



MALCOLM'S SNOWY SURPRISE JUST ANOTHER WHITE ELEPHANT OUT OF UTOPIA

This 2.0 makes zero sense from an energy perspective but might improve the polls

DAVID UREN
ECONOMICS EDITOR



Malcolm Turnbull's Snowy Hydro announcement this week could have been scripted by comedian Rob Sitch for his hit show *Utopia*, based on the only slightly fictitious Nation Building Authority. The setting was perfect — the Prime Minister emerging from a chopper in his brown leather bomber jacket, snow-covered mountains in the background.

"There's something very romantic about this, because this idea of using these mountains to store electricity was part of the original vision of (the Snowy scheme) founders. This was a nation-building project," he said, recollecting his awe as a small schoolboy at seeing the construction of the original Snowy scheme. "What we are doing now is doubling it and we will — I have no doubt, in the future — make it even bigger still."

There were lots of big numbers. The power station built 1km underground would be two football fields long, there would be 5000 people employed, with contractors coming in from across the globe. "On world scale, this is huge, this is huge." It would, he vowed, be a "game changer".

It was hard to work out what was being announced. Turnbull was in Cooma in March to announce a \$29 million feasibility study into the project. The big news was apparently that the study was getting an \$8m boost from one government authority, with the remainder coming from the rest of government.

It turns out that Sitch had

scripted it. In an episode in the 2014 series of *Utopia*, he has the government liaison officer, Jim Gibson, imploring the beleaguered building authority chief executive Tony Woodford to use his imagination.

Jim: You've got to look beyond the numbers. Vision — if we'd listened to the bean counters we never would have built the Snowy.

Tony: The Snowy was a white elephant.

Jim: Are you kidding me? The Snowy forged this nation.

Tony: I don't think the Snowy ever turned a profit.

Jim: Hydro-electricity, I did a project on that at school.

Tony: Jim, they're white elephants, just like the very fast train. The numbers don't stack up.

Jim: So you've looked into it?

Tony: Everybody's looked at it, there's been like 10 feasibility studies in the last few decades.

Jim: So what does that tell you?

Tony: Stop doing feasibility studies...

Jim: The PM's very keen. He's got to come up with some sort of 30-year vision in the next three weeks or its pht!

In Turnbull's case, the imperative is to get a lift in Newspoll ratings to quell the rumblings on his backbench before parliament resumes on Monday. The Snowy announcement in March was the last time he got one, so hire some helicopters and do it again, this time with a video post for Facebook.

There's nothing wrong with the principle of using pumped hydro as an offset to unreliable renewable power, but the way this project has emerged is a travesty of good planning.

As Turnbull explained on Monday, he floated the idea in a speech to the National Press Club in February and then went to Snowy Hydro chief executive Paul Broad. "To our delight, he said: 'Do I have a pumped hydro storage scheme for you!' and blew the cobwebs off the old plans."

The electricity market is highly regulated and there is an insti-



tution charged with identifying future planning needs, the Australian Energy Market Operator. It released its annual statement of opportunities for developing the network in June, and the Snowy does not rate a mention.

Nor does it appear on the list of priority projects maintained by Infrastructure Australia. The NSW and Victorian state governments, which between them own 87 per cent of Snowy Hydro, knew nothing about the plan until it was announced.

This is being driven from the Prime Minister's office. It is not responding to any commercial signal and is not the result of an economic assessment of need. It is instead responding to the political need for the government to be seen to be doing something about energy prices.

It doubles down on the misplaced approach to energy that is at the heart of Australia's energy crisis, with a government making a political choice about generating technology. Turnbull's claim that this will be the biggest stored hydro project in the southern hemisphere, and eventually the world, echoes South Australian Premier Jay Weatherill's boast that his state is building the world's biggest solar power farm and battery storage. Both governments are picking technology winners.

State governments setting their own renewable emissions targets and providing concessionary feed-in tariffs for rooftop solar display the same penchant for backing individual technologies.

There are already some issues with the conception of the project. Respected energy economist Danny Price from Frontier Economics says it would be decades

before there was sufficient renewable energy to pump the volume of water envisaged up the mountain in order that it might cascade down again at times of peak demand. In the meantime, coal power would have to be used, although this would result in a 30 per cent energy loss.

The idea that it could be built for \$2 billion does not take account

of the need to upgrade high-voltage networks to accommodate the additional power, which would cost billions more.

What is most depressing about the Snowy Hydro 2.0 project is that, despite the use of a Silicon Valley-style 2.0 moniker to convey modernity, the government is proposing to develop it in the same way the Chifley government approached the original development in 1949, under government ownership.

The commonwealth owns only 13 per cent of Snowy Hydro and the NSW and Victorian governments have said they won't allow their shareholdings to be diluted,

so the commonwealth is developing a proposal to buy their stakes.

The powerful lesson from the competition reforms of the 1990s was that government owning and operating electricity-generating assets was inefficient, delivering unreliable and high-cost power.

The Turnbull government's approach to financing infrastructure means the cost of poor planning will wind up with consumers. Instead of funding projects from the budget, where they would add to the deficit, it is using the same approach applied by the former Labor government to NBN.

The big-ticket projects — NBN, the Western Sydney Airport, the Melbourne-to-Brisbane rail and Snowy Hydro — are all being treated as if they were equity investments so they are off budget books. Accounting standards allow this only if the investments are making a commercial return, a requirement that is creating controversy as users bridle at the NBN's prices. Energy users will wind up footing the bill, again.