

8th June 2006

Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box H166
Australia Square NSW 1215

Letter sent electronically to: submissions@aemc.gov.au

Dear John

Request for Participant Derogation: Energy Australia's Participation in the Settlement Residue Auctions

Snowy Hydro Limited (Snowy Hydro) appreciates the opportunity to comment of this Participant derogation.

Snowy Hydro believes that the derogation should be approved by the AEMC. Specifically:

- Owning the relevant transmission assets makes Energy Australia a Transmission Network Service Provider under the current definition of transmission assets. However, we believe this is purely a classification issue. This purpose of the applicable Rule clauses that exclude TNSP participation in the SRAs was to recognise that these transmission owners may have a large bearing on the settlement residues that may accrue and hence would be conflicted if they were able to purchase SRA units. We believe Energy Australia's transmission assets do not in any way materially impact on the quantum of settlement residues that may accrue, and hence exclusion from participation is unwarranted; and
- SRA units are an important tool for inter-regional hedging. The NEM market design was established to facilitate competition amongst market Participations. Snowy Hydro firmly believes that there should be a level playing field (competitive neutrality) for all market Participants. This general principle promotes competition and product innovation and hence helps achieve the NEM objective. We believe excluding Energy Australia from participation in the SRAs is not competitively neutral and hence advocate the granting of this Participant derogation.

Snowy Hydro appreciates the opportunity to comment of Energy Australia's derogation proposal. We believe for the reasons expressed in this letter Energy Australia should be granted the Participant Derogation. To discuss this issue further, I can be contacted on (02) 9278 1885.

Yours faithfully,

Roger Whitby
Executive Officer, Trading
Snowy Hydro Limited