

**snowy**2.0

# Project Update

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Snowy 2.0 – Pumped Hydro Project  
July 2018

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# INTRODUCTION

This is an exciting time for Snowy Hydro and the Snowy Mountains region.

Since early 2017 we have been working on a project which will 'supercharge' the Snowy Scheme, increasing our energy generation and storage capabilities to meet future electricity market needs.

As older coal-fired plants retire and more renewable energy sources come online, the need for reliable, dispatchable generation to keep the lights on and to help smooth out the peaks and troughs of energy supply will be critical.

Snowy 2.0, which will see an underground power and pumping station built between the existing Tantangara and Talbingo reservoirs, will be a game-changer.

After completing the Snowy 2.0 feasibility study late last year, which showed the project was both technically feasible and financially viable, we have made good progress with planning and design, geotechnical investigation, financing and other important project components.

The final investment decision about whether to proceed with Snowy 2.0 will be made by the company's independent Board of Directors by the end of the year.

To make a significant commercial decision like this all relevant factors are considered. We have sought input from a wide range of sources, including independent economic modelling carried out by Marsden Jacob Associates, whose report (available on our website) shows that the products Snowy Hydro sells in today's energy market will be in even greater demand in the future, as we transition to a lower-emissions economy.

We continue to work through a detailed environmental planning and approvals process and to engage with our many stakeholders including the local community. I encourage you to read more about Snowy 2.0 in this booklet and of course, we welcome your feedback.



Paul Broad  
Managing Director and CEO  
Snowy Hydro Limited

## THE MODERN SNOWY HYDRO

Snowy Hydro is a dynamic energy company supplying electricity to more than one million homes and businesses. Since the days of our pioneering past, Snowy Hydro has grown into the fourth-largest retailer in the energy market.

Snowy Hydro operates the Snowy Mountains Hydro-electric Scheme (nine power stations including pumped storage at Tumut 3 Power Station and Jindabyne Pumping Station), along with other power assets across New South Wales, Victoria and South Australia.

We have a total generation capacity of 5,500 megawatts (MW) and offer energy insurance and other products that provide supply security and price certainty to customers in the energy market. Snowy Hydro also owns the electricity and gas retail companies Red Energy and Lumo Energy, and the utility connections business, Direct Connect.

We have embarked on the exciting Snowy 2.0 project, which, if approved, will significantly expand the Scheme to meet future energy needs in a changing and increasingly lower emissions economy.

The logo for Snowy Hydro, featuring the word "snowy" in green and "hydro" in blue, with a blue underline.The logo for Red Energy, featuring the word "red" in red and "energy" in red, with a red starburst graphic to the right.The logo for Lumo Energy, featuring the word "LUMO" in white and "ENERGY" in white, inside an orange circle.The logo for Direct Connect, featuring the words "DIRECT" and "CONNECT" in white, inside a red speech bubble, with the tagline "MAKES MOVING EASY" below it.

## ABOUT SNOWY 2.0

Snowy 2.0 is a pumped-hydro expansion of the Snowy Scheme which, if approved, will significantly add to our existing energy generation and large-scale storage capabilities.

Snowy 2.0 will increase the Scheme's generation capacity by up to 2,000 MW, and at full capacity, provide large-scale energy storage for about 175 hours (or 350,000 MWh).

The project will link two existing reservoirs, Tantangara and Talbingo, through underground tunnels and an underground power station with pumping capabilities.

Pumped hydro works like a conventional hydro-electric scheme, but instead of releasing the water after energy has been generated, it can 'recycle' or pump water back to the upper reservoir to be used again.

The ability to pump and store water means Snowy 2.0 acts like a giant battery by absorbing, storing and dispatching energy. Snowy 2.0 will pump water using electricity at times of low demand and store it in the upper reservoir. Then, when energy is needed most, the stored water will be used to generate and dispatch electricity within minutes.

**If the wind is blowing in the middle of the night when consumers are asleep, Snowy 2.0 can use the wind energy through pumping and store the water in the upper reservoir. When households wake up and the demand for energy soars, Snowy 2.0 can quickly generate and dispatch energy across the grid.**

The first power generated from Snowy 2.0 is expected in late 2024 and its operating life will be consistent with the Scheme's existing assets, which have been upgraded and technologically improved over the last 70 years.



Talbingo Reservoir



## WHY WE NEED SNOWY 2.0

Snowy Hydro already has the capability to store huge amounts of energy. While this capability is sufficient for the current National Electricity Market (NEM), it will not be enough in a future, lower emissions economy. The NEM covers New South Wales, Queensland, Victoria, South Australia and Tasmania.

The supply of electricity in the future will be increasingly generated by intermittent renewable sources such as wind and solar, and coal-fired power plants will continue to retire. The characteristics of renewables mean that supply doesn't always match demand, for example when there is no wind or sunshine. Snowy 2.0 will be critical to helping provide Australian businesses and households with reliable, stable and affordable energy in the future.

