

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


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**NSW LEGISLATIVE COUNCIL INQUIRY INTO THE
CONTINUED PUBLIC OWNERSHIP OF SNOWY HYDRO
LIMITED**

**ANSWERS TO QUESTIONS SPECIFICALLY ASKED OF
SNOWY HYDRO BY THE COMMITTEE CHAIRMAN
DURING PUBLIC HEARINGS IN COOMA AND SYDNEY**

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1. INTRODUCTION

1.1 This Paper

By agreement with the Committee, on 4 July 2006 Snowy Hydro submitted to the Committee a Preliminary Submission and will, after the conclusion of the Committee's public hearings, submit a Final Submission.

During the two days of hearings in Cooma and Sydney on 5 and 7 July respectively, the Committee's Chairman, Reverend the Hon. Dr Gordon Moyes MLC, asked that Snowy Hydro answer a number of questions. Those answers are set out in this paper.

This paper is set out in a simple "Q&A" format.



SNOWY HYDRO'S ANSWERS TO SPECIFIC QUESTIONS FROM THE COMMITTEE'S CHAIRMAN, REV THE HON DR GORDON MOYES MLC

1. PURCHASE OF OFFICE BUILDING IN SYDNEY

Question: Has Snowy Hydro purchased a separate office building in Sydney for their own use? (Reference: uncorrected proof, report of proceedings, Wednesday 5 July 2006, page 20)

Answer: No. Snowy Hydro has in fact signed a further lease of office premises in the Sydney CBD.

2. DATE OF COMPLETION OF JINDABYNE DAM WORKS

Question: When will the works at Jindabyne Dam be completed? (Reference: uncorrected proof, report of proceedings, Wednesday 5 July 2006, page 30).

Answer: the construction works at Jindabyne Dam comprise two separate elements:

- (1) works connected with the release of environmental flows into the Snowy River immediately downstream of Jindabyne Dam. These works include the multi-level offtake structure, water release tunnel, cone valves, plunge pool and submerged discharge valve; and
- (2) dam safety modifications to Jindabyne Dam required to be carried out under the *NSW Dam Safety Act*. These modifications involve completion of an auxiliary spillway and construction and removal of the coffer dam.

The environmental flow works were completed on 30 June 2006. The auxiliary spillway is currently scheduled to be completed in December 2006 and the coffer dam removal is currently scheduled to be completed by the end of July 2007.

3. SNOWY HYDRO'S RAPID GROWTH STRATEGY

Question: Why must Snowy Hydro's rapid growth strategy be adopted over a lesser growth strategy that would be funded off its own balance sheet and borrowings in accordance with its current credit rating? (Reference: uncorrected proof, report of public forum, Wednesday 5 July 2006, page 5).

Answer: The electricity market is rapidly consolidating to four or five vertically integrated participants across the NEM. Snowy Hydro is in an ideal position to be one of the four or five major vertically integrated participants because it has the best generation assets in the electricity market to manage electricity price risk. However, the company needs a large scale retail customer base to be a competitive, vertically integrated participant. It

needs additional capital to purchase this customer base (for example Queensland or other smaller participants exiting the market).

A lesser growth strategy relying on signing up customers one at a time is the equivalent of just maintaining Snowy Hydro's position. In business, standing still is the equivalent of going backwards over the medium term.

4. LAKE EUCUMBENE LEVELS

Question: Why has the water level in Lake Eucumbene dropped substantially? (Reference: uncorrected proof, report of public forum, Wednesday 5 July 2006, page 20).

Answer: Normally Lake Eucumbene is at its lowest at this time of year. The Lake level will not start to rise again until water inflows increase either from rainfall or snow melt following winter. Unfortunately, the country is experiencing a major drought sequence. It is the drought that is impacting Lake Eucumbene water levels which are at their lowest July level since 1972.

In addition, inflows this winter have only been 20% of average. Previous prolonged drought sequences saw lower lake levels in 1968 and 1983 respectively.

Overall, below average inflows have occurred since 1997 with the exception of 2000 when inflows were only 200 gegalitres (GL) above average. However, the minimum annual releases from the Snowy Scheme as determined by the Snowy Water Licence has remained fixed at 2,088 GL with additional water being released for irrigation and electricity generation as required.

Because of the extremely low inflows and steady demand, water levels in Snowy Scheme storages have been steadily decreasing since 1997 and are currently around 21% of active capacity.

