

Media Release

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Commerce Commission clears Vector to acquire Contact gas metering business

The Commerce Commission has cleared Vector Limited to acquire Contact Energy Limited's natural gas metering business.

The proposed acquisition would result in the merger of the two largest suppliers of gas metering services on the North Island's reticulated natural gas distribution network.

The Commission assessed the extent to which Vector and Contact currently compete for the supply of gas meters and whether the loss of any rivalry would lead to a substantial lessening of competition, the test prescribed under the Commerce Act.

"Based on the information and evidence provided by the parties and our own investigation and analysis, it appears that there is limited competition between Vector and Contact and other market participants for the supply of gas metering services," said Commerce Commission Chairman Dr Mark Berry.

"The parties argued that prices are conditioned by the prospect of the wholesale replacement of meters, rather than by existing competitors competing to install the relatively small number of new meters that are installed each year. We agreed with this and in our view, this would still be the case whether Contact retained its gas metering business, or sold it to a third party," Dr Berry said.

"We are required by the test in the Commerce Act to assess the difference in the level of competition if the acquisition went ahead against the state of competition if the acquisition did not. Since the information provided by the parties indicated that there was limited competition, when we compared the state of competition with and without the acquisition we concluded that there was likely to be no substantial difference in competition as a result of the acquisition."

Accordingly, “the Commission is satisfied that the proposed acquisition would be unlikely to substantially lessen competition in any of the relevant markets,” Dr Berry said.

Dr Berry said that based on the evidence provided by the parties, the Commission was concerned that there was limited competition in the delivery of gas metering services. He said the Commission would consider whether it should undertake an inquiry into gas metering services under Part 4 of the Commerce Act.

Under Part 4 of the Commerce Act, the Commission can recommend to the Minister of Commerce that specific goods or services become regulated under Part 4. The Commission can only make such a recommendation after conducting an inquiry into the level of competition and market power in an industry, whether the benefits of regulation would exceed the costs, and if so, the best way to regulate the goods or services.

A public version of the full written reasons for the decision will be posted on our [Clearance Register](#) when available.

Background

Vector applied for clearance to acquire the assets and business of Contact’s natural gas metering business. Vector and Contact both provide gas meters, and related services, and these gas meters are connected to the North Island’s natural gas distribution network.

When considering a proposed merger, the Commission must decide whether the competition that is lost in a market when two businesses merge is substantial. We will give clearance to a proposed merger only if we are satisfied that the merger is unlikely to have the effect of substantially lessening competition in a market.

See our [Merger Assessment fact sheet](#) which explains how the Commission assesses a merger application.

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