

**IN THE AUSTRALIAN COMPETITION TRIBUNAL  
AGL ENERGY LIMITED**

**of 2014**

**RE: PROPOSED ACQUISITION OF MACQUARIE GENERATION (A CORPORATION  
ESTABLISHED UNDER THE ENERGY SERVICES CORPORATIONS ACT 1995  
(NSW))**

**ANNEXURE CERTIFICATE**

This is the annexure marked "**BAR 8**" annexed to the statement of **BRETT ALAN REDMAN**  
dated 23 March 2014

**Annexure BAR 8**

Filed on behalf of (name & role of party)	<u>AGL Energy Limited</u>		
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[Form approved 01/08/2011]



# Mike Baird MP

NSW Treasurer

Minister for Industrial Relations

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## MEDIA RELEASE

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Thursday 15 November 2012

### GREEN LIGHT FOR SALE OF NSW'S ELECTRICITY GENERATORS

Treasurer Mike Baird today announced the NSW Government will proceed with the sale of the State's electricity generators and the sale or lease of the Cobbora coal mine development, to fund critical infrastructure projects across NSW.

Mr Baird said the scoping studies received by State Cabinet have cleared the way for the transactions, which will free up much needed capital for infrastructure spending on transport, school and hospital projects across the State.

"The O'Farrell Government is working hard to reverse the financial mess and debt it inherited from the former Labor Government and to retain its AAA credit rating," said Mr Baird.

"The sale of the State's electricity generators will release up to \$3 billion dollars for investment in priority infrastructure projects across NSW, while also saving the State billions of dollars in avoided costs to meet future generation capacity needs.

Mr Baird said the Government would progress with the generators' sale based on the advice of its expert financial advisors which reaffirmed the Tamberlin Inquiry's finding that there is significant value for taxpayers in going ahead with a sale process, based on the expected sale proceeds and by removing costly liabilities.

Mr Baird said the sale process for the generators would begin immediately and would be transacted sequentially during 2013 and 2014 .

The sale process will begin with the Gentrader assets, followed by the merchant generation assets.

#### **Gentrader assets:**

- Eraring Energy (Eraring and Shoalhaven); and
- Delta West (Mount Piper and Wallerawang).

Mr Baird said the Government will commence the sale process for the Gentrader assets through bilateral negotiations with EnergyAustralia (TRUenergy) and Origin Energy, the counterparties to the Gentrader agreements.

"These parties are likely to value the assets behind the agreements more highly than other parties because they will be able to extract significant ongoing synergy benefits from ownership that are not available to other potential purchasers," said Mr Baird.

**MEDIA: Rachael Storey – 0467 741 310**

“Along with these bilateral negotiations, the Government will also pursue a range of other options to ensure that any disposal of the Gentrader assets maximises the financial returns for the State. There are a number of other operators who are interested in these assets.”

**Merchant generation assets:**

- Macquarie Generation (Bayswater and Liddell); followed by
- Delta Central Coast (Colongra and Vales Point).

A range of associated development sites at Bayswater, Tomago and Munmorah will also be offered in parallel.

Mr Baird said there would also be a concurrent sale process for a small portfolio of renewable assets in wind and hydro power currently owned by the State.

“These assets are high quality, strategic assets which will attract interest from both domestic and global energy market participants. Selling them in sequential packages is designed to maximise value for taxpayers,” Mr Baird said.

“The State has inherited a range of difficulties from the former Labor Government’s gross mismanagement of the Gentrader sales that will need to be worked through to ensure that full taxpayer value can be realised.

“The sale process will save the State around \$1 billion in avoided ongoing operations and refurbishment costs. Additionally, the sale will potentially save a further \$6 billion to meet future generation capacity needs.”

Mr Baird said the NSW Government would encourage the entry of new market participants through the sale process which would boost competition in the electricity sector for the benefit of consumers.

Mr Baird also said the planning and approvals process for the development of Cobbora is on track and will remain a priority unless and until a superior alternative is established.

