

COMMERCE ACT 1986: BUSINESS ACQUISITION**SECTION 66: NOTICE SEEKING CLEARANCE**

19 October 2012

The Registrar
Mergers and Authorisations
Commerce Commission
PO Box 2351
WELLINGTON

Pursuant to section 66(1) of the Commerce Act 1986, notice is hereby given seeking clearance of a proposed business acquisition.

EXECUTIVE SUMMARY

- A Vector Limited or any interconnected body corporate thereof (*Vector* or *the Applicant*) seeks clearance to acquire some or all of the shares or assets of Contact Energy's natural gas metering business (the *Acquisition*).
- B Powerco remains in the market as a strong competitor able to extend its footprint at any time. There are also other existing natural gas metering providers such as GasNet and Nova.
- C However, the key constraint for gas metering is threat of entry – primarily by gas retailers, which are ideally placed to take advantage of the low barriers to entry in these markets. In this context, even if they do not actually enter, gas retailers typically exercise strong countervailing market power because they:
- are metering customers and accordingly have a strong incentive to drive low input prices for retail gas services;
 - directly negotiate the metering charge through the gas metering services agreement (*GMSA*) and have contractual rights to displace meters or terminate the *GMSA* in response to technology advancement or price rises;
 - have a good level of knowledge about the costs of providing metering services (particularly Contact and Nova Gas, who currently operate as a natural gas metering providers); and
 - have sufficient means to facilitate swift entry on a large scale if necessary.
- D This Acquisition results in the aggregation of the North Island natural gas metering market, which comprises asset provision and ongoing natural gas metering services. Post-acquisition Vector would have approximately []% of North Island market share. But in this case, static market share data does not adequately reflect the nature and extent of competition in relevant metering markets. The fact that a meter is physically attached to each premises means that every new entrant faces a potential installation cost, and any incumbent faces risk of a stranded asset in the event of customer churn. This displacement dynamic is present whether the incumbent has 1%, 50% or 100% market share.

- E Therefore, although the Acquisition will combine the two largest existing national natural gas metering providers, the merged entity will continue to face significant constraint such that the Acquisition will not substantially lessen competition.

PART 1: TRANSACTION DETAILS**The person giving notice**

1 This notice is given by Vector Limited.

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Newmarket, Auckland, New Zealand

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Fax: (09) 978 7799

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Contact Person: Grant Wilson

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2 All correspondence and notices in respect of this application should be directed in the first instance to:

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Telephone: (04) 498 6313

Helen Townley, Solicitor, Chapman Tripp
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Other merger party

3 The other merger party is Contact Energy Limited.

Registered Office: Level 1, Harbour City Tower,
29 Brandon Street, Wellington,
New Zealand

Postal Address: PO Box 10742

Telephone: (04) 463 1862

Fax: (04) 499 4003

Website: www.contactenergy.co.nz

Contact Person: Paul Ridley-Smith, General Counsel

E-mail Address: paul.ridley-smith@contactenergy.co.nz

- 4 All correspondence and notices in respect of this application should be directed in the first instance to:

Tony Dellow, Partner, Buddle Findlay
 Email: tony.dellow@buddlefindlay.com
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The business acquisition

- 5 Vector Limited or any interconnected body corporate thereof seeks clearance to acquire some or all of the shares or assets of Contact Energy's natural gas metering business.
- 6 The details of the transaction are set out in the Agreement for Sale and Purchase between Vector and Contact, attached as **Appendix A**.
- 7 This Acquisition is not part of an international merger and no other competition agency has been notified.

Commercial rationale

- 8 Contact's reasons for sale were specified in the Information Memorandum regarding this transaction as follows:

Contact Energy is a significant purchaser of gas for its thermal energy plants and there are customer synergies between its core activities of electricity retailing and gas retailing.

