

## Common sense ditched over power privatisation

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The NSW government says it excluded Snowy Hydro from the state's power privatisation process to prevent scaring off private sector bidders from the process. But a quick look at recent utilities sales in Australia suggests the involvement of state-owned companies has not deterred private players in the past.

The independent management of Snowy - which operates the business at an arm's length from its three shareholders, the NSW, Victorian and federal governments - are livid after the NSW government discouraged Snowy from bidding for any of the assets.

The government's rationale has been that the private sector bidders such as AGL Energy and Origin Energy could be spooked if a government-owned entity was seen to be bidding. That's in spite of the fact that any offer from Snowy would be funded by private means, as opposed to government funding.

Certainly, the presence of state-owned entities in utilities sales hasn't scared away AGL and Origin in the past.

The pair are both believed to have been under-bidders when the state-owned generator and retailer Meridian Energy bought Southern Hydro for \$592 million in 2003. Origin was also an underbidder when China Huaneng bought 50 per cent of InterGen Australia for \$315 million.

And there was plenty of private sector interest when another state-owned company, Singapore Power, bought up a range of Australian power assets over the last few years.

If anything can be learned from history, it's not that the private companies have been scared off by the state-owned entities, it's that they've been regularly outbid by them. And you would have thought that it is high bids which the NSW government wants.

The NSW decision on Snowy has left many in the banking world scratching their heads. Snowy's ownership structure has, if anything, proved a disadvantage for the company, as it has been unable to keep up its pace of growth due to its inability to raise new equity.

As one banker said: "The NSW position is just another example of how out of touch they are with all sorts of reality, be it commercial, political or just plain everyday common sense"

The Australian Financial Review

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