In a market with a higher penetration of renewables, quick-start dispatchable energy like hydro-power and large-scale energy storage becomes even more important. At times of high demand, when the wind isn't blowing or the sun isn't shining, Snowy 2.0 will provide much-needed and reliable energy to the market.

Snowy 2.0 will limit peak prices and the risk of extreme price volatility. It will also support renewables in the NEM by buying energy from the new renewable plants when this energy is surplus to the market's requirements, store it as water (potential energy) in the upper storage and release it when electricity demand is high.

The water storage not only turns intermittent wind and solar energy into 'firm', reliable electricity, but also protects the NEM from wind and solar droughts - phenomena that are irrelevant in today's NEM, but will be difficult to manage without large-scale energy storage, such as Snowy 2.0, in the future.

Snowy 2.0, along with the existing Snowy Scheme, will underpin an orderly transition from coal to renewables and help Australia meet its global climate change targets.

An independent economic analysis of the changing NEM, prepared by leading financial and economic consultants Marsden Jacob Associates, has confirmed the scale, strategic location and longevity of Snowy 2.0 makes it by far the cheapest and best option for the NEM as the economy decarbonises.



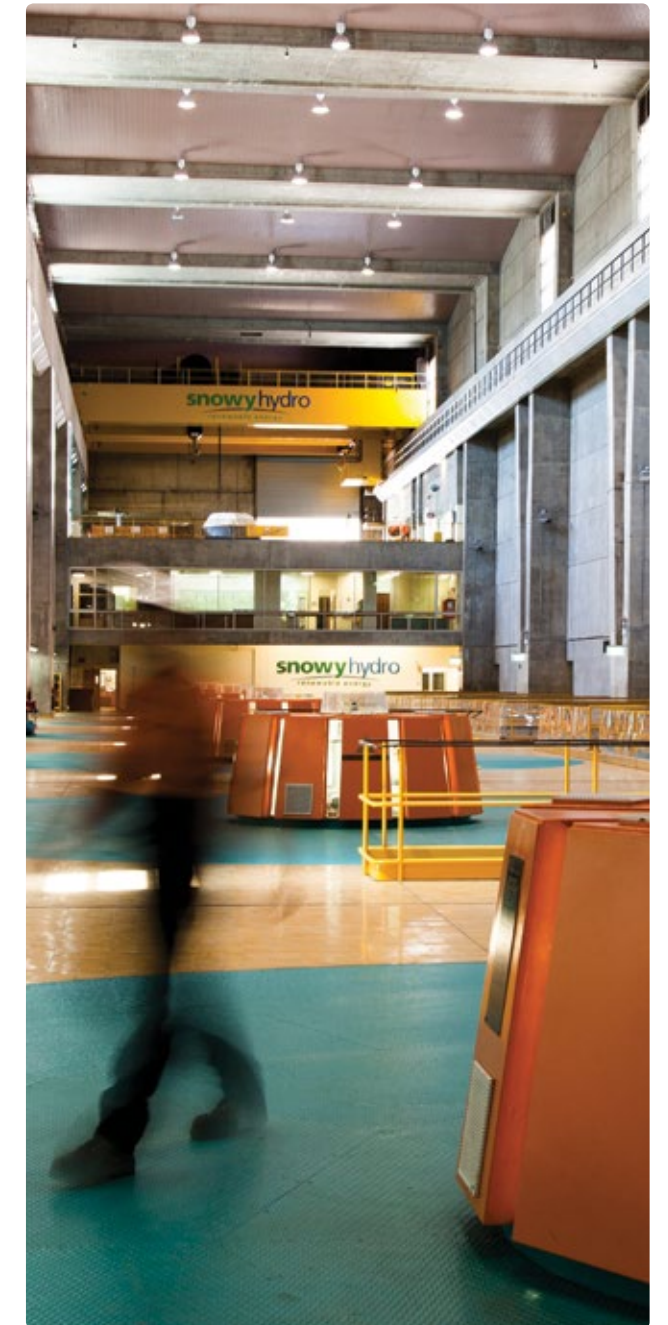
City skyline

## KEY BENEFITS

- ◆ **System security and reliability** - 2,000 MW of dispatchable energy generation that can respond within minutes to changing market needs.
- ◆ **Lower energy prices** - putting downward pressure on future energy prices
- ◆ **Scale and central location** - located between major load centres of Sydney and Melbourne and central to renewable energy zones that are being planned.
- ◆ **Supporting renewables** - Snowy 2.0 will physically and financially 'firm' renewables so they can enter into reliable supply contracts.
- ◆ **Lowest cost option** - if Snowy 2.0 was not built the likely alternative is a combination of gas peaking plants and batteries which would cost at least twice as much.
- ◆ **No changes to water** - Snowy 2.0 utilises large existing reservoirs so there are no new dams. There is no change to our water licence or releases for downstream water users or environmental flows.

