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

Dear John

Review of Snowy Region Boundary

I am responding to your letter to me dated 29 September on the above subject.

Firstly I will address your specific questions.

1. The information included in Chapter 7 of TransGrid's 2006 Annual Planning Report (APR) (particularly Sections 7.3.12 and 7.3.13) is still the latest available of those issues.
2. With regard to remedial works on the transmission lines linking Murray, Upper Tumut and Lower Tumut, TransGrid has now completed a detailed Aerial Laser Survey (ALS) of those lines and is finalising the analysis of that data. It is expected that an assessment of the extent of remedial works needed, when the works will be undertaken and the duration of the outages required for that work will be completed within about three months.
3. Initial assessments of the ALS results confirm that this remedial work is unlikely to result in any material increase in the capability of these lines. Any substantial increase of this capability would require a major reconstruction of these lines that are of course almost wholly within the Kosciusko National Park. That work would be subject to passing the "Regulatory Test" and extensive Environmental Approval processes.
4. In conjunction with remedial work on these lines it is planned to retrofit optical fibre ground wire (OPGW) communications links to the Lower Tumut to Upper Tumut No 64 line and the Upper Tumut to Murray No 65 line to improve the reliability of shared communications services in the area.
5. Various parts of the overall transmission system between NSW and Victoria are subjected to binding constraints mainly dependent upon variations with generation dispatch outcomes. Uprating the lines linking Murray, Lower Tumut and Upper Tumut may not substantially change the occurrence of binding constraints in other parts of the NSW to Victoria link.



6. TransGrid is also continuing to assess via ALS the condition of key 330kV lines between the Snowy area and Sydney with the aim to achieve the maximum ratings possible on these existing lines. These include lines between Snowy and Yass/Canberra and between Marulan and Wollongong area.
7. As highlighted in Chapter 7 of TransGrid's 2006 APR, a number of alternative arrangements to increase the NSW - Victoria interconnection have been assessed. It is unlikely that these could be implemented in less than say the next three years. The 2006 Statement of Opportunities (SOO) and the Annual National Transmission Statement (ANTS) indicate that this project could have at best "marginal" market benefits. TransGrid will continue to investigate the viability of this upgrade.

Lastly you have asked me to consider the comments in NEMMCO's letter date 25 August 2006 (copy attached to your letter) with regard to the supply of revised "system limits" by TransGrid to enable NEMMCO to prepare constraint, loss factor and loss equations. As indicated by NEMMCO, this is not a simple task. I consider this timetable to be tight but not unachievable.

I agree with NEMMCO's assessment that some transitional arrangements may be practicable by initially substituting "estimated limit equations" for an interim period. However, also as NEMMCO point out, that may require larger safety margins and more regular operational intervention.

Please contact Mr Peter McIntyre on telephone (02) 9284 3555 if you wish to further discuss matter.

Yours sincerely



Kevin Murray
Managing Director

26/10/06