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### **Semi-scheduled Generator Rule Change(s) Issues Paper**

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Issues Paper from the Australian Energy Regulator's (AER) Semi-scheduled Generator Rule Change(s).

As the NEM continues to transition it is important that scheduling obligations evolve over time to support the transition. The AER should continue to promote transparency in areas that are currently quite opaque as well as promoting predictability, so that market participants can make efficient investment and operational decisions. Snowy Hydro has consistently argued that price discovery, transparency and overall more efficient utilisation of resources for the NEM is vital.

The AER's efforts to review pre-dispatch, dispatch and price forecasts will provide power system security and long term certainty and development in the NEM. In the interests of NEM security in particular, Snowy Hydro believes it is essential to require semi scheduled generation to respond to dispatch instructions in a manner more closely aligned with scheduled generation while retaining other features of the semi scheduled classification.

Compliance arrangements with dispatch targets for semi-scheduled generation should be no different to that of scheduled plant, allowing only for variable fuel availability. This is an important part of the scheduling process as the NEM evolves, notably given current incentives in the market to generate below dispatch target that were not initially anticipated when the rules were formed.

The AER has reviewed and noted that some semi scheduled generators rapidly reduce their output without rebidding, or prior to a rebid being received, away from their estimated production levels, in response to receiving dispatch instructions during negative price dispatch intervals<sup>1</sup>. The Issues Paper notes that certain participants have changed their output more rapidly than was represented in the ramp rate in their offer with supporting data also indicating that the observed reductions were unrelated to fluctuations in the weather<sup>2</sup>. Snowy Hydro understands these concerns and believes the AER improvements will likely result in more efficient and safer outcomes for the NEM.

Snowy Hydro supports amending the existing arrangements for semi-scheduled generators. This includes removing the semi scheduled dispatch interval and cap, dispatch instructions to be followed by the participants subject to the availability of their dependent resource. This is under NER cl 4.9.8 which includes following instructions.

<sup>1</sup> AER, 2020, Issues paper - Semi scheduled generator rule change(s) June 2020, pp11-12

<sup>2</sup> AER, 2020, Issues paper - Semi scheduled generator rule change(s) June 2020, pp11-12

This option would have the appropriate compliance obligations however not impose the additional burdens in providing availability information. As renewable energy generators' fuel resource is significantly variable, the AER should continue to assess such variations before proposing a complex reform compared to changing compliance rules.

As the AER seeks to improve price discovery and ensure the more efficient utilisation of resources it is also timely to consider and assess a requirement for non-scheduled generators to inform the market of their intentions. There is a significant amount of large scale wind generation that is non-scheduled due to grandfathering prior to the creation of the semi-scheduled classification. This generation would be better placed as semi scheduled or scheduled.

It is self-evident that any generator or load which is responsive to price has an impact on the price discovery process. As a matter of efficiency and equity, operators of such loads should have corresponding obligations to inform the market of their intentions. If dispatch instructions are issued to dispatch bids, non-scheduled loads must also comply with these dispatch instructions.

Snowy Hydro has consistently argued that the price discovery, transparency and overall more efficient utilisation of resources for the NEM is vital. In 2017, Snowy Hydro and ENGIE submitted rule changes relating to the accuracy of pre-dispatch demand and price forecasting which were not reflected in the final rule. The major reason for the rule change in 2017 was that the behaviour of non-scheduled generation and price-responsive load cause pre-dispatch forecasting inaccuracies leading to inefficiencies in the market

The price discovery process will become more challenging in a dynamic NEM environment over time, with increasingly distributed generation and demand response. System and market operators require information about consumption decisions to perform their own functions, which in turn necessitates common scheduling, dispatch and other information provision obligations. The scheduling features necessitate a number of obligations and incentives consistent with the obligations imposed on current scheduled generators. These include compliance with dispatch targets, bidding and rebidding obligations and incurring Frequency Control Ancillary Services (FCAS) contribution factors deviating from dispatch targets, which are vital for maintaining the integrity of the central dispatch and price setting process. Snowy Hydro strongly recommends that the AER consider further assessment of this category.

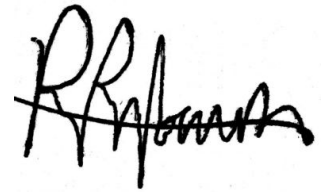
### **About the Snowy Hydro Group**

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. Collectively, they retail gas and electricity in South Australia, Victoria, New South Wales, Queensland and the ACT to over 1 million customers.



Snowy Hydro appreciates the opportunity to respond to the AER on the Issues Paper on the Semi-scheduled Generator Rule Change(s) and any questions about this submission should be addressed to [panos.priftakis@snowyhydro.com.au](mailto:panos.priftakis@snowyhydro.com.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. Priftakis', written over a faint circular watermark or stamp.

Panos Priftakis  
Head of Wholesale Regulation  
Snowy Hydro

