

4 July 2024

Australian Energy Market Commission  
Level 15, 60 Castlereagh Street  
Sydney NSW 2000  
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Submitted electronically

**Retailer reliability obligation exemption for scheduled bi-directional units  
Consultation paper**

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Retailer Reliability Obligation (RRO) exemption for scheduled bi-directional units consultation paper by the Australian Energy Market Commission (the Commission).

The National Electricity Rules (NER) should exempt batteries and pumped hydro plants from being liable entities under the Retailer Reliability Obligation (RRO). We agree with the proponents of the rule change that exempting batteries and pumped hydro from the RRO will contribute to a more secure power system without compromising reliability and adding costs to consumers.

The proposed exemption would result in positive outcomes under the NEO. As noted in the consultation paper *“exempting batteries from the RRO will produce market and system benefits (especially for grid security) consistent with the National Electricity Objective (NEO).”* Furthermore, it will not negatively affect the remaining liable entities. The exemption would also be consistent with the emissions consideration in the NEO; both storage types are essential to decarbonising the NEM through their ability to support increasing levels of variable renewable energy.

Although the proposal is specifically targeted at battery energy storage technologies captured as scheduled bidirectional units, the Commission should include pumped hydro storage regardless of registration type. That is, the exemption should not be directly linked to the Integrated Resource Provider (IRP) registration category, since 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.

Storage should be treated equitably when considering rule changes. It is therefore concerning when the Commission notes that *“pumped-hydro storage assets are much less responsive than batteries to market signals”*. The rationale for exempting pumped hydro from the RRO is exactly the same as for batteries; both technologies inherently contribute to system security.

It is important to consider the purpose of the RRO. As stated by the Consultation Paper:

*The RRO is a mechanism designed to support reliability across the NEM by preventing predicted future generation shortfall ('reliability gaps'). When the RRO is triggered, liable entities must enter into sufficiently firm qualifying*

*contracts to cover their share of the one-in-two year peak demand forecast for the region and reliability gap period.*

Pumped hydro and batteries convert variable renewable energy into stored energy for discharge during periods of shortfall and therefore *actively mitigate against reliability gaps*. The notion that storage assets should be required to purchase qualifying contracts to help cover their share of reliability gaps when those same assets largely exist in order to improve system reliability is nonsensical. Indeed, such assets are used to support the firm qualifying contracts that the RRO requires liable entities to purchase. As the NEM decarbonises, these assets will increasingly be the only technology used to support such contracts.

The difference in responsiveness of batteries as compared to pumped hydro, mentioned as an apparently relevant consideration in the Consultation Paper, is a red herring. The issue is not one of the speed at which a particular storage type can respond to a market signal. As stated, the key point is that pumped hydro, like batteries, contribute to system reliability. In fact, the deep storage capability of pumped hydro means that it can support system reliability in ways in which batteries, which are typically of relatively short duration, cannot. The Draft 2024 ISP states that *"the deepest storage available to the NEM are its existing deep-reservoir hydro assets, which can also mitigate renewable droughts and balance energy across seasons"*. We reiterate that lumping pumped hydro with an RRO obligation, as though it was akin to an unhedged load that needs to be supported by firm contracts, is illogical.

Pumped hydro has been connected to the grid since the commencement of the NEM, providing energy and system support services, and will continue to play a critical role in meeting the challenges arising from the increased take-up of intermittent renewables. The importance of pumped-hydro assets - through both their deep storage and ancillary service capability - cannot be in doubt..

It's clear that pumped hydro energy storage and battery storage have very different characteristics however both will have complementary roles in the future mix of flexibility assets. Both support system reliability. Both can provide a range of benefits including improved system operability, reduced network congestion costs, reduced CO2 emissions and improved security of supply. Pumped hydro energy storage however as a mature technology can be deployed at scale, has a long operating life and is particularly well suited to applications requiring longer discharge times. It should not face an increased cost burden in the form of the RRO, which, for the reasons stated, would be counter to the very purpose of the RRO and would ultimately increase energy costs for consumers.

### **Question 3: Should we also consider exempting pumped-hydro assets from the Retailer Reliability Obligation?**

- **Do you believe that pumped-hydro plants should also be exempted from the RRO?**

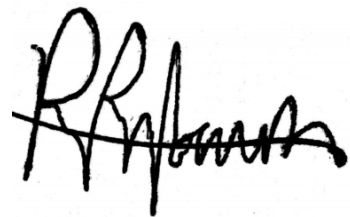
Pumped hydro should be exempted for all the reasons noted above.

### **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 Commission on the Retailer reliability obligation exemption for scheduled bi-directional units Consultation Paper. Any questions about this submission should be addressed to [panos.priftakis@snowyhydro.com.au](mailto:panos.priftakis@snowyhydro.com.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read "Panos Priftakis".

Panos Priftakis  
Head of Wholesale Regulation  
Snowy Hydro