

**Submission  
No 83**

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

Organisation: Southern Riverina Irrigators  
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Position: Chief Executive Officer  
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Date Received: 26/06/2006

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Theme:

Summary

**From:** "Richard & Cindy Hyett"  
**To:** <snowyhydro@parliament.nsw.gov.au>  
**Date:** 26/06/2006 1:32 pm  
**Subject:** Snowy Hydro Submission

**CC:**

Please find Snowy Hydro Submission attached

Cheers,

Richard Hyett  
CEO  
SRI



Chairman: Ted Hatty

Incorporating:  
Berriquin Irrigators' Central Council

CEO: Mr. Richard Hyett

Wakool Landholders' Assoc.

Deniboota Landholders' Assoc.

Denimein Landholders' Assoc.

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23/06/06.

Southern Riverina Irrigators support the submission made by NSW Irrigators Council and would like to comment on the Parliamentary Inquiry into Snowy Hydro Limited as per the terms of reference.

SRI is a peak lobby organisation of five landholder associations, representing 1600 irrigators in the NSW Murray Valley.

We would appreciate the chance to put our case in person and kept in the loop of decision making in a process which will closely impacts on our members.

Yours faithfully  
Richard Hyett  
CEO SRI

**a) Short and long term financial position of snowy hydro limited including revenue and recurrent costs.**

The financial position of the snowy hydro must be taken into context with its recent corporatisation. The changed nature of the company has taken the emphasis of the snowy mountains scheme from providing water to the Murray Darling basin.

The profit incentives of the scheme (paid for by taxpayers) to retain above target water has detracted from its key role of providing water for irrigation and communities in the Murray Darling Basin especially during drought when water is the most valuable.

The sale of insurance to power companies may have increased its profit but it has also markedly increased its infrastructure requirements. Gas power plants are being purchased on the east coast to maintain its monopoly of peak load power provision. The company is primarily interested in maximising profit rather than providing a service.

Have Governments been reinvesting enough of the profits made from snowy hydro in the past or have they been using it as a cash cow to provide finance to other arms of government?

### **c) Control of Water regulation**

#### **Water is the scarce resource not electricity!**

The Snowy Hydro corporatisation has led to the change in nature of the snowy mountains scheme which was primarily built to drought proof the Murray Darling basin. Our concern is, how can efficient energy delivery be matched up to efficient demands on the water source, for which the Australian Tax payers paid when the Snowy Mountains Scheme was built.

**There are no guarantees** that licensed irrigators are or will be protected in the future, due to the nature of the commercial operation of Snowy Hydro, and that power generation will take precedent over water.

The timing of releases will not necessarily be in sync with Irrigation or Environmental needs. Our concerns as an organisation, representing irrigators and the communities within the Murray Valley, reflect what our members in general are seeking answers for.

Regulation requires remarkable foresight to be effective. It needs to be asked that if the State can not operate the system effectively while actually owning and having direct control how it will be able to ensure operation through the remote control of regulation into the unforeseeable future with any certainty of a competent outcome.

**The Snowy is the most effective supplier of Peak Load Power in the east coast generation system.** As a result of this it sets the peak load price. The Snowy has a stranglehold position on the two largest urban markets for electricity in Australia. Peak load power can be provided by gas thermal power but not as flexibly as hydro power as all thermal stations need to be running hot before high load can be added.

The Snowy also has the potential to be able to “reuse” water, generating during peak demand and pumping water back up into the dams during low demand. The greater the difference between base load and peak load prices the more profitable this becomes. Should this potential be developed further this could affect water supply in the future by increasing retention in the dams during periods of high peak prices – that is when there is a drought.

#### **The 75 year water licence for the Snowy Hydro Ltd should not jeopardise future water management in the Murray Darling Basin.**

With the introduction of the cap, water trading and water sharing plans in the last ten years the goal posts have moved markedly. The governments have mismanaged our water resource and have had to significantly change its policy over the last decade. How can governments be sure the regulations will be right in 5-10 years let alone 75 years?

It is imperative that those who control the regulation make a financial commitment that if they get it wrong affected individual and communities will be fairly compensated.

It is essential that regulators maintain their existing commitments to irrigators who have continually had their licences whittled away since the cap was introduced with little or no compensation.

**Government should not compromise water availability and timing of releases to electricity interests.**

Minimum notification for the 1.062 million megalitres must be retained

**G) Other related Matters**

**The importance of Snowy water in Droughts**

**Snowy Releases underpin water availability**

The Snowy – Murray Development releases on average 1.2 million megalitres into the Murray Valley each year.

- The MDBC estimate releases from the Snowy Scheme provide about 8% of the flow to the Murray under average conditions.
- In dry periods the Snowy Scheme provide more than 35% of flows to the Murray River
- In Drought years our irrigation supplies depend on Snowy to underwrite our supply. Any small change in supply can have a devastating impact on irrigators and communities when they are most vulnerable.

**Privatisation issues**

Why do foreign governments and foreign investors consider it a sound investment to own Australian Electricity Infrastructure when the Australian State Governments do not?

One of the principal concerns with the sale however is the monopoly power that the assets comprising the Snowy Scheme give to the owners. There will be huge value incentives to abuse these powers and to stretch and distort any regulatory framework to the maximum. Even a small distortion can be hugely profitable. They are not doing this because they like Australians or want to help the Australian economy grow; they are doing this to make money. A Private Company owning the Snowy Scheme would want to maximise its return to Shareholders (18% plus). This would drive the cost higher to customer. Government has been content with a fair return of 10%

How can State Owned Corporations of foreign nations find the capital to purchase and profitably operate assets that were formerly public assets in Australia when Australian State Owned Corporations claim that they can not?