

## PM's Snowy 2.0 is a complete snow job

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PM Scott Morrison visiting the Snowy Hydro Tumut 3 Power Station, in NSW yesterday. Picture: Kym Smith

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Prime Minister Scott Morrison is stretching the truth when he calls Snowy 2.0 fair dinkum power.

Surely pumping water up hill to then be released to generate electricity, with a net loss of energy of at least 20 per cent, is more fairy story than fair dinkum?

But evidently it's OK because taxpayers, whether willing or not, will have to invest only \$1.4 billion into the project with the rest "self-funded" by the Snowy corporation itself. Let's be clear about this: we either pay for this through taxes or through electricity prices.

And bear in mind the final cost of the project remains extremely uncertain. It was going to cost \$2bn and then it was \$4bn. Or was that \$4.5bn? We are not sure whether this includes the cost of the additional transmission infrastructure required. We could easily add another \$2bn.

Don't forget the federal government had to buy out NSW and Victoria because there could be no guarantee those state governments would be as keen on this fairy story (sorry, fair dinkum project) as the Coalition.

Let's be clear about the economics of this project: it rests on very high and variable wholesale electricity prices. Water can be pumped up the hill when prices are low and released when prices are high. That might be a good deal for the corporation, but it's not a good deal for consumers.

Evidently, the Coalition has given up on the ambition of returning real wholesale prices to levels we enjoyed at the turn of the century, levels which made heavy industry in this country competitive and profitable.

Let's also take a look at recent wholesale electricity prices. With the exception of Tasmania, they are as high as they have ever been, notwithstanding the avalanche of investment in new renewable energy installations. Note also that there has been very little growth in the demand within the National Electricity Market for well over a decade.

We keep hearing that renewable energy will lower electricity prices but the massive increase in the penetration of wind and solar in electricity generation (now above 20 per cent) has been associated with massive increases in prices — doubling in a decade.

And did you notice the supernormal profits reported this week by Energy Australia, one of the three oligopolistic gentailers that all invest in renewable energy while milking their fossil fuel assets?

The reason: sky-high wholesale electricity prices.

Labor will probably go quietly on this government initiative. Opposition energy spokesman Mark Butler knows that a system dominated by renewable energy is in trouble without backup such as Snowy 2.0.

The wind and solar operators can't wait until Labor wins to save their bacon: without a rejigged renewable energy target (50 per cent by 2030), the massively oversupplied market will start to throw up a significant number of commercial failures.

Were the electricity market not so distorted, there would not be any economic case for Snowy 2.0. The project has been around for many years and it never stacked up. The cost and the execution risk made it a complete non-starter.

The fact the Coalition government refuses to unpick the distortions in the market, rather than adding to them by promoting Snowy 2.0, is a sad indictment of where energy policy has landed.

And, by the way, for the sort of investment being devoted to Snowy 2.0, you could get several high efficiency, low emissions coal-fired plants.