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Submitted by email to [AEMO2021@aer.gov.au](mailto:AEMO2021@aer.gov.au)

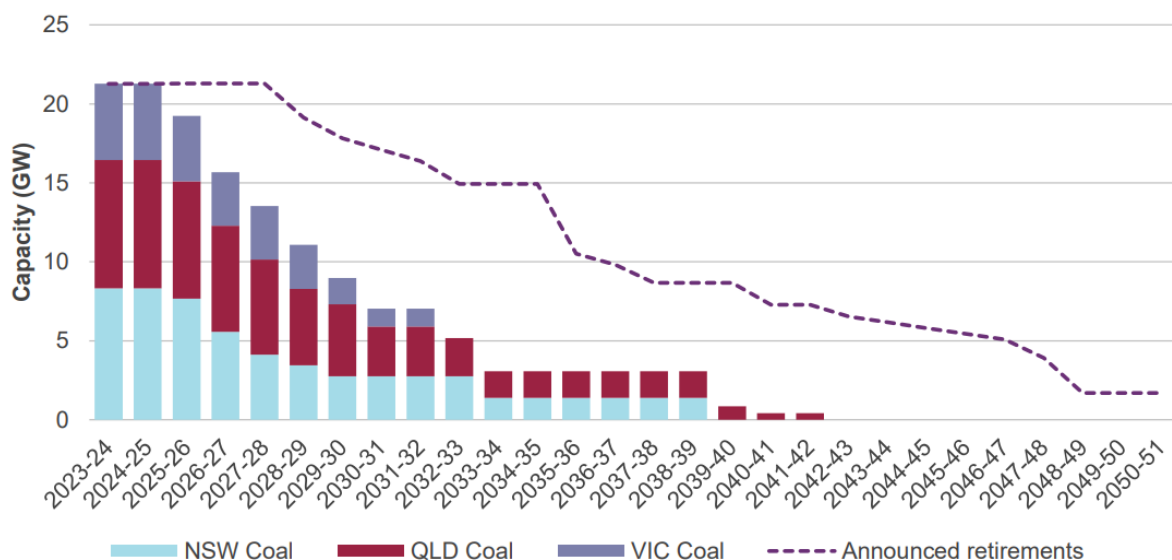
**AEMO Transmission Determination  
 2022 to 2027**

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Australian Energy Regulators (AER)'s Draft Decision on the AEMO Transmission Determination 2022 to 2027.

Snowy Hydro does not support the Australian Energy Regulator (AER)'s decision to not exempt storage from transmission charges. The Transmission Determination has not demonstrated the major policy change this will have on the NEM, amounting to a tax on infrastructure critical to achieving a renewable future. The NEM faces an urgent challenge in the need to increase shallow and deep storage capability and while the storage solutions are within reach, the decision in respect of transmission use of system (TUOS) charges jeopardises storage investment and the ability for Victoria to achieve its State-based renewable energy targets.

The AER has not demonstrated that allowing an exemption for energy storage at this stage would introduce any price shocks at a later stage. The proposal to reject the exemption will instead cause investment uncertainty that will significantly slow down investment in storage and batteries which will impact reliability and delay emissions reductions and decarbonisation of the NEM. The increased storage capacity is a critical complement to a greater penetration of wind and solar capacity and without these technologies it will result in higher prices in the long run for consumers.

AEMO 2022 Draft Integrated System Plan (ISP) noted that under their step change scenario (central scenario) it is expected the NEM will see a withdrawal of 23 GW of coal capacity, 14 GW of it by 2030, displayed in figure 1 below, with over 45 GW of new battery and hydro storage required to respond to help firm the renewables. It is therefore unclear how the AER, by discouraging investment in storage for Victoria, will avoid a price shock.



The concerns regarding charging TUOS to storage have been highlighted by many investors and energy associations and agencies. The Australian Renewable Energy Agency (ARENA) submitted to the AEMC's proposal to apply transmission charges to standalone energy storage systems and noted that *"the effect of transferring TUoS from end-consumers to energy storage systems would be to delay investment in energy storage and this will result in higher prices, lower system security and reliability and less resilience to contingency events and the exit of thermal generating units."*<sup>1</sup>

Modelling conducted by Clean Energy Council (CEC) also noted that the additional costs of a charge could result in \$2 million to \$35 million in additional annual costs per project, depending on the project size<sup>2</sup>. This will increase the upfront cost of sourcing capital to fund new investment in storage and will likely make it more costly to operate existing storage assets, the net effect of which will be to significantly reduce the amount of reliable, dispatchable, low emissions storage capacity in the NEM. We encourage the AER to demonstrate through a more detailed analysis on the conclusion that not exempting storage would lead to a price shock with the smearing of transmission costs among storage providers likely to lead to the opposite impact that the AER is hoping to achieve.

### **AEMC Final Determination on Transmission Charges**

The AER notes that the AEMC final rule determination will be considered as part of the AER's final decision on AEMO's proposed pricing methodology (due by April 2022).

The AEMC final determination did not exempt energy storage from transmission and distribution prices however the AEMC has noted its anticipation for a rule change request from industry on TUOS. The AEMC claims that moving existing participants to the new participant category is not intended to require them to renegotiate existing connection agreements; however there is no formal grandfathering requirement and no protection for storage operators when their connection agreements expire and this still needs to be reviewed under the new rules.

It is for this reason that the AER should anticipate a rule change from industry to the AEMC in the short term, as requested from the AEMC, and understand concerns from participants that there is no clarity on any grandfathering occurring for existing generators. Until these issues are resolved the AER should delay the decision on transmission charges or provide a comprehensive analysis.

### **Negotiated vs Prescribed TUOS**

The AEMC's decision to offer a negotiated or prescribed service will still ultimately have cost risks on storage investors. Prescribed transmission services would impose a prescribed TUOS cost on generators, while the potential cost impact of a negotiated service remains unknown to investors, as transmission network service providers (TNSPs) will be seeking to recover under a negotiated service with their strong pricing power given they operate as a monopoly. The uncertainty associated with potentially large TUOS costs is likely to deter investment in storage assets.


### **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.

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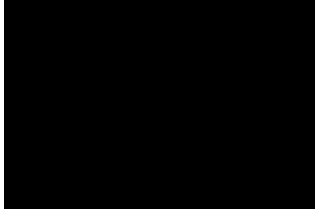
<sup>1</sup> [https://www.aemc.gov.au/sites/default/files/documents/a37\\_arena.pdf](https://www.aemc.gov.au/sites/default/files/documents/a37_arena.pdf)

<sup>2</sup> [https://www.aemc.gov.au/sites/default/files/documents/a43\\_clean\\_energy\\_council\\_.pdf](https://www.aemc.gov.au/sites/default/files/documents/a43_clean_energy_council_.pdf)



Snowy Hydro appreciates the opportunity to respond to the Draft Decision on the AEMO Transmission Determination 2022 to 2027. Any questions about this submission should be addressed to [REDACTED].

Yours sincerely,



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Snowy Hydro

