

26 September 2019

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted by email to aemc@aemc.gov.au

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Threshold for participant compensation following market intervention Draft rule determination

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Draft Rule Determination (Draft Determination) from the Australian Energy Market Commission (the Commission) on the Threshold for participant compensation following market intervention.

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.

Compensation paid to affected participants should reflect what the market participant would have received had the intervention not occurred, and directed participants should receive the appropriate compensation for providing services at times when the system is under stress. This preserves investment signals to maintain assets that can provide the services subject to direction, without which they may not be available. The more frequent occurrence of intervention events means that compensation not payable under the current threshold can now easily become material to affected participants.

Snowy Hydro supports the Australian Energy Market Operator (AEMO) rule change request to have the \$5,000 threshold apply to each event, rather than each trading interval so that market participants are not adversely affected where an intervention event comprises a number of trading intervals. This should improve clarity, remove any inconsistency in the approach and minimise the administrative burden of processing compensation where small amounts of money are involved.

Intervention can compromise the current market design and its pricing signals affecting wholesale electricity prices and market signals to investors, and the energy and compensation costs faced by consumers. The arrangements for compensating directed participant based on the 90th percentile spot price compensation remains unreasonable.

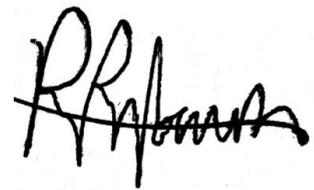
AEMO notes that there have been very few claims for additional compensation from directed participants suggesting that the 90th percentile spot price compensation is "*rarely insufficient to cover the costs of directed participant*". Snowy Hydro believes this statement is worrying as we continue to hold significant concerns that the 90th percentile price provides adequate compensation and sufficient to cover direct costs

For a fuel-constrained generator like Snowy Hydro, the costs entailed in starting up a generator at short notice that would most likely obtain fuel at a premium due to the short notice requirement are material which makes compensation based on cost-recovery inadequate. There should always be adequate compensation in a timely manner so market participants are no worse off than if the intervention had not occurred.

Snowy Hydro encourages the Commission to assess if there is a more appropriate compensation level than the 90th percentile benchmark and it to consider whether there is a better way to signal the value directed participants could recover the opportunity cost of being forced to generate.

Snowy Hydro appreciates the opportunity to respond to the Draft Rule Determination and any questions about this submission should be addressed to panos.priftakis@snowyhydro.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. Priftakis', written over a light blue circular stamp.

Panos Priftakis
Head of Wholesale Regulation
Snowy Hydro

