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Business

Alinta Energy makes billion dollar bid for Liddell power station

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Alinta lodges \$1.2bn Liddell bid. Energy retailer Alinta has made a \$1.2 billion bid for the Liddell power station in NSW in a move that will ramp up public pressure on AGL to either sell or reverse its controversial decision to shut down the coal-fired power station by 2022.

The Australian understands that an extraordinary board meeting of the Hong Kong-owned Alinta Energy was held yesterday to formalise the bid for the 1800 megawatt plant in the Hunter Valley.

AGL said in a statement to the ASX this morning that it had yet to receive any offer but that after seeking clarification had been told Alinta's offer would be submitted later today.

It is believed that indicative offer is above \$1.2 billion and comprises of a remediation cost of between \$200 million and \$300 million with the remainder covering upgrade costs and the value of the business.

AGL boasted in 2014 that it had bought Liddell for \$0 from the NSW Government when it purchased the Macquarie Generation portfolio, which included the Bayswater plant, in the State-wide privatisation of electricity assets.

Alinta, the fifth largest integrated energy retailer in Australia, has committed to extending the life of Liddell beyond 2022. A spokesman confirmed that offer was submitted to AGL this morning.

"We can confirm Alinta Energy has fulfilled our commitment and submitted a non-binding offer for the Liddell power station to AGL, which we believe represents a compelling commercial proposition for AGL shareholders, but we won't be in a position to comment further until AGL has considered the offer and responded," an Alinta spokesman said.

Regulators have warned that its closure would push up power prices and affect reliability of the electricity system.

To ensure the purchase was viable, the company is believed to have agreements from a group of key manufacturers including Australia's largest, BlueScope Steel, for electricity supply from Liddell.

The official bid follows intense lobbying of the AGL board by Prime Minister Malcolm Turnbull and Energy Minister Josh Frydenberg who have called on the company to either sell the assets or extend the operating life.

Mr Frydenberg said he welcomed the Alinta bid and expected AGL to give it proper consideration.

"It's important that AGL gives proper consideration to the offer, given Alinta's stated intention to continue operating the plant beyond 2022," Mr Frydenberg told The Australian.

"In light of the AEMO report and the comments of the ACCC the Government is concerned about the impact on the reliability and affordability of our energy system should Liddell close in 2022. We note that AGL has committed to a new 250MW gas peaking plant and 100MW upgrade of Bayswater, and while these investments are welcome they are not enough to fill the gap left by the scheduled closure of Liddell."

Opposition Leader Bill Shorten said what happened in a commercial negotiation between two energy companies was up to them.

"But what I promise is not a penny of taxpayer money should be used to subsidise that deal," he said.

“No way, and Mr Turnbull should rule out straight away, no taxpayer money used to sweeten up a deal for one company to buy another company’s assets. No taxpayer money, not now, not ever, on that deal.”

The government has argued that taking 1800 megawatts out of the system with the closure of the Hunter Valley plant would push up power prices in NSW.

AGL chief executive Andy Vesey, who last year privately indicated to Mr Turnbull that AGL would consider a sale of Liddell, has since stared down the Government’s public pressure on the company to sell or keep Liddell operating. AGL now claims that the company was instead planning to use the site for renewable energy.

AGL said today: “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.”

Additional reporting: Rachel Baxendale

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