



28 March 2017

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Mr Sean Kelly
General Manager Corporate Strategy
SA Power Networks
1 Anzac Highway
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Dear Mr Kelly

I refer to previous discussions regarding the proposal for the Government of South Australia to, subject to all necessary governmental approvals being obtained, engage SA Power Networks (SAPN) to assist in managing short-term energy security risks by procuring 200MW of additional temporary generation.

The withdrawal of the Hazelwood power station in Victoria has created an increased risk of system security issues. Advice indicates there is a potential shortfall of up to 500MW of generation required to meet peak demand on days of extreme heat during the 2018 and 2019 summer periods, or earlier.

The measures included in the State Energy Plan will assist in addressing these security issues in the medium to long-term. However, to assist in managing short-term energy security risks, the State is seeking 200MW of additional (temporary) generation.

Given the short-term requirements to provide additional generation, the 200MW system is required to be designed, constructed, commissioned and tested, performance verified including operation and maintenance agreements in place, by 1 December 2017. The arrangement for the supply of 200MW of additional temporary generation will cease when the proposed 250MW gas fired generation plant becomes available.

The Government is seeking to manage the process in clearly defined stages. As a first stage, I am seeking your formal support to develop a functional specification and term sheet in partnership with the Department of the Premier and Cabinet (DPC), followed by the parties entering into a contract to document in detail the agreement between the parties. It would be my intention that a second phase would involve SAPN procuring the 200MW generation in accordance with that agreement.

Following collaboration between SAPN and DPC, a more detailed engagement, with the developed functional specification and term sheet, will be provided.

Thank you for your support in implementing the State Energy Plan.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Dr Russell', written over a light blue horizontal line.

Dr Don Russell
CHIEF EXECUTIVE