

**INQUIRY INTO THE CONTINUED PUBLIC OWNERSHIP
OF SNOWY HYDRO LIMITED**

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Theme:

Summary

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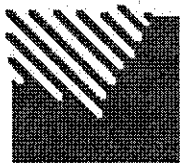
Please find attached NSW Irrigators' Council's submission to the Inquiry into the Continued Public Ownership of Snowy Hydro Limited.

Best regards

Doug Miell

Chief Executive

NSW Irrigators' Council



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NSW Irrigators' Council

Submission to the Inquiry

into the

Continued Public Ownership

of

Snowy Hydro Limited

June 2006

Member Organisations: Bega Cooperative Limited, Border Rivers Food & Fibre, Coleambally Irrigation Co-operative Ltd, Cotton Australia, Gwydir Valley Irrigators' Association Inc., Hunter Valley Water Users' Association, Lachlan Valley Water, Macquarie River Food & Fibre, Murray Irrigation Limited, Mungindi-Menindee Advisory Council, Murray Valley Groundwater Users Association, Murray Valley Water Diverseters' Association, Murrumbidgee Groundwater Pumpers' Association, Murrumbidgee Horticultural Council Inc., Murrumbidgee Irrigation Ltd, Murrumbidgee Private Irrigators' Inc., Namoi Water, NSW Farmers' Dairy Committee, NSW Farmers' Association, Ricegrowers' Association of Australia, Southern Riverina Irrigators, South Western Water Users', Wine Grapes Marketing Board, Richmond Wilson Combined Water Users Association.

NEW SOUTH WALES IRRIGATORS' COUNCIL

NSW Irrigators' Council (NSWIC) represents more than 10,000 irrigation farmers across NSW. These irrigators are on regulated, unregulated and groundwater systems. Its members include valley water user associations, food and fibre groups, irrigation corporations and commodity groups from the rice, cotton, dairy and horticultural industries.

With respect to the terms of reference for this Inquiry, NSWIC's membership represents all NSW irrigation regions that benefit from, are integrated with or would be impacted by Snowy Hydro's operations.

Attachment 1 records the membership details of the NSW Irrigators' Council.

In responding to the issues raised in the Inquiry's terms of reference, NSWIC is representing the views of its members. However, each member reserves the right to make independent submissions on issues that directly relate to their areas of operation, or expertise, or on any other issues they may deem relevant.

TERMS OF REFERENCE

That a select committee be appointed to inquire into and report on the continued public ownership of Snowy Hydro Limited, and in particular:

- (a) impacts on the short and long term financial position of the Government including revenue and recurrent costs;
- (b) future capital expenditure requirements of Snowy Hydro Limited in order to remain competitive in the national energy market;
- (c) control of water regulation;
- (d) access to lands controlled by Snowy Hydro Limited;
- (e) removal of disused Hydro infrastructure in National Parks;
- (f) heritage issues; and
- (g) any other related matters.

NSWIC RESPONSE

NSWIC will not be responding in detail to each of the specific areas of these terms of reference. Council's input will be restricted to those areas of the Inquiry that directly relate to issues of concern to and of which NSWIC has a working knowledge.

This does not diminish, in anyway, the importance or relevance of all other issues, it is simply a recognition of the limited knowledge of issues, or the paucity of available public data on many issues.

NSWIC POLICY POSITION

In the context of the three (3) shareholding governments agreeing to sell their respective shareholdings in Snowy Hydro Limited, NSWIC adopted the policy position outlined below. Numerous discussions were held with governments' during the lead-up to the reversal of the privatisation policy, to seek greater certainty and clarification on issues of concern to NSWIC members.

NSWIC's policy position was never adopted as the underlying policy conditions were never satisfied by governments.

“That:

1. NSWIC supports the privatisation of Snowy Hydro Ltd on the basis that
 - a. The NSW and Federal governments provide NSWIC with written guarantees that all existing legislative, MDBC agreements and annual water release arrangements will remain in force; and
 - b. That a 10% cap be imposed on individual shareholdings and that this provision remain in force for ten years.
2. There be no changes to existing annual distributions to the Murray and Murrumbidgee Valleys at 1,062GL and 1,026GL respectively without agreement of NSWIC members in these valleys;
3. Licensed entitlement holders be indemnified against cost increase attributable to the privatisation;
4. All future water savings required to meet current and future environmental flows requirements be sourced from water savings; and
5. The privatised entity is required to establish and maintain regular stakeholder consultation processes.”

COMMENTS ON THE TERMS OF REFERENCE

(a) impacts on the short and long term financial position of the Government including revenue and recurrent costs

NSWIC is unable to offer an informed assessment of any perceived or real short or long term financial impacts, either positive or negative that may flow from governments' decision to retain 100% public ownership of Snowy Hydro Limited.

However, NSWIC does seek a guarantee from all government shareholders that investment in infrastructure renewal and refurbishment will always be maintained at levels that allows for the efficient and timely release of guaranteed annual distributions to both the Murray and Murrumbidgee valleys.

(b) future capital expenditure requirements of Snowy Hydro Limited in order to remain competitive in the national energy market

NSWIC has no knowledge of this aspect of Snowy Hydro's business operations.

