

Transgrid seeks government support for vital \$700m grid investment

Angela Macdonald-Smith *Senior resources writer*



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Transgrid, owner of the NSW power grid, will invest up to \$700 million in equipment that will stabilise the state's electricity system during the renewable energy transition, but will require government support, said chief executive Brett Redman.

Negotiations were ongoing with the state government and the Australian Energy Regulator, Redman said, on underwriting support for up to \$700 million in financing required to purchase five synchronous condensers. He said the company needed the support to maintain its credit rating and keep investing in projects critical for the renewable transition.

"It's another project that we've got to work out, how do we get financed, and a complicated discussion with the state and the regulator about how to get sufficient financing from the beginning so that we don't blow our credit rating up," he told a Committee for Economic Development of Australian lunch in Sydney on Monday.

"If we blow our credit rating up, we can't continue to invest in anything, and we can't invest securely."

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Transgrid CEO Brett Redman said that keeping the grid stable through the transition to renewables was one of his big worries. **Dominic Lorrimer**

The enormous spinning metal machines, each costing as much as \$150 million, don't generate electricity but provide stability for the grid, which has typically been provided by coal-fired power stations, but that is getting weaker as electricity generated by those power stations is phased out.

The investment in the condensers, which Redman put at \$600 million to \$700 million, adds to the billions of dollars Transgrid is spending on major new transmission lines such as HumeLink and EnergyConnect, the latter is a high-voltage power line being built between South Australia and NSW

[<https://www.afr.com/link/follow-20180101-p51b5k>] that has run \$1.5 billion over budget.

The new transmission lines are needed to connect the many new wind, solar and battery plants being added to the grid, which allow the closure of ageing coal power generators and to advance towards Australia's 2030 target for 82 per cent renewables in electricity supply.

But the timing of the capital-intensive investments poses challenges for Transgrid

[<https://www.afr.com/link/follow-20180101-p5683d>] because revenues from the projects

only start to flow years later, making it difficult to support its investment-grade credit rating. The company is owned by Canadian pension funds, Australian funds and a Middle East investor.

Last month, the nation's green bank, the Clean Energy Finance Corporation, invested \$550 million in Transgrid's \$1.4 billion bond sale, supporting the \$4.9

billion HumeLink. Australia's Future Fund is meanwhile in talks to take a stake in the company, *The Australian Financial Review's* Street Talk column reported.

[<https://www.afr.com/street-talk/future-fund-to-increase-exposure-to-aussie-infrastructure-buys-transgrid-stake-20250312-p5lj34>]

Transgrid's issue of hybrid notes last month were rated Baa3 – the lowest investment grade – by Moody's, which rates its senior secured debt Baa2.

NSW would on paper need about 24 synchronous condensers to replace the grid-stabilising services provided by coal plants, although at least half of that could instead be provided by large batteries, Redman said. He said NSW would probably need about a dozen over the next 5 years to 10 years.

At \$150 million apiece, that would cost \$1.8 billion.

Redman, a former AGL Energy chief executive, also cited energy-hungry data centres as a "massive opportunity" [<https://www.afr.com/companies/mining/why-the-outback-could-be-an-unlikely-home-for-asian-data-centres-20241113-p5kqde>] for Australia to develop its green energy superpower vision without exporting energy overseas.

He said Australia should be developing and investing in more data centres, given their potential to become a significant new revenue earner for the nation and help replace coal export revenues.

"If we as a country could work out the planning problems, we could earn an awful lot of equivalent export revenue dollars for the country, and link into that idea of being an energy superpower that exports the megabytes rather than the megawatts."

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Angela Macdonald-Smith writes on the resources industry with a focus on energy, including gas, oil, electricity and renewables. *Connect with Angela on [Twitter](#). Email Angela at amacdonald-smith@afr.com*