

16 April 2024

Independent Pricing and Regulatory Tribunal
Level 16
2-24 Rawson Place
Sydney NSW 2000

To whom it may concern,

Submission to the proposed introduction of the Dam Safety Levy

Snowy Hydro Limited (**Snowy Hydro**) welcomes the opportunity to comment on the proposed introduction of the levy payable by owners of Declared Dams as outlined in the Independent Pricing and Regulatory Tribunal (IPART) Issues Paper released on 19 March 2024 (**Issues Paper**).

We seek to reiterate our concerns and proposed recommendations from our previous submission dated 30 October 2020, a copy of which is **enclosed** as Annexure A.

Under the *Dams Safety Act 2015* (NSW) (Act) and the *Dams Safety Regulation 2019* (NSW) (**Obligations**), compliance costs have increased for Declared Dam Owners such as Snowy Hydro who operate mature and sophisticated dam safety programs. The proposed levy will be in addition to these compliance costs. Snowy Hydro requests consideration for the development of a mechanism that allows cost reduction over time associated with regulatory oversight for each Declared Dam owner and recognises economies of scale and high level compliance as noted in Annexure A.

Snowy Hydro is concerned that Dam Safety NSW and the proposed resourcing model may not fulfil the intent of Obligations. Please find below our responses to the Stakeholder Questions noted in the issues paper:

How would this levy impact your operations and ongoing delivery of services?

Would not directly impact our ongoing operations however adds to overall ongoing costs to operate and maintain our assets to a suitable, sustainable and to a compliant standard.

Does DSNSW conduct any activities that are broader than dam safety and therefore should sit outside the levy?

We are not aware of any activity that DSNSW complete that is broader than dam safety and we do not believe that there is a role for DSNSW outside dam safety. If DSNSW provides other activities outside dam safety, the cost associated with those activities should be not included in the proposed levy.

Do you expect that the regulatory support you require from DSNSW will reduce as dam owners get more familiar with the new regulatory regime?

Snowy has a mature dam safety program and we continue to develop and improve our processes over time. The need for support from DSNSW will reduce over time.

How the levy should be apportioned between different dams or dam owners?

The levy should be apportioned to the dam owners who need the most support and oversight. Highly compliant organisations should be rewarded by a reduction in levy payments over time.

Is your dam's primary purpose to serve the broader community beyond your customers/ratepayers?

Our primary purpose is to store, divert and release water in order to supply irrigation and power generation.

How can dam owner regulatory performance be recognised in the levy over the longer term?

Through rebates or adjustments to the levy paid over time.

How we can minimise issues of affordability and disruption during implementation (for instance, a gradual levy phase-in)?

Annual notice of expected levy and when due would be appreciated to allow it to be budgeted appropriately.

Should the levy be subject to periodic independent review?

In order to first establish and then maintain efficient and effective management of dam safety in NSW it is essential the independent reviews are completed periodically.

Snowy Hydro appreciates the opportunity to respond to IPART in relation to the Dam Safety Levy and looks forward to participating in future discussions.

Yours sincerely,



30 October 2020

Dams Safety NSW
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12 Darcy Street
Parramatta NSW 2150

By email: communications@damsafety.nsw.gov.au

Response to the proposed introduction of the Dam Safety Levy

Snowy Hydro Limited welcomes the opportunity to comment on the proposed introduction of the levy payable by owners of Declared Dams for the year commencing 1 July 2021 (**Dam Safety Levy**).

Safety is a paramount value at Snowy Hydro and we look forward to continuing to work with Dams Safety NSW, in particular to ensure that the objects of the *Dams Safety Act 2015* (NSW) (**Act**) and the *Dams Safety Regulation 2019* (NSW) are achieved in relation to all of Snowy Hydro's Declared Dams. Snowy Hydro understands that it has the primary duty of care under the Act with respect to its dams and has a mature and sophisticated dam safety program to discharge this duty of care.

Snowy Hydro acknowledges that the introduction of the Dam Safety Levy is an efficient and effective way to fund the oversight work of Dams Safety NSW. It is also acknowledged that a levy-based cost recovery structure is fair, fit for purpose and in accordance with best practice guidelines. However, the cost recovery structure needs to be commensurate with the oversight role of Dams Safety NSW and also reflect the work of Declared Dam owners in discharging their primary duty of care.

The CIE's final report on "Proposed funding model for Dams Safety NSW, October 2020" (**CIE Report**) provides a detailed overview of the rationale applied to determining the Dam Safety Levy, including the overarching principles adopted to determine the cost recovery model. What the CIE Report does not do, however, is provide itemised information about Dams Safety NSW's budget and the expected cost of discharging its particular oversight and regulatory activities. This information will more accurately convey the estimated cost of Dams Safety NSW's proposed activities and give a better indication of whether or not the levy cost structure is efficient.

Absent this information, Snowy Hydro is concerned that the quantum of the Dam Safety Levy is too high and may not be reflective of the likely cost of Dams Safety NSW's work. In such circumstances, the Dam Safety Levy may undermine the very objects of the Act. Namely, proper and *efficient management* in matters relating to dams safety (Act s 3(c)) and the principles of *cost benefit analysis* in relation to dams safety (Act s 3(d)) (emphasis added). In addition to better understanding the actual anticipated costs of Dams Safety NSW's regulatory and oversight roles, Snowy Hydro would like to know the ways in which Dams Safety NSW will seek to minimise its costs and the burden of compliance costs imposed on Declared Dam owners over time.

Section 8 of the CIE Report recommends that "a more thorough review of the fees and charges...occur periodically (around every two years) or when there is a major change in the approach to regulation." In the interests of efficiency, Snowy Hydro recommends that the quantum of the Dam Safety Levy be reviewed after the first year, with any necessary adjustments made to ensure that the Dam Safety Levy is an accurate and efficient means of cost recovery for Dams Safety NSW.



Snowy Hydro also proposes that the Dam Safety Levy be structured so that Declared Dam owners who establish a track record of compliance, dam investment and best practice dam management are rewarded over time. This could be achieved through Dam Safety Levy rebates or adjustments, justified on the basis that such Declared Dams are minimising the oversight work of Dams Safety NSW. This would also have important incentive effects on owners of Declared Dams with respect to their compliance, thus delivering safer dam outcomes across NSW.

Finally, Snowy Hydro may investigate the potential to pass the increased operational costs associated with the Dam Safety Levy through to NSW Office of Water as the users of the water from the diversion of Snowy Hydro's dams.

About the Snowy Hydro Group

Snowy Hydro Limited is a producer, supplier, trader and retailer of energy in the National Electricity Market (NEM) and a leading provider of risk management financial hedge contracts. We are an integrated energy company with more than 5,500 megawatts (MW) of generating capacity. We are one of Australia's largest renewable generators, the third largest generator by capacity and the fourth largest retailer in the NEM through our award-winning retail energy companies - Red Energy and Lumo Energy. Collectively, they retail gas and electricity in South Australia, Victoria, New South Wales, Queensland and the ACT to over 1 million customers. Snowy Hydro appreciates the opportunity to respond to Dams Safety NSW in relation to the Dam Safety Levy.

Your faithfully

