



Snowy Hydro: Publicly Owned Energy	
Party:	Australian Greens
Summary of proposal: The proposal consists of 4 components and would start from 1 July 2022. Component 1 would repurpose Snowy Hydro into the following two separate corporate entities: <ul style="list-style-type: none">• an electricity wholesale generation and storage company called Snowy Hydro Ltd• a non-profit electricity and gas retail company called Power Australia Ltd. Component 2 would require Snowy Hydro Ltd to construct at least 25 Gigawatts (GW) of wind, solar and storage capacity across the six years between 2023-24 and 2029-30: <ul style="list-style-type: none">• \$40 billion of equity finance would be provided, as needed, to meet the 25 GW goal• interest rates would be pegged to the overnight cash rate• equity finance terms would be over an appropriate mix of 10, 20, 25 and 30-year periods. Component 3 would require Power Australia Ltd to sell electricity to customers at cost after meeting generation, transmission, distribution, regulatory, operational and overhead costs. Component 4 would reverse the \$600 million equity investment for the 660 Megawatt (MW) open cycle gas turbine at Kurri Kurri in the Hunter Valley.	

Costing overview

The proposal would be expected to increase the fiscal balance by around \$22.4 million, increase the underlying cash balance by around \$32.4 million, and decrease the headline cash balance by around \$9,648 million over the 2022-23 Budget forward estimates period. Component 1 does not involve any impact on administered expenditure as it restructures existing Commonwealth assets and it is unclear what impact the restructured entities would have on the budget, but it is anticipated that it will involve additional departmental expenditure in the transitional period. Component 3 of the proposal would have no financial impact, because Component 1 addresses its requirements.

The proposal would have an ongoing 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 uncertain and highly sensitive to assumptions on the speed at which capital is deployed and projects are completed. The costing includes no allowance for the impact of the proposal on business profitability or company tax revenue. The magnitude of such effects would be highly uncertain and could comprise different effects, including:

- reductions in the returns of competing investment projects especially due to the entry of a large-scale investment in the clean energy sector and non-profit seller of electricity (crowding-out effects)
- increases in profits from marginal projects as a result of a reduction in the cost of capital because of potential flow-on effects of large-scale equities in the market (crowding-in effects).

It is unclear which of the crowding-out or crowding-in effects would dominate, and this could vary from period to period.

The fiscal, underlying cash and headline cash balance impacts differ primarily because only the headline cash balance includes transactions related to equity investments. 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	-10.9	9.2	9.4	14.7	22.4
Underlying cash balance	-10.9	9.2	9.4	24.7	32.4
Headline cash balance	239.1	-1,410.8	-3,320.6	-4,975.3	-9,467.6

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

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

Component 2 – equity finance for power generation and storage

- The \$40 billion equity funding would be committed over 6 years from 2023-24, with each tranche of funding deployed over 4 years.
- The committed equity would not impact consolidated revenue through dividend payments until funding is deployed or drawn down for investment or operational purposes.
 - Dividend earnings on investments would be returned to consolidated revenue.
- The projects would commence and be completed in a phased manner. This would reflect time needed to assess eligibility, the average investment project length and staged project commencement.
- The departmental costs would be broadly consistent with the costs of the Clean Energy Finance Corporation (CEFC) relative to the amount of funding administered. There would be additional departmental expenses in 2022-23 to reflect establishment costs for the investments.

Component 4 – reversal of equity investment for 660MW gas turbine at Kurri Kurri in the Hunter Valley

- Under the 2022-23 PEFO baseline, the equity injection would be spread over 3 years starting in 2021-22. When reversing this measure under the proposal, only the equity injections for 2022-23 and 2023-24 of \$250 million per year would be recoverable. The estimated \$100 million equity injection for 2021-22 would have been spent and would not be recoverable.
 - The Department of Finance advised the equity injection profile is commercial-in-confidence and not to be released. The PBO has assumed our own profile.
- In reversing this policy there may be costs associated with dismantling work done up to the date work ceases and potentially some cost recovery from salvage. The PBO has no information on the potential magnitudes of these effects, and they have not been included in this costing.

- Departmental costs for this measure would not be significant and would be met from within existing resources.

Methodology

For Component 1, total departmental costs for repurposing Snowy Hydro into wholesale and retail arms was modelled on the 2016-17 MYEFO measure *Supporting Australia's Future Shipbuilding Capability – ASC Pty Ltd structure*.

For Component 2, equity investment profile estimates use information from the CEFC as a guide because projects under this proposal are of a comparable nature. The equity commitment and deployment profiles were adjusted to reflect the scale of the investment. Departmental costs are set as a proportion of the capital deployment in each year, based on the financial statements of the CEFC.

For Component 3, the departmental costs for legislative instruments and Commonwealth oversight of Power Australia Ltd would be met from within existing departmental expenses.

For Component 4, the equity investment profile allows for a ramp-up in construction activity with most of the equity provided in the final 2 years of the project.

