

FINANCIAL REVIEW

SE Market Wrap - Street Talk
HD **ERM Power watches as AGL prepares MacGen move**
BY Edited by Sarah Thompson, Anthony Macdonald and Gretchen Friemann
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There has been movement at long last on the \$1.5 **billion** Macquarie Generation stalemate, with AGL **Energy** set to decide whether to take the competition regulator to court in pursuit of NSW's largest power generation **company**. It is understood AGL has told NSW Treasurer Mike Baird it will progress the stalemate this week, with most factors pointing to a legal challenge to the Australian Competition and Consumer Commission's ruling.

While Baird has anointed AGL as the preferred bidder for MacGen, AGL has been feeling some pressure as underbidder ERM Power refuses to give up hope. As reported by Street Talk on the Financial Review Sunday program, ERM has not given up hope of snatching MacGen and has been looking for a way to bump its offer closer to AGL's \$1.505 **billion** mark.

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AGL has exclusive rights to talk with the NSW government, but there is nothing stopping ERM from lobbing an unsolicited offer. If ERM could get to \$1.5 **billion**, it would be tempting for Baird to take the cash and forgo uncertainty around AGL's bid.

ERM has had a month to rethink its offer and knows AGL would be getting a fair deal at \$1.5 **billion**. It likes MacGen's Bayswater and Liddell power stations, which are the two lowest-cost generators in the state.

ERM's problem remains funding. It has investment bank UBS at hand and lined up a combination of debt and **equity** for its initial bid. It would need a hefty **equity** raising to bid higher and hedge funds are watching closely.

Baird has consistently said he would prefer to hold on to MacGen rather than sell below its retention value, believed to be close to \$1.5 **billion**.

Also on Baird's plate this week is the state's sub-\$100 **million** portfolio of renewable **energy** plants, Green State Power. Baird is expecting final offers on Monday, with parties able to bid for parts or all of the **wind** and hydro portfolio. Infigen **Energy** is believed to be among those kicking tyres on the assets, along with **Chinese** buyers.

Green State was set up in June to operate the assets, which were previously held by Eraring **Energy** (now owned by Origin **Energy**). Assets include the Hume, Burrinjuck and Keepit hydro generators, the Blayney **wind** farm, and Green State's interest in the Crookwell **wind** farm. The generators had a combined output of 105 megawatts.

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