Contact Energy doesn't consider that meter ownership (both electricity and gas) is part of its core business. Its view is that meters are a service independent of retailing electricity and gas. [

]

- 9 By contrast, metering is part of Vector's core business. Vector considers that incorporating Contact's natural gas metering business into Vector's existing operations will generate significant additional scale and accordingly greater scope to provide a compelling proposition to customers.
- 10 As part of the sale Vector and Contact have negotiated a GMSA whereby Vector will provide natural gas metering services to Contact – a copy of which is attached to the Agreement for Sale and Purchase in **Appendix A**. [
-] In particular, it is self-evident that Contact could retain these meters itself and continue to arrange the relevant services to be provided in respect of those meters.

Details of the merger parties

- 11 Vector is listed on the New Zealand Stock Exchange. Vector owns a portfolio of energy and fibre optic infrastructure networks in New Zealand. In particular, Vector provides electricity distribution, gas transmission and distribution, electricity and gas metering installations and data management services, natural gas and LPG trading and fibre optic networks in Auckland and Wellington. Vector participates in natural gas metering through its wholly owned subsidiaries Advanced Metering Assets

Limited and Advanced Metering Services Limited. Further information is available at www.vector.co.nz.

- 12 Contact Energy is an integrated energy company listed on the New Zealand Exchange. Its activities include generation and sale of electricity, sale of natural gas and LPG, and provision of related services to residential and business customers in New Zealand. It supplies energy to more than 550,000 customers. Further information is available at www.contactenergy.co.nz.
- 13 Relevant structure diagrams for the parties are provided at **Appendix B**.

Relevant links between the parties

- 14 Vector currently provides gas transmission, gas distribution and gas metering services to Contact. Vector also provides electricity distribution and electricity metering services to Contact.

PART 2: THE INDUSTRY**Goods or services supplied by the merger parties**

- 15 A natural gas metering business, as currently operated by Vector and Contact, involves:
- 15.1 ownership of gas meters;
 - 15.2 oversight of gas meter design so as to ensure compliance with New Zealand standards and gas retailer requirements;
 - 15.3 procurement and logistics;
 - 15.4 asset reconciliation, administration, assets management and stock management;
 - 15.5 contracting with gas retailers for the supply of gas metering services; and
 - 15.6 installation, maintenance, upgrade and replacement of gas meters.
- 16 Currently residential gas metering does not involve meter reading; responsibility for meter reading is taken by gas retailers.
- 17 Gas metering involves the measurement of volumes of gas delivered through reticulated gas networks to end consumers. Gas in the South Island is generally supplied via LPG bottles which are often supplied “per bottle” by retailers (such as Vector’s *On Gas*). Vector has approximately [] LPG meters installed on LPG networks in the South Island. A small number of gas meters are installed on LPG bottle installations. Contact Energy has approximately [] LPG meters which are connected to its reticulated LPG networks in the South Island, but these LPG meters are not included in the Acquisition. Accordingly, the Acquisition does not impact on South Island markets related to LPG metering.

Industries affected by acquisition

- 18 The industries affected by this Acquisition are:
- 18.1 the natural gas metering industry; and
 - 18.2 the natural gas retail industry (as customers of the providers of gas metering).

Industry trends

- 19 Vector has observed the following industry trends:
- 19.1 Divestment of meter businesses generally by gas and/electricity retailers on the basis the business is “non-core”, but a continued focus on securing reliable and cost-effective services from third parties;

- 19.2 Demand for pulse capable (“smart”) gas meters. Currently gas meters must be read on site which means that where the site has an electricity smart meter the retailer must make a site visit solely for the gas meter. Previously the retailer may have achieved synergies by reading the electricity meter at the same time. Approximately []% of Vector’s gas meters are pulse *capable* but smart gas metering is not yet a mature commercial proposition. Vector is currently trialling smart gas metering services for Genesis’ “tomorrow street” (see: <http://tomorrowstreet.co.nz/>); and
- 19.3 Gas remains a discretionary fuel, with most consumers continuing to choose only electricity.

Recent mergers

- 20 There have been no mergers of gas metering providers in New Zealand in the last three years.