(c) control of water regulation

During the privatisation debate, NSWIC sought from governments written guarantees that all existing legislative controls, Operating Licence conditions, MDBC agreements and annual water release arrangements would remain in force following the completion of the privatisation process and survive the transition to any new shareholding structure.

In order to satisfy its members that the numerous agreements that direct and dictate Snowy Hydro's business operations offer complete security in the critical areas of water resource management, timing of minimum releases and existing annual water distribution obligations, NSWIC members requested:

- (i) the opportunity to review, on a confidential basis, all agreements pertaining to the operations of Snowy Hydro in order to ascertain the robustness of each agreement and the overall level of security provided to entitlement holders;
- (ii) the release of the NSW Government's legal advice on the Snowy Hydro Operating Licence;

Both of these requests were under active consideration by Minister Della Bosca. NSWIC will be seeking to gain the Minister's approval to undertake this document review in the immediate future; and

- (iii) that there be no changes to existing annual distributions to the Murray and Murrumbidgee Valleys at 1,062GL and 1,026GL respectively without agreement of NSWIC members in these valleys.

It is NSWIC's view, that by reviewing the various documents referred to above, it will be able to identify any shortcomings in the various agreements ability to offer surety to entitlement holders' and, if necessary, seek the Government's concurrence to any amendments required to build security and confidence.

(d) access to lands controlled by Snowy Hydro Limited

NSWIC supports continued community access to all lands controlled by Snowy Hydro, for recreation, cultural, environmental and other purposes, so long as all safety and operational considerations are properly identified and satisfied.

(e) removal of disused Hydro infrastructure in National Parks

NSWIC believes that any decisions to remove or de-commission disused, obsolete or otherwise redundant infrastructure should best be made by Snowy Hydro.

NSWIC would be concerned for public safety from idle infrastructure and equally concerned that such infrastructure, if it exists or is allowed to exist, may have a detrimental effect on the release of minimum and guaranteed entitlements to irrigators' and other downstream water users.

(f) heritage issues

NSWIC supports the identification and appropriate protection of recognised heritage assets within Snowy Hydro's areas of operations.

Bearing in mind the length of time that the Snowy scheme has been in operation, it is to be assumed that all such assets are already well documented and that they will be 'grandfathered' from any future heritage orders.

(g) any other related matters

Snowy Hydro Consultative Committee

NSWIC welcomes Minister Della Bosca's announcement that the NSW Government will facilitate the establishment of the Snowy Hydro Consultative Committee.

NSWIC believes that operational and commercial business and other contentious issues will best be advanced, concluded or resolved through this forum.

Cloud Seeding

NSWIC has an open mind on the potential for cloud seeding to play a positive, affordable role in water resource management in Australia and supports Snowy Hydro's commitment to exploring the value of this process.

There are also competing views relating to the ownership status of any additional run-off yield generated. The future of Snowy Hydro's cloud seeding operations is just one of the issues that NSWIC will be seeking to place before the Snowy Hydro Consultative Committee for discussion.

Despite the fact that there is a large body of experience and knowledge within Australia and overseas on the success and operations of cloud seeding, NSWIC is unaware of the development of conclusive scientific proof that the moisture generated after a cloud seeding event is a result of cloud seeding and that normal weather conditions are not a contributing factor. Additionally, NSWIC is not aware of any scientific measurement tool having been developed to measure the run-off yield and to apportion it against competing contributors (i.e. cloud seeding, normal weather conditions).

These issues may be clarified by the current trials being undertaken by Snowy Hydro and further enhance industry understanding of and commitment to cloud seeding as a long term resource management strategy.

The cost of the trial, the efficacy of the technology and environmental consideration are some of the issues that need to be further discussed. Given the recent spate of drought conditions and when the science behind cloud seeding is better understood, members of NSWIC may, at some point in the future, elect to contribute to the cost of cloud seeding either in a joint venture or on their own.

Each of these issues requires detailed and careful consideration as there will be more than one possible solution and indeed many possible outcomes. NSWIC seeks to explore each option with the management of Snowy Hydro to ensure the best path forward is adopted.

Snowy River Water Savings

NSWIC is firmly of the view that all future water savings required to meet current and future environmental flows requirements for all application be sourced from water savings.

ATTACHMENT 1 – NSW IRRIGATORS’ COUNCIL MEMBERSHIP

Bega Cooperative Society Limited
Border Rivers Food and Fibre
Coleambally Irrigation Co-operative Limited
Cotton Australia
Gwydir Valley Irrigators Association Inc.
Hunter Valley Water Users Association
Lachlan Valley Water
Macquarie River Food and Fibre
Mungindi Menindee Advisory Council
Murray Irrigation Ltd
Murray Valley Water Diverters Advisory Association
Murray Valley Groundwater Users’ Association
Murrumbidgee Groundwater Pumpers’ Association
Murrumbidgee Horticulture Council Inc.
Murrumbidgee Irrigation Ltd
Murrumbidgee Private Irrigators’ Inc.
Namoi Water
NSW Farmers’ Association Dairy Section
NSW Farmers’ Association
Ricegrowers’ Association of Australia
Richmond Wilson Combined Water Users Association
Southern Riverina Irrigators
South Western Water Users
Wine Grapes Marketing Board