“The Labor Government’s decision to invest in a coal mine created significant risks and massive liabilities for the State,” said Mr Baird.

“Indeed the expert advisors put the potential loss to the State currently at about \$1.5 billion for the Cobbora transaction.

“The O’Farrell Government is determined to minimise these risks and liabilities and will explore all possible options for the mine development, including investigating whether alternative sources of coal are available to satisfy its obligations under existing coal supply agreements,” Mr Baird said.

Mr Baird said the sales will only proceed if they are of net benefit to taxpayers.

## THE TRANSACTION IN CONTEXT

### What is the National Electricity Market (NEM)?

- A wholesale market through which generators sell electricity to retailers and end users. The NEM is made up of 46,560 MW of registered generation capacity spread across NSW, QLD, VIC, SA, TAS and ACT.

### Which state or territory is the largest NEM participant?

- NSW has the largest electricity consumption in the NEM and the largest installed generation capacity.
- NSW's total generation accounts for more than 25% of NEM generation.

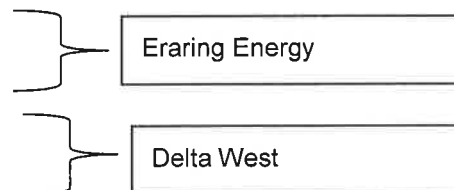
### How does power transfer between these areas?

- Via interconnectors but the amount of power than can transfer between states, in either direction, is limited by the interconnector's capacity.

### What is the NSW Government selling?

- The "Gentrader" assets – four power stations (plants only, power output was sold in 2010\*)

1. Eraring (coal) - installed capacity of 2,880MW
2. Shoalhaven (hydro) – installed capacity of 240MW
3. Mt Piper (coal) – installed capacity of 1,400MW
4. Wallerawang (coal) – installed capacity of 1,000MW

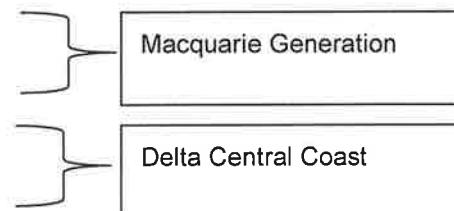


\* Output of Eraring energy was sold to Origin Energy

\* Output of Delta West was sold to TRUenergy (now EnergyAustralia)

- Four power stations ("merchant" assets - plant and output)

5. Bayswater (coal) – installed capacity of 2,640MW
6. Liddell (coal) – installed capacity of 2,000MW
7. Colongra (gas) – installed capacity of 667MW
8. Vales Point (coal) – installed capacity of 1,320MW



- Three development sites for coal and gas-fired power stations
- A range of renewable energy assets (two wind and five hydro assets)

### **What is the generation market share of these assets by capacity?**

For the NEM:

- Macquarie Generation 10%
- Delta Electricity 10%
- Eraring Energy 7%

For NSW:

- Macquarie Generation 29%
- Delta Electricity 28%
- Eraring Energy 19%

### **How will the Government sell the assets?**

- Through a competitive bid process. The Government will offer the four Gentrader assets as one package (1, 2, 3 + 4) followed by the merchant generation assets, offering the Macquarie Generation assets first (5 + 6) followed by the Delta Coast assets (7 + 8).
- The renewable assets and development sites will be sold in parallel to all the above assets.

### **What about the Cobbora Mine?**

The Cobbora Coal Project is a proposed new open cut coal mine located approximately 5km south of Cobbora, 22km south-west of Dunedoo, 64km north-west of Mudgee and 60km east of Dubbo.

The planning and approvals process for the development of Cobbora is on track and will remain a priority unless and until a superior alternative is established.

The Government will explore all possible options for the mine development, including investigating whether alternative sources of coal are available to satisfy its obligations under existing coal supply agreements.

*Source: ACIL Tasman, State of the Energy Markets 2011, AEMO Statement of Opportunities 2012, AEMO website*