PART 3: MARKET DEFINITION**Product and functional level**

- 21 The relevant product market is the provision of natural gas metering, which includes all of the functions set out in paragraph 15, above.
- 22 This Acquisition concerns metering of natural gas, provided over reticulated natural gas networks. This is distinct from LPG metering.
- 23 It is technically possible to distinguish between asset ownership and on-going services provision, but in New Zealand gas metering services and meter asset ownership are currently bundled together by all natural gas metering service providers in New Zealand. [

] Therefore, for the purposes of this application, we think it is appropriate that asset ownership and service provision are treated as part of the same market.

- 24 A distinction could also be made between residential, commercial and industrial gas meters. Commercial and industrial meters are more sophisticated than residential natural gas meters (for example, they have “time of use” features, on-site pressure and temperature correctors etc). However, Vector, Contact, Powerco, Nova and GasNet all offer services to residential, commercial and industrial customers and from a business administration perspective there are many common elements in providing the services. In addition, the gas retailers - which exert significant countervailing market and in any event can enter these markets at any time themselves - all provide the underlying energy to these customers. In fact, selective entry is arguably more likely for larger customers and so a wider market definition is likely to be conservative from the perspective of analysing competition effects. Therefore, for the purposes of this application, we think it is appropriate that residential, commercial and industrial meters fall within the same product market.

Geographic area

- 25 The relevant geographic market is the North Island. We have come to this view on the basis that:
- 25.1 natural gas retailers operate solely in the North Island (offering services wherever there is reticulated gas network);
- 25.2 metering providers have tended for historical reasons to have particular regional strongholds, but provide gas metering services in various locations throughout the North Island. It is sustainable to have even a small metering presence in a particular location as demonstrated by [];
- 25.3 meters can be easily transported and installed at any premise in the North Island;

25.4 metering services can either be outsourced to local service providers within a region, or provisioned remotely. Administration requirements are low and can be carried out from a single head office; and

25.5 Vector enters one GMSA with customers in relation to the provision of all services in the North Island. Specific regional contracts or pricing are not a feature of natural gas metering.

Customer and temporal dimension

26 Gas metering customers are gas retailers (although end consumers could purchase and install their own meters if they so desired). The key gas retailers in the North Island are Contact, Genesis, Nova, Mercury, Energy Direct, Bay of Plenty Electricity, Auckland Gas Company and Greymouth Petroleum. These customers have significant countervailing market power. Vector's natural gas metering prices are uniform throughout the country and volume discounts are not a feature of the GMSA. There are no unique issues in providing natural gas metering to any particular customer group that warrants consideration of separate customer markets.

27 GMSA are typically evergreen or long-term agreements, terminable on short notice by customers as a result of certain events, for example, imposition of a price rise by the gas metering provider (usually between []). There are no unique temporal considerations relevant to this Acquisition.

Vertical integration

28 Vector retails natural gas to a small number of commercial consumers ([]) through its subsidiary *On Gas*. Vector also provides natural gas metering services to On Gas with respect to these consumers on an arms-length basis. On Gas also takes metering services from other providers.

29 Vector is also a gas distributor and retailer of LPG bottles. Other than providing natural gas to the [] commercial consumers noted above, Vector is not a natural gas retailer and as the retailer selects the natural gas metering provider, Vector has no competitive advantage by virtue of its vertical integration.

30 Contact will be exiting the natural gas metering market as a result of this Acquisition.

PART 4: COUNTERFACTUAL

- 31 In May 2012 Contact released an information memorandum seeking preliminary offers to acquire its natural gas metering business. [], and consider that the most likely counterfactual is that Contact's natural gas metering business will be acquired by a third party. In the event that Contact was unable to secure pro-competitive terms for the provision of gas metering, it would likely retain the business. However, predictably, given its countervailing market-power and demonstrated ability to self-provide, Contact has been able to secure framework terms. Accordingly, the counterfactual of Contact continuing to hold the natural gas metering business is considered unlikely and so not relevant to this application.
- 32 Having said that, nothing significant turns on this view, the competitive effects noted in this application are similar in either counterfactual scenario of a third party purchase or continued hold by Contact.

