

# Acquisition by Calisen Midco I of Maple Topco Limited

## Decision on relevant merger situation and substantial lessening of competition

**ME/7025/22**

The CMA's decision on reference under section 33(1) of the Enterprise Act 2002 given on 18 May 2023. Full text of the decision published on 14 June 2023.

Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.

## Assessment

### PARTIES

#### Acquirer

1. Calisen Limited (**Calisen**) is principally a supplier of meter asset provider (**MAP**) services, under which MAPs purchase meters from meter manufacturers and rent them to retail energy suppliers, typically over a 10 to 15-year period. Energy suppliers use MAP services to finance the rollout of domestic gas and electricity smart meters to end-users across Great Britain, as discussed further in the background section below (paragraphs 18 to 34).
2. Calisen's core business is split into three operations in Great Britain:
  - (a) Calvin Capital, which operates as a MAP and owns a large portfolio of gas and electricity meters;
  - (b) Lowri Beck, which primarily installs, maintains, and provides meter reading and data aggregation and collections services; and

- (c) Plug Me In, which provides electric vehicle 'EV' charging station installation services.<sup>1</sup>
- 3. The turnover of Calisen in the financial year ending 31 December 2021 was £268.8 million, all of which was generated in Great Britain.<sup>2</sup>

## Target

- 4. Maple TopCo Limited (**MapleCo**) is a MAP that owns a portfolio of domestic gas and electricity smart meters in Great Britain.<sup>3</sup>
- 5. MapleCo was created to provide in-house MAP services for Scottish & Southern Energy (**SSE**). SSE sold its retail energy business to OVO Energy in 2019. Following the acquisition by OVO, the pipeline of smart meter installations that had previously been awarded to MapleCo by SSE continued to be provided by MapleCo. MapleCo's only origination customer is OVO.<sup>4</sup>
- 6. MapleCo is currently indirectly wholly owned by funds whose investment manager is Equitix Investment Management Limited (**Equitix**).
- 7. The turnover of MapleCo in the financial year ending 31 March 2022 was £[<] million, all of which was generated in Great Britain.<sup>5</sup>

## TRANSACTION

- 8. The Merger is governed by two agreements signed on 7 November 2022:
  - (a) A share purchase agreement under which Calisen Midco I Limited<sup>6</sup> will acquire the entire issued share capital of MapleCo and issue shares to Equitix Maple BidCo 1 (an Equitix entity); and
  - (b) A share and loan note purchase agreement under which Equitix Maple BidCo 1 will purchase further shares in Calisen Midco I Limited<sup>7</sup> (together, the **Merger**).
- 9. The Merger is conditional on CMA clearance.

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<sup>1</sup> Final Merger Notice submitted on 24 March 2023 (**FMN**) paragraphs 3.12 to 3.17.

<sup>2</sup> FMN, Table 6.1.

<sup>3</sup> FMN, paragraph 3.12.

<sup>4</sup> MapleCo has been awarded only one other origination contract, which was [<]. However, [<] ceased trading within a few months of the contract award and MapleCo only installed [<] meters (on a trial basis) prior to its collapse (FMN, paragraph 3.2 to 3.4).

<sup>5</sup> FMN, Table 6.1.

<sup>6</sup> Calisen Midco I Limited indirectly owns Calisen.

<sup>7</sup> FMN, paragraph 1.1.

10. Calisen and MapleCo (together referred to as the **Parties**) informed the CMA that the Merger is also the subject of review by the European Commission and competition authorities in Ukraine, Turkey, and China.<sup>8</sup>

## JURISDICTION

11. The CMA believes that the Merger constitutes arrangements in progress or contemplation for the purposes of the Enterprise Act 2002 (the **Act**).<sup>9</sup>
12. Each of Calisen and MapleCo is an enterprise under section 129 of the Act. As a result of the Merger, these enterprises will cease to be distinct.<sup>10</sup>
13. The Parties overlap in the supply of MAP services for domestic smart meters in Great Britain. The Parties estimated a combined share of supply of around [30-40]% (with an increment of approximately [5-10]%), when measured by volume of domestic smart meters owned and operated in Great Britain in 2021.<sup>11</sup> Accordingly, the CMA believes that the share of supply test in section 23 of the Act is met.
14. The CMA therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
15. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 28 March 2023 and the statutory 40 working day deadline for a decision is therefore 26 May 2023.

