



**Legislative Council  
Select Committee on the continued public ownership  
of Snowy Hydro Limited  
Report tabled**

Rev the Hon Dr Gordon Moyes MLC, Chair of the Legislative Council Select Committee on the continued public ownership of Snowy Hydro Limited, has tabled the Committee's report.

The Chair said 'This report examines the future of the company following the withdrawal of the three shareholding Governments from the proposed sale in June 2006.'

Rev Moyes commented that 'This inquiry, and an earlier inquiry established at the time of the proposed sale, have revealed a deeply held affection among NSW citizens for the Snowy Scheme. A feat of engineering skill and human endurance, the scheme is largely based in one of Australia's most beautiful national parks and holds special significance for many people. The Committee became acutely aware of community support for retaining public ownership of the iconic Snowy Scheme during its visit to Cooma in July of this year.'

'The Committee recognises that Snowy Hydro must pursue a high growth strategy if it is to remain viable in the long term and that the shareholding Governments will not fund Snowy Hydro's necessary growth. We have been mindful of the strength of community support for keeping the iconic Snowy Scheme in public hands, and for ensuring it meets its environmental and irrigation obligations,' advised Rev Moyes.

Rev Moyes continued 'The Committee recommends that the NSW Government pursue the position jointly taken with the Victorian Government: that the Commonwealth acquire Snowy Hydro Limited and that any acquisition must guarantee the retention of existing water entitlements and the public ownership of the corporation. In addition, the NSW Government must ensure the community is adequately informed about any future proposals regarding the ownership or funding of Snowy Hydro.'

'The Committee has also recommended that the Snowy Scientific Committee be established immediately to monitor the impact of the environmental water flows on the fragile Snowy River' said Rev Moyes.

The executive summary and list of the Committee's recommendations are attached. The report can be obtained via the Committee's website at [www.parliament.nsw.gov.au/snowyhydro](http://www.parliament.nsw.gov.au/snowyhydro) or by contacting the secretariat on 9230 3544.

**For comment please contact Rev the Hon Gordon Moyes MLC,  
Committee Chair, on (02) 9230 2470**

## **Executive summary**

### **Chapter 1**

Snowy Hydro Limited (Snowy Hydro) is an unlisted public company owned by the New South Wales, Victorian and Commonwealth Governments. The company operates the Snowy Mountains Hydro-Electric Scheme (Snowy Scheme) which is a dual purpose hydro-electric and irrigation scheme located predominantly in the Kosciuszko National Park, New South Wales.

Two select committee inquiries concerning Snowy Hydro were conducted during 2006. The first inquiry was to examine the proposal to sell Snowy Hydro, and the second inquiry was established following the decision not to proceed with the sale. The terms of reference of the second inquiry, which are included in this report, primarily focus on the impact of the continued public ownership of Snowy Hydro on the company's future capital expenditure requirements and the control of water regulation.

### **Chapter 2**

Over the past 50 years Snowy Hydro has developed from a Commonwealth-owned authority to a public corporation. Chapter 2 provides detail on the extensive regulatory framework that the company has to operate within including corporation law, electricity, environmental and water regulations.

This chapter suggests that the regulation of water generated by the Snowy Scheme has been enhanced under corporatisation. Snowy Hydro has no regulatory role but must release water in accordance with the Snowy Water Licence, which is administered by the NSW Government, or face significant penalties, including imprisonment for company directors. The water resources of the Snowy Scheme are and will continue to be owned by the NSW Crown.

A key concern among inquiry participants was monitoring the impact of environmental releases on the fragile Snowy River. The Committee recommends that the NSW Government fulfil its statutory responsibility under the *Snowy Corporatisation Act 1997* to establish the Snowy Scientific Committee immediately to monitor the environmental flows.

### **Chapter 3**

Snowy Hydro is unique as most of its operations are located within the Kosciuszko National Park. Its location emphasises the importance of balancing environmental and commercial concerns and was an important issue during this inquiry. Snowy Hydro activities within the park are regulated by the Kosciuszko National Park Plan of Management 2006 and the Snowy Management Plan. This chapter discusses access to lands controlled by Snowy Hydro, the management of unused infrastructure within the park and the cloud seeding trial. The Committee believes that there is robust regulation in place to manage Snowy Hydro's operations within the precious environment of a national park.

### **Chapter 4**

The latest phase in the development of Snowy Hydro was the attempt to sell the three Governments' shareholdings in the company. Chapter 4 discusses the concerns of inquiry participants about the potential impact of the sale on water rights and the iconic status of the Snowy Scheme; the way the project to sell the company was managed; and, following the withdrawal from sale, the potential impact on the community of the continued public ownership of Snowy Hydro.

Given community concerns about the loss of a national icon, the Committee recommends that the NSW Government further investigate the possible listing of the Snowy Scheme on the State

Heritage Register and liaise with the Commonwealth Government on appropriate recognition of the assets of the Snowy Scheme that have heritage value.

One of the key concerns expressed by inquiry participants was the level of communication by the shareholding Governments during the proposed sale of Snowy Hydro. The Committee accepts that there were restrictions on the ability of Snowy Hydro to discuss aspects of the sale. While some people may never have supported the sale of Snowy Hydro, no matter how much information they were provided, the Committee considers that, if more information had been provided to the community prior to and during the proposed sale, the debate would have been better informed.

## **Chapter 5**

The Committee acknowledges that Snowy Hydro needs to expand in the National Electricity Market (NEM) due to the company's critical role in this market and the recent market trend of vertical integration. If Snowy Hydro does not look towards other areas for growth in the NEM the company risks losing its relevance in the market. This would likely lead to a reduction in revenue and a reduction in the value of the company, ultimately jeopardising the company's future. The Committee acknowledges that Snowy Hydro needs to pursue a high growth strategy and that additional capital of approximately \$800 million is required.

The options to fund high growth under continued public ownership are canvassed in Chapter 5. It is clear to the Committee that the shareholding Governments are not keen to invest additional funds in Snowy Hydro as they prefer to fund core government services and reduced dividends to shareholders will not fund the long term growth required. Issuing bonds is also not a viable means of raising capital for Snowy Hydro as the company will acquire more debt and there is a limit to how much debt is prudent for Snowy Hydro to carry in order to operate in the NEM.

The Committee is mindful of the strength of community support for keeping the iconic Snowy Scheme in public hands, and for ensuring it meets its environmental and irrigation obligations.

The Committee recommends that the NSW Government pursue the position jointly taken with the Victorian Government, that the Commonwealth acquire Snowy Hydro Limited and that any acquisition must guarantee the retention of existing water entitlements and the public ownership of the corporation.

In addition, the NSW Government must ensure the community is adequately informed about any future proposals regarding the ownership or funding of Snowy Hydro.

## **Summary of recommendations**

### **Recommendation 1**

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That the NSW Government establish the Snowy Scientific Committee immediately.

### **Recommendation 2**

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That the NSW Government:

- investigate the possibility of including the Snowy Scheme on the State Heritage Register
- liaise with the Commonwealth on appropriate recognition of the assets of the Snowy Scheme that have heritage value.

### **Recommendation 3**

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That the NSW Government pursue the position jointly taken with the Victorian Government: that the Commonwealth acquire Snowy Hydro Limited and that any acquisition must guarantee the retention of existing water entitlements and the public ownership of the corporation.

### **Recommendation 4**

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That the NSW Government ensures the community is adequately informed about any future proposals regarding the ownership or funding of Snowy Hydro.