

**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 "**AF-21**" annexed to the statement of **ANTHONY GARTH
FOWLER** dated 23 March 2014

Annexure AF-21

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

Annexure AF-21

OVERVIEW OF MACQUARIE GENERATION

1. Macquarie Generation is a State Owned Corporation formed in 1996. Macquarie Generation's core business activity is the production, marketing and sale of electricity into the NEM. Macquarie Generation owns and operates the black coal fired Liddell and Bayswater Power Stations.
2. Macquarie Generation operates under the *Energy Services Corporations Act 1995 (NSW)*, administered by the Minister for Resources and Energy, and the *State Owned Corporations Act 1989 (NSW)*. Macquarie Generation's principal functions are:⁷⁴
 - (a) to establish, maintain and operate facilities for the generation of electricity and other forms of energy; and
 - (b) to supply electricity and other forms of energy to other persons and bodies.
3. In the course of generating and supplying wholesale electricity, Macquarie Generation supplies energy and carbon derivative products, for the purpose of managing the risk associated with changes in energy prices and managing Macquarie Generation's liability for carbon emissions produced in the course of its business.
4. Macquarie Generation's key assets include:
 - (a) The 2,640 megawatt (**MW**) black-coal fired baseload generation Bayswater power station (**Bayswater**), which comprises four 660 MW units commissioned between 1985 and 1986. Bayswater is projected to continue to provide baseload generation output through to its current Board planned closure date of 2035. Bayswater is located approximately 16 km south-east of Muswellbrook. Since FY2004 Bayswater has generated between 14,595 gigawatt hours (**GWh**) and 17,776 GWh of electricity each year.
 - (b) The 2,000 MW black-coal fired baseload and shoulder generation Liddell power station (**Liddell**). The Liddell power station is a black coal fired power station comprising four 500 MW units, commissioned between 1971 and 1973. Liddell is situated adjacent to Lake Liddell, and next to Bayswater. The current Board planned closure date for the Liddell power station is 2022. [REDACTED]
 - (c) The Hunter Valley Gas Turbines, which have capacity of 50 MW.
 - (d) The development site for an ultra super-critical coal fired or closed cycle gas turbine Bayswater B power station.
 - (e) The development site for an open or closed cycle gas turbine Tomago power station.
5. In FY13, the Bayswater and Liddell power stations represented 10.2% of total electricity generation capacity registered in the NEM, and approximately 12% of total electricity output in the NEM.
6. [REDACTED]
7. In accordance with the *State Owned Corporations Act 1989 (NSW)*, the two voting shareholders at 30 June 2013, the Honourable M. Baird, MP, Treasurer and the Honourable A.

⁷⁴ *Energy Services Corporations Act 1995 (NSW)*, s 6.

⁷⁵ [REDACTED]

Constance, MP, Minister for Finance and Services, held one share each, priced at \$1.00 per share, in Macquarie Generation.⁷⁶

8. AGL (through its subsidiaries AGL HP1 Pty Limited, AGL HP2 Pty Limited and AGL HP3 Pty Limited, trading as AGL Hydro Partnership) and Macquarie Generation have entered into an ISDA Master Agreement (2002 Form), and a number of confirmations (ie hedge contract arrangements) under that agreement. These arrangements include peak and off-peak swap contracts referenced to NEM pool prices in Victoria, NSW and Queensland, in relation to trading periods until 30 June 2016.
9. AGL currently intends to either keep the arrangements with Macquarie Generation on foot or terminate them, in which case the parties will release (or will procure the release of) each other from relevant rights and obligations, including in respect of any payment or delivery to be made upon termination.

⁷⁶ Macquarie Generation, Annual Report 2013, page 60. See also *State Owned Corporations Act 1989* (NSW), s 20H.