PART 5: COMPETITION ANALYSIS**Existing competitors**

- 33 Gas metering is currently carried out in the North Island by Vector, Contact, Powerco, GasNet and Nova. Following the Acquisition, Vector's major existing competitor will be Powerco.
- 34 Metering businesses were sold in the 1990s in regional blocks. Geographic concentrations that reflect those initial acquisitions are still visible today (hence providers operating on a larger scale in some geographic regions than others). This reflects the fact that natural gas metering providers have been operating in a way so as not to risk meter displacement: churn is not common in the gas metering business, and that is as expected given the extent of competitive constraint particularly from customers.

Powerco

- 35 Powerco is a gas distributor and gas metering provider and typically installs meters in areas where it has a gas distribution network. Powerco currently provides natural gas metering in Taranaki, Manawatu, Horowhenua, Wellington, Hutt Valley, Porirua and Hawke's Bay. Powerco is Taranaki based and has grown its natural gas metering networks primarily by acquisition.

GasNet

- 36 GasNet owns and operates reticulated natural gas networks serving Wanganui, Marton, Bulls, Lake Alice, Waitotara and Flockhouse. GasNet also owns and operates meters on GasNet and Powerco gas networks in the Wanganui, Manawatu, and Hawke's Bay regions. GasNet is part of Wanganui Gas, which also owns the gas retailer Energy Direct.

Nova

- 37 Nova is part of the Todd Group (along with Bay of Plenty Electricity and Auckland Gas Company). The Todd Group is involved in oil and gas exploration, gas wholesale, distribution, metering and retail. A large number of installation control points (ICPs) were transferred from AGC to Nova last year. The Nova networks are "bypass" networks laid in parallel to other network company assets. Nova is Wellington based and has gas networks (and provides metering) in Wellington, the Hutt Valley, Hawke's Bay and Auckland.

Market share

- 38 The estimated total domestic market is 304,126 ICPs. Generally speaking, there is one meter at each ICP.
- 39 The following national market shares are for deployed natural gas meters as published as at September 2012 on The Gas Industry Company Limited website: www.gasindustry.co.nz. This market share data is not publically available, but is available to the industry via log-in to the website.

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	Metering provider	No. of gas meters	% of market share
1	[]	[]	[]
2	[]	[]	[]
3	[]	[]	[]
4	[]	[]	[]
4	[]	[]	[]
5	[]	[]	[]
6	[]	[]	[]
Total		304,126	100%

40 Vector does not have access to industry market share figures broken down into regions. However, the Gas Industry Company may be able to provide this data directly to the Commission.

41 We are able to provide more granular data for Vector and Contact. Vector's GMS assets per region are shown the table below:

Region	Number of gas meters	% total of all gas meters
Auckland	[]	[]
Bay of Plenty	[]	[]
Gisborne	[]	[]
Manawatu	[]	[]
Northland	[]	[]
Canterbury	[]	[]
Waikato	[]	[]
Wellington	[]	[]
Total	[]	[]

42 The split of residential, commercial and industrial ICPs for Vector is approximately []%, []% and []% respectively.¹

43 Contact's regional and customer-type distribution is set out in the table below:²

Type of Customer	Auckland	Manawatu	Wellington	Hawkes Bay	Total Quantity
Residential	[]	[]	[]	[]	[]
Small Commercial	[]	[]	[]	[]	[]
Commercial	[]	[]	[]	[]	[]
Industrial	[]	[]	[]	[]	[]
Total as at 1 May 2012	[]	[]	[]	[]	[]
<i>% total of all gas meters</i>	[]	[]	[]	[]	[]

¹ Vector categorises its GMS assets by capacity not by customer type so these splits are an approximation.

² This table is taken from the Contact Energy IM dated May 2012. The national level Gas Industry Company data provided above was updated in September 2012 (hence discrepancy in total ICP figure).

