

snowyhydro

NEWS

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Welcome to the first edition of Snowy Hydro NEWS.

Over recent months, Snowy Hydro Limited has undertaken an extensive community feedback process involving both one-on-one interviews with community leaders and a phone survey involving over 500 households selected at random around the Snowy Mountains Region.

This survey was conducted in response to community feedback that emerged after the failed listing of Snowy Hydro on the Australian Stock Exchange. This feedback indicated we had not communicated well with our local communities particularly in relation to how the business has changed with the establishment of the National Electricity Market.

This independently managed community feedback process has demonstrated very clearly the views, thoughts and opinions held by the broader community towards Snowy Hydro Limited. We are now better able to clearly identify what we do well and what we need to do better in regards to our relationship with the communities in which we operate.

One of the strongest points raised during this feedback process was the need for more information about the Snowy Hydro business and how and why we operate in today's National Electricity Market.

Even though we are continuing to improve our communication processes, content and developing the means of conveying relevant information, such as our website, it appears that some of this information is yet to be accessed by the broader local community.

As a result, I am now committing Snowy Hydro to producing this newsletter up to four times per year. I hope it will greatly improve the flow of information to our local communities and remove some of the misinformation that exists on a range of topics.

The newsletter will include information about our people, the business, water updates, and topical information about projects and business initiatives around the Company.

We have also launched a new email service

communityfeedback@snowyhydro.com.au

I encourage the community to email us with your feedback on any matter relating to Snowy Hydro.

For Snowy Hydro, it is a priority that we strengthen our relationship with our local community and to do this, we believe, there needs to be a better understanding of how the Company now operates and why "it does what it does"

Terry Charlton
CEO and Managing Director

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Business News

*Sharon Howes,
Executive Officer
Organisational
Development*



Despite the difficult drought conditions that have impacted all water storages in south eastern Australia, Snowy Hydro has had a strong year, successfully completing major projects and continuing to advance its core business strategies in difficult circumstances.

These strategies have been successful in strengthening the business, and have proven to be the correct business model for both good and bad times.

Both hydro and gas fired generating plant performed reliably to meet National Electricity Market requirements. Personnel have been pro-active in undertaking maintenance and have responded safely, competently and diligently in anticipating defects and opportunities.

The low level of the main water storages has been effectively managed by challenging previous paradigms. Physical constraints have been subject to rigorous engineering review and risk assessment, followed by stress tests and condition monitoring.

This enables hydraulic operation at very low levels of head ponds without

compromising safety, environmental or asset integrity. Over the next few years we'll focus on replenishing water levels in our reservoirs.

While we are achieving many goals, our current successes may be impacted upon in the long term through the outcomes of the Owen Report, given that Snowy Hydro may not be able to realise its full potential within the National Electricity Market. Our competitors will develop a significant advantage over Snowy Hydro.

Cloud Seeding Project

*John Denholm
Project Director
Cloud Seeding*



The six year Snowy Hydro Cloud Seeding Research Project is being conducted to assess the feasibility of using cloud seeding to improve snowfalls in the Snowy Mountains region of New South Wales and is currently in its fourth winter season.

The project is being conducted only over a target area of approximately one thousand square kilometres. However, this is less than 20% of the Scheme's catchment. Increased calls from regional stakeholders, local community and even the NSW Tourism Minister to expand this target area are being considered by the NSW Government as almost three thousand square kilometres of the Snowy Mountains region may have potential for a future cloud seeding operation. Given the drought outlook we certainly need such expansion.

The Cloud Seeding Project represents a significant investment by Snowy Hydro – more than \$20 million over six years. In late 2006, the Federal government provided \$4 million of funding to support the project, a significant vote of confidence in the quality of the research and the national benefits that are likely to result.

Although the final evaluation will not be completed until the end of 2009, the first three years of the Cloud Seeding Project have shown promising results. This is consistent with the earlier trial conducted in the Snowy Mountains during the late 1950's, where scientists reported a 19% increase in precipitation as a result of cloud seeding.



Owen Report to NSW Government

*Nenad Tufegdžic
Executive Officer
Portfolio, Risk &
Product Development*



The Owen Report into the NSW Electricity Industry commissioned by the NSW Government has recommended privatisation of the Electricity Industry to encourage private enterprise investment in new base load generation that will be required to meet the needs of NSW electricity consumers in the coming years. The recommendations in the Owen Report are strategically important but a damaging development for Snowy Hydro Limited.

The conclusions contained in the Owen Report for the NSW Electricity sector was foreseen by Snowy Hydro two years ago as part of our company's risk management and another clear justification for Snowy Hydro pursuing a growth strategy for which we required access to additional equity. This would have been achieved through listing Snowy Hydro Limited on the Australian Stock Exchange. Without access to additional equity, Snowy Hydro will now be unable to keep pace with its competitors and on any measure is clearly not a good outcome for the Snowy Mountains Scheme.

