



## BUDGET 2017

# Turnbull's \$5b Snowy Hydro energy plunge

### Four-year upgrade

Ben Potter and Mark Ludlow

Prime Minister Malcolm Turnbull plunged deeper into the energy industry in the 2017-18 budget with an offer to buy the NSW and Victorian stakes in Snowy Hydro that could cost Canberra \$5.25 billion on top of a planned \$2 billion upgrade.

The move shows the government is deadly serious about expanding Snowy Hydro to help avert blackouts by providing expanded storage back-up for the increasing shares of wind and solar power set to come into the grid in the next decade, rather than any resistance to the expansion from NSW and Victoria, officials said.

Treasurer Scott Morrison said in his budget speech Canberra wants to buy the 87 per cent of the iconic Snowy Hydro scheme currently owned by NSW (58 per cent) and Victoria (29 per cent) as a prelude to a \$2 billion, four-year upgrade that would add 2000 megawatts to the existing 4100 MW capacity.

NSW would receive about \$3.5 billion from a sale of its 58 per cent stake based on a valuation of about \$6 billion put on Snowy Hydro last year by energy experts, and Victoria \$1.75 billion for its 29 per cent.

The NSW and Victorian governments would have to spend the sale proceeds on "priority infrastructure projects", Mr Morrison said. The two states have road and rail projects worth tens of billions of dollars on the go.

Selling their Snowy Hydro stakes to the federal government would free up

capital to invest in these projects, instead of having to stump up for a share of the \$2 billion upgrade announced by Mr Turnbull in March.

Mr Turnbull made his dramatic intervention in the energy market after the fragile state of the national power grid was laid bare in February when South Australia suffered its third blackout in five months during a heatwave and AGL Energy had to curtail power to the giant Tomago Aluminium smelter two days later in coal power rich NSW.

The Prime Minister's support for expanding Snowy to back up wind and solar power was a reversal of his hostility to wind power after SA's epic state-wide blackout last September.

Mr Morrison said the federal government was already talking to the Coalition government in NSW and had "invited similar discussions" with the Andrews Labor government in Victoria. He said Snowy Hydro would have to stay in public hands.

It comes as the Turnbull government allocated \$36.6 million to invest in energy infrastructure in SA in an attempt to boost energy security following last year's embarrassing blackouts.

The budget papers said the \$36.6 million over two years was allocated under a bilateral asset recycling agreement between the Commonwealth and the SA government.

But the \$4.2 billion Asset Recycling Scheme was closed to participants in July last year, with the remaining \$850 million allocated back into contingency funding rather than consolidated revenue. A Treasury official said the \$36.6

million for SA had been taken from the contingency fund, but there was no detail of what the money would be used for.

The federal government is awaiting the final report from the Finkel energy review next month, which is expected to recommend increased investment to boost the reliability of the energy sector.

The Turnbull government has also indicated its willingness to invest in further hydro-electricity and pumped storage opportunities in Tasmania, SA and Queensland.

Under a deal with independent senator Nick Xenophon to pass the company tax cuts, the Turnbull government has allocated \$110 million towards a solar thermal project near Port Augusta in South Australia.

The budget also included an extra \$2 million for the Australian Energy Market Operator (which runs the nation's gas and electricity markets) and \$7.95 million for the Australian Energy Regulator to scrutinise energy providers to ensure they are serving consumers' needs.

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