Constraint by existing competitors

- 44 The remaining existing competitors act as obvious constraints in that they already provide substantial natural gas metering in the North Island and could easily build upon their existing relationship with retailers to drive growth. Powerco in particular has substantial existing metering assets. However, the features of gas metering are such that entry would be as achievable for other potential entrants (as discussed further with regard to conditions of entry, below).
- 45 There is some evidence of gas meter displacement as between natural gas metering providers, particularly in circumstances where: (i) a “smarter” metering solution is required; (ii) the requirements of the customer have changed in some way; or (iii) a commercial customer presents as a substantial opportunity. For example, [

]. Another example of displacement is the entry by Nova. We understand that when Nova entered Hawke’s Bay, Auckland and Wellington it displaced between 1,000 and 2,000 gas meters.

- 46 Direct displacement of natural gas meters has been relatively unusual. However, as discussed further at paragraph 53 below, the reasons for this do not relate to the market share of a particular provider. The switching costs are effectively unitised and so are similar whether the natural gas metering provider has a great many or just a few meters. This means the merger will not significantly change the competitive impact of existing players. Put another way, the merged entity will be no more sheltered from existing competition than Vector and the separate Contact business would be in the counterfactual.

Potential competition**Conditions of entry**

- 47 Provision of natural gas metering requires access to meters, service providers to service the meters, and retailer contracts. Barriers to entry for gas metering are low:
- 47.1 Meters can easily be acquired. There are a number of meter providers such as EDMI, Landis and Gyr, Dresser Roots, NZ Meter and Romet and that neither Vector or Contact have exclusive arrangements for gas meters with any of these manufacturers;
- 47.2 The cost of an installed natural gas meter is low. The cost of an installed (including the meter, regulator, filter, valves and pipe work) is typically between:
- (a) [] for a residential meter;
 - (b) [] for a commercial meter; and
 - (c) [] for an industrial meter.

The installed cost of a smart gas solution is not yet clear and will depend on the customer requirements. Vector estimates that an installed residential smart meter would cost an additional [] per meter;

- 47.3 There are a number of maintenance and service providers (Electrix, Tenex, Atlas (previously GasCo), Transfield) and, again, neither Vector nor Contact have exclusive arrangements with any of these service providers;
- 47.4 The resourcing requirements of a gas metering business are relatively modest. Vector’s gas metering business has sound cost control and requires [] staff for daily operations. We understand that Contact’s metering business only requires [] staff for daily operations. This is of course supplemented by back office support, which is marginal in nature in the context of diversified businesses such as many of those likely to enter these markets; and
- 47.5 The regulatory barriers to establishing and operating a natural gas metering business are low; the certification requirements are not onerous. The main applicable standards are NZS 5258 and NZS 5259. We understand that our existing service providers have no difficulty meeting these standards.
- 48 In Decision 540, the Commission found that there were low barriers to entry in the TOU electricity metering market, meaning that if metering providers were to exercise market power leading to price rises post-acquisition, electricity retailers would have an incentive to enter the market.³ In our view, the Commission’s reasoning is also applicable to a competition assessment of natural gas metering.

Potential competitors and the LET test

- 49 The most likely potential entrants are gas retailers. This is evidenced by Contact currently being one of the major providers of these services. Gas retailers would have the greatest incentive to enter in the event its metering provider sought to exercise market power. But new entry could conceivably occur by any third party within the gas industry, or outside the industry.
- 50 Contact’s exit represents a strategic preference to focus on core business, and implicitly suggests Contact is satisfied the market will remain sufficiently competitive such that Contact is not left vulnerable as a result of its decision to exit. However, were Contact unable to secure competitive terms at any point in the future it could easily re-enter the market.
- 51 New entry could occur in under two years. The following factors suggest the LET test would be satisfied:
- 51.1 There appear to be no major time restraints in setting up a metering services operation. The Commission found in Decision 540 that entry was likely in under two years.⁴ The notice period for termination by a retailer in Vector’s GMSA is generally between [

];

³ Commerce Commission, Decision 540, *Vector acquisition of NGC*, [82]