While Snowy 2.0 is a significant expansion of the Scheme, the future NEM will need all the storage it can get.

**In decades to come, Snowy 2.0 alone will not be enough - other pumped hydro projects, commercial and household batteries and demand management will all have a role to play.**



Tumut 3 machine hall floor





Drilling activity in the Snowy Mountains

## PROJECT ACTIVITY TO DATE AND ONGOING

In 2017 Snowy Hydro completed a feasibility study which showed that Snowy 2.0 is both technically feasible and financially viable. To read the feasibility study visit our website: [snowyhydro.com.au/our-scheme/snowy20/](http://snowyhydro.com.au/our-scheme/snowy20/)

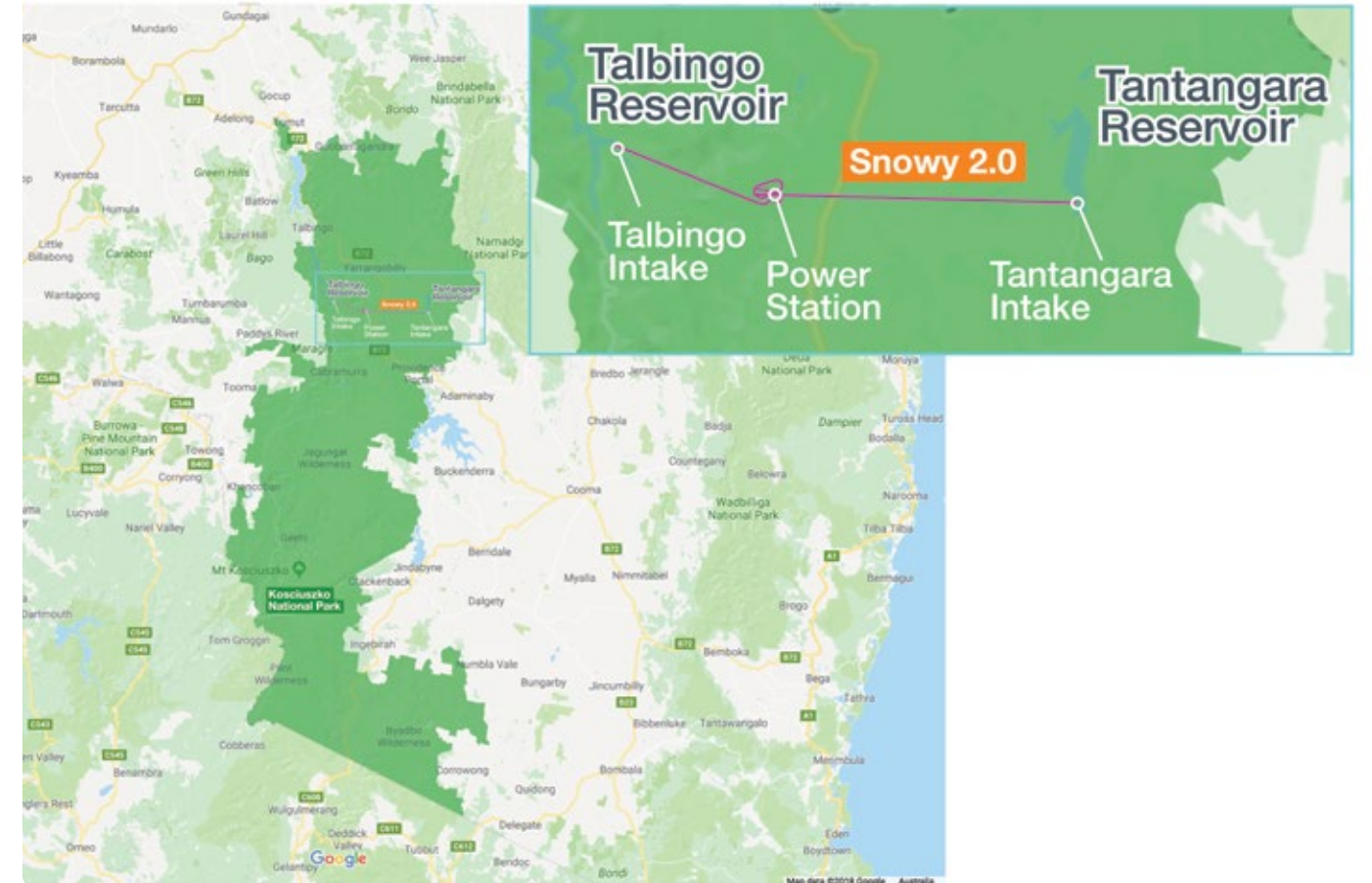
Following the release of the study outcomes, Snowy Hydro's independent Board of Directors approved progression of the project towards final investment decision (FID) in late 2018. Work on the project is continuing.

