

19 June 2019

Australian Energy Regulator  
GPO Box 520  
Melbourne Vic 3001

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

### **For consultation - Draft Interim Forecasting Best Practice Guidelines**

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Consultation Paper from the Australian Energy Regulator (the AER) on the Draft Interim Forecasting Best Practice Guidelines.

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 AER's Draft Interim Forecasting Best Practice Guidelines which is an important step in providing a sounding board for market participants to gain confidence in AEMO's demand forecasts at a time when new obligations on market participants could lead to material financial implications.

#### **Transparency**

Transparency is important in determining market confidence with forecasts and modelled assumptions presented in a way that clearly identifies the calculation of the forecast gap period. We support AEMO aligning forecasts techniques with other forecasting responsibilities through the Electricity Statement of Opportunities (ESOO) and the weekly Medium Term Projected Assessment of System Adequacy (MTPASA).

The reliability forecasts are a critical input to trigger obligations under the Retailer Reliability Obligation (RRO) and Snowy Hydro welcomes AEMO engaging stakeholders to ensure the principles that underpin the proposed forecasting approach and the assumptions to be applied incorporate reasonable stakeholder expectations. It is important the AEMO follow's principles asserted by the AER that highlight:

- forecasts should be as accurate as possible, based on comprehensive information and prepared in an unbiased manner; and
- the basic inputs, assumptions and methodology that underpin forecasts should be disclosed;
- stakeholders should have as much opportunity to engage as is practicable, through effective consultation and access to documents and information.

Market participants must have confidence in the reliability forecast with information that is current and of sufficient quality. The increased climate variability and quantification of uncertainty in the growth of certain technologies mean that although AEMO makes every effort to ensure the

information is accurate over the long term, there is value in the AER to assess and decide on a request from AEMO to trigger the reliability obligation.

### **Reviewing forecasting best practice consultation procedures**

The AER considers it best practice for AEMO to use the Forecasting Best Practice Consultation Procedures every four years<sup>1</sup>, unless there is a material change in market circumstances that justifies more frequent consultation. Snowy Hydro understands this approach will give confidence in the procedures however with the amount of significant change occurring in the current environment we believe that there should be an interim review after 2 years to assess any concerns and changes that may have occurred then followed every 4 years thereafter. We welcome the proposal to review the procedures if there is a material change in the market circumstances that justifies more frequent consultation.

### **Confidential data, disclosure and publication of data**

At first point, Snowy Hydro suggests that AEMO should only use and rely on the range of public information available through data published and jurisdictional regulators to the extent possible. The breadth and depth of this public data is sufficiently wide and deep. We strongly caution against complying Participants to divulge confidential data/information which would undermine certainty and confidence in operating in the NEM and hence would deter new investment in the NEM and/or create increased costs for these new investments as investors would incorporate an additional risk premium for investing and operating in an intrusive regulatory environment.

The AER suggests that *“AEMO should use the most accurate and relevant data available when preparing a reliability forecast or indicative reliability forecast, including, where appropriate, the use of confidential data.”*<sup>2</sup> Snowy Hydro understands this proposal which will allow AEMO’s information gathering regime to strengthen by providing more granular and accurate information, thereby facilitating a more robust understanding of expected market conditions on which to prepare or update reliability forecasts in the statement of opportunities. We however require more detail on the confidential information that AEMO would request and how AEMO will determine the most appropriate aggregation approach such that non-confidential representative information may be published.

Snowy Hydro appreciates the opportunity to respond to the Consultation Paper. 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,



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Snowy Hydro

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<sup>1</sup> AER, 2019, “ For consultation - Draft Interim Forecasting Best Practice Guidelines”

<sup>2</sup> AER, 2019, “ For consultation - Draft Interim Forecasting Best Practice Guidelines”, pp13