

26th May 2008

Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submission sent electronically to:
submissions@aemc.gov.au

Dear Dr Tamblyn,

**Submission to – Draft Rule Determination
National Electricity Amendment
(NEM: Reliability Settings: Information, Safety Net and Directions) Rule 2008**

Snowy Hydro is supportive of NEMMCO's publication and quarterly updates of the NEM "drought reports". We believe these reports have been a useful addition to other medium to long term information provisions in the NEM such as MTPASA. Therefore in general we are supportive of the AEMC's draft rule changes which we see as formalising the publication of the "drought reports" which should increase the transparency of energy limitations in the NEM.

We do however suggest the AEMC consider amendments to the draft rule relating to the Energy Adequacy Assessment Projection (EAAP). Snowy Hydro's submission focuses on whether the draft rule changes related to the EAAP meets their original intention.

Generator Energy Limitation Framework

Snowy Hydro's understanding is that the Generator Energy Limitation Framework (GELF) is to be established in a collaborative manner by consultation with NEMMCO and each individual generator.

The GELF would need to be tailored to the individual generator to derive an energy limitation framework that makes sense with consideration to the plant type, fuel type, and typical merit order of the plant. Snowy Hydro believes the information provided to NEMMCO for the current "drought reports" provides the appropriate level of information required for both the GELF and GELF parameters.

It is our understanding that the Generator Energy Limitation Framework (GELF) is a description of the physical energy supply arrangements that explains how energy constraints can arise. The GELF would only be updated if there is a physical change in the system that limits the ability of the generator to generate.

GELF parameters are defined in the draft rule as:

Variable parameters specific to a GELF which are identified in the EAAP guidelines and supplement the GELF, and are submitted by a Scheduled Generator and updated in accordance with rule 3.7B for the purpose of the EAAP.

We interpret the GELF parameters as variable parameters such as water levels in dams, coal levels at the power station etc. These GELF parameters must be updated at least every three months in accordance to 3.7B (i).

With this understanding, Snowy Hydro believes there may be an issue with the definition of “energy constraints”.

The definition of energy constraint is:

A limitation on the ability of a generating unit or group of generating units to generate active power due to the restrictions in the availability of fuel or other necessary expendable resources such as, but not limited to, gas, coal, or water for operating turbines or for cooling.

Rule 3.7B(j) requires updating of GELFs if there is material change to “energy constraints”.

Snowy Hydro believes the intent of the draft rule was that GELFs are only updated in relation to changes in infrastructure (as GELF is a description of the physical energy supply arrangements that explains how energy constraints can arise).

However, the definition of energy constraints could be interpreted as including the GELF parameters and this could lead to confusion as to whether GELFs need to be changed other than for a change in the physical infrastructure.

Snowy Hydro suggests a redrafting of the definition of “energy constraints” to make it clear that they are basically physical/infrastructure bottlenecks and not variable parameters.

Frequency of GELF parameter updates

GELF parameters as per 3.7B (i) are to be identified in the EAAP guidelines, and those parameters must be updated at least every three months in accordance with the timetable.

Snowy Hydro believes the frequency of updates on the GELF parameters needs to strike a balance between the usefulness of the information and administrative burden. We believe the process and information provided to NEMMCO for their publication of the “drought reports” strikes the right balance. The EAAP is intended to be a medium to long term planning tool. It would be inconsistent with this objective to enforce frequent GELF parameter updates (occurring in less than 3 months) which would have an immaterial impact to the medium to long term time frame outlook. We believe a set three (3) month update of these GELF parameters strikes the right balance.

Administration of EAAP

Clause 3.7B (f) (2) of the draft rules states that:

For the purposes of preparing the EAAP, a Scheduled Generator must provide NEMMCO with the following information in accordance with the timetable:



.....

- (2) an estimate of anticipated generation for the scheduled generating units of that Scheduled Generator for each month of the EAAP as provided in accordance with the EAAP guidelines; and

.....

Snowy Hydro believes there is no value in providing this information for peaking generators like Snowy Hydro's generation assets. Peaking generators generation output on a month by month basis is significantly dependent on the actual market conditions. An obligation to provide a monthly forecast for a 24 month period would be meaningless and highly uncertain as the peaking generators actual output would be dependent on the market and climate conditions that eventuate.

Further, NEMMCO already has the power through the EAAP guidelines to request the individual generator to provide monthly generation estimates where this information is appropriate and is of value.

Snowy Hydro also notes NEMMCO's submission on this issue dated 20 May 2008 that expresses reservations about the feasibility of using the each participants preferred monthly energy usage and compare this to the minimum unserved energy outcome possible. It would be heavy handed to impose this obligation on generators when NEMMCO has express uncertainty on the value of the information.

For the reasons outlined above Snowy Hydro recommends that this Rule be removed.

Other Issues

There is repetition between Rule 3.13.4(y) and Rule 3.7B(d). Snowy Hydro suggests deleting the first part of 3.7B(d) that is duplicated in 3.13.4(y).

Conclusion

Snowy Hydro appreciates the opportunity to comment on the Draft Rule. Our submission has focused on the EAAP. In general Snowy Hydro supports the draft rule on the condition that it formalises the current process and information provision associated with the NEMMCO "drought reports". Any requirement beyond what is provided to the "drought reports" would not provide value and instead increase administrative burden on generators and NEMMCO.

Please contact Kevin Ly, Manager Market and Regulatory Strategy on (02) 9278 1862 if you would like to discuss the issues outlined in this submission.

Yours sincerely,



Roger Whitby
Executive Officer, Trading