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

Data sources

The Department of Industry, Science, Energy and Resources (2022) *CEFC model*, Department of Industry, Science, Energy and Resources, Australian Government

The Hon Angus Taylor MP (2021) [Protecting families and businesses from higher energy prices](#), Department of Industry, Science, Energy and Resources Minister's website, accessed 3 June 2022

Commonwealth of Australia (2016) *Mid-Year Economic and Fiscal Outlook 2016-17*, Australian Government

Commonwealth of Australia (2022) *Budget 2022-23*, Australian Government

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

Attachment A – Snowy Hydro Publicly Owned Energy – financial implications

Table A1: Snowy Hydro Publicly Owned Energy – 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>Component 2 - Dividend income</i>	-	36.0	101.0	222.0	369.0	517.0	665.0	776.0	850.0	887.0	887.0	359.0	5,310.0
Total – revenue	-	36.0	101.0	222.0	369.0	517.0	665.0	776.0	850.0	887.0	887.0	359.0	5,310.0
Expenses													
Departmental													
<i>Component 1</i>	-3.0	-1.0	-	-	-	-	-	-	-	-	-	-4.0	-4.0
<i>Component 2</i>	-7.9	-15.8	-31.6	-47.3	-63.1	-63.1	-63.1	-47.3	-31.6	-15.8	-	-102.6	-386.6
Total – expenses	-10.9	-16.8	-31.6	-47.3	-63.1	-63.1	-63.1	-47.3	-31.6	-15.8	-	-106.6	-390.6
Total (excluding PDI)	-10.9	19.2	69.4	174.7	305.9	453.9	601.9	728.7	818.4	871.2	887.0	252.4	4,919.4
PDI impacts	..	-10.0	-60.0	-160.0	-290.0	-460.0	-640.0	-820.0	-950.0	-1,040.0	-1,070.0	-230.0	-5,500.0
Total (including PDI)	-10.9	9.2	9.4	14.7	15.9	-6.1	-38.1	-91.3	-131.6	-168.8	-183.0	22.4	-580.6

(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.

.. Not zero but rounded to zero.

- Indicates nil.

Table A2: Snowy Hydro Publicly Owned Energy – 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>Component 2 - Dividend income</i>	-	36.0	101.0	222.0	369.0	517.0	665.0	776.0	850.0	887.0	887.0	359.0	5,310.0
Total – receipts	-	36.0	101.0	222.0	369.0	517.0	665.0	776.0	850.0	887.0	887.0	359.0	5,310.0
Payments													
Departmental													
<i>Component 1</i>	-3.0	-1.0	-	-	-	-	-	-	-	-	-	-4.0	-4.0
<i>Component 2</i>	-7.9	-15.8	-31.6	-47.3	-63.1	-63.1	-63.1	-47.3	-31.6	-15.8	-	-102.6	-386.6
Total – payments	-10.9	-16.8	-31.6	-47.3	-63.1	-63.1	-63.1	-47.3	-31.6	-15.8	-	-106.6	-390.6
Total (excluding PDI)	-10.9	19.2	69.4	174.7	305.9	453.9	601.9	728.7	818.4	871.2	887.0	252.4	4,919.4
<i>PDI impacts</i>	..	-10.0	-60.0	-150.0	-280.0	-440.0	-620.0	-800.0	-930.0	-1,030.0	-1,070.0	-220.0	-5,390.0
Total (including PDI)	-10.9	9.2	9.4	24.7	25.9	13.9	-18.1	-71.3	-111.6	-158.8	-183.0	32.4	-470.6

(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.

.. Not zero but rounded to zero.

- Indicates nil.

Table A3: Snowy Hydro Publicly Owned Energy – 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>Component 2 - Dividend income</i>	-	36.0	101.0	222.0	369.0	517.0	665.0	776.0	850.0	887.0	887.0	359.0	5,310.0
Total – receipts	-	36.0	101.0	222.0	369.0	517.0	665.0	776.0	850.0	887.0	887.0	359.0	5,310.0
Payments													
Administered													
<i>Component 2 - Equity investments</i>	-	-1,670.0	-3,330.0	-5,000.0	-6,670.0	-6,670.0	-6,670.0	-5,000.0	-3,330.0	-1,670.0	-	-10,000.0	-40,010.0
<i>Component 4 - reverse Kurri Kurri gas generator equity injection</i>	250.0	250.0	-	-	-	-	-	-	-	-	-	500.0	500.0
Total – administered	250.0	-1,420.0	-3,330.0	-5,000.0	-6,670.0	-6,670.0	-6,670.0	-5,000.0	-3,330.0	-1,670.0	-	-9,500.0	-39,510.0
Departmental													
<i>Component 1</i>	-3.0	-1.0	-	-	-	-	-	-	-	-	-	-4.0	-4.0
<i>Component 2</i>	-7.9	-15.8	-31.6	-47.3	-63.1	-63.1	-63.1	-47.3	-31.6	-15.8	-	-102.6	-386.6
Total – payments	239.1	-1,436.8	-3,361.6	-5,047.3	-6,733.1	-6,733.1	-6,733.1	-5,047.3	-3,361.6	-1,685.8	-	-9,606.6	-39,900.6
Total (excluding PDI)	239.1	-1,400.8	-3,260.6	-4,825.3	-6,364.1	-6,216.1	-6,068.1	-4,271.3	-2,511.6	-798.8	887.0	-9,247.6	-34,590.6
<i>PDI impacts</i>	..	-10.0	-60.0	-150.0	-280.0	-440.0	-620.0	-800.0	-930.0	-1,030.0	-1,070.0	-220.0	-5,390.0
Total (including PDI)	239.1	-1,410.8	-3,320.6	-4,975.3	-6,644.1	-6,656.1	-6,688.1	-5,071.3	-3,441.6	-1,828.8	-183.0	-9,467.6	-39,980.6

(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.

.. Not zero but rounded to zero.

- Indicates nil.