

22 July 2021

Mark Feather
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Australian Energy Regulator
GPO Box 520 Melbourne VIC 3001

Submitted electronically: AERringfencing@aer.gov.au

Re: Issues paper: Ring-Fencing Guideline Review (Electricity transmission)

Snowy Hydro Limited welcomes the opportunity to contribute to the Australian Energy Regulator's (the AER's) review of the Ring-fencing Guideline for electricity transmission.

Open and competitive markets deliver optimal outcomes for consumers so we strongly support a regulatory framework that promotes competition as far as possible. As a consequence, we strongly support ring-fencing arrangements, noting the potential conflict of interest that arises when Transmission Network Service Providers (TNSPs) seek to participate in the market for contestable energy services. This is because they have an incentive to cross subsidize the contestable services they provide by using regulated revenues and discriminate in favour of ring fenced affiliates. This will undermine the development of a competitive wholesale market, particularly for storage services such as batteries and pumped hydro, which is ultimately to the detriment of all consumers.

In order to mitigate these two potential harms, the Ring Fencing Guideline (Guideline) imposes obligations on TNSPs to separate monopoly from contestable business activities. The obligations set out in the Guideline include functional, accounting and legal separation which specifically target cross-subsidisation and cost allocation, and prohibitions on discrimination that favours affiliates. These are important controls that need to be retained and effectively monitored and enforced by the AER.

With the market for contestable energy services forecast to continue to grow, we expect that TNSPs will consider how they might directly or indirectly provide those services. Hence, the AER will need to ensure the Guideline is robust and 'fit for purpose' to guarantee competitive neutrality in these markets,

Therefore, we support the AER's efforts to strengthen the current guideline to ensure the separation of the contestable services and the natural monopoly elements of the electricity supply chain. The market for many of these new contestable energy services is in the early stages of development so an incorrect decision on access by the AER could have serious consequences on long term competition in these markets.

About the Snowy Hydro Group

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. Collectively, they retail gas and electricity in South Australia, Victoria, New South Wales, Queensland and the ACT to over 1.2 million customers.

Any questions about this submission should be addressed to geoff.hargreaves@snowyhydro.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'G. Hargreaves', is positioned above the typed name.

Geoff Hargreaves
Regulatory Manager
Snowy Hydro

