Public Competition Assessment

24 October 2018

CK Consortium – proposed acquisition of APA Group

The ACCC's decision

1. On 12 September 2018, the ACCC announced its decision not to oppose the proposed acquisition by the CK Consortium of APA Group (**APA**) (the **proposed acquisition**), subject to an undertaking offered under section 87B of the *Competition and Consumer Act 2010* (Cth) (the **Act**).

2. The ACCC considered that the proposed acquisition, in conjunction with the undertaking, would not contravene section 50 of the Act.

3. Section 50 prohibits acquisitions that would have the effect, or be likely to have the effect, of substantially lessening competition in any market.

4. The ACCC's investigation focussed on:

   - aggregation of gas transmission and storage services in Western Australia;
   - aggregation of gas transmission assets in eastern Australia and the Northern Territory;
   - impacts on competition for new gas pipeline developments;
   - vertical integration of gas transmission and distribution services; and
   - aggregation of electricity and gas assets.

5. The ACCC considered that, without the undertaking, the proposed acquisition would give rise to competition concerns. The ACCC was concerned about the removal of the CK Consortium as a competitor to APA in relation to new pipeline development, with the strongest concerns relating to new pipeline development arising in Western Australia and Northern Territory. The ACCC was also concerned about a lessening of competition for gas transmission and storage services in Western Australia given that, without the undertaking, the CK Consortium would own most gas transmission and storage facilities in Western Australia.

6. The undertaking requires the CK Consortium to divest:

- the Parmelia Gas Pipeline;
- the Mondarra Gas Storage Facility;
- APA's 88.2 per cent interest in the Goldfields Gas Pipeline; and
- the Kalgoorlie to Kambalda Pipeline.

7. The ACCC considered that the divestments resolved the competition concerns.

8. This Public Competition Assessment outlines reasons for the decision by the ACCC not to oppose the proposed acquisition subject to the court-enforceable divestment undertaking.

9. Please note that this and other public competition assessments are subject to the following qualifications:

   ▪ The ACCC considers each transaction on a case-by-case basis and so the analysis and decision outlined in one assessment will not necessarily reflect the ACCC's view of another transaction, even where that other transaction may involve the same or a related market.

   ▪ As assessments are brief and do not refer to confidential information provided by the parties or other market participants, assessments do not set out all of the issues and information considered by the ACCC, nor all of the analysis and reasons of the ACCC.

10. Please also note that the proposed acquisition is subject to approval by the Foreign Investment Review Board (FIRB), which will assess the transaction on national interest grounds.

The parties and the transaction

The acquirer: CK Consortium

11. The CK Consortium comprises three members, each of whom is a substantial entity listed on the Hong Kong Stock Exchange:

- CK Infrastructure Holdings Ltd (**CKI**), a public infrastructure company with diversified investments in energy infrastructure, transportation infrastructure, water infrastructure, waste management, waste-to-energy, and infrastructure related businesses. CKI is one of the largest overseas infrastructure investors in Australia.[1]
- CK Asset Holdings Limited (**CKA**), a company with diverse capabilities with activities encompassing property development and investment, hotel and serviced suite operation, property and project management,

[1] http://www.cki.com.hk/.

joint ventures in infrastructure and utility asset operation, and aircraft leasing[2]; and

- Power Assets Holdings Limited (**PAH**), a global investor in energy and utility-related businesses, with interests in the generation of thermal and renewable power, the transmission of electricity gas and oil, and the distribution of electricity and gas.[3]

12. The CK Consortium's Australian energy assets include:

    - three gas transmission pipelines in Western Australia, including the Dampier to Bunbury Natural Gas Pipeline which is one of Australia's largest transmission pipelines that runs from the Burrup Peninsula in the north-west to Bunbury in the south-west of the state;

    - Australian Gas Networks (**AGN**), which owns gas distribution networks in Adelaide, Brisbane, Melbourne, Rockhampton, Albury, Alice Springs, Bundaberg and Whyalla. AGN also owns six small transmission assets in Victoria, South Australia, New South Wales, Queensland and the Northern Territory;

    - Multinet Gas, which owns gas distribution pipelines in Victoria;

    - an interest in regulated electricity distribution networks across South Australia and three of the five regulated electricity distribution networks in Victoria[4];

    - small capacity electricity generation assets, including wind farms, landfill gas sites and coal mine gas sites across Australia.

13. Maps showing the CK Consortium's gas infrastructure assets in the east and west coast of Australia are set out in **Attachment A**. A list of the Consortium's energy infrastructure assets in Australia is set out in **Attachment B**.

The target: APA Group

14. APA is a major owner and operator of natural gas transportation and energy infrastructure assets across Australia. Its assets and services include:

    - a network of interconnected large capacity gas transmission pipelines in eastern Australia;

    - gas transmission pipelines in the Northern Territory, including the Amadeus Ga Pipeline;

    - major gas transmission pipelines in Western Australia, including the Goldfields Gas Pipelines, the Parmelia Gas Pipeline and the Pilbara Pipeline System;

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[2] http://www.ckah.com/.
[3] https://www.powerassets.com/.
[4] Powercor Australia (51 per cent interest), United Energy (66 per cent), CitiPower (51 per cent), SA Power Networks (51 per cent).

