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Energy Security Board
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Submitted electronically: info@esb.org.au

Retailer Reliability Obligation - Impact Analysis Paper

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Impact Analysis Paper from the Energy Security Board (ESB) on the Retailer Reliability Obligation.

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 welcomes the Energy Security Board (ESB) impact assessment of the Retailer Reliability Obligation (RRO) for the National Electricity Market (NEM). The updated assumptions required in undertaking long-term forecasts to assess the affect to generation and price outcomes in the NEM from the RRO are welcomed, these particularly include:

- The Snowy 2.0 expansion being represented as a committed build.
- Snowy Hydro 2.0 assumed to become operational in 2023-24 with 2,000 MW of additional pumped hydro storage (battery) generating capacity, along with a consequential increase to VIC-NSW transfer capability to enable its effective operation.

The large storage capability of Snowy 2.0 would allow the NEM to reliably and securely function in the plausible scenario of prolonged multiple days of low wind and solar generation complementing a list of large scale renewable projects committed to be built in the NEM over the next three years.

The independent study by Marsdens Jacob Associates (MJA)¹ concluded that Snowy 2.0 would provide market benefits that reflect a reduction in capital and operating costs (including fuel costs) that would otherwise be needed for the production of wholesale electricity and maintaining supply reliability in the NEM. These market benefits are found in the Impact Analysis paper which noted that while the closure (as announced) of the Liddell coal-fired power plant in NSW in 2022-23 puts some upward pressure on prices, the replacement capacity announced by the ownership of Liddell together with the addition of around 2,000 MW of capacity with the completion of the Commonwealth Snowy 2.0 pumped hydro project in 2023-24 is projected to put further downward pressure on prices, broadly offsetting the price effects of Liddell retiring and extending a period of lower prices.²

Snowy 2.0 was included in the National Energy Guarantee (NEG) modelling scenarios as a core Government Policy expected to help provide the flexible and dispatchable resources required and is

¹ Marsden Jacob, 2018, "NEM outlook and Snowy 2.0"

² Energy Security Board, 2018, "Impact Analysis", pp6

important that ESB's modelling is built on previous analyses of the proposed NEG modelling which recognised that Snowy 2.0 will be a critical asset that facilitates the NEMs transition to more renewable and intermittent generation.

In all plausible scenarios we believe Snowy 2.0 will be a vital and strategic asset which will help the National Electricity Market transition in a way that meets the National Electricity Objective and is the long term interest of consumers.

Snowy Hydro appreciates the opportunity to respond to the Impact Analysis Paper. Any questions about this submission should be addressed to Panos Priftakis, Regulation Manager, by e-mail to panos.priftakis@snowyhydro.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'K Ly', with a long horizontal stroke underneath.

Kevin Ly
Head of Wholesale Regulation
Snowy Hydro

