

HD **AGL to buy Macquarie Generation for \$1.41 billion**
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SYDNEY: AGL **Energy**, Australia's second-largest gas and electricity **company**, has been given the all-clear to buy state-owned Macquarie Generation (MacGen) after a tribunal overturned a competition regulator's decision to block the deal.

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AGL can buy MacGen in New South Wales state for A\$1.5 **billion** (\$1.41 **billion**), provided it sells electricity generated by MacGen's two main power stations to smaller utilities, the Australian Competition Tribunal ruled on Wednesday.

The **acquisition** "is not likely to result in a significant detriment to the ability of retailers ... to compete in the retail market for the supply of electricity in NSW," the tribunal said. Rivalry between AGL and existing **energy** suppliers "will produce a vigorous competitive market."

The ruling comes as state governments plan to privatise an array of assets to raise about A\$100 **billion** to spend on various infrastructure projects, in the face political opposition and debate over whether such plans are in the public interest.

The ruling is particularly encouraging for the NSW government as it prepares to sell a **stake** in its electricity distribution network - dubbed its "poles and wires" business - for A\$20 **billion** if it gets electoral backing.

"The NSW Government has said it would only proceed with the (MacGen) **sale** if it was in the best interests of the community ñ and the Australian Competition Tribunal has today confirmed that view," NSW Treasurer Andrew Constance said in a statement.

The **sale** will "free up additional funds for critical infrastructure across the State," Constance said.

AGL Managing Director Michael Fraser said his **company** argued the deal would not hurt competition and would bring public benefits, and that the tribunal's decision "vindicates that view."

AGL said it wanted to buy the power stations to raise the **company's** competitiveness with Origin **Energy** and Hong Kong-based CLP Holdings' **Energy** Australia in the retail power market.

But the **purchase** was blocked in March by the Australian Competition and Consumer Commission (ACCC) which feared the **purchase** would raise the barriers to entry for smaller suppliers. The government subsequently cancelled the **sale**.

AGL took the matter to the tribunal - a quasi-judicial body presided over by Federal Court judges - which on Wednesday ruled it was "satisfied that the risk identified by the ACCC is unlikely to occur".

The tribunal said it "does not find that the proposed **acquisition** will put AGL in a position to exert significant market power in the (national electricity market) or in NSW ... to spike the spot price or to cause volatility in the wholesale market."

The ruling echoed an encounter between AGL and the ACCC in 2003, when AGL successfully challenged an ACCC ruling against the **purchase** of one-third of a power station in Victoria state.

On Monday, ACCC Chairman Rod Sims told the Committee for Economic Development for Australia that **energy** privatisations could hurt competition because governments typically sold to the largest - and wealthiest - players.

“Our concern is with the way (**energy**) generation assets have been sold where, in essence, they seem to be getting sold to the big three retailers rather than facilitating a more competitive electricity market,” Sims said in a speech.

CO agkega : AGL Energy Limited | astomb : Australian Competition Tribunal | macgen : Macquarie Generation

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