- the Mondarra gas storage facility in Western Australia and the Dandenong LNG gas storage facility in Victoria;

- small capacity renewable energy generation facilities connected to the National Electricity Market (**NEM**) and the Wholesale Electricity Market (**WEM**), as well as other purpose-built energy generation facilities not connected to the NEM and WEM;

- 19.9% in electricity transmission interconnectors Murraylink (Victoria-South Australia interconnector) and Directlink (New South Wales-Queensland interconnector);
- asset management services for the majority of APA's energy investments and for third parties, including the CK Consortium; and
- energy investments in unlisted entities.

15. Maps showing APA's gas infrastructure assets in the east and west coast of Australia (including assets operated by APA) are set out in **Attachment A**. A list of APA's energy infrastructure assets in Australia is set out in **Attachment C**.

The transaction

16. On 13 August 2018, APA Group announced that it had entered into an Implementation Agreement with the CK Consortium and CKM Australia Bidco Pty Ltd (**Bidco**), under which Bidco will acquire all of the stapled securities in APA. The Proposal will be effected under inter-conditional trust schemes. The current proposed ultimate ownership structure of APA will be CKA owning 60 per cent, and each of CKI and PAH will have a 20% interest in the CK Consortium.[5]

17. At the commencement of the ACCC's process, the CK Consortium offered to divest the following APA assets in Western Australia to address competition concerns likely to be raised by the ACCC:

    - the Parmelia Gas Pipeline;

    - the Mondarra Gas Storage Facility;

    - APA's 88.2% interest in the Goldfields Gas Pipeline; and

    - the Kalgoorlie to Kambalda Pipeline.

[5] Subject to CKA, CKI and PAH shareholders' approval.
CKA circular:
http://www.hkexnews.hk/listedco/listconews/SEHK/2018/1009/LTN20181009533.pdf
CKI circular:
http://www.hkexnews.hk/listedco/listconews/SEHK/2018/1009/LTN20181009452.pdf
PAH circular:
http://www.hkexnews.hk/listedco/listconews/SEHK/2018/1009/LTN20181009527.pdf
Acquisition announcement, Stock Exchange of Hong Kong,
http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0813/LTN20180813007.pdf

Review timeline

18. The following table outlines the timeline of key events for the ACCC in this matter.

Date	Event
26 June 2018	ACCC commenced review under the Merger Process Guidelines.
13 July 2018	Closing date for submissions from interested parties.
4 September 2018	Former proposed decision date of 13 September 2018 brought forward a day to 12 September 2018.
12 September 2018	ACCC announced it would not oppose the proposed acquisition, subject to a section 87B undertaking accepted by the ACCC.

19. The total elapsed time from start to finish was just under three months.

Market inquiries

20. The ACCC conducted market inquiries with a range of industry participants, including competitors, gas producers, customers, other pipeline operators, engineering firms, industry bodies, and other government agencies. Submissions were sought in relation to the substantive competition issues and proposed undertakings.

Industry background

The gas supply chain

21. Gas producers sell wholesale gas domestically to electricity generators, to other large gas users and to energy retailers, who then on-sell the gas to business and household customers. The gas produced for domestic consumption is transported (‘shipped’) through high pressure transmission pipelines from the production facility to the entry point of the distribution network (‘city gate’) or to large users (for example, large commercial and industrial users) connected to the transmission pipeline.

22. Gas distribution pipelines transport natural gas from transmission pipelines to end users. These typically consist of a backbone of high and medium pressure pipelines running between the city gate and major demand centres. This pipeline system feeds low pressure pipelines which deliver the gas to businesses and homes. Energy retailers act as intermediaries by buying gas from producers and packaging it with pipeline services for sale to residential, commercial and small business customers.

23. Gas storage facilities help manage variations in gas production. In particular, they can be used to store surplus production that can be drawn upon later to augment supply in times of peak demand.

Regulation of gas transmission and distribution

24. All gas transmission pipelines and networks are subject to at least some form of regulation. There are two frameworks under the National Gas Rules (**NGR**): (i) ‘covered’ pipelines; and (ii) pipelines subject to Part 23 of the NGR.

Covered pipelines

25. The National Competition Council (**NCC**) is responsible for assessing whether a pipeline should be regulated and the level of regulation that is appropriate. There are two types of regulation available: full regulation or light regulation.

26. Where a pipeline is regulated either through full or light regulation, it is referred to as a 'covered' pipeline. Once a pipeline is 'covered', the Australian Energy Regulator (**AER**) is responsible for regulating pipeline services on that pipeline and ensuring compliance with the NGR (except in Western Australia, where the Economic Regulation Authority (**ERA**) has this responsibility).

Full regulation

27. Where a pipeline is fully regulated, the pipeline operator must prepare an access arrangement for the AER or ERA to approve. The access arrangement includes price and non-price terms and conditions for third parties to gain access to the pipeline, and provides a starting point for parties to negotiate access on commercial terms.