Project activities include:

- ❖ Geotechnical drilling program to collect information about the geology across the project route and at key sites.
- ❖ Extensive stakeholder and community consultation.
- ❖ Detailed project design work by Snowy Hydro and expert civil and mechanical and electrical companies.
- ❖ Preparation and submission of approvals including Environmental Impact Statements.
- ❖ Sourcing project funding.
- ❖ Working with the Australian Energy Market Operator (AEMO) and other stakeholders on the Integrated System Plan (ISP) for the future transmission needs of the NEM.

Snowy 2.0 has been recognised as a Critical State Significant Infrastructure (CSSI) project by the NSW Minister for Planning, under the *Environmental Planning and Assessment Act 1979* (NSW). The CSSI declaration is a framework that sets out the robust environmental assessment and approval process required for the Snowy 2.0 project.

Ahead of the main project, Snowy Hydro is proposing a program of Exploratory Works in the future cavern location. More information about these works can be found on page 18 of this booklet.



Kosciuszko National Park.  
Inset: Main sites for the Snowy 2.0 project



# BUILDING SNOWY 2.0

The project will involve underground excavation and tunnelling works between Tantangara and Talbingo reservoirs to depths of up to one kilometre. There will be surface works in several locations including at the intake-outlet structures, surge shaft and tunnel portal sites.

A number of supporting works will also be required, such as establishing or upgrading access roads and electricity connections to construction sites.

## CONSTRUCTION

The main construction activity will take place underground, while intake and outlet structures will be built at both Tantangara and Talbingo reservoirs. About 27km of tunnels will be constructed to link the two reservoirs. The tunnels are 10m in diameter and mostly concrete-lined to ensure longevity and low maintenance.

The power station complex will be located about 1km underground. Two main caverns will be constructed:

- ◆ Machine Hall - approx. 190m (long) x 55m (high) x 30m (wide)
- ◆ Transformer Hall - approx. 180m (long) x 29m (high) x 20m (wide)

Six galleries run between the two halls and carry cables that connect the generators with the transformers. To reinforce the structure where required, rock bolts of 15 to 20m in length will be drilled into the rock at the top and sides of each cavern.

A mix of tunnel boring machines as well as drill and blast techniques will be used for the tunnelling and excavation.

## MECHANICAL AND ELECTRICAL

The power station will consist of six reversible Francis pump-turbine and motor-generator units that can generate 2,000 MW. Three units will be synchronous (fixed) speed and three will be variable speed. The units will be arranged in the power station in alternating order and in pairs will share a pressure shaft and penstock (the tunnel that feeds water into the units).

## PROJECT COST AND CONSTRUCTION SCHEDULE

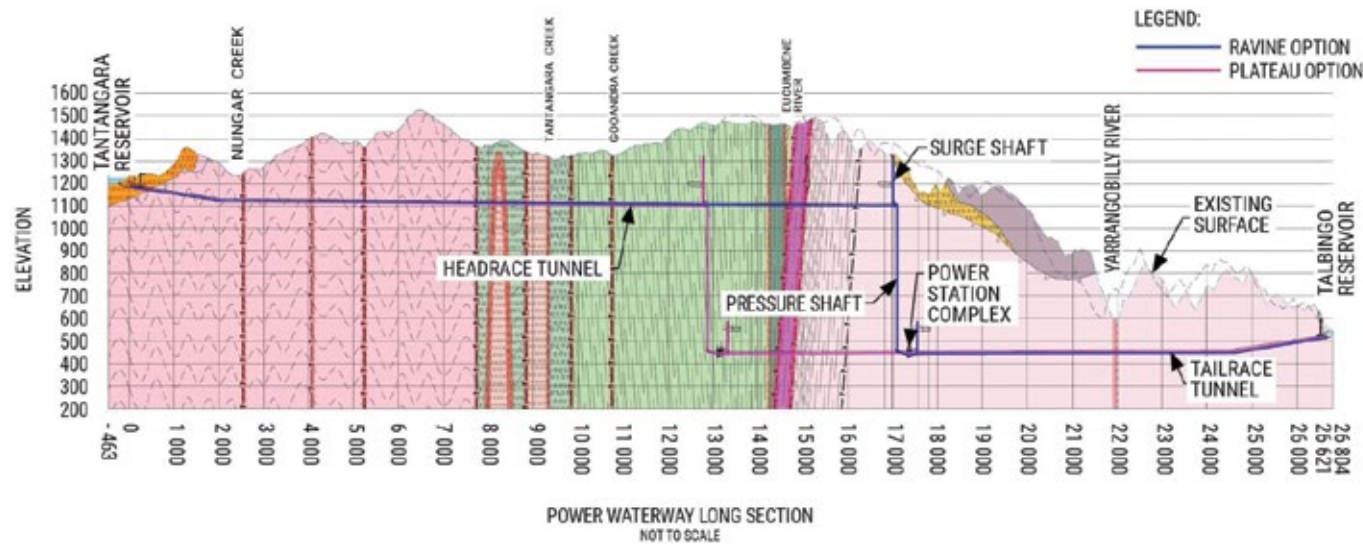
The capital cost estimate is currently \$3.8 - \$4.5 billion. This will be further refined as the project moves to FID. Snowy Hydro expects to fund the project internally.

