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Australian Energy Market Commission
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Generator three year notice of closure, Consultation paper

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Consultation Paper from the Australian Energy Market Commission (the Commission) on the Generator three year notice of closure.

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 understands the intent of the generator three year notice closure rule change which will improve the provision of information and enhance transparency and predictability. We welcome the Clause proposed rule 2.10.1(c3) within the proposed rule which allows a generator to terminate its registration should an unforeseen event beyond the reasonable control of the generator occur although we are concerned that generators will not be able to bring closure forward if they are unable to maintain the asset. Further clarification is needed on numerous components of the rule change implementation as there are important and expensive questions that still need to be answered.

Transparent market information

Snowy Hydro understands that markets rely on information for effective planning. The closure of Hazelwood Power Station provided a relatively short period of planning information. We note however, that the electricity industry is cyclical in nature and periods of tighter supply and demand balance inevitably leads to pricing signals which promote more investment to restore an efficient level of supply. We welcome increased information provided to producers and consumers. While this will be a difficult rule change to implement with potential implications we understand the Energy Security Board's (ESB) intent.

The impact of a well-designed National Energy Guarantee (NEG)

The lack of a national, coordinated approach to climate and energy policy settings has created distortion in the market and an uncertain environment for investment in new generating capacity to meet the future needs of the NEM. The announced closure of Hazelwood highlighted the need for a clear, national energy and climate policy to guide the decarbonisation of Australia's electricity supply. The closure was long speculated because of subdued growth in electricity demand, Australia's emissions reductions goals, and the renewable energy target expanding investment in new generation.

The NEM continues to be largely supplied by coal, gas and hydro generation and these synchronous generators provide a number of valuable services to the electricity system, which include:

- Dispatchable and flexible
- Stability and grid security.
- They provide large levels of voltage control and support to allow electrical energy to be securely moved through the transmission system to meet consumer demand.

The uncertainty of not having a national and coordinated climate policy however makes it difficult for plant operators to predict what the cost of exiting the market will be now, as opposed to in the future. Hence, this uncertainty may cause inefficient investment and closure decisions which has led to the proposed generator closure rule change. A well designed NEG should negate the relevance of this rule change.

Snowy Hydro understands that certain generators will need to be retired in the medium term due to economic age and increased competition from lower-emissions sources of power generation. The existing pricing signals in the NEM with an enduring energy and climate change policy can continue to work to deliver efficient entry and exit decisions. There is an important role for governments to play in setting stable policy frameworks for the NEG, then letting markets work to deliver secure and reliable energy. Snowy Hydro's preference is that the market can provide signals for investment and de-investment for generation which can be achieved through a well-designed NEG.

How will the rule change work?

The requirement for all large generators to provide at least three years' notice prior to closure may be difficult for generators to manage. The cost of extending the life of a power station and the terms under which it would run need to stack up against competing technology solutions.

Planning for power station closure can be problematic for commercial reasons. Requiring generators to give an extended closure notice, may prejudice both financing arrangements and supply contract of power plant while choosing a plant age as the basis for progressive power station closure will unlikely obtain the most efficient outcomes.



Snowy Hydro is concerned that rule change will have difficulty in being enforced. Our questions regarding the rule change are as followed:

1. Does the rule change become a mandatory supply requirement?
2. How do mothballed power stations fit in?
3. Will there be a similar requirement for load?

These are important and expensive questions. They are being considered as part of the NEG which if well-designed will end a decade of investment gridlock and uncertainty. Market Participants need a sensible and cost effective solution.

Proposed rule 2.10.1(c3),

The proposed rule changed has introduced a clause that will minimise the economic impacts on power stations to remain open for a certain period. The proposed rule 2.10.1(c3), which allows a generator to terminate its registration should an unforeseen event beyond the reasonable control of the generator occur is welcomed by Snowy Hydro. We are concerned however that the rule change clause does not go far enough. Generators will not be able to bring closure forward if they are unable to maintain the asset which will become problematic and could lead to unnecessary costs to generators.

Snowy Hydro appreciates the opportunity to respond to the Consultation Paper. Any questions about this submission should be addressed to Panos Priftakis, Regulation Manager, by e-mail to panos.priftakis@snowyhydro.com.au.

Yours sincerely,



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