Light regulation

28. Light regulation involves a more limited access arrangement whereby the pipeline operator either determines its own tariffs or publishes information (as specified by the NGR) on its website. The information is made available to assist potential users to negotiate a contract to use a pipeline service.

29. In the event of a dispute between the pipeline operator and a user (or potential user), the NGR contain a dispute resolution (arbitration) mechanism. This mechanism is available in relation to all services on fully and lightly regulated pipelines.

Part 23 of the NGR

30. Over the last few years, following findings and recommendations arising from the ACCC Gas Inquiry Report 2016, the level of oversight of and information reporting by gas pipelines/networks has increased.

31. Since 1 August 2017, pipelines that are not covered have been subject to the requirements set out in a new Part 23 of the NGR. Under Part 23, pipeline operators are required to publish certain financial and non-financial information related to the available pipeline services. Part 23 also includes an arbitration framework for users of these pipelines to resolve disputes with pipeline operators. Some pipelines are able to apply for exemptions from Part 23.

Competition analysis

32. The ACCC's investigation focussed on:

- aggregation of gas transmission and storage services in Western Australia;
- aggregation of gas transmission assets in eastern Australia and the Northern Territory;

- impacts on competition for new gas pipeline developments
- vertical integration of gas transmission and distribution services, and
- aggregation of electricity and gas assets.

33. These issues are explored in the sections below.

Gas transmission and storage services in Western Australia

Gas transmission services to Perth

34. The CK Consortium owns the Dampier to Bunbury Natural Gas Pipeline (**DBNGP**) which links the gas fields in the Carnavon Basin (off the Pilbara coast of Western Australia) with population centres and industry in the south-west of the state, including Perth. APA owns the shorter and lower capacity Parmelia Gas Pipeline which runs virtually parallel to the DBNGP, from the Perth Basin gas fields to just south of Perth.

35. The ACCC considered that the consolidation of ownership between the DBNGP and the Parmelia Gas Pipeline would be likely to substantially lessen competition for the supply of gas transmission services into Perth. However, taking into account the remedy offered to the ACCC by the CK Consortium at the outset of the review to divest the Parmelia Gas Pipeline, the ACCC was satisfied that this remedy adequately addressed these concerns.

Pipelines servicing the Pilbara

36. Market participants indicated that the Goldfields Gas Pipeline, owned by APA, competes with the Fortescue River Pipeline (owned by CKI in a joint venture with TransAlta) insofar as services are (or could be) provided to end users in the Pilbara.

37. The ACCC notes that end users are likely to be major mining companies or other industrial users which may have the ability to develop new pipelines themselves or underwrite others doing so. Despite the possible countervailing power of these large customers (discussed further below), the ACCC considered that the proposed transaction may substantially lessen competition for the supply of gas transmission services to the Pilbara. However, taking into account the remedy proposed by the CK Consortium to divest the Goldfields Gas Pipeline, the ACCC was satisfied that the concern would be addressed.

Consolidation in ownership of gas storage facilities

38. The proposed acquisition would result in common ownership of the only two gas storage facilities in Western Australia:

    - the Mondarra Gas Storage Facility, an underground gas storage facility owned by APA (attached to the northern part of the Parmelia Gas Pipeline and connected to the DBNGP); and
    - the newer Tubridgi Gas Storage Facility, another underground gas storage facility owned by the CK Consortium. Tubridgi is located at the northern end of the DBNGP.

39. Market participants indicated that the two storage facilities compete with one another notwithstanding the distance between them. The ACCC considered that the proposed acquisition would likely substantially lessen competition for the supply of gas storage services in Western Australia. However, taking into account the remedy proposed by the CK Consortium to divest the Mondarra Gas Storage Facility, the ACCC was satisfied that this concern would be addressed.

Aggregation of gas assets in eastern Australia and the Northern Territory

Gas transmission pipelines

40. In Eastern Australia and the Northern Territory, the CK Consortium owns five small transmission pipelines:

- The Riverland-Mildura Pipeline System transports gas from the Moomba to Adelaide Pipeline System (**MAPS**) to Berri and then Mildura. A lateral pipeline transports gas to Murray Bridge. The SEA Gas Pipeline, which is 50% owned by APA but independently operated, passes within 4km of Murray Bridge, but the two pipelines are not connected. The Riverland-Mildura Pipeline System is very different to the SEA Gas Pipeline. The latter is a large capacity pipeline, with 314 TJ/d capacity, compared to 5.6TJ/d capacity on the Riverland-Mildura Pipeline.

- The Wide Bay Pipeline is connected to the Queensland Gas Pipeline (owned by Jemena) at Gladstone and extends from Maryborough to Rockhampton via Bundeberg and Gladstone. The Wide Bay Pipeline is a small transmission pipeline, with a capacity of 3 TJ/d. The Wide Bay Pipeline also crosses, but is not connected to, the Wallumbilla to Gladstone Pipeline, owned by APA. The latter pipeline is a large capacity pipeline (500 times greater than the Wide Bay Pipeline) designed to supply gas to the LNG export terminals at Curtis Island.

