

16 May 2019

Department for Energy and Mining  
Government of South Australia  
GPO Box 320  
ADELAIDE SA 5001

Submitted via e-mail to: [RRO@sa.gov.au](mailto:RRO@sa.gov.au)

### **Proposed Operation of the Retailer Reliability Obligation Rule Changes in SA**

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Consultation Paper from the Department for Energy and Mining's (the Department) on the Proposed Operation of the Retailer Reliability Obligation Rule Changes in South Australia.

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 is concerned by the proposed operation changes of the Retailer Reliability Obligation (RRO) in South Australia. The Energy Security Board (ESB) throughout the design of the RRO identified that the central benefit of getting the RRO settings right was to provide much-needed certainty for market participants so they can make long-term investment decisions. A key component of the RRO was that the national consistency should be a priority with regulatory frameworks which are in the long term interests of consumers.

The RRO is expected to increase confidence in the NEM's existing investment mechanism however the proposed changes to South Australia from the RRO will make investments riskier in South Australia. The lack of a national, coordinated approach through the RRO with South Australia making operational changes will create distortions in the market and an uncertain environment for investment in new generating capacity to meet the future needs of the NEM.

Snowy Hydro has previously highlighted the significant concerns regarding the ability for the Minister to intervene in the market with little notice and inadequate justification. It is for that reason that we do not support revisions to the RRO which include additional powers to be granted to jurisdictional Ministers and the following changes:

- Allowing the South Australian Minister to make a reliability instrument 15 months before the start of the reliability gap period for a transitional period.
- Allowing the South Australian Minister to make a T-3 reliability instrument without the approval of the AER.
- An alternative approach where liable entities would be able to engage auditors, pre approved by the South Australian Government, to review firmness methodologies for their contracts.

Snowy Hydro believes SA's operational changes will cause uncertainty for the sector, create significant regulatory risk for retail businesses, an outworking of which may be inefficient levels of contracting and additional costs for consumers, lead to retailers inefficiently investing and

contracting to address risks which may never materialise and retailers not having sufficient time to procure the additional capacity needed.

A consistent approach across the NEM should be taken to energy policy, with a single NEM RRO with consistent rules. The coordination between governments through the RRO would mean that one overarching policy and one overarching mechanism would be incorporated into the RRO framework. One RRO across the NEM will create certainty, reduce complexity and provide confidence on investment.

The RRO is an important policy to achieving a reliable energy market. These policy objectives can be achieved through building on the existing strengths of the market. Snowy Hydro supports retaining a trigger period of 3 years for retailers to meet a forecast reliability gap which will allow for more current and complete information. If retailers do not meet the requirement by the compliance date, the last resort function will be triggered by Australian Energy Market Operator (AEMO) 1 year before the forecasted reliability gap.

Snowy Hydro appreciates the opportunity to respond to the Consultation Paper and any questions about this submission should be addressed to Panos Priftakis, Regulation Manager, by e-mail to [panos.priftakis@snowyhydro.com.au](mailto:panos.priftakis@snowyhydro.com.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'K Ly', with a stylized flourish at the end.

Kevin Ly  
Head of Wholesale Regulation  
Snowy Hydro

