

**UPDATE 3-Alinta bids for AGL's Liddell coal-fired plant in Australia**

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* AGL says considering bid

* AGL wants to hold on to Liddell until 2022

* AGL plans to replace Liddell with \$1 bln of new capacity

* Alinta would spend about A\$750 mln to improve Liddell-source (Adds analyst comment)

By Sonali Paul

MELBOURNE, April 30 (Reuters) - Chinese-owned Alinta Energy offered A\$250 million (\$189 million) on Monday for Australia's ageing Liddell coal-fired power plant, creating a headache for owner AGL Energy amid a national debate over energy security.

AGL has long flagged plans to shut the plant in 2022 as part of a phased exit from coal-fired power, but has come under pressure from the federal government to sell it to ensure back-up generation for intermittent wind and solar power.

Prime Minister Malcolm Turnbull told AGL's chairman this month it would be in the public interest to keep the plant open or sell it, after Alinta, owned by Hong Kong conglomerate Chow Tai Fook Enterprises, expressed interest in buying it.

Any sale would be unlikely to run into regulatory hurdles despite growing concerns about Chinese ownership of key assets, given the worries about energy security and a boost to competition from a beefed-up Alinta. It won approval last year to buy another coal-fired plant.

However, AGL would have to weigh a range of factors, including that it needs Liddell to meet customer demand until 2022, it wants the site for a battery installation after 2022, and selling Liddell would bolster Alinta's competitive position.

"It's a very difficult decision to make," said Royal Bank of Canada analyst Paul Johnston.

AGL wants to replace Liddell's capacity by 2022 by spending about A\$1.36 billion (\$1.03 billion) on a mix of gas-fired and renewable power, as well as a battery at the Liddell site and other measures.

However, Alinta, and others see an opportunity in keeping open the plant in Australia's most populous state New South Wales (NSW), as coal-fired power could fetch a premium at times when the market is short on renewable energy.

"Alinta Energy has ... submitted a non-binding offer for the Liddell power station to AGL, which we believe represents a compelling commercial proposition for AGL shareholders," Alinta said in an email to Reuters.

AGL, which said it was considering the offer, reiterated that it wanted to hold on to Liddell until 2022.

"AGL has not sought to sell the Liddell power station, as it requires Liddell to provide energy to its customers until 2022 and for repurposing as part of its NSW generation plan post 2022," the company said in a statement.

AGL paid virtually nothing for Liddell when it acquired Macquarie Generation in 2014, but has since spent around A\$920 million to keep the plant operating reliably until 2022, when it will be 50 years old.

Alinta would have to spend about A\$750 million more to improve the plant, a person familiar with the company's plan said.

Alinta last year bought a newer coal-fired plant, Loy Yang B, in Victoria state for more than A\$1.1 billion, helping it to compete with Australia's biggest generators -- AGL, Origin Energy and Energy Australia, owned by Hong Kong's CLP Holdings.

(\$1 = 1.3214 Australian dollars) (Reporting by Sonali Paul; Additional reporting by Paulina Duran; editing by Richard Pullin)

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