

27 October 2021

NSW Department of Planning, Industry and Environment
12 Darcy Street,
Parramatta NSW 2150

Submitted by email to Electricity.Roadmap@dpie.nsw.gov.au

**Electricity Infrastructure Roadmap
Network Infrastructure Projects (Part 7 of the Electricity Infrastructure Investment Act
2020)**

The purpose of the NSW Government's plan roadmap is to encourage investment in large-scale generation, storage and firming infrastructure to maintain a reliable, secure and affordable electricity supply. Recently proposed rules by the AEMC however on storage risk significantly disrupting both existing and new storage assets and in turn NSW's 20-Year Development Pathway plan to construct generation, long duration storage and firming infrastructure to meet the infrastructure investment objectives.

The decision by the AEMC to reject a network charge exemption for storage effectively imposes a penalty cost on storage participants, relative to other energy generators. Modelling conducted by Clean Energy Council (CEC) members suggest the additional costs of this element of the draft rule could result in \$2 million to \$35 million¹ in additional annual costs per project, depending on the project size. This will increase the upfront cost of sourcing capital to fund new investment in storage and make it more costly to operate existing storage assets, the net effect of which will be to significantly reduce the amount of reliable, dispatchable, low emissions storage capacity in the NEM.

NSW faces an urgent challenge in the need to increase shallow and deep storage capability. While the storage solutions are within reach, the AEMC's unexpected proposal in respect of transmission use of system (TUOS) charges jeopardises storage investment. This is a major policy change, amounting to a tax on infrastructure critical to achieving a renewable future. Achieving NSW's infrastructure investment objectives will become more expensive under the draft decision by the AEMC.

It is important that the additional uncertainty associated with this rule change is removed to avoid a delay in investment in storage, as well as higher prices, lower system security and less resilience to contingency events. An approach similar to the NSW Hydrogen Strategy² could be considered for storage. The strategy notes a 90% exemption from electricity network charges for green hydrogen producers who connect to parts of the network with spare capacity. A similar proposal for existing and new storage would provide the market with the certainty required to invest and maintain storage assets required for NSW's Roadmap.

About Snowy Hydro

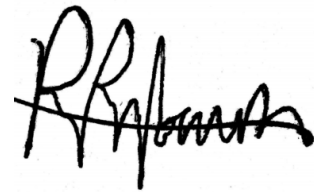
¹ Clean Energy Council submission "Integrating Energy Storage Systems into the NEM"

² Media release - NSW Hydrogen Strategy to Drive Investment, Create Jobs and Power Prosperity

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 appreciates the opportunity to respond to the Commission on the Draft rule determination on Primary frequency response incentive arrangements and any questions about this submission should be addressed to [REDACTED]

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. Priftakis', is written over a light blue rectangular background.

Panos Priftakis
Head of Wholesale Regulation
Snowy Hydro