- The South Gippsland Natural Gas Pipeline transports gas from the Bass Gas Plant and the Victorian Transmission System to supply five South Gippsland towns. It forms part of the Multinet Gas distribution network.

- The Palm Valley to Alice Springs Pipeline (**PVASP**) connects to the southern end of APA's Amadeus Gas Pipeline. PVASP and the Amadeus Gas Pipelines supply gas to different destinations but source gas from the same field. The pipelines differ significantly in their capacity: the PVASP has a capacity of 27 TJ/d compared to 122 TJ/d for the Amadeus Gas Pipeline.

- The Tanami Gas Pipeline is being constructed by the CK Consortium to connect mines operated by Newmont to APA's Amadeus Gas Pipeline.

41. By contrast, APA owns and operates a very large number of interconnected transmission pipelines in eastern Australia. APA also owns and operates related infrastructure, such as storage and compression assets.

42. The CK Consortium’s pipelines in eastern Australia supply small regional centres or specific customers. As the CK Consortium’s pipelines are small and largely peripheral, the ACCC considered that they would only have a minimal impact on APA’s network size and interconnectivity. The ACCC found that there is no competition between the CK Consortium’s existing pipelines in eastern Australia and Northern Territory and those of APA.

Horizontal Aggregation of gas distribution assets

43. In Brisbane, the CK Consortium (through AGN) owns the gas distribution network supplying the northern suburbs of Brisbane. APA has a 20% interest in the Allgas gas distribution network, which borders the AGN network and supplies the southern suburbs of Brisbane.

44. The ACCC considered the horizontal aggregation of gas distribution networks in Brisbane. The ACCC found that competition is theoretically possible on the border between the two networks, but unlikely to be significant as the networks are largely separated by the Brisbane River and there appeared to be no industry interest in competing for such a small number of customers.

45. The ACCC therefore concluded that the aggregation of the Brisbane distribution networks is unlikely to raise competition concerns.

46. Aside from Brisbane, APA has limited gas distribution assets, which the ACCC considers do no compete with the CK Consortium’s interests in gas distribution.

Competition to develop and operate new pipelines

47. The ACCC was concerned that the proposed acquisition, by eliminating competitive rivalry between APA and the CK Consortium, would have the effect of lessening competition in the development and operation of new pipelines.

Closeness of competition between the CK Consortium and APA

48. Analysis of data from the parties and information from market inquiries indicated that on the East Coast, APA’s closest competition for the development of new pipelines has typically come from gas pipeline companies other than the CK Consortium members.

49. The ACCC noted that the CK Consortium has had limited success in winning tenders for the development of new pipelines in the east coast gas market.

50. In Western Australia, the CK Consortium has been involved in developing laterals connecting to its main pipeline, the DBNGP. It is also currently developing the Tanami Pipeline, which is a lateral connecting a mine to the APA-owned Amadeus Gas Pipeline in the Northern Territory. The development of this pipeline is being progressed via the CK Consortium member’s Perth-based staff, and will be maintained with fly-in and fly-out staff from Perth. Each of the new pipelines developed by the CK Consortium to date have been supported by an investment-grade foundation customer entering into a long term contract with it.

51. The CK Consortium and APA appear to be relatively strong competitors for the construction of laterals to mines in Western Australia and the Northern

Territory, primarily because they are the two main owners of pipelines in the west (and the Northern Territory pipelines can be efficiently developed and operated from Western Australia).

Alternative options to the combined entity

52. Market feedback indicated that there are alternative options to the combined entity for the development of new pipelines.

- *Jemena*: Jemena is currently developing the Northern Gas Pipeline and has stated that it is seeking to build an interconnected supply chain of energy delivery assets in northern Australia through targeted acquisitions and greenfield developments.[6]

- *International pipeline operators and developers*: large pipeline development projects have been able to attract participation by international pipeline operators and developers, although none has won a tender in recent years. While some market participants have indicated that experience and a track record in Australia (in particular, in dealing with issues such as native title) are important in winning a bid, others considered that a lack of such experience in Australia can be overcome by engaging consultants or consortium partners who possess the relevant experience and expertise.

- *Superannuation and investment funds*: a number of pipelines are owned by superannuation or investment funds. There have also been a number of superannuation and investment firms which have participated directly in tenders for pipelines, generally partnering with pipeline construction companies.

53. Many market participants indicated that APA has a strong incumbency advantage in relation to the development of new pipelines, due to its existing pipeline network. Any developer of future large scale pipelines is likely to have to connect with an APA pipeline, which may increase the former's costs, risks and uncertainty as compared to APA. This issue would likely apply equally to an international player as to a local player attempting to expand. However, the ACCC considered that the proposed acquisition would not change this.

54. The ACCC also noted that there are a number of pipelines that are owned by gas producers which have been self-developed.

