

15 November 2021

Australian Energy Market Operator
Level 22/530 Collins St
Melbourne VIC 3000

Submitted by email to ISP@aemo.com.au

Consultation Paper – Draft Competition Benefits Inputs, Assumptions and Methodology

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Consultation Paper from the Australian Energy Market Operator (AEMO) on the Draft Competition Benefits Inputs, Assumptions and Methodology.

There is a clear need to progress the critical ISP Projects to ensure the timely and economically efficient growth and integration of renewables and large scale storage into the grid. Investment in transmission infrastructure, including inter-regional connections, will ensure acceptable system security and reliability is delivered, underpinning least cost investment in new renewable generation and will lead to greater competition between generators in the NEM placing downward pressure on wholesale electricity prices.

To therefore effectively assess the RIT-T for critical transmission projects, competition benefits need to be assessed by AEMO. Competition benefits can be significant to the outcome of the RIT-T for interconnectors. Based on recent projects, assessing all components of market benefits, including competition benefits, contributed to the overall outcome of the RIT-T. Detailed modelling can not be determined without these and the ISP would not achieve the optimal development path,

There is no better path to competition than benefits arising from an inter-regional interconnector. AEMO is best placed to assess the real value of these benefits as it has all the tools required to undertake the modelling information to represent the competition benefits of the generating system and the network. The burden of doing these should not be left with the Transmission Network Service Provider (TNSP) who would have a greater difficulty than AEMO to assess all options and scenarios as they do not have the access or data to undertake these models.

We understand the burden imposed by the assessment on AEMO. The market however has changed with the renewable transition to that of being able to leverage the time diversity of geographically dispersed Variable Renewable Energy (VRE) resources. AEMO through the ISP, a whole of market approach, is best placed in the market to provide competition benefits on inter-regional transmission.

Whole of system benefits

AEMO should assess the competition benefits of enabling future generation connections and the risk management benefits for the system. For example, the unlocking of the Western Victorian Renewable Energy Zone (REZ) is not currently captured by the narrowly defined market benefits.

The traditional RIT-T process is too narrow in assessing potential benefits for Actionable ISP projects. For the critical ISP Projects a "whole-of-system" benefits approach needs to be adopted in order to capture the full benefits of the type of long-term, strategic projects identified by AEMO. The whole of system benefits should be part of the assessment and requires the need to assess long term competition benefits.

If not already captured, AEMO should be expanding the definitions of 'competition benefits' to consider:

- Enabling future generation connections and competition benefits for the system;
- Productive efficiency which arises when increased interconnection causes lower priced generation to displace higher priced generation.
- Allocative efficiencies from avoiding or deferring the construction of generation and transmission assets (which may otherwise be developed if prices were higher).

Critical transmission projects

Assessing competition benefits is in the best interest of customers who may not be sufficiently captured under the RIT-T cost-benefit framework. This is because where critical transmission projects increase competition and lower prices for consumers, the RIT-T may regard this as a wealth transfer between sector participants and may not attribute this value to the project being assessed.

The Commonwealth's Long-Term Emissions Reduction plan highlights the importance of getting major transmission and interconnector projects off the ground as part of Australia's emissions reduction policies. It is therefore important that at minimum AEMO undertakes a proper assessment of competition benefits on these critical transmission projects.

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 Australian Energy Market Operator on the Consultation Paper for the Draft Competition Benefits Inputs, Assumptions and Methodology and 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 letters.

Panos Priftakis
Head of Wholesale Regulation
Snowy Hydro

