

LRU COMMENTS ON NCC DRAFT REPORT.

It is inevitable that unused allocated water will be stored in Snowy Hydro storages.

No submissions suggested that large new dams will be built in the Murray Darling Basin. The notion that the current 'use it or lose it' principle for irrigated water usage is conducive to its efficient and effective use is dubious.

Water is Australia's most precious resource. Regulators must aim for regulations that have efficient and effective outcomes. They do the nation and themselves no good in hiding behind a poor regulatory structure. Regulations that inhibit the most productive use of water must be changed sooner rather than later. It is simply not good enough to say that it is too difficult to change or to understand the possible ramifications of the change. The easy options have all been taken and the tasks ahead are bound to be difficult. LRU is under no illusions about these problems.

The current regulatory structure within the MDB was negotiated without consideration to the storing of unused allocated water in Snowy Hydro storages. This was an oversight.

LRU believes that this will be corrected and had hoped that the correction process would have commenced with the declaration to the NCC

Competition in other markets.

Third parties will benefit by the Lakes R Us proposal. The benefits of storing water in Snowy Hydro storages would be significant. The benefits to the nation would outweigh the loss to these third parties. LRU believe that the test was in the public interest, not third parties interests. It would be impossible to restructure the water industry in the MDB and not cause some disruption. LRU believes that no amount of evidence would convince all participants that storing water in Snowy storages is good for the nation. LRU notes that Snowy Hydro Ltd provided very little evidence of the value of electricity generated and how that value was derived. Last year SHL charged \$98 per megalitre for the Snowy Borrow water. This year the price has dropped to \$42 per megalitre. LRU is at a loss to explain this difference other than the possibility that competition may have occurred with the LRU declaration or that SHL may be called on to justify the \$98 in the future. LRU believes that \$98 per megalitre was far too high a price to pay for water that SHL can use to generate peak electricity, twice.

The benefits derived by the application of the national competition policy at the micro end of the spectrum in the Australian economy are no less important than at the macro end. LRU's action was all about water users being availed of the opportunity to utilize their water in the most productive way possible. If these water users are given the opportunity to store water then the productive value of the water will increase. The NCC seems to only be concerned about macro competition issues.