

THE AUSTRALIAN BUSINESS REVIEW

By **PERRY WILLIAMS**

BUSINESS EDITOR

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and **NICK EVANS**

RESOURCE WRITER

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Australia's power grid faces a fresh threat from blackouts after the federal government-owned Snowy Hydro revealed a potential two-year delay to the [\\$5.9bn Snowy 2.0 expansion](#) along with a further cost blowout.

Snowy Hydro said the commercial operation of all units may be delayed until the end of the decade, with a potential latest start-up date of December 2029 and an earliest date of December 2028.

First power is now due between June and December 2028 at the latest, with an earliest date of June to December 2027.

“Snowy Hydro anticipates that the timeline for full commercial operation is delayed by a further 12-24 months from the current publicly released dates,” the company said in a statement.

Newly installed Snowy Hydro chief executive Dennis Barnes told The Australian the new completion forecast was a “realistic, achievable range”, with the company hoping to bring the project as early as it could.

“My expectation – and obviously my objective – is to refine it to the upside,” he said.

[The Snowy Hydro project](#) has been dogged by a series of project issues including the collapse of one of its contractors, Clough, delays through Covid-19 and, more recently, a major tunnel boring machine getting stuck in the Snowy Mountains.

The delay of the massive hydro expansion will now significantly hike [the risk of blackouts in the power grid](#) later this decade as coal plants exit the system. It may

worsening [forecast reliability in NSW in 2020 and 2021](#) should showy not hit the original 2.0 deadline.

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NSW Premier Chris Minns on Wednesday said the state government was open to extending the lifetime of Eraring coal-fired power station past 2025 in a bid to ease supply shortfalls and rising energy prices, after he previously flagged a potential buyback of the power station during his election campaign.

“It’s a difficult transition we’ve never said otherwise ... to ensure that there’s ready dispatchable energy for the people of NSW that we keep the lights on,” Mr Minns said.

“It’s one of the leading reasons why during the election campaign that we kept the door open to ensuring that Eraring is available to the consumers of NSW.

“We’ve got a responsibility to keep the lights on.”

NSW Energy Minister Penny Sharpe recently spoke with Origin Energy CEO Frank Calabria at a first “meet and greet”, although Eraring’s future is not believed to have been discussed in any detail.

But a spokeswoman for Origin said the energy giant had always flagged that the company’s final closure plans for Eraring would depend on the requirements of the NEM at the time.

“Origin will continue to assess the market over time, and this will help inform the final timing for closure of all four units at Eraring. Origin will also continue to actively engage with the market operator, NSW Government, our people and the local community regarding plans for Eraring’s closure,” she said.

Mr Barnes said extra detail on the “budget implications of the project reset” will be released in July 2023, and this will be clearly communicated with key project stakeholders, with a renegotiation of the original fixed-price contract with the

time frame. So it's appropriate to want to reset, which will inevitably mean some renegotiation of the contract," Mr Barnes said.

"My job is to try and get everybody going in the same direction, and a fixed price contract in this inflationary environment doesn't have everybody going in the same direction."

Snowy Hydro blamed the delays and cost hikes on four factors: the mobilisation and resourcing implications of the Covid-19 pandemic; the effect of global supply chain disruption and inflation impacting the cost and availability of a skilled workforce, materials, and shipping. Snowy Hydro said design elements also required more time to complete due to their technically complex nature, with the final design now being more expensive to construct.

Mr Barnes said Snowy Hydro's contractor had been forced to build more roads than initially forecast to ensure equipment and materials could be moved safely, as well as more complicated changes to the scope of the project, including the need to line a key incline tunnel with steel.

Snowy Hydro also pointed to the impact of variable site and geological conditions, including the soft ground that has "paused" tunnel boring machine Florence's progress at Tantangara since before Christmas.

Mr Barnes said a slurry plant that should allow Florence to get moving again would be commissioned within a few weeks, and Snowy and FGJV were also looking for other ways to make up for lost time on the headrace tunnel.

"One of the things we're thinking about is whether we tackle this headrace tunnel from both ends," he said.

Rather than use a tunnelling machine from the other side, Mr Barnes said Snowy Hydro's contractors were looking at whether they could use traditional mining drill and blast methods at the other end of the tunnel to try to make up for lost time.

Mr Barnes would not be drawn on the likely size of the blowout, but said Snowy Hydro expected to put new numbers to the federal government when the company submits its next corporate plan in July.

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Snowy Hydro in October then confirmed it was in talks with the joint venture, now run by Webuild, over the cost claims.

Paul Broad [sensationally quit as Snowy Hydro's boss in August last year](#) following revelations of the cost crunch.

The Coalition paid \$6bn in 2018 to win control of Snowy Hydro after buying stakes owned by the NSW and Victorian governments.

Former Prime Minister Malcolm Turnbull had proposed a feasibility study the year before for the expansion project, which involves pumping water uphill during off-peak periods and then releasing it when there are gaps in supply.

Snowy is Australia's fourth-largest energy retailer with 1 million power customers through its Red and Lumo brands.

Additional reporting by Jess Malcolm.

PERRY WILLIAMS, BUSINESS EDITOR

Perry Williams is The Australian's Business Editor. He was previously a senior reporter covering energy and has also worked at Bloomberg and the Australian Financial Review as resources editor and deputy company...

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NICK EVANS, RESOURCE WRITER

Nick Evans has covered the Australian resources sector since the early days of the mining boom in the late 2000s. He joined The Australian's business team from The West Australian newspaper's Canberra bureau, where...

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