

HD ACCC set to block AGL spree

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THE competition watchdog has flagged that it will block AGL **Energy** from buying big Hunter Valley **coal**-power stations.

The three bidders for the state government's Macquarie Generation assets now consist of one that looks like being at least hindered by the Australian Competition & Consumer Commission, one (ERM Power) where concerns have been raised about its ability to finance the deal, and an outsider, Japan's Marubeni.

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The ACCC said it had not made a final decision, but that an AGL **acquisition** would probably result in a substantial lessening of retail power supply competition and could do the same in the wholesale markets in NSW, Victoria and South Australia.

"The proposed **acquisition** would remove the largest source of independent generation capacity in NSW," Mr Sims said.

"We are considering whether this could raise barriers to entry and expansion for electricity retailers in NSW, with the potential result that end users of electricity in NSW may not obtain the benefits of strong retail electricity competition."

Should the **acquisition** go through, AGL, Origin **Energy** and EnergyAustralia (owned by **Hong Kong's** CLP Holdings) would control about three-quarters of NSW power output and more than 85 per cent of the retail market in the state.

"Our concern is that second tier and new entrant retailers might find it difficult to gain the hedge contracts they need to compete aggressively in the NSW retail market," Mr Sims said.

The transaction would make AGL the biggest generator in NSW, Victoria and South Australia, which the ACCC said could give AGL the ability and incentive to influence wholesale electricity prices in those states.

Mr Sims said if MacGen remained in government hands or went to one of the other two bidders, there was likely to be greater scope for new entry and expansion in NSW power retailing.

The statement of issues released by the ACCC yesterday, a day after it was targeting making a decision, came with a call for market submissions and a month-long decision delay to March 4.

AGL and the state government offered little comment on the ACCC's preliminary decision, and ERM Power declined to comment at all.

"AGL is reviewing the statement of issues with a view to making further submissions" was all the **company** would offer.

NSW Treasurer Mike Baird said evaluation of the three bids would proceed and indicated the timetable was not threatened by the decision.

"This is expected to take some time as is usual for a transaction such as this," a spokeswoman for Mr Baird said.

"The **sale** process has always recognised bidders would need to receive regulatory approval, such as from the ACCC or Foreign Investment Review Board.

"This is a normal part of the process."

ERM, whose bid was cleared by the ACCC in January, declined to comment on the ACCC decision or whether it was confident of gaining finance through debt and **equity** if it was successful.

ERM's shares slipped 8c to \$2.40 yesterday, giving the **company** a market value of just under \$600 **million**. AGL shares fell 13c to \$14.79.

The MacGen business has a book value of \$2bn after being written down by \$1bn in 2011-12 because of the carbon tax.

The MacGen assets are two **coal**-fired power stations in the Hunter Valley that have a combined capacity of 4600MW or about 25 per cent of NSW's installed capacity, and produce 40 per cent of the state's power.

CO agkega : AGL Energy Limited | macgen : Macquarie Generation | auccc : Australian Competition and Consumer Commission

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