## COUNTERFACTUAL

16. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual).<sup>12</sup> For anticipated mergers, the CMA generally adopts the prevailing conditions of competition as the counterfactual against which to assess the impact of the merger.
17. The Parties submitted that the relevant counterfactual should be the prevailing conditions of competition.<sup>13</sup> The CMA received no evidence to support a different counterfactual. Therefore, the CMA believes the prevailing conditions of competition to be the relevant counterfactual.

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<sup>8</sup> FMN, paragraph 2.16.

<sup>9</sup> Section 33(1)(a) of the Act.

<sup>10</sup> For the purposes of sections 23(1)(a) and 26 of the Act.

<sup>11</sup> FMN, table 14.2. The CMA also notes that the Parties' combined share of supply based on the number of meters installed in Great Britain in 2021 would be approximately [40-50]% with an increment of approximately [10-20]% (FMN, table 14.7).

<sup>12</sup> [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 3.1

<sup>13</sup> FMN, paragraph 11.1.

## BACKGROUND

18. Energy suppliers measure end-users' gas and electricity consumption through meters in end-users' premises. Premises require two separate physical meters, one to measure gas consumption and one to measure electricity consumption. There are also two types of meter: traditional meters, which require readings to be manually submitted, and smart meters, which record near-real time consumption data and provide automatic meter readings to the energy supplier.
19. The size of the meter required depends on the use of the premise. Smaller-sized meters are typically installed at premises of domestic or smaller industrial and commercial (**I&C**) end-users, and larger-sized meters are typically installed at premises of larger I&C end-users.
20. Energy suppliers use MAPs to finance the procurement of energy meters. MAPs purchase meters from meter manufacturers and rent them to energy suppliers.<sup>14</sup>
21. MAPs generate revenue from energy suppliers in the following ways:
  - (a) where an energy supplier contracts with a MAP to finance the procurement and installation of new meters in the homes of end-users (under an **origination contract**); and
  - (b) where an end-user switches energy supplier and the new energy supplier wishes to rent the meter from the MAP that funded its purchase and installation. In those cases, the meter is referred to as having '**churned**' and the energy supplier will either pay the MAP negotiated rental terms (under a **churn contract**) or pay an unnegotiated deemed rental rate.

### Origination contracts

22. Traditional meters are currently being phased out and replaced by smart meters under the Smart Meter Installation Programme (**SMIP**). Energy suppliers are responsible for rolling out the SMIP and have an obligation that all domestic end-users with a traditional meter are offered a smart meter by the end of 2025.<sup>15</sup>

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<sup>14</sup> Metering services fall into one of three categories: (i) MAP services; (ii) meter asset manager or meter operator provider services, under which suppliers provide meter installation and maintenance services; and (iii) meter reading and data collection services which involve physical meter reading and data collection/aggregation services. See ME/50767/19, [Calvin Capital UK Holdings Ltd / BV Holdings Ltd](#) (see paragraphs 32-39), and ME/6935/21, [National Grid Holdings One plc / PPL WPD Investments Limited](#) (see paragraph 90).

<sup>15</sup> See Smart Meter Rollout: Open letter on Energy Suppliers' Delivery of the Rollout and Regulatory Obligations, Ofgem, 30 March 2021. At the start of 2022, a new 4-year rollout obligation commenced which imposes binding annual installation targets on all suppliers (Gas Supply Licence SLC 33A). A failure to achieve the binding annual installation targets is a breach of a supplier's licence. Suppliers are also subject to an obligation to take all reasonable steps to install a compliant smart meter wherever a meter is replaced or where a meter is installed for the first time (eg in new premises) (Gas Supply Licence SLC 33.7).

