



Snowy 'reset' can't hide profligate waste of taxpayer money



TED WOODLEY



Energy Minister

Chris Bowen speaks to the media during a press conference at Parliament House.

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The estimated cost of Snowy 2.0 recently was reset to \$12bn, double the previous \$5.9bn estimate and six times the original \$2bn estimate. According to Snowy Hydro chief executive Dennis Barnes, this was as a result of “an incredibly comprehensive (review) process”.

But despite numerous requests for detailed information to explain the \$6.1bn blowout of this taxpayer-funded project and how it still could be a commercial investment, all that has been released is a one-page ministerial media release, a Snowy Hydro News sheet and a heavily redacted response to a Senate notice.

This dearth of information belies the assertions of the two shareholder ministers, Climate Change and Energy Minister Chris Bowen and Finance Minister Katy Gallagher, of being committed to transparency and honesty: “The result of the (Snowy 2.0) project review ... is being made public today (August 31, 2023). Unlike the previous government, we are committed to being transparent and honest with the Australian people about the challenges and opportunities for Snowy.”

Since Snowy 2.0's announcement as "a nation-building, electricity game-changer" in March 2017, no detailed financial information has been released. In fact, every estimate and claim has been wildly inaccurate, and this latest reset appears to be no different.

Let's look at a few of the reset's most dubious estimates and claims.

Snowy 2.0's estimated cost has been reset four times – from \$2bn in 2017, to \$3.8bn later that year, to \$5.1bn in 2019, to \$5.9bn in 2020, to \$12bn now. It was telling that the previous Snowy Hydro boss, Paul Broad, was astonished by the reset: "I'm a bit shocked. I don't know where this \$12bn comes from, that's news to me. Twelve months ago it was nothing like that. That seems mad."

Whereas Barnes apologised but said it was a commercial investment: "Obviously we're very disappointed in the cost increase, and of course we apologise for that, but bear in mind that this is an investment that the Australian taxpayer will get a return on."

Bowen says Snowy 2.0 still has a net value and he is concerned about wasting the sunk costs: "There's still \$3bn net value, and of course it is 40 per cent built, so it would be a huge waste of money to cancel it at this point."

It's important to realise that previous cost estimates have covered only the main works, and it is expected this largely remains the case with the latest reset, though not even this most basic of financial information has been released.

Missing project components, such as financing, design, owner's costs, exploratory and other works, and the segment factory, will add many billions by the time the project is completed.

Also, 1000km of transmission lines are being built primarily to connect Snowy 2.0 to Sydney and Melbourne (HumeLink, Sydney Ring South, VNI West) at a cost of more than \$10bn.



[Dennis Barnes](#)



[Katy Gallagher](#)

The all-up cost for Snowy 2.0 and its transmission connections is now approaching \$25bn – an absurd amount for a 2200MW water battery.

Like the regular cost blowouts, the completion date has been reset five times – from 2021 initially to 2025 in the feasibility study, 2026 in the final investment decision, 2027 in the 2022 corporate plan, 2029 in May this year and, surprisingly, back to 2028 in the reset. The reset target of first power in 2027 is again unrealistically optimistic, as is a one-year schedule to commission all six units by the end of 2028.

[A big unknown is the tunnel boring machine, Florence](#), still paused 150m from the start of the 16km headrace tunnel after 19 (non-boring) months.

Even if Florence attains the speed of the two other tunnel boring machines (7m a day) it will take six years to complete the tunnel – well after Snowy 2.0 is supposed to be commissioned.

The reset makes the astounding claim that “despite the cost blowout the project still has a net present value of around \$3bn (based on a \$12bn revised target total cost and December 2028 delivery)”.

The two provisos are not achievable, so neither is the claim. But even if the claim were achievable, how could the reset net present value of \$3bn (at a cost of \$12bn) be higher now than the final investment decision NPV estimate of -\$0.2bn to \$2.8bn (when the cost was \$3.8bn)?

Another questionable reset claim is that Snowy 2.0 is 40 per cent built.

All that has been achieved in the 6½ years since Snowy 2.0’s announcement are two 3km access tunnels to the location of the power station caverns, 80,000 concrete tunnel lining segments, lots of roads and construction sites, and other preliminary works. Substantially more than 60 per cent of construction lies ahead – two massive underground caverns, extensive mechanical and electrical equipment at four sites, 27km of water tunnels, four transmission circuits through Kosciuszko National Park and associated works.



[Snowy Hydro 2.0 project continues to face delays, months after a sinkhole and a gas leak caused operational difficulties.](#)

[Bowen’s rationale for continuing with Snowy 2.0](#) is that “with 40 per cent built (it’s not), the \$4.3bn sunk would be a huge waste of money”. He’s right about the huge waste so far, but doggedly continuing regardless of the cost will result in squandering at least six times that amount (that is, another \$20bn-plus) – equating to \$1000 for every Australian.

