



Australian
Competition &
Consumer
Commission

GPO Box 3131 Canberra ACT 2601
23 Marcus Clarke Street Canberra ACT
tel: (02) 6243 1111 fax: (02) 6243 1199
www.accc.gov.au

NEWS RELEASE

ACCC CALLS FOR COMMENT ON AGL'S PROPOSED ACQUISITION OF MACQUARIE GENERATION

The Australian Competition and Consumer Commission has released a Statement of Issues outlining concerns with the proposed acquisition of Macquarie Generation by AGL Energy Limited (AGL). The key assets of Macquarie Generation are the Bayswater and Liddell power stations (together, these power stations account for 27 per cent of NSW capacity).

The Statement of Issues seeks more information on competition issues which have arisen from the ACCC's review to date.

The ACCC's preliminary view is that the proposed acquisition is likely to result in a substantial lessening of competition in the market for the retail supply of electricity in NSW as a result of reduced access to competitively priced and customised hedge contracts. The ACCC has also expressed a preliminary view that the proposed acquisition may result in a substantial lessening of competition in one or more markets for the wholesale supply of electricity in NSW, Victoria and South Australia.

"The proposed acquisition would remove the largest source of independent generation capacity in NSW. We are considering whether this could raise barriers to entry and expansion for electricity retailers in NSW, with the potential result that end users of electricity in NSW may not obtain the benefits of strong retail electricity competition." ACCC Chairman Rod Sims said.

"Indeed, with the acquisition, AGL, Origin and EnergyAustralia would have some 70-80 per cent of electricity generation capacity or output in NSW and over 85 per cent of the retail market in NSW. Our concern is that second tier and new entrant retailers might find it difficult to gain the hedge contracts they need to compete aggressively in the NSW retail market", Mr Sims said.

"In addition, the proposed acquisition would mean that AGL would become the largest generator in each of NSW, Victoria and South Australia. The ACCC is considering whether, as a result, AGL would have the ability and incentive to influence wholesale electricity prices in these regions."

"Relevant to the ACCC's assessment of the proposed acquisition is the likely future state of competition if the proposed acquisition does not proceed. If AGL did not acquire Macquarie Generation, then it is likely to remain a stand-alone generator or alternatively be owned by an operator with much less significant vertical integration. In either case it appears that there is likely to be greater scope for new entry and expansion in electricity retailing in NSW." Mr Sims said.

The ACCC invites further submissions from the market in response to the Statement of Issues by 17 February 2014. As a result, the ACCC's final decision will be deferred until 4 March 2014.

The ACCC's decision will be available at www.accc.gov.au/MergersRegister

ACCC Media 1300 138 917 or 0408 995 408
6 February 2013