



Australian
Competition &
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Commission

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NEWS RELEASE

ACCC RELEASES STATEMENT OF ISSUES ON THE PROPOSED ACQUISITION OF ENERGYAUSTRALIA'S IONA GAS PLANT BY APA GROUP

2 October

The Australian Competition and Consumer Commission (ACCC) has issued a Statement of Issues on the proposed acquisition of EnergyAustralia's Iona Gas Plant (Iona) by APA Group (ASX: APA).

EnergyAustralia is currently conducting a competitive bidding process for Iona. If APA is successful in this process, it would add Iona to its large portfolio of gas infrastructure assets.

The Statement of Issues seeks industry views and further information on certain competition issues which have arisen from the ACCC's market inquiries to date.

"The ACCC's preliminary view is that the proposed acquisition may raise competition concerns in the supply of gas storage services to customers in Victoria. Following the proposed acquisition, APA would own most of the options for customers of gas storage in Victoria," ACCC Chairman Rod Sims said.

With the potential exception of seeking flexible contracts with producers, there would be very few remaining independent alternative storage options for customers in Victoria.

"The ACCC is also examining whether APA's long term incentives to invest in the Victorian DTS (owned by APA) would be distorted if APA took ownership of Iona."

The ACCC has also identified potential concerns arising from the combination of Iona and APA's large existing portfolio of gas storage and transmission infrastructure, both in Victoria and throughout the east coast.

"The proposed acquisition, by giving APA access to more complete information along the supply chain, may allow APA to increase transmission and storage charges as compared to an alternative acquirer of Iona. The same access to information may also place APA in an advantageous position compared to other market participants competing for the development of pipeline augmentations. The addition of Iona to APA's infrastructure portfolio may also increase the ability and incentive for APA to leverage its existing strong position in gas pipelines into other markets, such as gas storage or into the development of new pipelines."

APA did not initially notify the ACCC of the proposed acquisition or seek ACCC approval. Following APA's response to an ACCC information request, the ACCC was able to commence its review.

“The ACCC’s preliminary decision date was scheduled to accommodate the EnergyAustralia bidding process. However, based on the significant concerns raised by market participants in relation to the proposed acquisition, the ACCC’s decision is that a Statement of Issues is necessary,” ACCC Chairman Rod Sims said.

The ACCC invites further submissions from the market in response to the Statement of Issues by 16 October 2015. As a result, the ACCC’s final decision will be deferred until 5 November 2015.

APA is Australia’s largest natural gas infrastructure business, owning an extensive portfolio across mainland Australia. EnergyAustralia is owned by Hong Kong-based CLP Group. EnergyAustralia is an energy retailer in addition to operating a portfolio of energy generation and storage facilities including coal, gas and wind assets.

Further information is available at www.accc.gov.au