

28 November 2022

Australian Energy Market Operator
GPO Box 2008
Melbourne VIC 3001

AEMO NEM Reliability Forecasting guideline and methodology consultation

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Australian Energy Market Operator (AEMO) NEM Reliability Forecasting guideline and methodology consultation.

Snowy Hydro welcomes AEMO consulting on the proposed inputs and methodology to determine forecasts across the NEM. AEMO plays a central role in providing energy security advice with the market understandably relying on AEMO's guidance on energy market matters. Snowy Hydro has been aware of the impact of energy limits observed and it is critical that AEMO considers these. The recent system energy stress is not simply the product of unrelated disturbances in the NEM, while the capacity crisis was averted for the short term, current AEMO wholesale market metrics did not reveal a potential squeeze on generator assets, and therefore system reliability.

The Consultation notes that much of the implementation detail falls to AEMO to develop; however, AEMO's increased collection of information still risks increasing the burden on market participants and needs to be adequately assessed. This needs to be undertaken by a proper consultation that assesses all the information that is being proposed by key forms and any compliance obligations that will be placed on market participants. Snowy Hydro cautions against measures imposing additional compliance burden on generators, particularly where, as in the case of Snowy Hydro, standardised numerical reporting are unlikely to adequately capture the nature of the energy constraints.

Energy adequacy methodology and scenarios

Energy adequacy is an important factor to consider for the NEM. At present, this feedback loop is not adequately reflected in electricity system security considerations, and it is therefore important that AEMO ensure that, in future, the energy risks are transparent and understood by all stakeholders and the focus does not remain on capacity. This includes developing a forward looking arrangement that allows the NEM to balance its energy security needs with potential energy limits. These arrangements however should not be used as a form for further intervention but for more efficient planning and preparation.

The AEMO scenarios relating to energy adequacy are an important starting point however they would not provide an accurate depiction of market conditions. These proposed scenarios would not have predicted what happened in the June energy crisis. Excessive rainfall for example doesn't mean there is more energy that can be generated and this can't be assumed in a scenario.

We welcome AEMO to work with participants to form a position which may not necessarily be formed around a scenario based approach. Energy limit issues are more complicated than three scenarios as there are many more that can be formed. It is for this reason, speaking with participants is important for AEMO as it would be able to better understand the challenges industry faces.

AEMO should consider that there are trade-offs in seeking to collect additional inputs to understand the risks of energy limits. There is little information provided in the proposed methodology changes and additional Generator Energy Limitations Framework (GELF) information required from participants. Snowy Hydro submits that when proposing additional information from participants on water conditions, supply restrictions and limits on a fuel source for a major form of generation, AEMO should clarify the following:

- 1) Frequency of providing this information;
 - a) How they will reconcile the different time horizons and granularities between the EAAP and the ES00
- 2) How detailed the information collected will be;
- 3) What existing information AEMO collects and what additional information will be collected.
- 4) Will this increase data trigger the Market Liquidity Obligation (MLO).

This analysis is an important part of participants' assessment of their potential liabilities and opportunities from the changes in input that AEMO is assessing. AEMO should always be mindful of the burden the process could have on one group of market participants in providing this information. This will be an extra requirement on generators.

The additional inputs to understand the risks of energy limits should not be used as a method to intervene. The inputs should be used to signify any genuine energy shortfalls the NEM may experience through critical planning decisions to meet the needs of industry, consumers and the electricity system.

Random outage parameters

Snowy Hydro is concerned by AEMO's proposal to collect additional outage categories from participants and include these additional outage categories in its reliability forecasts. AEMO notes that these extra categories will more accurately forecast reliability risks however we are concerned that by adding more categories the process will likely become more complex. The value on what will be achieved from these extra categories needs to be demonstrated as trying to cover everything may not provide the most efficient outcome.

The outage categories do not appear to add much insight, given Snowy Hydro already has the market data to confirm most of this information.

MT PASA generator status and recall times

Snowy Hydro understands that scheduled generator and integrated resource system participants will be required to provide status codes and recall times for periods of generator unavailability as this was a rule change approved by the AEMC. We continue to submit that any unit status or recall times reporting requirements greater than a one-year outlook, and as far in advance as 36 months, are likely to be inaccurate and an unhelpful guide for market planning.


The difficulties when estimating generator recall times, particularly during an outage so far in advance, had not been adequately addressed by the Australian Energy Market Commission (AEMC). It is critical that this new information obligation is understood by AEMO addressing stakeholder concerns.

The proposed MT PASA recall time requirements category that is labeled "mandatory if available" is unclear and needs to be clarified by AEMO. Snowy Hydro is unclear if its mandatory, how is there an option to make it available.

Increasing consistency of commitment criteria

Snowy Hydro supports the ongoing refinement of the criteria based on its demonstrated accuracy for the commitment criteria. We understand that should AEMO implementation be too lax they risk underestimating the required market response in the event that projects do not proceed, or are delayed. We support the changes proposed to how these commitment categories are used.

AEMO's work will be relied on heavily for decision-making with confidence gained in the forecasts if industry have clear detailed guidelines, timelines and the opportunity to input into the process.



It is therefore important that AEMO provides transparency around how it will prepare and collect information on these inputs ahead of a formal Guideline.

Reliability gap calculation

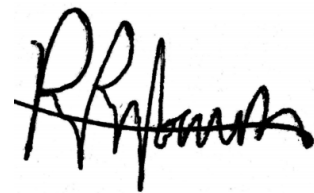
Snowy Hydro agrees with AEMO's intent that the reliability gap methodology requires revision. The Consultation Paper however does not contain enough material to understand whether the proposed changes will strike the right balance between meeting the NEL and NER while not increasing costs for the market.

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 (AEMO) NEM Reliability Forecasting guideline and methodology consultation. 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', with a horizontal line drawn through the middle of the signature.

Panos Priftakis
Head of Wholesale Regulation
Snowy Hydro