Why persist in building an absurdly expensive, inefficient water battery that will not be completed until next decade and is devastating vast areas of Kosciuszko National Park? The tens of billions saved could be redirected to worthwhile storage projects in much better locations requiring far less transmission.

There have been four cost resets and five completion resets so far. How many more will it take before the government stops relying on Snowy Hydro's manifestly inaccurate guesstimates? In the interests of transparency and honesty the government should release Snowy 2.0's latest reset report and have it independently assessed, something experts have been urging for years. How much more taxpayer money will the government squander on Australia's biggest energy debacle?

Ted Woodley is former managing director of PowerNet, GasNet, EnergyAustralia, China Light & Power Systems (Hong Kong) and a board member of NSW National Parks Association.

<https://www.theaustralian.com.au/commentary/snowy-reset-cant-hide-profligate-waste-of-taxpayer-money/news-story/f47f00a9995a24216b5b995a9627fc16>

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LETTERS

Snowy 2.0 cost blowout exposes folly of poor planning

I'd never thought a pumped storage system for electricity would be termed a "water battery", but it is an accurate description from Ted Woodley ("Snowy reset can't hide the profligate waste of taxpayer money", 26/10).

His article reveals the incredible costs associated with switching our national electricity supply to renewables. No doubt early estimates for Snowy 2.0 came from the back of an envelope or its electronic equivalent, and referred only to a small part of the overall needs for the nation. He mentioned one of the major interconnections needed for transmission of remotely generated electricity to urban markets; the others are incredibly expensive too.

Adding pumped storage is never going to be cheap, but it works and is needed if we head down this path. It will be operating at a low marginal cost when several incarnations of solar cells and windmills have taken place, just as Snowy 1.0 is still working for us, an age after it came into operation.

Net Present Value calculations have distinct limitations for ventures such as decarbonising the national electricity supply, they

focus on the short term and are highly sensitive to assumptions, and omissions.

Ken Dredge, Camp Hill, Qld

The six-times cost blowout of Snowy 2.0, from \$2bn to \$12bn epitomises the recklessness of Labor's renewables fantasy and represents just one more step in locking in unaffordable and non-competitive power for Australia for the foreseeable future.

As with most renewables projects, it is weather-dependent and environmentally destructive on a major scale. Snowy 2.0 is a giant 2200MW battery, dependent not only on water supplies but on surplus power from weather-dependent wind and solar farms. How you can develop an industrial base on such a flimsy, outrageously expensive project is beyond me.

In contrast, with Snowy's fully built-up cost, including transmission of around \$25bn, you could have around 4000MW of small modular nuclear reactors generating electricity 24/7, located on former coal-power plant sites with minimal environmental disturbance.

Ron Hobbs, Camberwell, Vic

The recent reports about massive cost blowouts and delays to Snowy 2.0 demonstrate the folly of poor planning and indecent haste when it comes to massive renewable energy infrastructure projects – with terrible outcomes for the community.

This same folly is now being repeated in multibillion-dollar overhead transmission projects for renewable energy that should – by any reasonable assessment – be placed underground for the benefit of the environment, safety, reliability and the regional communities.

In the case of the 360km, \$4.9bn HumeLink transmission project in southern NSW, which is designed to carry energy from the delayed Snowy 2.0 disaster, all arms of government are in lock-step in their relentless demand to push ahead with the current and dangerous overhead plan at all cost.

The HumeLink high-voltage overhead transmission is the umbilical cord between Snowy 2.0 hydro generation and electricity consumers in the greater Sydney region. The trouble is the probability Snowy 2.0 has been blown

out of the water by the huge geological and construction issues facing the constructors of Snowy 2.0's new tunnel network. If HumeLink is built and Snowy 2.0 hits the wall, we will still be on the hook for another minimum \$5bn and that cost can only be reflected in higher electricity prices. That's a lot of schools and hospitals.

Federal and state parliamentarians will soon need to answer community concerns over rising power prices and the failure to provide additional essential services like schools and hospitals. I believe there needs to be a massive rethink of Snowy 2.0 and HumeLink. Let's get our renewable energy future right, rather than continuing to blow money on poorly planned projects.

Michael Katz, Gurrundah, NSW

Given that it requires significantly more energy to pump water up to the high-level reservoir than is generated by its outfall, Energy Minister Chris Bowen needs to provide evidence of how the project is still a \$3bn net value after expenditure of \$12bn plus \$10bn of transmission lines.

Charles Stanger, Manuka, ACT