



Southern Hydro

File No. 100/18918

3 July 2000

Michael Rawstron
General Manager
Regulatory Affairs – Electricity
Australian Competition and Consumer
Commission
PO Box 1199
Dickson ACT 2602

Dear Michael,

Draft Determination – VoLL, Capacity Mechanisms and Price Floor

Southern Hydro fully supports the decisions reached in your draft determination and believes it should be ratified as a matter of urgency. The energy only market design implemented in Australia requires strong signals to ensure participants have the appropriate incentive to build capacity. These signals come from the risk of high prices. Failure to provide sufficient risk, and incentive, results in reduced security of supply.

Key investment decisions are dependent upon an appropriate VoLL. This draft determination provides a much needed fillip for investment in peaking plant which generally operates at times of very high electricity demand. It also will encourage other supply, demand and transmission options to meet increasing demand for electricity.

Yours sincerely,

Simon Maher
Chief Executive Officer
Southern Hydro