

Chief Executive Officer

Mr John Feil
Executive Director
National Competition Council
GPO Box 250B
Melbourne VIC 3001

Dear Mr Feil

Re: Lakes R Us application to the National Competition Council for access to storages and associated transmission channels of Snowy Hydro Ltd

Please find attached a paper prepared for the National Water Commission (NWC) by Marsden Jacob Associates on the Lakes R Us application to the National Competition Council (NCC) for access to storages and associated transmission channels of Snowy Hydro Ltd.

The NWC commissioned the paper from Marsden Jacob Associates to assist in considering the implications of the Lakes R Us P/L proposal for national water reform as embodied in the National Water Initiative (NWI).

The paper does not necessarily represent the views of the NWC, rather it is provided for the information of the NCC to assist in the Council's deliberations.

The main findings in the paper are:

1. Privatisation of carry-over is already an integral part of the water management framework and decisions in the Murray-Darling Basin.

2. The proposal has unavoidable third party impacts on:
 - individual irrigators if, for example, the water stored by Lakes R Us Pty Ltd is given any priority other than last in the bulk delivery system;
 - the environment, if, for example, the occasion of spills and floods changes; and,
 - other states, if, for example, storage of water reduces flows down the Murray which other states rely on to reduce salinity and maintain water quality.
3. As water management in the Murray Darling Basin is codified under several core agreements, such agreements would need to be reconsidered and redrafted in order for the possible change in spills and flood frequency to be accounted for.
4. The Lakes R Us proposal envisages privatisation of only one component of the water storage and delivery system. In order for the proposal to work effectively, other components of the storage and delivery system would also need to be privatised.

I trust that this information is useful to the Council in its deliberations.

Yours sincerely

[signed]

Ken Matthews

18 August 2005