

# **Questions and Answers Sheet**

## **Latest issues raised in Media Friday 5<sup>th</sup> May 2006**

### **Issue 1**

**Q) Are we selling the water, what exactly is being sold?**

A) Snowy Hydro does not own the water; we own the physical assets (power stations, dams, etc) that comprise the Snowy Scheme. It is the physical assets that are being sold, not the water.

### **Issue 2**

**Q) Snowy Hydro shut off water flows over Mowamba Weir and diverted them to Jindabyne to maximise the sale price, they have broken the 3 government agreement in 2002 to provide water to the Snowy River.**

A) Snowy Hydro has recommenced diversions from Mowamba aqueduct in accordance with both the Snowy Water Licence and the operational level arrangements that sit under it. The provisions in the Snowy Water Licence reflect those agreed to by the NSW, Victorian and Commonwealth governments at corporatisation in 2002. The Snowy Water Licence required that environmental flows should be made via the Mowamba River for the first three years, an interim arrangement put in place while essential works were carried out on Jindabyne Dam. It was always intended and expressly provided for that diversions from the Mowamba aqueduct would be reinstated and flows into the Snowy River would be made solely from Jindabyne Dam thus enabling the 3kms of the Snowy River closest to the Jindabyne Dam to receive the environmental flows that were intended. The recommencement of diversions does not result in a decrease in the environmental flows to the Snowy River; it only changes the point from which the environmental flows into the Snowy River are released, but not the levels of the water in the Snowy River.

### **Issue 3**

**Q) Why should taxpayers pay compensation for water above 21% to 28%, this is breaking the 2002 agreement,**

A) The NSW and Victorian Governments agreed at the time of corporatisation of Snowy Hydro in 2002 that compensation should be paid for any revenue forgone as a result of any increase in environmental flows above 21 per cent. This will occur irrespective of whether Snowy Hydro is public or privately owned.

#### **Issue 4**

**Q) Snowy Hydro will be foreign owned.**

A) Under Australian law Snowy Hydro cannot be more than 40% owned without Foreign Investment Review Board approval. Also, a number of arrangements will be put in place on the listing of Snowy Hydro such as requirements for at least two thirds of the directors to be Australian citizens, for its head office to be located within Australia and preventing the company from redomiciling itself overseas.

#### **Issue 5**

**Q) What about protection for irrigator water rights and environmental water flow rights. The company when sold will place shareholder values (i.e. revenue from electricity) over water rights.**

A) Water for environmental flows and water for irrigation are both comprehensively protected in accordance with the 2002 corporatisation agreements signed by the NSW, Victorian and Commonwealth Governments. Snowy Hydro does not own the water, and will not own the water after it is listed on the ASX. The water will continue to be owned and regulated under the agreements by the NSW Government. Snowy Hydro's obligation to make annual releases into the Murray and Murrumbidgee Rivers for irrigation and into the Snowy River for environmental flows is guaranteed under the 75 year Snowy Water Licence, regardless of the company's ownership.

#### **Issue 6**

**Q) What about the Freehold title over the dams, this extends to the high water mark, could Snowy Hydro do what they like with this land. What about access to lakes etc.**

A) Snowy Hydro only has freehold title to dams outside the Kosciuszko National Park (Eucumbene, Jindabyne, Khancoban and Jounama). For these dams Snowy Hydro owns land within the boundary of the Maximum Probable Flood level. That is, land that is subject to inundation under maximum probable flood conditions. At least in the case of Eucumbene and Jindabyne, the vast bulk of foreshore land has been leased or licensed to third parties including adjoining landholders and local councils. The leases and licenses of foreshore land preserve the right of the public to access the reservoirs. None of these arrangements are affected by a change in ownership.

#### **Issue 7**

**Q) Snowy Hydro's head office will move from Cooma and local employment will be affected.**

A) There is no intention to relocate the Cooma office or reduce local employment. In fact, we have just recently spent more than \$1 million upgrading our Cooma head office and increased local employment through the hiring of expertise in gas fired generation.

## **Issue 8**

### **Q) What about continual support for community activities and regional tourism?**

A) Snowy Hydro will continue to be a strong contributor to the local economy and infrastructure, maintaining its important sponsorships and funding of community services. In fact we have just announced a 5 year, \$2.15 million continuation of our sponsorship of the Southcare rescue helicopter service, and undertaken major sponsorships of regional festivals such as Cooma Show, Tumbafest, Tumut Festival of Falling Leaves and Jindabyne Flowing Festival. We will continue to be committed to the local tourism industry with our Cooma Information and Education alone attracting over 45,000 visitors a year.

## **Issue 9**

### **Q) Snowy Hydro can earn \$1m per hour in peak times, why sell it?**

A) This would only occur on a relatively rare occasion.

## **Issue 10**

### **Q) Why rush to sell it or why sell it at all?**

A) Snowy Hydro operates in a highly competitive market; we need access to capital in order to remain competitive and to continue with the maintenance and upgrade of the Snowy Scheme. Our current shareholders are not prepared to provide this capital which listing on the ASX can provide.

## **Issue 11**

### **Q) As a government owned corporation, Snowy Hydro must conform to public policy objectives when balancing the needs of irrigators, needs of peak electricity consumers and general environmental requirements.**

A) This is not correct. Unlike Government business enterprises, on Corporatisation in 2002 Snowy Hydro was established as a Corporations Act company with only commercial objectives. Snowy Hydro has been operating to those commercial objectives for the last four years.