The Owen Report recommendations will no doubt see our competitors becoming much larger and without the access to additional equity, Snowy Hydro is now unable to expand our retail business as much as we hoped. Expansion of our retail business is vital, internal protection from our customers needing less of Snowy Hydro's products in the future which will now be but almost certain, over time.

The exclusion of Snowy Hydro participating in the privatisation of at least some of the electricity assets recommended in the Owen Report will be more fully explained in the next Snowy Hydro NEWS.

Our Gas Assets

*Ken Lister
Executive Officer
Production*



Snowy Hydro now owns and operates over 620 megawatts of gas fired generation plant in Victoria consisting of the 300 megawatt Valley Power and 320 megawatt Laverton North gas fired power stations.

Since commencing operations late last year, Laverton North has been operated successfully from the Snowy Mountains Control Centre in Cooma to meet ever-increasing demand across the National Electricity Market.

The performance of both facilities have responded successfully to the special needs arising during summer and particularly in the early part of this winter, starting with a record 'cold' June.

Both gas fired plants also greatly assisted Snowy Hydro in meeting electricity demand in Victoria during bushfires and transmission failures that occurred in January this year. This was very important for electricity availability in Victoria for some hours on January 16.

Operation of the Laverton North power station and the Valley Power facilities has allowed Snowy Hydro to effectively conserve water in the Scheme for the benefit of all stakeholders.



Red Energy Soon in NSW

At a recent regional event in Tamworth sponsored by Snowy Hydro, Managing Director, Terry Charlton announced that Red Energy, Snowy Hydro's electricity retailer operating in Victoria and South Australia, will soon enter the New South Wales market.

Red Energy is 100% owned by Snowy Hydro Limited and has been extremely successful in the Victorian and South Australian markets, selling electricity and gas to consumers for the past three years.

Soon consumers in New South Wales will also be able to become Red Energy customers. Red Energy's promise is for every unit of electricity you buy from Red, they will buy one unit of electricity from a hydro renewable source - at no extra cost!

Look out for the Red Energy advertisements in your area or visit the website www.redenergy.com.au for further information.





Water Storages Update

*Andrew Nolan
Manager, Water*



The month of August has seen Snowy Scheme water inflows slightly increase from previous months, although to levels slightly less than the long term average. Despite these slightly less than average inflows our main water storage, Lake Eucumbene, has continued to rise in level.

In addition, following a strong start to the season, snowfalls within the Snowy Mountains settled back to slightly below average levels. However, it is still too early to determine what inflows may result to the Snowy Scheme storages in terms of spring run off.

While the improvements in inflows over the past few months have been positive, the Snowy Scheme storages are still at around their lowest levels since construction as a result of the major drought that has impacted the region since 1996. Prolonged above average inflows will be required to return water levels to those seen prior to the start of this drought cycle in 1996.

For more information on water storages visit our website at www.snowyhydro.com.au



Environmental Water Releases into the Snowy River

In accordance with the requirements of the Annual Water Operating Plan and as directed by the New South Wales Department of Water and Energy, Snowy Hydro has increased seasonal environmental water flows into the Snowy River.

Water flows have increased from 95 megalitres (ML) per day to around 177ML per day for the month of September 2007, to around 206ML per day for October 2007 and returning back to around 95ML per day in November 2007.

Up to date information on environmental water releases can be found on our website at www.snowyhydro.com.au

Continuing the Fight Against Weeds

*Tracy Crawford-Drew
Environmental
Advisor*



Snowy Hydro has completed its Autumn/Winter control programs on Serrated Tussock and African Lovegrass on all lands we own and occupy in the Snowy Mountains Region.

We have also continued our control program on Paterson Curse in the Murray and Lower Tumut Regions.



Planning is now underway for spring and summer control programs with the priority weeds being St Johns Wort, Blackberry, Broom and African Lovegrass.

These control programs will continue to build on our excellent cooperative works with Local Government, our neighbours and Parks and Wildlife Division.



Project Updates

*Brett Jones
Executive Officer
Engineering & Projects*



Snowy Scheme Modernisation

2007 sees the continuation of Snowy Hydro's Scheme Modernisation project, which represents a \$250million, seven year investment in maximising asset value, maintaining long term operational capability, and modernising Scheme assets.

The asset upgrade of the first unit, unit 2 at Tumut 3 Power Station, was completed in December 2006, with the controls and protection upgrade completed in June 2007.

The second Tumut 3 outage commenced on Unit 3 in June this year. The work scope of this outage combines the refurbishment, uprating, and technology upgrades previously undertaken over two separate outages on Unit 2.

Many improvement initiatives learned from Unit 2 have been successfully included in this outage, resulting in improved safety and increased efficiency, without compromising quality.

The Project teams' attention is now toward the upcoming work planned for Murray 2 and Guthega power stations,

as well as the completion of the Generator Circuit Breaker replacement program.

The Scheme Modernisation project has been short listed in the Engineers Australia Canberra Division 2007 Engineering Excellence Awards. These awards recognise projects that exhibit elements such as sound engineering practices, ingenuity and originality, are a benchmark of Australian engineering, represent world's best practice and contribute to the economy and the community. We will advise the region on how we went in our next newsletter.

