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Our ref: IM-71434
Contact officer: Kelly Harkess
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28 October 2021

Dear Interested Party

Re: Request for submissions: APA's proposed acquisition of AusNet

The Australian Competition and Consumer Commission (**ACCC**) is seeking your views on the proposed acquisition of AusNet Services Ltd (**AusNet**) by APA Group (**APA**) (the **proposed acquisition**).

APA owns and operates gas and electricity infrastructure assets throughout Australia. AusNet owns and operates gas and electricity assets across Victoria. Further details are provided at **Attachment A**.

The ACCC's investigation is focused on the impact on competition. In particular, we are seeking your views on:

- whether the price of gas or electricity transmission, storage or distribution would be likely to increase, or service levels decrease, as a result of the proposed acquisition
- whether the ability to access gas or electricity services would be affected
- whether energy infrastructure services, such as operation and maintenance services to third parties or infrastructure assets, would be affected
- the extent to which the proposed acquisition would affect any future competitive processes for the development and operation of new or expanding energy infrastructure.

Further issues you may wish to address are set out in **Attachment B**.

This matter is public, and you can forward this letter to anyone who may be interested.

The legal test which the ACCC applies in considering the proposed acquisition is in section 50 of the *Competition and Consumer Act 2010* (the **Act**). Section 50 prohibits acquisitions that are likely to have the effect of substantially lessening competition in a market.

Please provide your response by **12 November 2021** via email with the title: *Submission*

re: APA / AusNet – attention Kelly Harkess / Eado Varon. If you require more time to respond, please let us know.

If you would like to arrange a time to discuss the matter with ACCC officers, or have any questions about this letter, please contact Kelly Harkess on (03) 9290 1897 or Eado Varon on (03) 9910 9415.

Updates regarding the ACCC's investigation will be available on the ACCC's Public Mergers Register at ([ACCC mergers register](#)).

Confidentiality of submissions

The ACCC treats sensitive information it receives during a merger review as confidential, and will not publish your submission. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the Competition and Consumer Act 2010. Where the ACCC is required to disclose confidential information, we will notify you in advance where possible so that you have an opportunity to be heard. Therefore please clearly indicate if any information you provide is confidential. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

Yours sincerely



Daniel McCracken-Hewson
General Manager
Merger Investigations

Attachment A

APA

APA is an ASX-listed company that owns and operates natural gas and electricity infrastructure. Throughout Australia, APA owns or has interests in gas pipelines, gas storage facilities, electricity transmission, and electricity generation assets (including gas-fired power stations and renewable energy).

APA owns or has an interest in the following assets in Victoria:

- **Gas transmission:**
 - the Victorian Transmission System, the monopoly Victorian gas transmission network (this is fully regulated under the National Gas Law (**NGL**) and National Gas Rules (**NGR**))
 - the Moomba to Sydney Pipeline, which connects to Victoria in southern NSW (part of this pipeline is 'non-scheme' under the NGR and part is subject to 'light' regulation)
 - the SEA Gas Pipeline System, from Victoria to SA (these are non-scheme pipelines under the NGR).
- **Other gas infrastructure:** the Dandenong LNG Gas Storage Facility and the Orboast Gas Plant Facility.
- **Electricity transmission:**
 - the Murraylink interconnector from Victoria to SA (this is fully regulated under the National Electricity Law (NEL) and National Electricity Rules (NER))
 - a potential future interest in the Basslink interconnector from Victoria to Tasmania (this is not currently regulated but is fully contracted to Hydro Tasmania).

APA has significant interests in gas infrastructure in other states, including the South West Queensland Pipeline and the Carpentaria Pipeline in Queensland. It also has a 19.9% interest in the Directlink electricity interconnector between NSW and Queensland. Finally, APA provides asset management and infrastructure services in relation to gas assets, which includes the provision of operation, maintenance, and metering services to industrial customers.