23. To finance the procurement and installation of new smart meters, energy suppliers have two options:
- (a) Use a MAP, and rent the meter from the MAP under pre-agreed terms in an origination contract, spreading the cost of the meter (typically over a 10 to 15-year period); or
  - (b) Self-supply, using cash available to the energy supplier within its business or by securing additional finance.<sup>16</sup>
24. Origination contracts continue while there are meters covered by the contract in the premises of end-users that have not churned to other energy suppliers. The contract typically specifies three phases of the relationship between the MAP and the energy supplier: (i) an installation phase, where the MAP funds a specified volume of meters over a 2 to 5-year period, (ii) an initial period, where the energy supplier pays a pre-agreed daily fixed rental payment to the MAP to cover the value of the installed meters over a 10 to 15-year period, and (iii) after the initial period is finished, the energy supplier pays a greatly reduced rental payment to the MAP for the meters it continues to use.<sup>17</sup>
25. The rate at which meters are installed during the installation phase of an origination contract can vary significantly between years, as this depends on how quickly energy suppliers decide to rollout the meters and other external factors (for example, in recent years, COVID-19 and the increase in energy suppliers exiting through the supplier of last resort regime both delayed the rollout of smart meters).<sup>18</sup>
26. MAPs compete for these origination contracts. This happens routinely through tendering processes run by energy suppliers. However, energy suppliers may also extend existing contracts or negotiate less formally. In either case, energy suppliers can engage with multiple MAPs to assess the attractiveness of each offer and trade them off to achieve a better deal.<sup>19</sup>
27. Calisen regularly competes with other MAPs in formal tendering processes for origination contracts and has been relatively successful in recent years. It won [x] contracts and participated in [x] out of 29 formal tendering processes that took place between January 2019 and March 2023, as described in more detail in the competitive assessment below.

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<sup>16</sup> FMN, paragraph 1.9-1.10.

<sup>17</sup> FMN, paragraph 15.20.

<sup>18</sup> FMN, paragraph 14.32.

<sup>19</sup> FMN, paragraphs 15.7-15.19.

28. MapleCo has participated in but not won any material tenders for origination contracts since its inception in 2017.<sup>20</sup> MapleCo only has one origination customer, OVO, which it did not gain from a formal tendering process. As noted in paragraph 5, MapleCo was created to provide in-house MAP services for SSE. SSE sold its retail energy business to OVO in 2019. Following the acquisition by OVO, the pipeline of smart meter installations that had previously been awarded to MapleCo by SSE continued to be provided by MapleCo.
29. The Parties submitted that energy suppliers have already awarded origination MAP contracts for the majority of the remaining volumes to be installed under the SMIP<sup>21</sup> and that their expected installations are expected to decline significantly over the next few years.<sup>22</sup> This is consistent with the fact that the vast majority of energy suppliers that responded to the CMA's investigation indicated that they do not have plans to contract for new smart meters.<sup>23</sup>

### Churn contracts

30. For end-users that have switched to a new energy supplier, the new energy supplier can:
- (a) agree churn contracts under which the energy supplier typically pays the MAP specified rental terms and a fee for any meters it removes;
  - (b) pay unnegotiated deemed rates set by the MAP, which are typically higher than rates specified under churn contracts to reflect the absence of a fee for removals;<sup>24</sup> or
  - (c) remove and replace the meters.
31. Energy suppliers have strong incentives to agree churn contracts with the MAP that owns the existing meter, due to financial and reputational costs associated with entering the homes of end consumers to remove meters, and their obligation to replace traditional meters with smart meters under the SMIP.<sup>25</sup>
32. Similarly, MAPs are incentivised to agree churn contracts with energy suppliers (or maintain deemed rates), as otherwise the energy suppliers could remove meters

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<sup>20</sup> As noted in footnote 4, MapleCo has been awarded only one other origination contract, which was [redacted]. However, [redacted] ceased trading within a few months of the contract award and MapleCo only installed [redacted] meters (on a trial basis) prior to its collapse (FMN, paragraph 3.4).

<sup>21</sup> FMN, paragraph 1.9.

<sup>22</sup> FMN, Table 14.10.

<sup>23</sup> Third party responses to the CMA's energy supplier questionnaire, questions 4 and 5.

