

**Interview with Terry Charlton, Managing Director, Snowy Hydro Limited on the necessity for the company to access the market for additional capital (24<sup>th</sup> January 2006)**

**Interviewer:**

“There has been some public debate following NSW's decision to list its 58% shareholding on the Australian Stock Exchange (ASX). Concern has focused on the possible negative impacts of a change in ownership such as local employment throughout the Snowy Region, security of water to irrigators and environmental flows and even the access enjoyed by fishermen to the Company's water storages. It appears that that these concerns have no foundations but have distracted from the very real and positive benefits for the Company of such a listing.”

“In a wide ranging interview, Managing Director, Terry Charlton sought to highlight the very real gains for local employment and the local community, for environmental initiatives, for security of water delivery to the irrigators and for the operation of the National Electricity Market.”

**Terry Charlton:**

"It is not only desirable but necessary that the Company has access to additional capital in order to continue development of the Snowy Scheme and to ensure that its role in the National Electricity Market remains vital and highly reliable."

"Parts of the Scheme are 40 years old and must be maintained and in some cases replaced if the world class plant performance and reliability now achieved is to be maintained long into the future. This is critical infrastructure with replacement value well in excess of \$4billion so it deserves many tens of millions of dollars spent on it each year to stay in peak condition."

**Interviewer:**

“In response to questions related to upgrading the Scheme, Mr. Charlton likened the computer based data communications systems around the mountains that remotely control the company's generation operations and the water flows through the 145 kms of tunnels and pipes, covering an area over 5000 square kms, as more complicated than the data systems of the Collins Class submarines.”

**Terry Charlton:**

"We monitor over 40,000 data points remotely every 2 seconds, in often hostile environmental conditions of storms, high winds, driving snow, bushfires and extensive lightning activity. Communications and data transfer and interpretation is based on technology that is changing all the time and the data and response demands from the operator of the National Electricity Market, NEMMCO, is also being continually upgraded, requiring further capital to be spent by the Company.”

**Interviewer:**

“Also on the list of claims for future capital investment is the need to reduce the pressure on water for generation as there continues to be a growth in air conditioning and probably also more spikes in hot weather and over longer periods. Terry Charlton sees the Company's investment in gas peaking plant as fundamental to the growth in the business and in setting the business up for the future.”

**Terry Charlton:**

"Hydro plant has unique fast start capability and the market relies on us being able to meet rapid and often unexpected demand for electricity at peak times in winter and summer or when other plant fails or is otherwise constrained operationally.”

“Expanding hydro based capacity has limited potential but gas fired peaking plant can supplement the Scheme’s capacity and thus take pressure off the use of water for generation at peak times. Our ongoing investment in gas fired plant, typically costing \$200 million to \$300 million for each new gas fired power station, requires the Company to have access to equity capital via the ASX.”

“These gas fired plants are very good investments for the Company but we can’t expect the current shareholders, the Governments, to invest such large amounts of capital in this business. They all have other priorities for infrastructure and community services investments.”

**Interviewer:**

“Another likely recipient of company funds in the future will be investments to create more renewable energy which is able to either increase capacity or replace coal fired generation, along with other environmental initiatives.”

**Terry Charlton:**

"A Snowy Hydro Limited with access to additional capital over and above that provided by prudent borrowings and retained earnings will consider investments in new renewable generation such as the mini hydros being built on Jindabyne Dam and Jounama Dam and will also consider building plant that generates from new renewable sources such as geo-thermal."

"There are many opportunities for this business to continue the important role that was designed into the Snowy Scheme in the 1940s, which could not have been fully understood at that time, but which, of course, is now well recognised. The recent growth in the Company's capabilities and market reach are indicative of a Company well able to adapt to changing demands and able to fulfill, long into the future, the dreams of its original creators and builders.....the dreams of over 100,000 men and women from over thirty different countries."