55. The ability to self-develop pipelines provides proponents with a degree of countervailing power. If bidders do not provide a competitive price, a project sponsor can have the option to construct the pipeline itself. However, this option is only likely to be available to businesses with the capital, or option of accessing capital, to finance the project themselves. This model would appear suited to large C&I businesses requiring a lateral pipeline or large gas producers with large volumes of gas to be transported to connection points in the existing transmission network.

56. While these alternative options provide some potential constraint, the ACCC remained concerned that the proposed acquisition would be likely to have the

[6] https://jemena.com.au/pipelines/darling-downs-pipeline

effect of lessening competition in the development and operation of new pipelines, in particular in Western Australia and Northern Territory.

57. The ACCC considered that the divestment undertaking offered by the CK Consortium addresses this concern. The pipeline assets that the CK Consortium propose to divest post-merger will create a Western Australia-based entity of similar scale to the CK Consortium's current Western Australian operations, together with the personnel needed to operate those assets and a management team experienced in managing and developing gas transmission pipelines. The purchaser of the divestment assets will need to be approved by the ACCC. This approval process will take into account the proposed purchaser's ability to be an effective and long-term competitor for the development of new pipelines.

Vertical integration of gas transmission and distribution

58. As APA is a significant gas transmission company and the CK Consortium has significant gas distribution assets, the proposed acquisition will result in vertical integration of gas transmission and distribution assets in Brisbane, Melbourne and Adelaide. While concerns were expressed by some industry participants about this vertical integration, the ACCC decided that the vertical integration did not give rise to competition issues under s 50 of the Act.

59. Some market participants expressed concerns that the combined entity would have the ability and incentive to make investment decisions in relation to distribution or transmission assets in a way that favours its other assets, particularly gas transmission assets, to the detriment of competitors and ultimately customers.

60. The ACCC concluded that competition concerns are unlikely. Customers of distribution networks are mostly retailers which provide gas to end users spread geographically across the distribution network. It would not seem possible to target investment projects to specific customers. Furthermore, the AER's regulation of distribution networks makes it unlikely that the combined entity would have the ability to make investment decisions in a way that favours its other assets in Adelaide, Melbourne or Brisbane.

61. Some market participants suggested that the combined entity, which would control transmission, hub and distribution services, would have detailed information about the consumption patterns of the commercial and industrial (**C&I**) customers, which may affect the ability of these customers to negotiate with the combined entity.

62. The ACCC noted that the combined entity could gain a better understanding of these customers' requirements, for example regarding gas demand profile and flexibility of demand. However, the ACCC considered that the information available to a combined transmission and distribution company would not materially alter the bargaining position of C&I customers, as a customer can provide its own information to any rival transmission or storage providers.

63. The ACCC also noted that APA is already operating the distribution networks of the CK Consortium's Australian Gas Networks in Adelaide, Melbourne and Brisbane under a long term contract. Therefore, APA would already have

extensive information on individual C&I users that obtain gas transport via retailers.

64. Concerns were also raised that the combined entity will be able to bundle gas transmission and distribution services supplying a particular capital city, offering lower distribution charges to customers if they use the combined entity's transmission pipelines (or higher prices if they do not).

65. The ACCC noted that the regulatory framework for covered pipelines prevents transmission pipeline operators from restricting or otherwise hindering access to distribution networks. The regulatory framework would also prevent operators of lightly regulated transmission pipelines from engaging in price discrimination. The NGR allow the distribution network to group customers into 'tariff classes' only if it is economically efficient to do so. This would likely restrict the ability of the combined entity to offer discounts to customers based on their purchase of its own transmission services.

Aggregation of electricity and gas assets

66. The ACCC considered whether the proposed acquisition would be likely to substantially lessen competition in the supply of electricity due to aggregation of electricity generation and gas transmission/distribution assets. Specifically, the ACCC considered whether the merged firm could use control of its gas transmission and distribution assets to increase the input costs of competing gas-fired electricity generators. By raising the costs of rival electricity generators, this could provide the electricity generation assets owned by the merged firm with a competitive advantage.

67. Information obtained from the parties indicated that the combined entity would have a very low percentage of electricity generation capacity in each relevant state and the broader NEM and WEM. The presence of much larger generators in each of these areas means that the combined entity will face significant constraints and is unlikely to be able to influence electricity prices in any state, the WEM or the NEM. The small size of the generation assets in the NEM and the WEM owned by the merged firm means that it is unlikely it would have an incentive to use control of gas transmission or distribution assets to competitively disadvantage rival existing or potential gas-fired generators. Furthermore, the ability to engage in such behaviour would be restricted by regulation for many of the gas distribution/transmission assets. Accordingly, the ACCC considered that aggregation of the electricity and gas assets would be unlikely to substantially lessen competition in the supply of electricity.

68. The CK Consortium also has interests in several remote generation assets, not connected to the broader NEM or WEM. As these are stand-alone assets, generally under long-term contracts that do not compete with other generators, the ACCC did not consider there was a risk of foreclosure or rivals.