<sup>24</sup> For example, see [redacted].

<sup>25</sup> FMN, paragraph 15.68.

and the MAP would lose the associated cash-flows (which may have up to 15 years of future revenues).<sup>26</sup>

33. Given energy suppliers' incentives to keep the existing MAP, there is limited scope for other MAPs to compete to replace the churned meters of an existing MAP. Instead, energy suppliers focus on agreeing churn contracts with existing MAPs through bilateral negotiations.
34. The Parties submitted that Calisen and MapleCo have already entered into churn contracts with a large number of energy suppliers, [X] and [X] respectively, covering [X].<sup>27</sup> The Parties submitted that their existing churn contracts will apply to any end-users that have not yet switched and can only be renegotiated in agreement with the respective energy suppliers.<sup>28</sup> Calisen and MapleCo have not negotiated churn contracts and they are therefore paid deemed rates on [X], [X]% and [X]% respectively, of their overall stock of smart meters.<sup>29</sup>

## FRAME OF REFERENCE

35. Market definition provides a framework for assessing the competitive effects of a merger and involves an element of judgement. The assessment of the relevant market is an analytical tool that forms part of the analysis of the competitive effects of the merger and should not be viewed as a separate exercise.<sup>30</sup> The boundaries of the market do not determine the outcome of the analysis of the competitive effects of the merger, as it is recognised that there can be constraints on merging parties from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others. The CMA will take these factors into account in its competitive assessment.<sup>31</sup>
36. Accordingly, the CMA's analysis does not seek to conclude on a bright line definition of the relevant markets but instead describes the competitive framework within which the Parties and their rivals operate.<sup>32</sup>

## Product scope

37. The Parties overlap in the supply of MAP services for domestic smart meters.<sup>33</sup>

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<sup>26</sup> FMN, paragraph 15.70.

<sup>27</sup> FMN, paragraph 15.59.

<sup>28</sup> Parties' response to the CMA's questions of 20 April 2023, question 5.

<sup>29</sup> Parties' response to the CMA's questions of 20 April 2023, question 4, and FMN, Table 14.2.

<sup>30</sup> [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 9.1

<sup>31</sup> [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 9.4.

<sup>32</sup> [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraphs 9.4 to 9.5.

<sup>33</sup> There is no overlap between the Parties in the supply of MAP services for traditional meters or meters for industrial and commercial customers (see FMN, paragraph 11.1).

38. The Parties submitted that there is a single market for MAP services (ie including services for smart and traditional energy meters for domestic and I&C end-users), as the service provided does not differ depending on the type of meter or consumer premises to any significant extent.<sup>34</sup>
39. In previous cases, the CMA has left open whether MAP services should be segmented into (i) services for smart meters and traditional meters; and (ii) services for gas meters and electricity meters, although it has found some degree of supply-side substitutability between these categories of meter.<sup>35</sup> The CMA has also left open whether services should be segmented by customer type (ie domestic or I&C), although it has noted that there appear to be some differences in competitive conditions for the two segments.<sup>36</sup>
40. While Calisen supplies MAP services for domestic smart and traditional meters, MapleCo only supplies MAP services for domestic smart meters.<sup>37</sup> In addition, the Parties only compete against each other to supply MAP services for domestic smart meters (rather than for traditional meters or meters for I&C customers), which is reflected by the Parties' tender data analysed in the competitive assessment below. Therefore, on a cautious basis, the product frame of reference that the CMA has considered the impact of the Merger in is the supply of MAP services for domestic smart meters.

## Geographic scope

41. Both Parties supply their services across Great Britain. The Parties are not present in Northern Ireland.<sup>38</sup>
42. In previous cases, the CMA has found that the appropriate geographic market definition was Great Britain, excluding Northern Ireland on the basis that metering is a monopoly activity by the relevant network business in Northern Ireland.<sup>39</sup>
43. The Parties submitted that the CMA should follow this past decisional practice.<sup>40</sup>
44. The CMA has not received any evidence to suggest that the conclusion reached in previous cases is no longer appropriate.

