

The Commission has considered this submission made by Snowy Hydro Ltd dated 28 August 2006 and the claim for confidentiality of the information in the submission. The Commission has formed the view that this submission does not constitute confidential information and has therefore decided to publish the submission in accordance with section 108 of the NEL.

28th August 2006

Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box H166
Australia Square NSW 1215

Submission sent electronically to:
john.tamblyn@aemc.gov.au
and tendai.gregan@aemc.gov.au

Dear John,

**Confidential Supplementary Submission to:
National Electricity Amendment (Management of Negative Settlement Residues
in the Snowy Region by re-orientation) Rule 2006 and the Southern Generator's
Rule Change Proposal.**

You may be aware that parts of South Eastern Australia are currently under drought conditions. This has impacted hydro storage conditions for hydro generators such as Snowy Hydro and Southern Hydro. For Snowy Hydro current inflow conditions are very dry and for this winter season are currently approaching 1 in 100 year cumulative dry conditions.

The resultant low storage levels from the dry inflow conditions may compound critical supply reliability this coming summer in combination with the AEMC determination on the Southern Generator's proposal / re-orientation rule change proposal determinations.

Snowy Hydro has previously discussed with the ACCC and NECA the necessary Snowy Hydro management strategy of keeping medium to low Geehi pond storage levels (the head pond storage for the Murray power stations) under a 'nodal' priced Murray generation market arrangement to enable effective overall market risk management, and to cater for the risk of summer storm inflows and the risk of Geehi pond spillage/forced generation. The net result of this management strategy is a real risk of significant supply reliability reduction for the state of Victoria under a tight supply-demand situation in this state.

This reliability of supply risk is mitigated to some extent by high storage levels in Eucumbene and arguably NEMMCO's ability to intervene and direct Snowy Hydro operations (assuming that NEMMCO would bear the cost of such intervention). However, it is now becoming apparent that the current critically low winter inflows

and extremely low Eucumbene dam level (lowest ever recorded) that such NEMMCO intervention may not be possible or effective.

Unfortunately, this was not apparent during the consultation times for these rule change proposals. However due the negative supply reliability implications of a favourable determination on the Southern Generator's proposal, we believe it is appropriate to bring this system reliability issue to the AEMC's attention for its consideration.

Please note the Snowy Hydro's reorientation proposal for the management of negative residues in the Snowy Region does not have any supply reliability risks for the state of Victoria since Snowy Hydro's strategy would be to maintain medium to high dam levels at Geehi.

We apologise for this late submission due to the current weather circumstances that have only become apparent during the latter part of August 2006 in contrast to good inflows in late July 2006. We would be happy to explain to the AEMC the nature of the Geehi dam level risk management strategy under the Southern Generator's Rule change proposal if this was to be implemented.

We trust that the AEMC will treat this submission as strictly confidential. I can be contacted on (02) 9278 1885 if you would like to further discuss this issue.

Yours sincerely,

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

Roger Whitby
Executive Officer, Trading