69. The CK Consortium and APA also have interests in electricity transmission/distribution assets. While none of these electricity transmission/distribution assets compete, market participants did raise concerns relating to the possible convergence of gas and electricity supply at the retail or wholesale level, and the possibility of substitution between the energy sources for some customers.

70. The ACCC considered that the combined entity would have little incentive to attempt, through investment or operational decisions, to direct more energy through one type of infrastructure over another in a way that would harm competition, as the benefits of such a strategy would be unlikely to compensate for the loss. The ACCC considered that any competition between the electricity distribution/transmission assets and the gas assets was limited.

Undertaking

71. The CK Consortium has undertaken to divest the Parmelia Gas Pipeline, the Goldfields Gas Pipeline, the Kalgoorlie to Kambalda Pipeline and the Mondarra gas storage facility to an ACCC-approved purchaser. The undertaking is a court-enforcement undertaking under s87B of the Act, and is available on the ACCC's website https://www.accc.gov.au/public-registers/undertakings-registers/ckm-australia-bidco-pty-ltd-ck-asset-holdings-limited-ck-infrastructure-holdings-limited-and-power-assets-holdings-limited.

72. In addition to addressing the ACCC's concerns in relation to competition for the supply of gas transmission and storage services in Western Australia, the objectives of the undertaking include to:

- create or strengthen a viable, effective, stand-alone, independent and long term competitor in the development of new gas transmission pipelines, and ensure that the purchaser has the necessary assets and rights to do so, and
- create or strengthen a viable, effective, stand-alone, independent and long term competitor in the supply of gas pipeline transmission and storage services in Western Australia and ensure that the purchaser has all the necessary assets and rights to do so.

73. The assets will be sold with a management team capable of operating the assets and developing new pipelines.

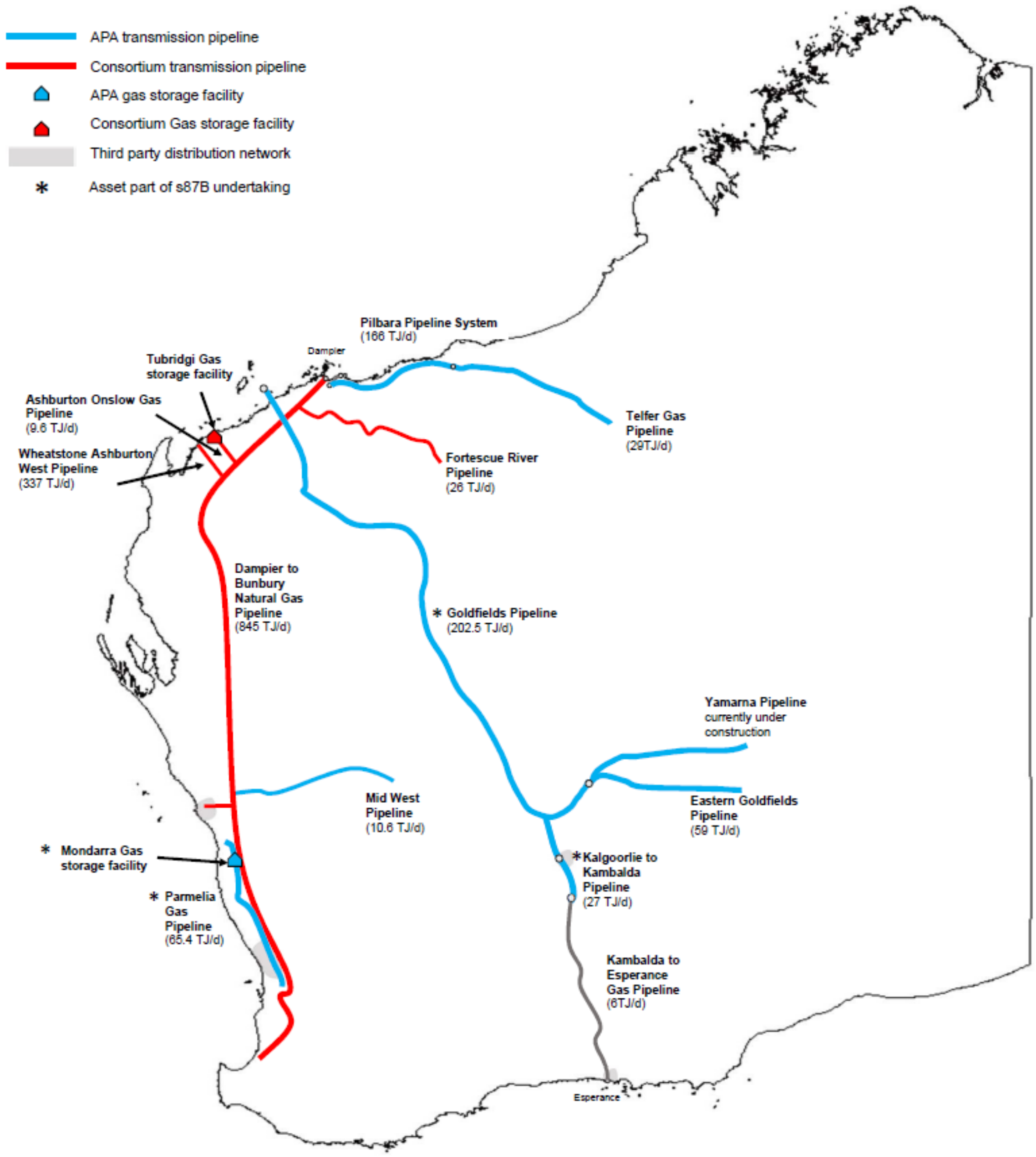
74. The ACCC considered that the divestment would create a pipeline business similar in size to the CK Consortium's current Western Australian operations.