Completion of Jindabyne Dam Works

The upgrade of Jindabyne Dam to enable additional environmental water releases into the Snowy River is practically complete.

Construction works commenced on site in June 2004 and finished in April 2007.

Work on the intake, outlet, mini hydro power station and eight Hydroplus auxiliary spillway fuse gates are now finished. These fusegates are the tallest in the world and are nominated for an Engineering Excellence Award.

Commercial operation of the small hydro power station is underway with water discharges flowing into the plunge pool and then into the Snowy River.

The only work to be completed on the site involves the removal of the coffer dam which is planned for early 2008.

Jounama Small Hydro Blasting Notice

Within the upcoming months works at the Jounama Small Hydro project will involve removal of the plug in the dam's diversion conduit and fracturing of rock outside the diversion conduit for foundations of the small hydro power station.

This will involve blasting using the perforated cone fracture (PCF) technique which has a more manageable and reduced impact than traditional types of explosives.

Noise and vibration assessments have been conducted and modelled against Australian Standards (AS2187.2 1983) and Australian and New Zealand Environment and Conservation Council (ANZECC) guidelines indicating potential effects are well within EPA acceptable levels.

Works are also being conducted as per development approval conditions from Tumut Shire Council.

For blasting in the diversion conduit there is expected to be at most a muffled sound possibly heard by residents close to the Snowy Mountains Highway and Jounama Dam Wall Road intersection.

Blasting outside the diversion conduit, if required, will involve temporary closures of the Jounama Dam Wall Road as per a Traffic Management Plan prepared for the works. This will involve erecting appropriate signage to warn motorists of the works.



Community Partnerships

Country Areas Program

*Narrele Kelley
Education Program Officer*



I have a great deal of pleasure in announcing that Snowy Hydro has again sponsored the Snowy Monaro Country Areas Program School Resource Centre to the value of \$5000.

The Country Areas Program (CAP) Resource Centre was started in 1986 with an objective to improve educational outcomes and opportunities for students who may be educationally disadvantaged because of geographic isolation.

The CAP Resource Centre in Cooma delivers an outreach service to the schools of Adaminaby, Berridale, Dalgety, Jerangle, Jindabyne, Nimmitabel and Numeralla, benefiting over 600 local students.

The financial support from Snowy Hydro over the past six years has enabled the service to deliver improved resources to local schools. This year's funds were used to purchase a history educational unit, "Our Voices" produced by the National Museum of Australia, the acquisition of "Skill Seekers" where multiple copies of books were purchased about popular science topics and equipment for music programs.

I encourage remote and isolated Schools in the region to make use of this invaluable service to local schools. The support of the Country Areas Program is an excellent example of one of the many valued community partnerships Snowy Hydro has in place right around the Snowy Mountains Region.

Snowy Hydro SouthCare

*David Hogan
Manager, Regional Marketing*



The Snowy Hydro SouthCare partnership between Snowy Hydro Limited and SouthCare Rescue Helicopter assists those in need 24 hours a day, 7 days a week, 365 days a year through critical aero-medical and rescue services. This is all made possible through Snowy Hydro's significant financial contribution of more than \$2million over 5 years.

Snowy Hydro SouthCare is Snowy Hydro's premier community partnership activity. It is more than a sponsorship to Snowy Hydro Limited, it's a partnership in every sense. Our major financial contribution is really just the start. Snowy Hydro also provides additional in-kind support through a variety of community activities such as festivals and events, marketing and promotions and even assistance in the development of the Snowy Hydro SouthCare Website, which is critical in promoting the service to attract additional community support and funding for the service.

Additional support from the local community is very important to the ongoing viability of the service – every dollar counts and goes towards saving lives. For example over \$60,000 in donations has been received from the Snowy Mountains region in recent months. Tumut raised over \$40,000 of this amount within this Shire alone from both Tumut Council and dozens of Tumut community groups and organisations.

To all who have helped keep the Snowy Hydro SouthCare service in the air and saving lives - we say THANKYOU.



Above: Certificates of appreciation were awarded to community groups and businesses who raised money for the service in Tumut.

If you would like to find out how you could help either through a donation, payroll deduction program, fundraising and or becoming a Snowy Hydro SouthCare Volunteer, please contact Ally Bruhn at Snowy Hydro SouthCare on 02 6207 8429.

Snowy Hydro Upper Murray Challenge

The Snowy Hydro Upper Murray Challenge is a one day, multi-sport event being held on the 6th October 2007 in the Corryong/Khancoban area.

For the last three years we have been the major sponsor of the event and are proud to continue that support this year. This is a well supported regional event that includes service organisations and community groups, promoting health, lifestyle and fitness in the magnificent Upper Murray Region.

For more information on the event go to www.uppermurraychallenge.com.au

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To give us your feedback email communityfeedback@snowyhydro.com.au or for more information go to www.snowyhydro.com.au