The first power generated from Snowy 2.0 is expected in 2024. The entire project is expected to take seven years to build from FID.

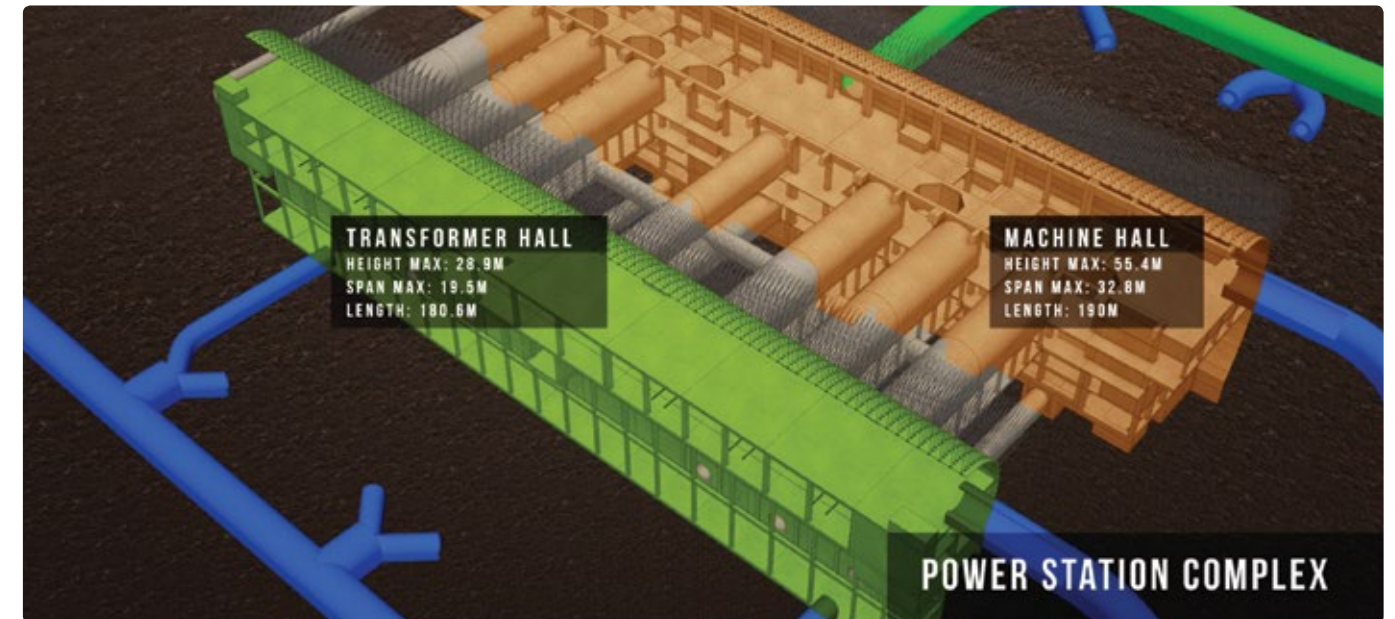
## ACCESS

Access to the work areas for Snowy 2.0 will be provided using vehicles and also barges via Scheme reservoirs. Upgrades to some existing roads and tracks in the area will be required and new access roads may also be established where necessary. Where new access is required, areas of high conservation value will be avoided. Barges will be used to bring very large equipment to site and would require the provision of wharf facilities to access the reservoir.

Due to the nature of the works being undertaken and for safety reasons, public access would be restricted to some areas of Kosciuszko National Park (KNP) during construction. We will work closely with National Parks and Wildlife Service (NWPS) to manage park access, provide alternate access where possible, and restore access promptly following construction.

