

# Green light for power sale

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The Auditor-General has given the green light to the sale of NSW's electricity assets.

He has ticked off both the sale timing and sale process in a report tabled in State Parliament this morning.

The NSW Government has called on the Opposition to support the sale because it is concerned about a lack of solidarity among its own backbenchers.

NSW Premier Morris Iemma says the pressure is now on the Opposition to back the planned sale.

"The Government has always had confidence that our plan to secure the state's future energy needs represents the best result for the economy, taxpayers and the environment," he said.

"The Owen Report, the Unsworth Review and the Rural Community Impact Statement have all endorsed the Government's strategy.

"That's why we look forward to the release of the Auditor-General's report, and we hope it will provide a clear path forward and settle any outstanding concerns.

"Its release will also set a test for Barry O'Farrell, who has dithered and delayed and hinged his decision on the recommendations of the report. He'll have to finally declare his hand."

The Auditor-General had been requested to assess the sale of the government-owned electricity industry assets to assuage State Opposition concerns over the proposals.

"Apart from a few matters that we feel could be swiftly addressed, we found no major issue with the sale/lease arrangements proposed by the State Government's advisers," NSW Auditor-General Peter Achterstraat said in his report.

The Government hopes to have one of the electricity retailers, expected to be EnergyAustralia, on the market by the end of this year, moving to sell off the generators and other retailers from next year.

Concerns over the planned introduction of the Federal Government's emissions trading system from 2010, and the adverse effect this could have on the price bidders are willing to offer to buy the NSW power industry have weighed on Opposition support for the sale.

The Opposition is holding a shadow cabinet meeting in Camden today, and is not expected to respond to the Auditor-General's report.

The Auditor-General sought specialist advice from British firm Lexicon Partners, a specialist firm of corporate advisors that has done a lot of work in the area of power privatisation.

The Auditor-General turned overseas to avoid any conflict of interest that could arise from tapping local firms for help.

The Auditor-General said the Government needed to establish a reserve price prior to each transaction, and should not proceed unless the reserve price is met.

It also suggested:

- the retailers and generators could be sold at the same time, rather than sequentially as proposed;
- development sites attached to the generators could be tendered separately from the generators, to encourage quicker development of the sites;
- Treasury continuously evaluate the process and likelihood of success after the marketing campaign and specifically, before the first transaction occurs.

In its advice to the Auditor-General, Lexicon Partners, said that as long as the Federal Government released the draft emissions trading system legislation by December this year, in line with its earlier stated timetable, this would be sufficient time for potential buyers of the generation assets to proceed.

As well, even with the recent difficulty of financial markets in the wake of the subprime lending crisis in the US, Lexicon pointed to the ongoing strong demand for electricity industry assets worldwide, pointing in particular to the high price paid in a recent transaction in Singapore, where more electricity industry assets are to be offloaded.