

FINANCIAL REVIEW

SE Market Wrap - Street Talk
HD **Shenhua bails as MacGen parties prepare final offers**
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China's Shenhua Group has dropped out of the running for New South Wales's biggest power **company**, Macquarie Generation, leaving three parties likely to submit final offers early next month.

It is understood Shenhua notified the NSW government that it was pulling out of the due diligence process in late December, after earlier attending management meetings and site tours.

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Sources said little reason was given for the sudden change of heart, although Shenhua, advised by Macquarie Capital and Morgan Stanley, must have thought the auction was either too hot or the asset too poor for the price expectations.

It leaves AGL **Energy**, advised by Citi and Lazard, UBS-advised ERM Power and Credit Suisse-led Marubeni Corporation as the three remaining contenders.

It is understood Marubeni has taken another Asian **equity** partner into its bidding group, while some sources also believe ERM Power has bolstered its consortiums.

NSW Treasurer Mike Baird, advised by Goldman Sachs, has said he wants a deal at or close to MacGen's \$2 **billion** book value, although bidders have been hopeful of a bargain buy.

MacGen is home to two NSW power plants, Bayswater and Liddell, which together account for 29 per cent of the state's contribution to the national electricity market.

The privatisation is to be closely followed by another electricity asset **sale**, Delta Coastal, with expressions of interest due on February 4.

While it's only early days, Delta's peaking power station, Colongra, is likely to attract the attention of the major power retailers AGL, Origin **Energy** and EnergyAustralia.

CO agkega : AGL Energy Limited | macgen : Macquarie Generation | mcqbnk : Macquarie Group Limited | mrubni : Marubeni Corp | shengc : Shenhua Group Corp
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