⁴ Decision 540, [98]

- 51.2 Entry could occur on a large scale (i.e. by a gas retailer switching their metering services provider), or incrementally through organic growth from new gas connections:
- (a) The low day-to-day operating costs indicate that even a small foothold or a proposition based on organic growth from new gas connections may be economically viable. For example, Vector only has modest market share in []. Yet it is able to maintain this marginal competitive presence without materially compromising financial performance. An incumbent has minimal advantage in pricing gas metering services for in-fill housing, new subdivisions or new gas connections for existing properties;
 - (b) The most likely entrants (gas retailers or Powerco) will have access to capital and expertise with which to support market entry at scale. Ultimately, the retailer determines the terms on which it will deal with a metering provider. Retailers have substantial countervailing market power, not just due to their ability to control access to significant revenue streams for the metering provider, but also in their ability to in-source these functions themselves.
- 51.3 Transition to smart gas metering also has the potential to provide opportunities for other parties to enter using new technology and/or innovative strategy. There is nothing to stop a new entrant displacing a meter with its own technology or it could negotiate to retrofit its technology to the existing kit;
- 51.4 Given the regulatory barriers to establishing and operating a natural gas metering business are low, we think that retailers would rationally deal with any certified metering provider that can install meters – potentially at a very low scale;
- 51.5 In the *BOPE* case the court held that although it would be more economical for a new entrant to lease the meter already installed at their customer's premises, the cost of meter replacement is not prohibitive.⁵ The court recognised that the incumbent paid for the meter at some point, and so is not exempt from this start-up cost.⁶ This means that if necessary a new entrant could replace existing meters, but also may mean that upon losing a contract, the incumbent would likely be willing to sell the existing meter in order to avoid having a stranded asset; this might make entry easier and faster.

Countervailing power of buyers

52 The countervailing power of gas retailers is a significant constraint:

- 52.1 As customers of natural gas metering services, gas retailers have a strong incentive to drive low input prices. This is especially the case where gas consumers are known to be elastic. Penetration of gas in reticulated coverage areas is roughly 25%, demonstrating that gas consumers (or at least potential gas consumers) are price sensitive;

⁵ *Bay of Plenty Electricity v Commerce Commission*, [2008] NZLJ 273, [392]

⁶ *BOPE*, [434]

52.2 When exercising countervailing power, gas retailers implicitly rely on the low barriers to entry discussed at paragraph 47 above, it is an economic reality that gas retailers can easily operate in the metering market and the terms struck with any metering provider invariably reflect this reality;

52.3 Gas retailers directly negotiate the natural gas metering price through the GMSA:

(a) The costs associated with providing natural gas metering are largely transparent, and gas retailers have a strong appreciation of a reasonable charge. This is particularly true for gas retailers who do, or have, also provided metering services. As part of the Acquisition, Vector and Contact have negotiated a GMSA for Vector to provide natural gas metering to Contact. Contact clearly had a high degree of information power and leverage in negotiating that GMSA [

];

(b) The GMSA gives gas retailers contractual rights to displace meters or terminate the GMSA in response to technology advancement. Even with this right in the GMSA, a gas retailer might consider a desire for a new technology solution as an efficient time to switch provider and a new entrant may be able to offer a more attractive solution given it does not have a sunk investment to take into account;

(c) The GMSA also gives gas retailers the ability to terminate in response to price rises. [

];

(d) Although meter asset ownership and on-going services are typically both provided by the natural gas metering provider, [

]; and

(e) [

];

52.4 The features of the GMSA outlined above demonstrate that natural gas metering is contestable during the term of a contract. In addition, when a gas retailer's customer churns, the new retailer may or may not choose to have services performed by Vector;

52.5 Gas retailers have the resources to facilitate swift entry on a large scale; and

52.6 Price rises have been modest ([]) in recent years in the gas metering space, notwithstanding the players having relatively high market shares already, this reflects the fact that gas retailers operate as an effective constraint.