Conclusion

75. Based on the above analysis, the ACCC concluded that the proposed acquisition of APA Group by the CK Consortium, in conjunction with the undertaking, would not be likely to have the effect of substantially lessening competition in any market.

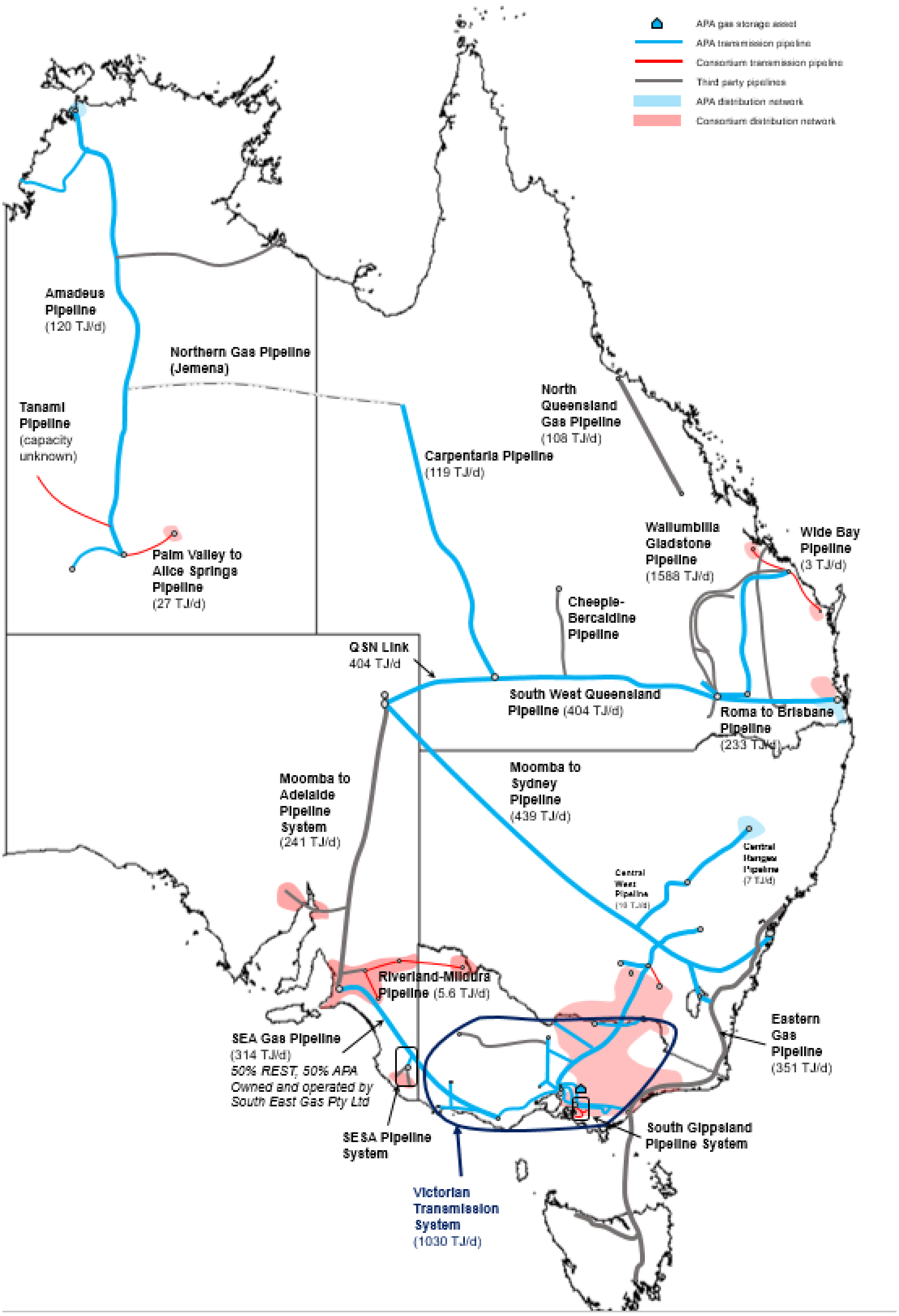
Attachment A

Map 1: Parties' gas assets in Western Australia[7]



[7] Map 1 does not show the Beharra Springs Pipeline (35-40 TJ/d).

