



Powering Australia - Rewiring the Nation

Party: Australian Labor Party

Summary of proposal:

The proposal would provide \$20 billion of equity equally over 3 years, from 1 January 2023 to 31 December 2025 to create a new public non-financial corporation, which would be:

- responsible for building, managing and operating the Australian Energy Market Operator Integrated System Plan transmission network
- mandated to earn a rate of return that is sufficient to cover its financial and operational costs.

Costing overview

The proposal would be expected to decrease the fiscal balance by around \$330 million, the underlying balance by around \$307 million, and the headline cash balance by around \$10,307 million over the 2022-23 Budget forward estimates period.

The proposal would have an ongoing impact beyond the 2022-23 Budget forward estimates period. A breakdown of the financial implications over the period to 2032-33 is provided at Attachment A.

The financial implications of this proposal are uncertain and highly sensitive to assumptions about the speed at which capital is deployed, the rate of return earned, the time required for project approval and the average maturity period of investments.

Consistent with *Parliamentary Budget Office Guidance 02/2015*, public debt interest (PDI) expense impacts have been included in this costing because the equity injections provided under this proposal involve financial asset transactions.

As funding would be provided as equity injections to a public non-financial corporation, there would be a direct impact on the headline cash balance, with no direct impact on the fiscal and underlying cash balances (apart from PDI) – as these investments would be treated as the Australian Government exchanging one financial asset (cash) for another (equity in the public non-financial corporation).

The headline cash balance impact of the proposal shows the full amount of the equity injection into the public non-financial corporation. The impact on net debt will be broadly consistent with movements in the headline cash balance.

Net revenue received from the assets constructed does not appear in the fiscal or underlying cash balance as the public non-financial corporation is outside the general government sector. Australian Government revenue from assets constructed would only arise if the public non-financial corporation were to pay a dividend.

Table 1: Financial implications (\$m)^(a)

| | 2022-23 | 2023-24 | 2024-25 | 2025-26 | Total to 2025-26 |
|-------------------------|---------|----------|----------|----------|-------------------------|
| Fiscal balance | -8.0 | -38.0 | -99.0 | -185.0 | -330.0 |
| Underlying cash balance | -7.0 | -34.0 | -92.0 | -174.0 | -307.0 |
| Headline cash balance | -677.0 | -2,034.0 | -3,422.0 | -4,174.0 | -10,307.0 |

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- Committed funding would not impact consolidated revenue until funding is deployed or drawn down for investment or operational purposes.
 - Each new tranche of committed funding would be deployed evenly over five years due to the time needed to assess whether projects meet investment requirements.
- Assets controlled by the public non-financial corporation would generate sufficient revenue to fund operating and financing costs and this level of revenue would be permissible under regulatory arrangements related to network transmission charges.
 - The public non-financial corporation would retain any surplus but would not pay a dividend to the Australian Government over the costing period.
- Establishment costs for the public non-financial corporation would come out of the equity funding provided to the newly established public non-financial corporation. These costs form part of the administered equity funding and are not listed separately in the financial implication tables.

Methodology

Approximately \$3.33 billion of funding would be committed in 2022-23 and 2025-26 each, and \$6.67 billion of funding would be committed in 2023-24 and 2024-25 each (\$20 billion in total), with each tranche being deployed evenly over 5 years.

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.¹

Data sources

The Department of the Treasury and the Department of Finance provided economic parameters as at the *Pre-election Economic and Fiscal Outlook 2022*.

¹ https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information

Attachment A – Powering Australia - Rewiring the Nation – financial implications

Table A1: Powering Australia - Rewiring the Nation – Fiscal balance (\$m)^(a)

| | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 | 2032-33 | Total to 2025-26 | Total to 2032-33 |
|------------------------------|-------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------|------------------|
| <i>PDI impacts</i> | -8.0 | -38.0 | -99.0 | -185.0 | -284.0 | -385.0 | -469.0 | -522.0 | -549.0 | -568.0 | -593.0 | -330.0 | -3,700.0 |
| Total (including PDI) | -8.0 | -38.0 | -99.0 | -185.0 | -284.0 | -385.0 | -469.0 | -522.0 | -549.0 | -568.0 | -593.0 | -330.0 | -3,700.0 |

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

Table A2: Powering Australia - Rewiring the Nation – Underlying cash balance (\$m)^(a)

| | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 | 2032-33 | Total to 2025-26 | Total to 2032-33 |
|------------------------------|-------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------|------------------|
| <i>PDI impacts</i> | -7.0 | -34.0 | -92.0 | -174.0 | -272.0 | -373.0 | -459.0 | -516.0 | -546.0 | -566.0 | -590.0 | -307.0 | -3,629.0 |
| Total (including PDI) | -7.0 | -34.0 | -92.0 | -174.0 | -272.0 | -373.0 | -459.0 | -516.0 | -546.0 | -566.0 | -590.0 | -307.0 | -3,629.0 |

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

Table A3: Powering Australia - Rewiring the Nation – Headline cash balance (\$m)^(a)

| | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 | 2032-33 | Total to 2025-26 | Total to 2032-33 |
|------------------------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|---------------|---------------|------------------|------------------|
| Administered | | | | | | | | | | | | | |
| <i>Equity funding</i> | -670.0 | -2,000.0 | -3,330.0 | -4,000.0 | -4,000.0 | -3,330.0 | -2,000.0 | -670.0 | - | - | - | -10,000.0 | -20,000.0 |
| Total – payments | -670.0 | -2,000.0 | -3,330.0 | -4,000.0 | -4,000.0 | -3,330.0 | -2,000.0 | -670.0 | - | - | - | -10,000.0 | -20,000.0 |
| Total (excluding PDI) | -670.0 | -2,000.0 | -3,330.0 | -4,000.0 | -4,000.0 | -3,330.0 | -2,000.0 | -670.0 | - | - | - | -10,000.0 | -20,000.0 |
| <i>PDI impacts</i> | -7.0 | -34.0 | -92.0 | -174.0 | -272.0 | -373.0 | -459.0 | -516.0 | -546.0 | -566.0 | -590.0 | -307.0 | -3,629.0 |
| Total (including PDI) | -677.0 | -2,034.0 | -3,422.0 | -4,174.0 | -4,272.0 | -3,703.0 | -2,459.0 | -1,186.0 | -546.0 | -566.0 | -590.0 | -10,307.0 | -23,629.0 |

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

- Indicates nil.