

THE AUSTRALIAN

SE Business

HD State Grid tipped to win race for power asset

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LP **ENERGY:** State Grid of China is the favourite to win the bidding for the NSW government's electricity transmission business, with a bid believed to be at least \$10 billion.

The three other competing groups are believed to have lodged bids, which closed yesterday, with offers of between \$9bn and \$10bn.

TD There have been national security issues raised about State Grid, which bid in conjunction with Macquarie Group, and its possible ownership of vital infrastructure. All foreign bidders for NSW government privatisation were required to engage with the Foreign Investment Review Board in the process of bidding.

FIRB policy sets out special criteria for foreign takeovers that affect national security, and applies tougher criteria to bids by foreign governments.

A spokesman for Treasurer Scott Morrison, who has final approval over foreign bidders, said FIRB had consulted extensively for more than 12 months to ensure "the details of each bidding consortium were fully understood and that each consortium was fully aware of national interest requirements".

"All relevant commonwealth agencies with an interest in the ownership of critical infrastructure were involved in the consultations." Attractive to bidders, but also a source of contention if State Grid is the successful bidder, is Transgrid's extensive optic-fibre telecommunication network.

The federal government showed it was sensitive to national security issues when it refused Chinese firm Huawei permission to become involved in the NBN. Even if State Grid misses out on Transgrid, it is could end up owning other parts of the NSW electricity network.

Yesterday, the government announced expressions of interest for leasing 51 per cent of Ausgrid, its largest electricity distribution business, in a move that would encourage companies that missed out on Transgrid to bid again.

Another distributor, Endeavour, will be sold after the Ausgrid sale is completed, that would further encourage unsuccessful bidders.

If the Baird government gets \$10bn, or close it to for Transgrid, it would have cleared any concern about falling short in funding its \$20bn infrastructure program. The half share in Ausgrid and Endeavour Energy have a combined asset base that is larger than Transgrid's, suggesting that if their sale gets the same multiples that bidders have applied to Transgrid, the state government could raise close to \$20bn without relying on federal government payments or interest.

CO mcqbnk : Macquarie Group Limited

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