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<sup>34</sup> FMN, paragraph 13.24.

<sup>35</sup> See ME/50767/19, [Calvin Capital UK Holdings Ltd / BV Holdings Ltd](#), paragraph 62 and ME/6935/21, [National Grid Holdings One plc / PPL WPD Investments Limited](#), paragraph 92-95 and 97.

<sup>36</sup> ME/6935/21, [National Grid Holdings One plc / PPL WPD Investments Limited](#), paragraphs 96 to 97.

<sup>37</sup> FMN, Table 13.1.

<sup>38</sup> FMN, paragraph 13.36.

<sup>39</sup> See ME/50767/19, [Calvin Capital UK Holdings Ltd / BV Holdings Ltd](#), paragraphs 42-54 and ME/6935/21, [National Grid Holdings One plc / PPL WPD Investments Limited](#), paragraphs 114-117.

<sup>40</sup> FMN, paragraph 13.36.



45. Therefore, the CMA believes that the appropriate geographic frame of reference for the supply of MAP services is Great Britain.

### **Conclusion on frame of reference**

46. For the reasons set out above, the frame of reference under which the CMA has considered the impact of the Merger is the supply of MAP services for domestic smart meters in Great Britain.

## **COMPETITIVE ASSESSMENT**

### **Horizontal unilateral effects**

47. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm to raise prices or degrade non-price aspects of its competitive offering (such as quality, range, service and innovation) on its own and without needing to coordinate with rivals.<sup>41</sup> The CMA's main consideration is whether there are sufficient remaining good alternatives to constrain the merged entity post-merger.<sup>42</sup> Horizontal unilateral effects are more likely when the merging parties are close competitors.<sup>43</sup>
48. The concern under this theory of harm is the removal of one Party as a competitor may reduce competition between suppliers of MAP services for domestic smart meters in Great Britain. The CMA considers that this may result in higher prices and/or worse quality of the services provided to customers of MAP services (energy suppliers).
49. In its assessment, the CMA has considered:
- (a) the structure of the market;
  - (b) closeness of competition between the Parties; and
  - (c) constraints from alternative suppliers.
50. In the context of this Merger, the CMA has focussed its competitive assessment on competition for origination contracts (as opposed to churn contracts). This is because, as discussed in the background section, MAPs predominantly compete for the award of origination contracts and there is limited scope for MAPs to compete for churned meters. Although the CMA received concerns from a few third parties that the Merged Entity will have increased power in negotiating churn contracts,<sup>44</sup> the CMA considers that the percentage increase in the number of meters Calisen

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<sup>41</sup> [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 4.1

<sup>42</sup> [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 4.3

<sup>43</sup> [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 4.8

<sup>44</sup> One energy supplier and one MAP raised this concern.

owns that are not already covered by a churn contract will be relatively small post-Merger ([<]%). The CMA therefore considers that the Merger is unlikely to significantly increase the Merged Entity’s negotiating strength with any energy suppliers that have yet to agree a churn rate with either of the Parties and has not considered this issue further in the competitive assessment.

**Structure of the market**

- 51. The Parties are two of several suppliers of MAP services for domestic smart meters that are active in Great Britain.
- 52. Table 1 presents the Parties’ share of supply estimates, by volume of meters, based on the total stock of domestic smart meters owned and operated in Great Britain in 2021 (stock estimates).

**Table 1: Market shares estimates (stock) for domestic smart energy meters in Great Britain (2021)**

<i>MAP</i>	<i>Market share (%)</i>
Calisen	[20-30]
MapleCo	[5-10]
Combined	[30-40]
Macquarie	[20-30]
E.ON	[10-20]
Scottish Power	[5-10]
Smart Meter Assets	[5-10]
Horizon	[1-5]
Others	[10-20]
Total	100

Source: Parties’ data (see Tables 14.2, FMN) and BEIS smart meter statistics (Tables 5a and 6a).

