to participate in this consultation process. For further clarification on our submission, contact me on kevin.ly@snowyhydro.com.au.

Yours sincerely



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