

# FINANCIAL REVIEW

Companies and Markets

## **Snowy Hydro looks to solar power**

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Snowy Hydro is closely eyeing the potential of large-scale solar power in a move that would underpin new projects in South Australia and Queensland and cut risks of supplying customers.

Chief executive Paul Broad said the large hydroelectric generator was seriously considering committing to long-term power purchase contracts with solar projects in both states.

The significant drop in large-scale solar costs and the fit with the rest of Snowy's business made solar power much more interesting for the company than wind power. It would also pave the way for Snowy to take part in an expected shift in the industry towards solar power combined with utility-scale storage.

"The price is down significantly,

so we think the whole solar-storage [concept] is where the market is going to move to," Mr Broad said in an interview in Snowy's new Sydney headquarters on a wharf in Millers Point.

"Wind will play its role but it's nowhere near as attractive to us as solar."

Several solar projects are under consideration in both states, by companies including Lyon Infrastructure Investments, **Genex Power** and Spain's FRV. Some are among the 20 projects worth \$1.6 billion that applied for support from the Australian Renewable Energy Agency's \$100 million funding round.

Mr Broad said the closure of base-load generation in South Australia had increased risks for Snowy in that state, where its Lumo retail business has about 50,000 customers and where its own generation is limited to 160 megawatts of high-cost diesel plants.

"We've effectively got a physical hedge on our market down there above a certain price point, but in that mid-price point market we have a certain amount of risk," he

said.

"So we're obviously in the market buying; we're looking very much at some solar plants down there, doing some deals in solar, that's got big potential for us."

In NSW, Snowy added gas-fired generation last year through its \$234 million purchase of the Colongra peaking plant, which is intended to avoid the sort of squeeze suffered recently by Hydro Tasmania when the Basslink cable to Victoria failed, drought had reduced dam water levels and it had mothballed its gas-fired plant.

"You've got to think about the risks, and we think about that constantly," Mr Broad said.

"One of our greatest risks is transmission risks and having Colongra on the other side of the Sydney Basin is something that we regard as strategic, and a number of times since we purchased it it's really been incredibly valuable to us."

Mr Broad said the thinning of the merchant market after AGL Energy took over giant NSW generator Macquarie Generation in 2014 had driven Snowy harder

on its strategy of integration.

"To survive this market you've got to integrate, you've got to control your own destiny," he said.

But after more than \$800 million of acquisitions in 2014-15, Snowy is not in the market for more nor would it likely take equity stakes in new solar projects. Mr Broad said Snowy, which has about \$1.3 billion of debt, was keen to keep its BBB+ credit rating.

Limited funding capacity has been touted as a reason Snowy might look again toward privatisation, but Mr Broad said he'd had "zero indication" from the owners, the federal, NSW and Victorian governments, that they were contemplating any such move. But funding capacity had not hampered Snowy, he added.

"There's nothing that's come up on my radar which would say I've got handcuffs on," he said.