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Australian Energy Market Commission
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Submitted by email to aemc@aemc.gov.au

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Updating Short Term PASA Rule 2021, Consultation paper

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Consultation Paper from the Australian Energy Market Commission (the Commission) on Updating Short Term (ST) Projected Assessment of System Adequacy (PASA) Rule.

Snowy Hydro understands that the ST PASA is an important tool for participants in understanding the NEM demand/supply balance and for the Australian Energy Market Operator (AEMO) to assess system reliability and security. We are broadly supportive of the proposed amendments to the ST PASA to improve forecasting accuracy. Providing more information on individual scheduled generators however needs to strike the right balance with market participants providing more information and an understanding of the uncertainties they are faced in the market. The ST PASA changes will do little to improve accuracy if AEMO and the Commission makes no changes to collecting small generation, non-scheduled generators and demand data which would improve accuracy as they become crucial in the NEM's transformation.

AEMO's request to publish unit available capacity and PASA Availability on a per unit, or DUID, basis as an output of ST PASA should improve the transparency of information available to network service providers (NSP) and market participants as noted by AEMO. The Commission however should be mindful of the burden the process could have on one group of market participants in providing this information. This is an extra requirement on generators however it is not applying equally to all market participants.

If the additional layer of mandatory reporting is not implemented reasonably it would be onerous on businesses and add further costs. Most of the data is already provided a week ahead, the issue is any regulatory or compliance burden attached to providing it.

At a time when the system is becoming more volatile, we see considerable risk in diluting the information available to AEMO about demand and supply conditions or reducing the incentives for small or non-scheduled participants to strictly comply with established market procedures. There are already inadequate transparency requirements for non-scheduled customers, who are not required to notify the market of their intentions or bid into the market, and this proposal risks not solving the problem rather seeking more information from transparent generators.

Sudden changes in demand, even for scheduled load, can destabilise the grid, as occurs when aluminium potlines are turned off in response to market volatility. AEMO will need to be more active in the market to accommodate inflexible generation and / or unpredictable demand response over which it has reduced visibility. Individual aggregators or larger customers who want to participate in wholesale and energy

services markets are relatively small individually but their cumulative impact is significant.

If the Commission believes that publishing scheduled generating unit availability is needed then the required logic of this proposal demands that loads over 5MW are scheduled and similarly required to be published. Publishing this data would align with AEMO's position that batteries of 5 MW have the potential to impact power system security, and that a battery must be registered in the NEM and treated as a scheduled participant.

We have previously stated that without an efficient price discovery process there would be market and operational inefficiencies, from reduced confidence in pre-dispatch prices, inaccurate reserve forecasting and procurement by AEMO, reduced ability for AEMO to manage the central dispatch process and inefficiencies in pricing of financial contracts. This is reflected in our support for the proposal to lower the default threshold for being classified as non-scheduled from 30 MW to 5 MW nameplate capacity leading to new generators above 5 MW nameplate capacity being classified as scheduled or semi-scheduled. This logic applies equally to the demand and supply side.

Within this context and as the market moves to 5 minute settlement, we do not support measures that would reduce the visibility of the activities of some market participants or diminish the consequences of non-compliance.


In addition the rule change by AEMO should not create artificial 'gaps' in reliability by ruling supply out of the STPASA process and creating scenarios where more Lack of Reserve (LOR) declarations can be made. This would incentivise more supply to look towards RERT for payments instead of choosing to participate in the market leading to the rule change having little to do with the reliability and security of the NEM

Principles Based Approach to ST PASA

Snowy Hydro does not support moving to a principles based approach to ST PASA in the Rules. This would remove the robust, rules-based consultation procedures which currently apply to changes in ST PASA requirements, which are in turn a critical part of market participants' planning and risk management process. It would not represent best practice.

Placing specific ST PASA requirements in AEMO procedures would remove an important check against potentially unsound changes to ST PASA, even where AEMO is required to consult on changes to those procedures. ST PASA requirements are too important to be delegated to AEMO procedures. Retaining the Commission's rule as decision-maker for ST PASA changes provides greater independence and a more robust review process. Snowy Hydro is concerned that proceduralising ST PASA requirements could, over time, significantly increase the compliance burden on generators without any corresponding market benefit. The Commission is best placed to independently assess whether or not such changes are appropriate.

Adopting a principles based approach would provide AEMO greater flexibility at the expense of uncertainty for market participants. We do not support AEMO undertaking a single stage consultation process on ST PASA procedures that could increase the compliance burden on participants. Single consultation processes increase the chance



that important details are missed, with short turnaround period for participants to assess the changes and little transparency on when these changes are occurring.

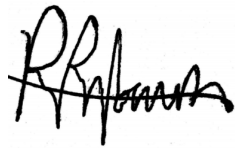
The process has been prescriptive in the past as it was a way to provide certainty in the ST PASA. It has provided an element of stability to the market that the forecasts are prepared in a similar fashion whereas the new proposal could allow AEMO to change them through short consultations increasing uncertainty. A balanced approach is necessary that includes a thorough consultation from market participants.

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 Consultation Paper and any questions about this submission should be addressed to me by email 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