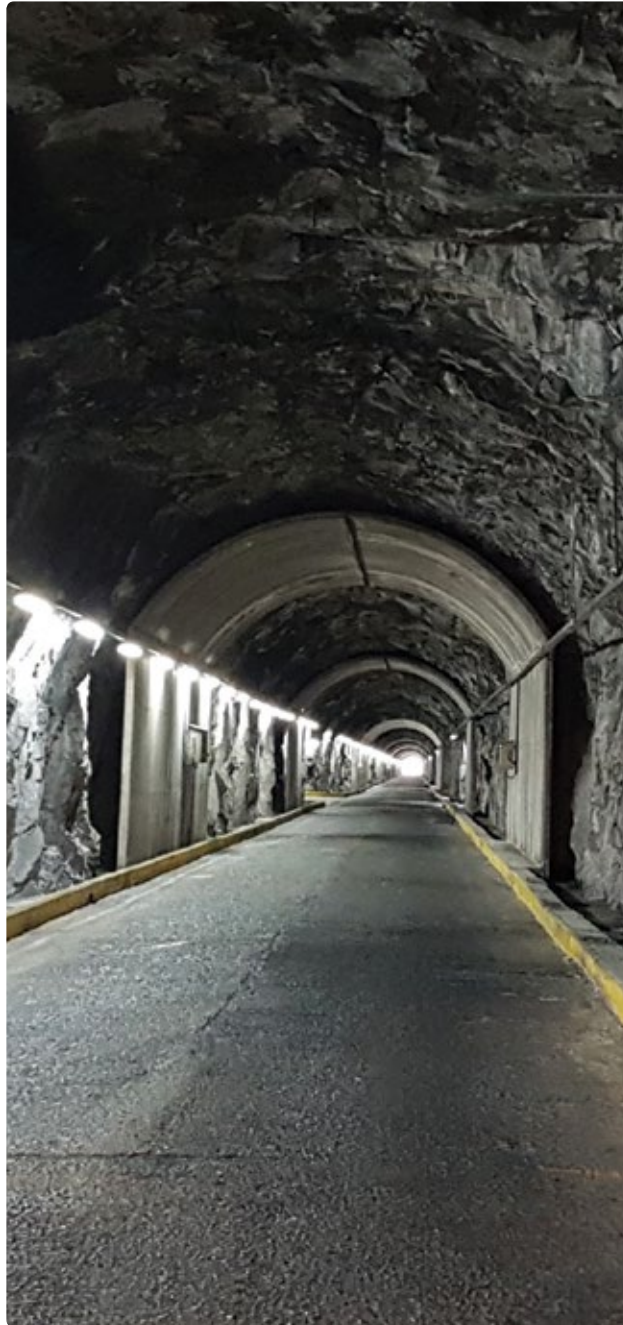


Full project cross-section with geological features. Five major underground rock mass groups, three major fault zones and five rivers and creeks are present across the dam-to-dam alignment.



Computer generated graphic of an underground power station.





Tumut 2 Power Station access tunnel

## PLANNING AND APPROVALS

Snowy 2.0 will go through a comprehensive, well-established and transparent planning and environmental approvals process. Only once the relevant approvals are in place can construction of the project begin.

As a NSW Government CSSI-declared project, there is a clear and rigorous planning approval pathway that Snowy 2.0 must follow.

Because of the size and complexity of Snowy 2.0, Snowy Hydro is likely to be planned and executed in phases. Consistent with other large underground projects, the initial phase will be for Exploratory Works. Comprehensive Environmental Impact Statements (EIS) will be developed for each phase, addressing the project's environmental, social and economic impacts. The EIS will be submitted to the NSW Department of Planning and Environment (DPE) as part of the approval process.

Members of the community will have an opportunity to review each EIS and make a submission during the public exhibition period. After reviewing submissions, Snowy Hydro will prepare a report that responds to the issues raised.

The EIS and final reports will be considered by DPE when making an assessment and recommendation to the NSW Minister for Planning as to whether works should proceed or not. Approval from the Minister for Planning is required for Snowy Hydro to begin any construction works.

It is also likely that Snowy 2.0 will require approvals from the Commonwealth Government under the *Environment Protection and Biodiversity Conservation Act 1999* (Cth).

## WATER AND DAM LEVELS

The Snowy Scheme operates under a strict water licence issued by the NSW Government. Snowy 2.0 will not in any way impact on Snowy Hydro's continued compliance with the water licence.

There will be no change to the Scheme's water release obligations from both the Murray and Tumut developments, and no change to environmental release obligations. Therefore, Snowy 2.0 will not have any impact on downstream water users or environmental flows.

Snowy 2.0 will also be less impacted by water inflows, so it will be less impacted by droughts. Snowy 2.0's pumping capabilities work in a 'closed' system - water is 'recycled' between the two storages so the same water can be used to

generate power more than once, making the most of available water. It will also provide Snowy Hydro with more options to manage inflows and water shortages over the long term.

Snowy Hydro will continue to operate Tantangara and Talbingo reservoirs within existing Scheme operational and regulatory requirements, including the established operating target storage levels.

This means that the maximum and minimum operating levels of the two reservoirs will not change due to Snowy 2.0. It is possible that the frequency of water level changes will increase as water is cycled between Tantangara and Talbingo reservoirs.



Tantangara Dam and Reservoir



## WORKFORCE AND BUSINESS OPPORTUNITIES

We expect Snowy 2.0 will bring many benefits to the region, such as opportunities for local businesses, improvements in local infrastructure and increased economic activity.

Many community members have told us they would like to become involved in the project, joining the growing number of local businesses and contractors who have already contributed.

A workforce plan is being developed as the project progresses to FID and Snowy Hydro is seeking specialist contractors (through a tender process) to carry out the civil engineering and mechanical and electrical aspects of the build.

One of our key requirements is the provision of opportunities for local businesses and employment, along with implementation of an Australian Industry Participation plan.

