

24 March 2006

Mr Steven Graham
Chief Executive Officer
Australian Energy Market Commission
PO Box H166
Australia Square NSW 1215

Dear Steve

RE: Rule change proposal—Snowy region boundary review

Thank you for the opportunity to comment on Snowy Hydro Ltd and Macquarie Generation's Rule change proposals relating to the review of the Snowy Region boundary.

The AER supports the AEMC's approach of considering the current Rule change proposals relating to the management of negative settlement residues in the Snowy Region, region boundaries and congestion management review in parallel. The AER believes it is important, from the market perspective, that the optimal solution is introduced to deal with the issues in the Snowy region. The AER considers that a holistic review process which allows for the consideration of all possible alternative solutions, rather than a narrow approach that focuses solely on Rule change proposals submitted by individual market participants, is the best means of delivering this optimal solution. Further, such a process should clarify the criteria to be used in the assessment of these proposals.

The AER has considerable experience in issues surrounding the Snowy region, particularly on the National Electricity Code derogation on the CSP/CSC trials at the Tumut nodes. We believe this experience would be of value to the AEMC in its current review and look forward to discussing with you ways in which we can best assist.

Yours sincerely



Michelle Groves
Chief Executive Officer