- 53 Any party looking to displace an incumbent provider of gas metering services either has to install its own gas meter or purchase the existing gas meter from the incumbent. Either way, the cost is not prohibitive. But, to date, the practice has been to ensure pricing remains competitive so gas meters are not displaced and, in the worst case, stranded. This unit cost of the meter is relevant to each and every customer whether a metering provider has a large or small market share. Vector's pricing model is generic in the sense that it is not geographically differentiated and volume discounts for retailers are not a feature in natural gas metering. In other words, Vector's pricing is indifferent to whether it has 100% share of the market in a particular area or a much lesser share. This in turn suggests aggregation of market share does not affect the service provider's ability to raise price.
- 54 Any rational metering provider would act in a way so as not to take advantage of its few major customers lest those customers churn to Powerco, facilitate de novo entry by a third party, or enter themselves - leaving the metering provider with a stranded asset and no service income. The fact that meter displacement has so far been rare, is evidence that the market is currently operating competitively and the *risk* of displacement is a sufficient constraint.

Coordinated market power

- 55 Although the natural gas metering market is (and will become even more) highly concentrated, the following factors suggest the risk of coordinated market power is low:
- 55.1 Barriers to entry are low and new entry can occur quickly;
 - 55.2 No history of collusive behaviour;
 - 55.3 Strong countervailing purchasing power of the gas retailers;
 - 55.4 High transparency of costs by customers (especially given experience in metering by some gas retailers); and
 - 55.5 Meters have non-static technology, enabling a new entrant to differentiate its service offering.

Efficiencies

- 56 Some relatively minor operating cost advantages will be realised by the merger of natural gas metering businesses post-acquisition. In essence, the Acquisition reflects an expectation by both parties that natural gas metering will be undertaken more efficiently as part of Vector's core business than as an adjunct to Contact's.

PART 6: FURTHER INFORMATION AND SUPPORTING DOCUMENTATION

57 Please find below contact details for relevant market participants:

	Name of Company	Contact details	Relevant contact person
Competitors	Powerco	[]	[]
	Nova Energy	[]	[]
	GasNet	[]	[]
Buyers	Genesis Energy	[]	[]
	Mighty River Power	[]	[]
	Contact Energy	[]	[]
	Nova Gas	As above for Nova Energy	

	Name of Company	Contact details	Relevant contact person
	OnGas	[]	[]
	Energy Direct	[]	[]
	Bay of Plenty Electricity	[]	[]
	Auckland Gas Company	[]	[]
	Greymouth Petroleum	[]	[]
Trade associations	Gas Association of New Zealand	[]	[]
Other	Gas Industry Company	[]	[]

- 58 The most recent annual report for Vector is available at:
<http://www.vector.co.nz/corporate/investor-relations/reports>. The most recent annual report for Contact is available at:
<http://www.contactenergy.co.nz/web/shared/annualreports>.

PART 7: CONFIDENTIALITY

The fact of the proposed acquisition

59 Confidentiality is required for the fact of the proposed Acquisition until the transaction documents have been signed and the Acquisition announced to the market. We will inform the Commission as soon as this occurs.

Specific information contained in or attached to the notice

60 Confidentiality is requested for all the information contained in this version of the notice. A “public version” of this notice will be provided subsequently that will specifically identify all information that is commercially sensitive to the Applicant.

This Notice is given by Grant Wilson, Group Legal Counsel.

I hereby confirm that:

- all information specified by the Commission has been supplied;
- if information has not been supplied, reasons have been included as to why the information has not been supplied;
- all information known to Vector which is relevant to the consideration and determination of this application has been supplied; and
- all information supplied is correct as at the date of this application.

I undertake to immediately advise the Commission of any material change in circumstances to the application.

Dated this 19 October 2012

Grant Wilson

I am the group legal counsel of Vector and am duly authorised to make this application.

APPENDIX A

Agreement for Sale and Purchase and GMSA between Vector and Contact

Appendix removed for public version.

APPENDIX B

Corporate Structure Diagrams

Diagrams removed for public version.