Map 2: Parties' gas assets in eastern Australia and the Northern Territory[8]



[8] Map 2 does not show all third party pipelines. In particular, the following third party pipelines are not shown: Comet Ridge to Wallumbilla, Spring Gully Pipeline, Kincora to Wallumbilla,

Attachment B

CK Consortium's energy infrastructure assets in Australia

Western Australia

- Dampier to Bunbury Natural Gas Pipeline (**DBNGP**)
- Fortescue River Pipeline (owned and operated through a joint venture comprising a subsidiary of AGIG and a subsidiary of TransAlta (which is unrelated to the merger parties) on a 57% to 43% basis)
- Wheatstone Ashburton West Pipeline
- Ashburton Onslow Gas Pipeline
- Tubridgi Gas Storage Facility
- Various landfill gas sites connected to the Wholesale Electricity Market

Eastern Australia

- South Gippsland Natural Gas Pipeline (VIC)
- Wide Bay Pipeline (QLD) (operated by APA under a long term management agreement)
- Riverland-Mildura Pipeline System (SA-VIC) (operated by APA under a long term management agreement)
- Australian Gas Networks (previously Envestra) Distribution Network (VIC, SA and QLD) (operated by APA under a long term management agreement)
- Multinet Gas
- Albury Gas Distribution Network (NSW/VIC) (operated by APA under a long term management agreement)
- Wagga Wagga Gas Distribution Network (operated by APA under a long term management agreement)
- East Gippsland Distribution Network (VIC) (operated by APA under a long term management agreement)
- Wonthaggi Wind Farm
- Various landfill gas sites in Victoria
- SA Power Networks
- Powercor Australia Ltd

APLNG Pipeline, Peabody Mitsui Gas pipeline and GLNG pipeline.

- Transmission General Holdings
- United Energy (66% interest)
- Energy Developments

Northern Territory

- Palm Valley to Alice Springs Pipeline (operated by APA under a long term management agreement)
- Alice Springs Distribution Network (operated by APA under a long term management agreement)
- Tanami Pipeline (under construction)

Attachment C

APA's energy infrastructure assets in Australia[9]

Western Australia

- Goldfields Gas Pipeline (88.2% ownership of the mainline and Newman lateral (Alinta Energy CGT Pty Ltd owns the remaining 11.8%) and 100% ownership of 106 kilometres of all other laterals)
- Eastern Goldfields Pipeline
- Kalgoorlie to Kambalda Pipeline
- Pilbara Pipeline System
- Telfer Gas Pipeline (owned and operated by Energy Infrastructure Investment, an APA-established investment vehicle in which APA holds a 19.9% interest)
- Parmelia Gas Pipeline
- Mid-West Pipeline (APA operates and holds a 50% interest; Horizon Power holds the remaining 50% interest)
- Mondarra Gas Storage Facility
- Emu Downs Wind Farm
- Emu Downs Solar Farm
- Badgingarra Wind Farm
- Natural Gas Vehicle refuelling facilities; and
- Yamarna Gas Pipeline and Yamarna Power Station (under construction)

Eastern Australia

- South West Queensland Pipeline (SA-QLD)
- Wallumbilla Gladstone Pipeline (QLD)
- Carpentaria Gas Pipeline, and Diamantina and Leichardt Power Stations (QLD)
- Roma Brisbane Pipeline (QLD)
- Berwyndale Wallumbilla Pipeline (QLD)
- Moomba to Sydney Pipeline (SA-NSW)

[9] Assets operated by APA on behalf of the Consortium are noted in the list of the Consortium's assets.

- Moomba to Sydney Ethane Pipeline (SA-NSW)
- Central West Pipeline (NSW)
- Reedy Creek Wallumbilla Pipeline (to be built)
- SEA Gas Pipeline (APA operates and holds a 50% interest; Retail Employees Superannuation Trust holds the remaining 50%) (VIC-SA)
- Mortlake Gas Pipeline (50% interest through SEA Gas (Mortlake) Partnership)
- South East South Australia Pipeline (SA)
- Allgas Distribution Network (QLD-NSW) (APA operates and holds a 20% interest; Allgas Energy holds the remaining 80%)
- Tamworth Gas Distribution Network (NSW)
- Victorian Gas Transmission System and the associated Dandenong LNG Storage Facility (VIC)
- Orbost Gas Processing Plant (VIC)
- Darling Downs Solar Farm (QLD)
- Various power stations in Queensland and South Australia
- APA also owns and manages metering services in Victoria
- GDI (EII) (20% interest)
- South East Australia Gas Pty Ltd (50% interest)
- Energy Infrastructure Investments (19.9% interest)
- EII2 (20.2% interest)
- Murraylink (19.9% interest)
- Directlink (19.9% interest)

Northern Territory

- Amadeus Gas Pipeline and 100% ownership of two laterals
- Darwin City Gate to Berrimah Pipeline
- Bonaparte Gas Pipeline (operated by APA; owned by Energy Infrastructure Investments in which APA has a 19.9% interest)
- Wickham Point Pipeline (operated by APA; owned by Energy Infrastructure Investments in which APA has a 19.9% interest)
- Darwin Distribution Network