



# Snowy Hydro purchase adds to its power

**Rod Myer**

Snowy Hydro, the government-owned operator of the Snowy Mountains hydro-electricity scheme, has grabbed control of half the peaking power supply in Victoria, buying the Valley Power generator in the Latrobe Valley for \$243 million.

The 300 megawatt gas-fired peaking plant was 40 per cent owned by Contact Energy of New Zealand and 60 per cent by International Power and Mitsui. Its sale was a condition of the acceptance by the Australian Competition and Consumer Commission of the \$3.3 billion International Power-Mitsui purchase of Edison Mission's offshore assets last year.

That deal meant International Power had two base-load generators in Victoria - Loy Yang B and

Hazelwood. As a result of concerns about market power, the commission demanded the disposal of Valley Power.

Now the competition regulator will have to look at the issue of market power again, this time in the market for peak power.

Snowy Hydro is also building a 342MW gas-fired power station at Laverton in Melbourne's west, which will come on-stream this summer. It also can send up to 1800MW of power into Victoria from its hydro-electric operations in NSW.

With the Valley Power purchase it will control about 50 per cent of the state's total peak-power capacity of 4900MW.

This, some observers say, gives Snowy too much potential market power. A spokeswoman for the ACCC said the purchase would be reviewed.

Snowy has entered the retailing business too, buying nascent Victorian retailer Red Energy for a nominal amount, also from Contact Energy.

The Valley Power sale price is considered strong. The station is made up of mothballed gas turbines brought from New Zealand, some of them more than 30 years old, and was believed to be worth about \$180 million when they were installed earlier this decade.

"Contact is pleased with the outcome of the eight-week sales process, conducted in conjunction with International Power and Mitsui & Co," Contact chief executive Steve Barrett said.

**The ACCC will review the acquisition.**