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News

CleanCo could save Genex 's $700m project

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Renewables

The Queensland government's new renewable generation company CleanCo could be the saviour for Genex Power's $700 million pumped hydro storage project in the state's north.

The project went into limbo on Friday after EnergyAustralia stalled on a contract to buy power, sending the share price down 46 per cent and wiping $50 million from its market value. The shares are still trading 30 per cent lower than before the announcement.

The much-hyped Kidston project aims to create a $1 billion renewable energy hub for solar, pumped hydro and wind at the site of an old gold mine. It has received support from the state and federal governments, including $132 million from the Palaszczuk government to connect to the grid.

Genex co-founder Simon Kidston was "blindsided" by the announcement, which could spell the end of the pumped hydro storage project. It was expected to reach financial close by the end of the year.

The delay means provisional agreements for the $610 million Northern Australian Infrastructure Facility loan - the centrepiece of Genex's debt funding - and a $25 million share subscription agreement with J-Power (as part of its equity funding) will lapse. The funding was conditional on a long-term off-take agreement being locked in.

Mr Kidston was confident a restructured agreement with EA would allow the Genex loan and J-Power's equity to stay as part of the final deal, which he hoped would be closed next year.

"We are committed to banking this project and understand EA is happy to look at options that fit within their operational constraints," he said.

While a deal of 20 to 30 years was a bridge too far for EA, Genex hoped a shorter 10-year off-take agreement with an option for another 10 years could be secured.

Renegotiating a deal with EA made sense because they had already done due diligence. A third party, such as CleanCo, would have to start from scratch.

A spokesman for CleanCo declined to comment on a possible deal, saying it was "potentially a commercial matter".

Mr Kidston said the changed market conditions - where a flood of renewable energy in the middle of the day, known as the "duck curve", had driven down prices - had made the business case for pumped hydro more compelling.

"People knew the duck curve is coming but it's now been observed. The value of storage is more apparent than before," he said.

"There's been a sustained period of negative pricing in Queensland. It used to be that midday pricing in Queensland was $40, $50 or $60 a megawatt-hour. In the first few weeks of September, it was negative $100.

"That's never been seen before so there is a new dynamic. Solar has depressed prices but as soon as the sun sets, there is a massive need for dispatchable generation."

Despite the falling price of battery storage, Mr Kidston said he believed pumped hydro projects, such as the Kidston one and Snowy 2.0, had a role to play in the National Electricity Market.

"We think there will be an uptake in batteries, there is no doubt about that. But they have a small-scale application ... Pumped hydro is the obvious solution for the large-scale application," he said.

Last week, EA said the Kidston pumped hydro project still had "good potential to add flexible, low-emission, dispatchable generation to our portfolio", supplying up to 250 megawatts of renewable electricity for about seven hours, and rising to full capacity in less than two minutes.

Construction will begin next year on a $420 million, 270-megawatt solar farm at the Kidston project.

Key pointsEnergyAustralia stalled on a contract to buy power from the Kidston project.

The delay means provisional loan and subscription agreements will lapse.