To support the process we've launched a Snowy 2.0 Business Directory. Visit [snowyhydro.com.au/our-scheme/snowy20/business-opportunities/](https://snowyhydro.com.au/our-scheme/snowy20/business-opportunities/) to register your interest.

**The Snowy 2.0 Business Directory will help Snowy Hydro and the principal contractors understand what technical capabilities, equipment, services and skills are available across the region.**

The project workforce will grow from a small base in year one, to an estimated 1,000 – 2,000 at peak times. There will also be a large number of jobs generated indirectly by the project, both regionally and beyond.

The directly employed project workforce would be engaged on a fly in, fly out basis and accommodated in self-contained temporary camps close to work sites for productivity and safety reasons.



Local business opportunities will be available

## ENVIRONMENTAL ASPECTS

Based on the proposed construction methodology and operational characteristics of Snowy 2.0, a range of potential environmental impacts are likely to be associated with the works.

These will be subject to a thorough investigation through the EIS process and appropriate measures will be developed to avoid, reduce and mitigate potential impacts.

The project is expected to provide broad-scale environmental benefits through its long-term displacement of more carbon-intensive energy generation, while at a localised level, impacts from surface works will be avoided where possible and minimised and offset through positive management actions.

Following construction, land that has been disturbed will be rehabilitated to ensure a safe and stable environment and to meet our development approval requirements.

There are opportunities to positively offset any unavoidable local impacts for the benefit of the environment across KNP. A range of potential offset and contribution options are being considered and Snowy Hydro is very supportive of local stakeholder views which are to ensure any offsets directly benefit the local area.

We're working with National Parks and Wildlife Service to identify opportunities for habitat improvement and catchment health works with a direct, positive benefit to the park's biodiversity and ecological processes.



Cabramurra Lookout



## SOCIAL ASPECTS

As part of the EIS process, Snowy Hydro is undertaking a thorough Social Impact Assessment to address the potential impacts of the project on local communities and infrastructure, such as traffic, emergency services and education facilities. Any potential impacts will be addressed and managed throughout the project and beyond.

Snowy Hydro is working closely with local councils, NSW Government agencies and the local community so that project benefits become long-term gains and that Snowy 2.0 will leave a legacy for our local communities, just as the Snowy Scheme did some 70 years ago.



Talbingo Reservoir

## RECREATIONAL USE OF THE PARK

Snowy Hydro is aware of the recreational usage of KNP by tourists and locals alike. While we will do everything possible to minimise disturbances and impacts on recreational areas, due to the nature of the construction works and for safety reasons, public access will be restricted in some areas while works are underway. These works are mostly temporary and the project area will be rehabilitated and returned in good condition.

## TRANSMISSION

The existing transmission network was built many decades ago to get the energy from coal-fired plants to the market. Our energy system is rapidly changing. In the future new transmission routes will be needed to connect new generation projects, renewable energy zones that are geographically dispersed and strategic storage projects right across the NEM.

The Australian Energy Market Operator (AEMO) is responsible for planning the national transmission network for the future. AEMO has released its inaugural Integrated System Plan (ISP) which provides the transmission system developments to meet future NEM requirements.

AEMO's ISP supports strategic storage initiatives such as Snowy 2.0, which is required to firm up intermittent renewables in NSW and Victoria, and indirectly, South Australia. The proposed upgrades to the grid are to the shared transmission network that renewable energy generation and storage projects connect to as they come online. There is a regulatory framework in place to fund the shared network upgrades.

Snowy Hydro (as a generator) does not own or operate the shared network and for this reason, the cost associated with upgrading the shared transmission network has not been included in the 2.0 project costs. However, the cost of the lines that are required to connect Snowy 2.0 to the shared network will be funded by the project, as they are connection assets to be used solely by Snowy Hydro.



Illustration showing existing and proposed solar/wind energy development and how they would relate to Snowy 2.0. This also shows how Snowy 2.0 connects to the main load centres north and south.

Source: AEMO Victorian Annual Planning Report 2017 and TransGrid Transmission Annual Report 2017.

# SNOWY 2.0 EXPLORATORY WORKS PROPOSAL

Ahead of the main project commencing, Snowy Hydro is proposing to undertake Exploratory Works in the Lobs Hole area of KNP which will provide a greater understanding of the underground geological conditions at the likely location of the power station.

While we have conducted geological investigations from the surface, we have not explored the rock in-situ, at depth. During Exploratory Works horizontal core samples will be taken at depth so we can confirm the precise location and design of the underground cavern. Finalising this aspect of the project will be one of our biggest challenges, so gathering additional geological data as soon as possible is critical.

The Exploratory Works include excavation of an exploratory tunnel to the proposed site of the power station cavern, establishment of a construction compound and supporting infrastructure, upgrade and establishment of access roads, excavated rock management and establishment of barge access infrastructure on Talbingo Reservoir.

Snowy Hydro has submitted an EIS for Exploratory Works. If approved, they are scheduled to begin in late 2018.

