

30th October 2018

Australian Energy Market Operator
GPO Box 2008
Melbourne VIC 3001

Submission by email at: nicole.dodd@aemo.com.au

Settlement Residue Auction Rules - Secondary Trading Consultation Paper

Snowy Hydro Limited welcomes the opportunity to comment on the Secondary Trading of Settlement Residue Distribution Units (SRDU) consultation 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 5500 megawatts (MW) of generating capacity across New South Wales, Victoria and South Australia including the iconic 4100MW Snowy Mountains Hydro-electric Scheme. 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's observations on the consultation paper are:

1. As highlighted by AEMO, there already exist mechanisms which allow secondary SRDU to be traded amongst counterparties. Hence Snowy Hydro did not support the rationale for AEMO to develop this centralised secondary trading facility. From this context we would like to see the project cost be contained within the \$690,000 - \$790,000 estimate.
2. The existing AEMO Markets Portal works sufficiently well to allow Settlement Residue Auction (SRA) Participants to structure and submit bids. It is important that the implementation of secondary trading is done in such a way that it doesn't fundamentally modify the existing SRA bidding systems and processes. This is because any significant changes to the existing systems would mean that SRA Participants must incur expenses to modify their own existing systems and processes. Considering all Participants in the NEM that participate in the SRA process, would result in implementation costs to Participants that far exceed the estimated AEMO project cost of \$690,000 - \$790,000.

3. In addition, a poorly implemented change process would place at risk participation in future SRDU auctions resulting in a less competitive outcome which would be a detriment to end consumers.
4. Snowy Hydro advocates that the project costs should only be levied on SRA Participants that use the secondary trading facility. It is unclear that the “Cancellation Fee” described in section 3.5.2 is only applied in this manner. Clarification from AEMO is sought on this issue.
5. Snowy Hydro supports collateralising offers made at a loss.

Snowy Hydro appreciates the opportunity to participate in this consultation process. For further clarification on our submission, contact me on kevin.ly@snowyhydro.com.au.

Yours sincerely,

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

Kevin Ly
Head of Wholesale Regulation