

4 July 2024

Ilaria Barletta  
Australian Energy Market Commission (AEMC)

Submitted via [www.aemc.gov.au](http://www.aemc.gov.au)

Dear Ms Barletta,

### **Retailer reliability obligation exemption for scheduled bi-directional units (ERC0389)**

Hydro Tasmania welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC's) consultation paper for the *Retailer reliability obligation exemption for scheduled bi-directional units (ERC0389)*.

Hydro Tasmania supports the intention behind the retailer reliability obligation (RRO) of minimising reliability risk and encouraging prudent hedging, which in turn helps to lower costs for end-customers. The recent review<sup>1</sup> into the RRO highlighted several recommendations to improve the effectiveness of the scheme, as well as reducing the administrative burden to participants. We appreciate the AEMC's work in continuing to examine the operational effectiveness and efficiency of the scheme through this rule change.

Hydro Tasmania supports the rule change proposal in exempting storage from RRO obligations. Under the current rules, the application of the RRO to batteries and other storage technologies is likely to result in situations where these assets withhold grid-stabilising services and the provision of energy to avoid liability under the RRO, or enter otherwise unnecessary hedging contracts to cover RRO liability. This adds both risk and additional costs to the owners and operators of these assets and does not represent efficient market outcomes. We agree with the proponents in that this outcome is a clear misalignment with the objectives and intent behind the RRO.

**However, Hydro Tasmania strongly believes that this rule change should not be limited to batteries only, and instead must be expanded to include all other types of storage, including pumped hydro.**

Storage should be treated equitably when considering rule changes, as a technology-specific exemption is not efficient nor market-based. Instead, the exemption should be function-based. Therefore, it is concerning that the AEMC notes that "pumped-hydro storage assets are much less

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<sup>1</sup> <https://www.aemc.gov.au/market-reviews-advice/review-retailer-reliability-obligation>

responsive than batteries to market signals” as rationale for the non-inclusion of pumped hydro in the exemption. It is Hydro Tasmania’s view that the speed of plant response is not relevant to the intent behind this rule change. Both technologies contribute to system security and thus should both be included in an exemption from RRO liability.

Additionally, the exemption should not be directly linked to the Integrated Resource Provider (IRP) registration category, as not all pumped hydro assets will initially be required to register as an IRP. Pumped hydro assets may continue to be registered as scheduled generators under existing registration arrangements.

As raised in the recent RRO review, the scheme has a significant administrative burden to liable entities. Including storage as liable entities under the scheme will increase costs to asset owners, as well as administrative burden. As variable renewable energy (VRE) continues to replace thermal generators, it is imperative that we have an appropriate amount of storage to support high VRE levels, which is not incentivised under current market settings. Exempting storage from RRO liability will assist in lowering barriers to entry for storage projects and help to incentivise the development of these projects.

We welcome the opportunity to discuss any aspect of this submission further. If you wish to discuss, please contact Dani Williams at [danielle.williams@hydro.com.au](mailto:danielle.williams@hydro.com.au).

Yours sincerely,



Colin Wain  
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