



Ensuring Certainty for Kurri Kurri	
Party:	Australian Labor Party
Summary of proposal: The proposal would provide an additional \$700 million in equity for the Hunter Power Project (\$350 million in each of 2022-23 and 2023-24) and would start on 1 July 2022.	

Costing overview

The proposal would be expected to increase the fiscal balance by around \$55 million, increase the underlying cash balance by around \$57 million, and decrease the headline cash balance by around \$643 million over the 2022-23 Budget forward estimates period.

The proposal would have an impact beyond the 2022-23 Budget forward estimates period. A breakdown of the financial implications over the period to 2032-33 is provided at Attachment A.

The financial implications of this proposal are sensitive to assumptions on the return profile resulting from the additional equity, as past returns may not be a perfect indication of future returns. There may or may not be diminishing returns from the additional investment particularly over the medium term.

Consistent with *Parliamentary Budget Office (PBO) Guidance 02/2015*, public debt interest (PDI) expense impacts have been included in this costing because the equity injection provided under this proposal involves financial asset transactions.

The fiscal, underlying cash and headline cash balance impacts differ in the treatment of dividend gains, PDI and equity amounts. In particular, only the headline cash balance includes transactions related to equity injections. The impact on net debt will be broadly consistent with movements in the headline cash balance.

Table 1: Financial implications (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	Total to 2025-26
Fiscal balance	-4.0	-12.0	18.2	53.1	55.3
Underlying cash balance	-3.5	-11.0	18.6	53.0	57.1
Headline cash balance	-353.5	-361.0	18.6	53.0	-642.9

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- Dividend returns would begin from 2024-25 and at 50% for the first year.

- This timeframe is informed by the *Hunter Power Project overview booklet* which suggests the gas plant in Kurri Kurri, at the heart of the Hunter Power Project, would begin generating power around the end of 2023. The 50% assumption for 2024-25 provides allowance for the scaling up of power generation over time and accounts for the staged equity injection.
- The annual rate of return on equity would be similar to the average return on equity for the Snowy Hydro company over the last 3 financial years.
- Dividends would be recognised and paid in the same financial year.

Methodology

The financial implications were calculated by multiplying the \$700 million equity injection by the assumed rate of return on equity as per *Key assumptions*.

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.¹

Data sources

Snowy Hydro, [Annual Report: For the Year Ended 30 June 2021](#), Snowy Hydro 2021, accessed 8 April 2022.

Snowy Hydro, [Annual Report: For the Year Ended 30 June 2020](#), Snowy Hydro 2020, accessed 8 April 2022.

Snowy Hydro, [Annual Report: For the Year Ended 30 June 2019](#), Snowy Hydro 2019, accessed 8 April 2022.

Snowy Hydro, [Hunter Power Project overview booklet](#), Snowy Hydro, n.d., accessed 8 April 2022.

¹ https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information

Attachment A – Ensuring Certainty for Kurri Kurri – financial implications

Table A1: Ensuring Certainty for Kurri Kurri – Fiscal balance (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Revenue													
<i>Return on equity (dividends)</i>	-	-	34.0	68.1	68.1	68.1	68.1	68.1	68.1	68.1	68.1	102.1	578.8
Total (excluding PDI)	-	-	34.0	68.1	68.1	68.1	68.1	68.1	68.1	68.1	68.1	102.1	578.8
<i>PDI impacts</i>	-4.0	-12.0	-15.8	-15.0	-13.8	-12.4	-10.9	-9.2	-7.4	-5.4	-5.5	-46.8	-111.4
Total (including PDI)	-4.0	-12.0	18.2	53.1	54.3	55.7	57.2	58.9	60.7	62.7	62.6	55.3	467.4

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

- Indicates nil.

Table A2: Ensuring Certainty for Kurri Kurri – Underlying cash balance (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Receipts													
<i>Return on equity (dividends)</i>	-	-	34.0	68.1	68.1	68.1	68.1	68.1	68.1	68.1	68.1	102.1	578.8
Total (excluding PDI)	-	-	34.0	68.1	68.1	68.1	68.1	68.1	68.1	68.1	68.1	102.1	578.8
<i>PDI impacts</i>	-3.5	-11.0	-15.4	-15.1	-14.0	-12.6	-11.1	-9.4	-7.6	-5.6	-5.5	-45.0	-110.8
Total (including PDI)	-3.5	-11.0	18.6	53.0	54.1	55.5	57.0	58.7	60.5	62.5	62.6	57.1	468.0

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

Table A3: Ensuring Certainty for Kurri Kurri – Headline cash balance (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Receipts													
<i>Return on equity (dividends)</i>	-	-	34.0	68.1	68.1	68.1	68.1	68.1	68.1	68.1	68.1	102.1	578.8
Payments													
<i>\$700 million equity</i>	-350.0	-350.0	-	-	-	-	-	-	-	-	-	-700.0	-700.0
Total – payments	-350.0	-350.0	-	-	-	-	-	-	-	-	-	-700.0	-700.0
Total (excluding PDI)	-350.0	-350.0	34.0	68.1	68.1	68.1	68.1	68.1	68.1	68.1	68.1	-597.9	-121.2
<i>PDI impacts</i>	<i>-3.5</i>	<i>-11.0</i>	<i>-15.4</i>	<i>-15.1</i>	<i>-14.0</i>	<i>-12.6</i>	<i>-11.1</i>	<i>-9.4</i>	<i>-7.6</i>	<i>-5.6</i>	<i>-5.5</i>	<i>-45.0</i>	<i>-110.8</i>
Total (including PDI)	-353.5	-361.0	18.6	53.0	54.1	55.5	57.0	58.7	60.5	62.5	62.6	-642.9	-232.0

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

- Indicates nil.