

5th August 2008

Mike Buckley
General Manager
Network Regulation North Branch
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

e-mail: aer inquiry@aer.gov.au

Dear Sir,

Submission to TransGrid Revenue Proposal

Snowy Hydro submits that the TransGrid revenue proposal for the period 2009 to 2014 represents a balance proposal in light of the growing peaking demand in the National Electricity Market and cost pressures across the electricity supply chain. We believe that TransGrid's forecasted ex-ante capital expenditure requirement seems prudent.

Snowy Hydro's submits that it is prudent for TransGrid to commit and progress the Bannaby to Kemps Creek 500kV line development as soon as possible. This transmission development by directly tackling the network limitations impacting supply in the greater Sydney load area will deliver more efficiency and real reliability benefits to NSW customers. The key reasons underpinning this recommendation are:

- TransGrid's demand forecast as shown in Figure 7.6 of the TransGrid Revenue proposal seems conservative. The low, medium, and high demand forecast for 2009/10 are 14,500, 14,620, and 14,810 MW respectively. Recently on the 28/07/08 the peak 5 minute demand from 17:55 to 18:00 was 14,411MW. This is only approximately 200MW from the medium forecast level. The Bannaby to Kemps Creek 500kV line development will allow existing and new generation development to south of Sydney to meet the projected load requirements in the greater Sydney area;
- TransGrid in their presentation at the public forum on the 30th July 2008 highlighted that the majority of new generation commitments are south of the greater Sydney load centre. Uranquinty and Tallawarra represent over 1000MW of committed generation that would be more efficiently delivered to the Sydney load centre with the Bannaby to Kemps Creek 500kV line development;
- TransGrid highlighted at the public forum on the 30th July 2008 that there was potentially 600MW of wind developments around the Marulan area. Snowy Hydro believes that this is a credible scenario. Further, most of the wind development opportunities under the expanded Renewable Energy Target will be in Victoria and South Australia. All these mentioned renewable energy projects would be more efficiently delivered to the Sydney load centre under the Bannaby to Kemps Creek 500kV line development;

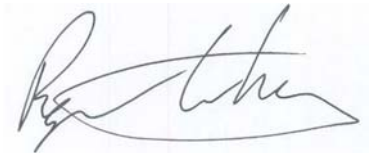
- TransGrid also highlighted at the public forum that there was a further 1000MW of gas fired generation south of Sydney that may be committed due to the Carbon Pollution Reduction Scheme; and
- Finally, Snowy Hydro submits that there are approximately up to 500MWs of existing and very low cost incremental upgrades available at Tumut and Murray power stations that could be more efficiently delivered to the Sydney load centre under the Bannaby to Kemps Creek 500kV line development.

Conclusion

Snowy Hydro recommends that TransGrid fast tracks the Bannaby to Kemps Creek 500kV line development into Sydney. This transmission development by directly tackling the network limitations impacting supply in the greater Sydney load area will deliver efficiency benefits to NSW customers.

Please contact Kevin Ly, Manager Market and Regulatory Strategy on (02) 9278 1862 if you would like to discuss the issues outlined in this submission.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Roger Whitby', is written over a light blue rectangular background.

Roger Whitby
Executive Officer, Trading