For more information on Exploratory Works and the EIS visit: [v2.communityanalytics.com.au/snowy/eis](http://v2.communityanalytics.com.au/snowy/eis) or [snowyhydro.com.au/our-scheme/snowy20/](http://snowyhydro.com.au/our-scheme/snowy20/)

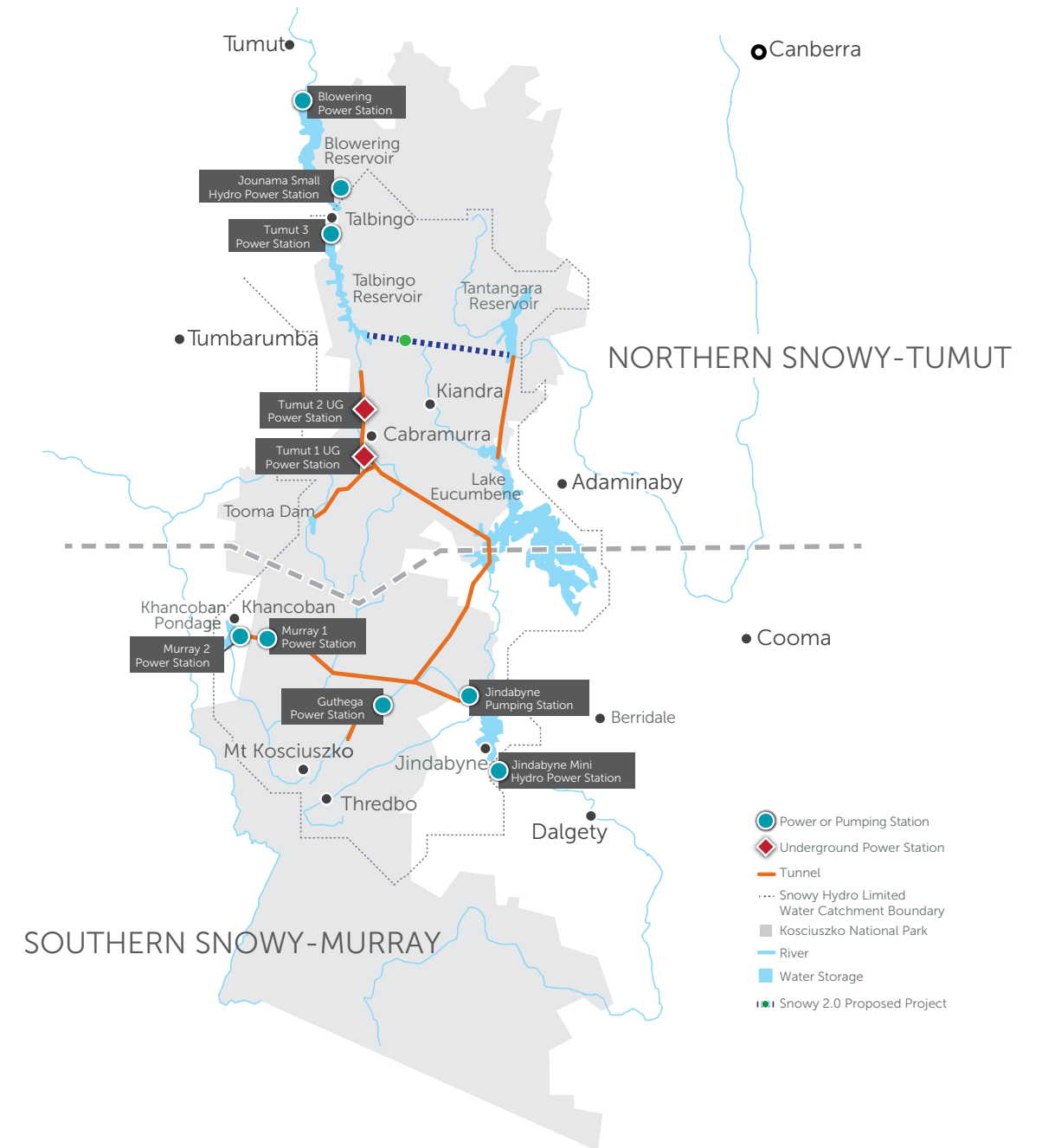
# COMMUNITY CONSULTATION AND PROJECT FEEDBACK

Snowy Hydro is committed to continuing to work closely with stakeholders and local communities to keep you informed about the Snowy 2.0 project and to seek feedback.

We've been out and about in the community hosting information sessions in towns across the region - look out for information about the next series of community sessions.


You can also get in touch with us directly via:

- Email** [snowy2.0@snowyhydro.com.au](mailto:snowy2.0@snowyhydro.com.au)
- Mail** Snowy 2.0 Community Relations, PO Box 332, Cooma NSW 2630
- Phone** 02 6453 2888



Map of the Snowy Scheme including Snowy 2.0





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