

23rd May 2011

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submission lodged online to:
www.aemc.gov.au

Project number: ERC0117

Dear Mr Pierce

Submission to: Draft Rule Determination
National Electricity Amendment (Application of Dual Marginal Loss Factors) Rule 2011

Snowy Hydro appreciates the opportunity to comment on this draft rule determination.

Snowy Hydro believes AEMO's current methodology of netting generation and pumping energy quantities to calculate a single volume weighted Marginal Loss Factors (MLF) for Lower Tumut is highly distortionary to central dispatch, clearly inefficient, and arguably not Rules compliant. Snowy Hydro therefore supports AEMC's Draft Rule Determination to implement Dual MLFs for Lower Tumut provided that this is applied before the 30th June 2011 for the 2011/12 financial year.

Snowy Hydro agrees with the Commission that Dual MLFs for connection points with potentially high levels of generation and/or consumption such as pump storage schemes represents a proportionate response to the identified problem while minimising the extent of unnecessary market intervention and implementation costs¹.

Snowy Hydro agrees with the Commission that no specific numerical criteria for application of Dual MLFs should be written into the Rules. We believe setting any criteria as an operational issue which is most appropriately dealt with by AEMO as the Market Operator. We support the Commission's views that AEMO's Forward Looking Loss Factor (FLLF) methodology, which is currently being amended by AEMO via a Rules Consultation procedure, remains the appropriate vehicle for the description of this criteria.

With more recent available data Snowy Hydro notes that any specific Net Energy Balance (NEB) criteria would subject pump storage schemes to a high level of forward uncertainty and may prove highly inefficient to central dispatch. Snowy Hydro has therefore supported AEMO's Option A or Option B in the current FLLF methodology consultation which would apply Dual (two) MLFs for pump storage schemes as this would provide the highest level of forward certainty for Pump Storage Schemes.

Snowy Hydro appreciates the opportunity to respond to this consultation. Please contact Mr Kevin Ly on (02) 9278 1862 if you would like to discuss any issue associated with this submission.

¹ Draft Rule Determination, page 12.

Yours sincerely,



Roger Whitby
Executive Officer, Trading

