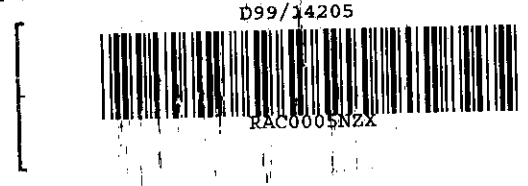


SNOWY HYDRO

4th November 1999

Mr Michael Rawstron
Senior Assistant Commissioner Electricity Group
Australian Competition & Consumer Commission
470 Northbourne Avenue
DICKSON, ACT 2602



Dear Michael, *Michael*

Re: Capacity Mechanisms, VoLL and Price Floor

In line with our submissions to the Putnam Hayes and Bartlett discussion paper as well as NECA's Draft Report on the above matters, we reiterate our consensus position with those articulated in NECA's Final Report (Capacity Mechanisms in the National Electricity Market, July 1999). The proposed Code changes to Chapters 3 and 10 of the NEC submitted to the ACCC (27 September 1999) supports a viable and practical solution to the issues raised in the Review.

Significantly, the step increments in the level of VoLL would encourage and allow the achievement of the fundamental NEM design – an energy only market. The timetable proposed provides a reasonable framework for consistent voluntary market clearing through a combination of supply and demand-side responses. It also allows for appropriate risk management instruments to be rigorously developed that will allow greater market efficiency and result in an overall net public benefit.

As stated by PHB;

Constraints on spot prices risk reducing the efficiency of the market, the incentive of market participants to undertake efficient risk management, the value to contracts and other financial products which might otherwise support new investment and potentially the ability of the market to deliver the level of reliability consumers would otherwise be willing to pay for.

In conclusion we consider that the public benefits outweigh any anti-competitive detriment, and we forward our support of the proposed code changes to Chapters 3 and 10 that were submitted by NECA on 27 September 1999.

Regards,

A handwritten signature in cursive script, appearing to read 'Phil'.

Dr Phil Williams
Chief Executive Officer
Snowy Hydro Trading Pty Limited

Letter to Michael Rawstron of the ACCC dated 4 November 1999.doc

