



## **DETERMINATION OF MERGER NOTIFICATION M/08/001 - SSE/AIRTRICITY**

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### **Section 21 of the Competition Act 2002**

#### **Proposed acquisition by Scottish and Southern Energy plc of Airtricity Holdings Limited**

**Dated 31/01/08**

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### **Introduction**

1. On 9 January 2008, the Competition Authority ("the Authority"), in accordance with section 18(1)(a) of the Competition Act 2002, was notified on a mandatory basis of the proposed acquisition of Airtricity Holdings Limited ("Airtricity"), by Scottish and Southern Energy plc ("SSE"), by way of a share sale and purchase agreement.

### **The Undertakings Involved**

#### ***The Acquirer***

2. SSE is an energy company, traded on the London Stock Exchange, with its primary operations in Great Britain. There it is involved in the generation, transmission, distribution and supply of electricity; energy trading; the storage, distribution and supply of gas; electrical and utility contracting; and telecoms. In the financial year ended 31 March 2007, SSE achieved consolidated worldwide turnover of approximately GBP £11,867 million (approximately €15,857 million).<sup>1</sup>
3. SSE has a limited presence on the island of Ireland.
  - With the introduction of the Single Electricity Market ("SEM") on the island of Ireland on 1 November 2007,<sup>2</sup> SSE, through its subsidiary SSE (Ireland) Limited, entered the all-Ireland wholesale market by obtaining 45 megawatts ("MW") of capacity on the Moyle Interconnector until 1 October 2008,<sup>3</sup> which allows it to transfer electricity into Ireland on a wholesale basis.
  - SSE also intends to enter the Irish energy sector through SSE (Ireland) Limited, which is in the process of making applications and receiving licences to enter the electricity and gas supply sectors on the island. However, at present, SSE does not supply any electricity or gas on the island to final end customers.
  - SSE, through a subsidiary, unsuccessfully took part in a competition for generation run by the Commission for Energy

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<sup>1</sup> Conversion to euro provided by the parties.

<sup>2</sup> This is a single, wholesale, all-island electricity market. Previously, the electricity sectors in the State and Northern Ireland operated independently.

<sup>3</sup> This is a 500MW subsea cable that connects the SEM on the island of Ireland to Great Britain. Electricity can flow either way on the Moyle Interconnector, and capacity to transfer electricity across the interconnector, in both directions, is auctioned off to the highest bidders.

Regulation ("CER") in 2003 and still owns a site associated with its bid.

- SSE generates some turnover in Ireland through its 50% share of Scotia Gas Networks' ("SGN") provision of gas pipeline and plant maintenance services to Irish gas network operators. The SGN turnover in 2006/2007 associated with these services to gas networks operators provided SSE with a turnover on the island of Ireland of approximately €[ ].

### **The Target**

4. Airtricity is a private limited company. It is an integrated renewable electricity utility company specialising in the development and long term ownership of onshore and offshore wind farms. It currently owns wind farm operations in the State and Northern Ireland totalling some 259MW of capacity, and also 48MW of wind capacity in Scotland. Airtricity is also active in the electricity supply and trading sector on the island of Ireland, with some 35,000 final customers in total. In the financial year ended 31 March 2007, Airtricity achieved consolidated worldwide turnover of approximately €176.7 million and had turnover in the State of approximately €131.7 million.

### **Analysis**

5. Since 1 November 2007, with the introduction of the SEM, there has been an overlap between the activities of the parties at a wholesale electricity generation level on the island of Ireland: SSE began transferring generation across the Moyle Interconnector from Great Britain and Airtricity is also active in electricity generation on the island.
6. With regard to electricity supply to final consumers, Airtricity is active in this sector, but, although SSE (Ireland) Limited is in the process of making applications and receiving licences to enter the electricity and gas supply sectors across the island, it has not yet entered these sectors.
7. The parties informed the Authority that the total installed generation capacity on the island of Ireland is approximately 9,400MW (including the Moyle Interconnector)<sup>4</sup> giving SSE a percentage share of approximately 0.48%. Airtricity owns some 259MW of wind generation capacity on the island of Ireland, giving a percentage share of the total generation capacity of approximately 2.76%. It also has further wind farms under construction. Generation is dominated by two groups: the ESB Group, which owns a 57% share of generation capacity, and the Viridian Group, which holds a 21% share of generation capacity<sup>5</sup>.
8. In light of the small market shares held by the undertakings involved in electricity generation in the State and the presence of large competitors such as the ESB Group and Viridian, the Authority does not consider that the proposed transaction will raise competition concerns.

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<sup>4</sup> Source: SONI and EirGrid seven year statements.

<sup>5</sup> These estimates, provided by the parties, were derived from the All Island Power Market Project Forum presentation dated 15 February 2006. The parties believe that the 21% figure for Viridian takes into account Viridian's purchase of output from third party generators under long term contracts as well as its own generation capacity (which the parties estimate at 8%).

## **Determination**

9. The Competition Authority, in accordance with section 21(2)(a) of the Competition Act 2002, has determined that, in its opinion, the result of the proposed acquisition by Scottish and Southern Energy plc of Airtricity Holdings Limited will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

## **For the Competition Authority**

Dr. Paul K. Gorecki  
Member of the Competition Authority