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Australian Energy Market Operator
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Retailer Reliability Obligation – Voluntary Book Build Procedures Issues Paper

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Issues Paper from the Australian Energy Market Operator (AEMO) on the Voluntary Book Build Procedures Issues Paper.

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.

While we do not agree that the voluntary book build is necessary due to the existing OTC broker market, Snowy Hydro understands that AEMO has an obligation to develop and publish the voluntary book build procedures.

Any book build should be cost-effective and not overly complex in line with what has been proposed in the Issues Paper¹. AEMO's voluntary book build should remain purely a facilitating mechanism that is opted into or out of by market participants. It should not become a means for AEMO to further intervene in the market. It is important to preserve the incentives for private sector investment where the risks and costs are borne by private entities and not customers. A centralised non-market driven outcome would inevitably likely come at much higher costs to customers.

It is for this reason AEMO's role should remain limited in the book build. As noted in the Issues Paper, AEMO should not have a role in any *"book build negotiations or transactions beyond listing offers provided by accredited sellers, providing an "introduction" for accredited buyers interested in a specified offer, and reporting usage data for the book build."*²

Snowy Hydro agrees that AEMO should not be assessing book build participants or projects underpinning potential contracts, collecting any form of credit support, or otherwise provide any assurance of:

- The creditworthiness of any book build participant
- Whether the contract is a qualifying contract, the applicable firmness methodology or resulting firmness factor.
- The capacity of a book build participant to enter into or perform its obligations under the contract.³

¹ Australian Energy Market Operator, 2019, "Retailer Reliability Obligation - COnsultation on Book Build Procedures"

² Australian Energy Market Operator, 2019, "Retailer Reliability Obligation - COnsultation on Book Build Procedures"

³ Australian Energy Market Operator, 2019, "Retailer Reliability Obligation - COnsultation on Book Build Procedures"

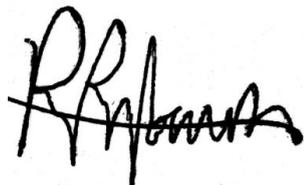
Snowy Hydro understands AEMO's approach to operate the book build in a manner similar to a bulletin board in that 'offers' containing minimum terms of the product, capacity and availability periods will be published on the AEMO website and publicly available to view. This should not be expanded to include further contract details on the board.

We understand that AEMO will be required to monitor behaviour, perform rudimentary checks for completeness and remove the seller's name, reference and contact details from the offer however it is important that AEMO remain at arms length and does not release any confidential information provided by participants.

AEMO has an obligation under Clause 4A.H.6 of the Rules to report whether it entered into a book build contract with its matched book build participant. AEMO can oblige book build participants to provide further information on their participation in the voluntary book build.⁴ Snowy Hydro is concerned by this obligation as the data which AEMO requires from matched counterparties far exceeds the minimum requirements in the Rules and we do not believe AEMO should record the contracts which are entered into by matched counterparties.

Snowy Hydro appreciates the opportunity to respond to the Issues Papers and any questions about this submission should be addressed to me by e-mail 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 signature.

Panos Priftakis
Head of Wholesale Regulation
Snowy Hydro

⁴ Australian Energy Market Operator, 2019, "Retailer Reliability Obligation - Consultation on Book Build Procedures"