



Southern Hydro



COPY

28 February 2000

Mr Stephen Kelly
Managing Director
NECA
Level 5, 41 Currie St
ADELAIDE SA 5000

Dear Mr. Kelly

Proposed Code Changes to Level of VoLL

I am writing to you on behalf of the National Peaking Generators Forum over the slow progress of implementing the "Capacity Review" and the "Reliability Panel Review of VoLL".

In September 1999 the Reliability Panel produced a report recommending a timetable for a controlled increase of VoLL. The Code changes to implement this recommendation, along with a number of other Code changes, were forwarded to ACCC on 27 September 1999. Since that time ACCC has called for public comment on the Code changes and has approved the implementation of Negative Prices which formed part of the proposed Code changes, but the market has heard nothing on the proposals to increase VoLL.

This uncertainty is a major impediment to the efficient working of the market. It has the potential to retard energy price risk management instruments being offered at a time when de-regulation is providing choice to many new customers. It also has the potential to delay investment in peaking plant, entrepreneurial interconnectors, and demand side measures dependent on a more viable VoLL level. Given the experience of recent weeks in Victoria and South Australia, the impact of failure to resolve this issue should be clear to us all.

Can you please advise me of the progress of this Code change and when a determination from ACCC is to be expected?

Yours sincerely,

Simon Maher
Chief Executive - Southern Hydro

Acting Chairman - National Peaking Generators Forum

(The Members of the National Peaking Generators Forum are Southern Hydro Partnership, Snowy Hydro Trading Pty Ltd, Ecogen Pty Ltd, Synergen Pty Ltd and the Hydro Electric Commission of Tasmania)

Southern Hydro Partnership

*[a partnership comprising Infratil Australia Hydro Pty Ltd (ACN 080 429 901),
Alliant Energy Southern Hydro Australia Pty Ltd (ACN 080 810 546) and SSAU Hydro Holdings Pty Ltd (ACN 080 735 815)]*