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13 March, 2007

Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box H166
AUSTRALIA SQUARE NSW 1215

Dear John,

Output Reductions by SQ Generators and Transmission Constraints

Due to the ongoing drought and the move to level 5 water restrictions, the water allocations to certain power stations in South Queensland (Swanbank B and Tarong North/Tarong) have been reduced.

This will result in a significant reduction in output from those generators.

It is expected that this material change in the Queensland generation pattern (to a pattern which is materially different to that for which the transmission grid has been planned) will lead to a significant increase in the incidence of binding constraints on the Queensland grid, particularly the Tarong limit and the CQ-SQ limit.

Our purpose in bringing this to your attention relates to the AEMC's Congestion Management Review, and in particular how unusual circumstances such as these might be addressed in both the Commission's analysis and design.

These circumstances could continue until the recycled water pipeline reaches Tarong (currently estimated as late 2008), and could distort the Commission's analysis and design of processes to manage congestion, unless the unusual nature of the underlying causes is fully considered by the Commission.

We would be pleased to discuss these matters further with you or your staff.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Gordon H. Jardine".

Gordon H. Jardine
CHIEF EXECUTIVE

cc: Greg Hesse, PQ

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