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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

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Retailer reliability obligation (RRO) exemption for scheduled bi-directional units Draft rule determination by the Australian Energy Market Commission (the Commission).

The Commission's decision to make a more preferable draft rule that exempts both batteries and pumped hydro assets from being liable entities under the Retailer Reliability Obligation is welcomed by Snowy Hydro. This decision removes both risk and additional costs to owners and operators of these assets and is likely to provide more efficient market outcomes.

The costs will be reduced because storage assets would not 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. Instead, such assets will be used to support 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.

It is important that all forms of energy storage be exempt from RRO obligations. While the current storage solutions include batteries and pumped hydro, other storage energy forms should be included in the future. The Commission has sensibly treated energy storage equitably when considering this rule change.

More generally, the reviews being conducted by the Commission into the RRO are critical because they will continue to improve the effectiveness of the scheme, as well as reducing the administrative burden to participants. Snowy Hydro supports the Commission's work to examine the operational effectiveness and efficiency of the RRO through such rule changes.

Tumut 3 Pumps

The draft determination understandably proposes to exempt storage assets by reference to existing Rules-based registration categories, such as an Integrated Resource Provider (IRP) and Scheduled Load. However, it is important that the exemption also extends to storage assets that operate under bespoke registration arrangements that may not be explicitly referenced in the Rules.

In particular, the Tumut 3 Pumps at Tumut 3 Power Station, operated by Snowy Hydro, are not classified as Scheduled Load but are required to comply with a number of Rules-based obligations that apply to Scheduled Load (including bidding and

dispatch)¹. The Tumut 3 Pumps have also not been required to register as an Integrated Resource Provider.

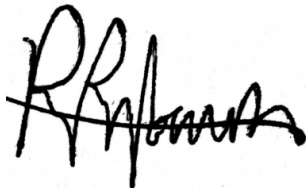
As such, while RRO liability does not currently apply to the load of Tumut 3 Pumps (given that they are not, formally, a Scheduled Load), the draft determination should nevertheless clarify that they are an exempt storage asset for the purposes of the RRO. This would be consistent with the objective of the draft determination (that is, to exclude storage assets from RRO liability) and it would remove any uncertainty in relation to the application of the RRO from the Tumut 3 pumps.

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, Draft rule determination. 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 horizontal line.

Panos Priftakis
Head of Wholesale Regulation
Snowy Hydro

¹ This is set out in the 'NEM Registration and Exemption List' maintained by AEMO.