- 53. The CMA has not focused its competitive assessment on shares of supply based on the total number of meters operated by suppliers (stock estimates) for the following reasons:
  - (a) MAPs’ total volumes are not reflective of current competitive conditions given the long asset life of meters and associated rental agreements (see paragraph 23);
  - (b) Even MAPs’ more recent meter installations may result from origination contracts entered into several years ago, due to the long-term nature of these contracts (see paragraph 26); and
  - (c) MAPs volumes (resulting from both recent and past meter installations) may not have been determined through formal tenders for origination contracts or other competitive processes. This is particularly the case for MapleCo, whose volumes have all resulted from its previous relationship with SSE. MapleCo

has not acquired any origination customers through a competitive tender process.

54. The Parties also provided shares of supply based on the number of new meters installed in 2021 (flow estimates). Table 2 presents the Parties' flow estimates for the supply of MAP services for domestic smart meters.

**Table 2: Market shares estimates (flow) for domestic smart energy meters in Great Britain (2021)**

<i>MAP</i>	<i>Market share (%)</i>
Calisen	[30-40]
MapleCo	[10-20]
Combined	[40-50]
Total	100

Source: Parties' data (see Tables 14.7, FMN) and BEIS smart meter statistics (Tables 5a and 6a).

55. The CMA believes that flow estimates also do not represent an accurate reflection of current competitive conditions, for the reasons set out above in paragraph 53(b)-(c) in relation to stock estimates. In particular, flow estimates do not represent an accurate reflection of competition between Calisen and MapleCo, or between the Parties and their competitors, as MapleCo has not acquired any origination customers through a competitive tender process.
56. The CMA believes that for the purposes of the CMA's competitive assessment, recent tender participation and tender outcomes are a more accurate reflection of competition.
57. On this basis, the CMA has analysed tender data provided by the Parties and their competitors, from 2019 onwards. As discussed in paragraph 40, the Parties only compete in the supply of MAP services for domestic smart meters (rather than for traditional meters or I&C customers).<sup>45</sup> The CMA has therefore focused its analysis on tender data for this market.
58. The CMA has used tender data both from MAPs and energy suppliers to construct this tender analysis, which has required matching between the different datasets and therefore some judgement. In some cases, the exact dates for tenders reported by third parties have not exactly matched, because tender processes run over significant amounts of time. Where it has not been possible for the CMA to determine a winning bidder for a tender (ie MAPs have reported bidding but no winner is recorded) on a cautious basis these tenders have been excluded from the analysis. Similarly, any tenders deemed to have been an extension, which did not

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<sup>45</sup> Annex GEN-0010, The Parties' bidding data, FMN. MapleCo only supplies MAP services for smart domestic energy meters, whereas Calisen also supplies MAP services for traditional meters (see Table 13.1, FMN).

involve any active competition between MAPs, have also been excluded. Alternative approaches to determine the tender data included or excluded would not have any material impact on the results and would not affect the outcome of the CMA’s assessment.

59. In total, the CMA has looked at 29 tenders, of which one or both of the Parties participated in [X]. Table 3 below presents the share of all contracts in which the Parties and third parties reported competing in since 2019. Table 4 below presents the share of available contracts won in tenders which the Parties have participated in since 2019. Third parties submitted to the CMA that it was not uncommon to multisource MAP supply within the same tender round. Subsequently, there may be multiple contracts available in each tender and more than one contract winner.

**Table 3: Tender data for all tenders reported by the Parties and third parties from January 2019 to March 2023 (including those that neither party bid in)**

<i>MAP</i>	<i>Number Bid</i>	<i>Wins</i>	<i>Share of available contracts won</i>
Calisen	[X]	[X]	[20-30]%
MapleCo	[X]	[X]	[0-5]%
Smart Metering Systems	[X]	[X]	[30-40]%
Macquarie	[X]	[X]	[10-20]%
Northern Powergrid	[X]	[X]	[10-20]%
Horizon	[X]	[X]	[10-20]%
Smart Meter Assets	[X]	[X]	[0-5]%
Vantage	[X]	[X]	[0-5]%
Utility Smart Metering (in-house MAP)	[X]	[X]	[0-5]%