APA also has electricity generation assets in other states. These include the Darling Downs solar farm in Queensland, the North Brown wind farm in South Australia (20.2% interest) and the Daandine Power Station in Queensland (19.9% interest). These assets are connected to the National Electricity Market (NEM).

AusNet

AusNet is an ASX-listed company with electricity and gas assets across Victoria. It is 32.3% owned by Singapore Power, 19.9% owned by State Grid of China and around 48% publicly owned.

AusNet's Victorian assets include:

- **Gas distribution:** a gas distribution network supplying central and western Victoria and western Melbourne (one of three such networks in Victoria; this is fully regulated under the NGL and NGR)
- **Electricity distribution:** an electricity distribution network supplying eastern and north-eastern Victoria and north and east Melbourne (one of five such

networks in Victoria; this is fully regulated under the NEL and NER).

- **Electricity transmission:** the main Victorian electricity transmission network (this is fully regulated under the NEL and NER, although some augmentations are contestable).
- **Other electricity infrastructure:** the Ballarat Energy Storage System (currently fully contracted to Energy Australia).

AusNet also operates a services business, Mondo. It provides technical services, metering, geospatial services, water field services and telecommunications services.

Attachment B

1. Please describe your business or organisation and explain your interest in the proposed acquisition, including any commercial relationship(s) with APA or AusNet.

Competitive dynamics

2. Please comment on the extent to which APA and AusNet's infrastructure assets compete with each other.
3. Please discuss whether the proposed acquisition will have any impact on the competitive constraints faced by the combined APA/AusNet in the supply of gas and electricity transmission and distribution in Victoria. In your response, please discuss the effect of full regulation on the combined APA/AusNet's Victorian energy assets.
4. Please discuss any competition issues that may arise from:
 - the combination of the parties' *gas* transmission, storage and distribution assets, including the combined APA/AusNet's ability and incentive to make investment decisions to favour gas from APA's gas transmission pipelines
 - the combination of the parties' *electricity* generation, transmission, storage and distribution assets, including the combined APA/AusNet's ability and incentive to make investment decisions to favour electricity from APA's generation assets or its (potential) future ownership of Basslink.
5. Please discuss any competition issues that may arise from the combination of APA and AusNet's gas and electricity assets (in a combined market for gas and electricity). In your response, please discuss the combined APA/AusNet's ability and incentive to disrupt new or existing connections to its electricity transmission network to favour its gas network, or vice versa.

Acquisition and supply of upstream services

6. Please discuss any competition issues that may arise from:
 - the combination of two potential *customers* of upstream energy infrastructure services, including operation and maintenance services, in Victoria
 - the combination of two *suppliers* of energy infrastructure services in Victoria, the east coast of Australia or Australia.
7. For the supply and acquisition of energy infrastructure services, please identify and discuss existing or potential businesses that would compete with the combined APA/AusNet, and comment on the height of barriers to entry and expansion.

Development and operation of new or expanding energy infrastructure

8. Please identify the extent to which APA and AusNet compete for the development and operation of new or expanding energy infrastructure, in Victoria, the east coast of Australia and/or Australia broadly.

9. Please identify and discuss the key competing suppliers for the development of new or expanding gas or electricity infrastructure. Please identify the geographic locations in which each of these suppliers competes.
10. Please identify any potential new entrants for the development or operation of gas or electricity infrastructure. In your response, consider the likely timeframe for entry and provide details about barriers to entry (including any incumbency advantages to overcome). Please provide examples of recent entry where possible.
11. Please comment on the extent to which the proposed acquisition could affect competition for future gas or electricity infrastructure developments or expansions. In your response, please comment on the combined APA/AusNet's ability or incentive to influence decision-making on new infrastructure, including decarbonisation and renewable energy projects, and whether it would have the ability and incentive to frustrate these projects to protect its existing infrastructure assets.

Other

12. Please provide any additional information or comments that you consider relevant to the ACCC's consideration of the proposed acquisition under section 50 of the Act.