**Table 4: Tender data for tenders participated in by the Parties from January 2019 to March 2023**

<i>MAP</i>	<i>Number Bid</i>	<i>Wins</i>	<i>Share of available contracts won</i>
Calisen	[X]	[X]	[30-40]%
MapleCo	[X]	[X]	[0-5]%
SMS	[X]	[X]	[10-20]%
Horizon	[X]	[X]	[10-20]%
Macquarie	[X]	[X]	[10-20]%
Northern Powergrid	[X]	[X]	[5-10]%
Utility Smart Metering (in-house MAP)	[X]	[X]	[5-10]%
Smart Meter Assets	[X]	[X]	[0-5]%
Vantage	[X]	[X]	[0-5]%

60. The tender analysis shows that Calisen has been very active and successful bidding for MAP contracts since 2019, indicating that it is a strong competitor. Out of the 29

tenders the CMA has analysed, Calisen has bid in [X] tenders and won [X]. These [X] wins account for [30-40]% of contracts from tenders in which it has bid and include a number of large contracts (ie for a large number of meters). Given its success in winning large contracts, Calisen's total share of meters won is likely to be significantly larger than its [30-40]% share of contracts won and is further evidence of its competitive strength.

61. In contrast, MapleCo has been relatively inactive and unsuccessful in bidding for tenders for MAP contracts. It has not won a contract since 2019 and only bid for [X] tenders in that time. These [X] tenders were for [X].<sup>46</sup>
62. CMA analysis of the tender data also indicates that there are a number of alternative commercial MAP providers active in the UK:
  - (a) Macquarie, Smart Metering Systems (**SMS**), and Horizon have been active in competing for tender opportunities and regularly competed against the Parties. SMS competed against the Parties in [X] of the [X] tenders the Parties have participated in since 2019, winning [X]. Macquarie competed against the Parties in [X] tenders, winning [X]. Whilst Horizon has competed against the Parties in fewer tenders ([X]), it has been successful when it does, winning [X].
  - (b) Northern Powergrid Metering (**NPML**) has also competed against the Parties. It has competed against the Parties in [X] tenders, and [X] tenders in total, since 2019. However, it has had less success than Macquarie, Horizon, or SMS when competing against the Parties and has won only [X] when competing against the Parties (Calisen won [X] of these [X] tenders).
  - (c) Smart Meter Assets (**SMA**) and Vantage are less active in competing for tenders, each competing for [X] or fewer tenders since 2019. However, each has won at least [X] in this time.

### ***Closeness of competition between the Parties***

63. The types of evidence that the CMA may rely on to assess closeness of competition are diverse and will vary from case to case and tender data, among other sources of evidence, can be used to assess the conditions of competition.<sup>47</sup>
64. The CMA has examined the closeness of competition between the Parties by considering within its assessment:
  - (a) the Parties' submissions;

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<sup>46</sup> Annex GEN-0010, The Parties' bidding data, FMN. [X].

<sup>47</sup> [Merger Assessment Guidelines \(CMA129\)](#), March 2021, paragraph 4.13

- (b) tender data;
- (c) the Parties' internal documents; and
- (d) third-party views.

65. Given that all MAPs provide a similar service, the CMA's assessment of closeness of competition has focused on the overall strength of the Parties' offerings, rather than, for example, particular characteristics of the service they offer or the customers they supply.

#### *Parties' submissions*

66. The Parties' submitted that MapleCo is not a strong or close competitor to Calisen or to other MAPs and is unlikely and unable to pursue future tender opportunities.<sup>48</sup> In particular, they submitted the following:

- (a) Other than the contracts with SSE/OVO, MapleCo does not have any other MAP contracts. In 2018 MapleCo won a tender contract with [REDACTED]; however, [REDACTED] ceased trading shortly after the contract award. The financial losses associated with this contract mean that MapleCo and its shareholders have taken the decision to not seek origination contracts with volumes of under [REDACTED].<sup>49</sup>
- (b) The tender data shows that since Equitix acquired MapleCo in 2020, MapleCo has only participated in one tender for volumes of under [REDACTED]. MapleCo had initially expected volumes to be higher for this contract and withdrew on the basis that the volumes on offer were too low.<sup>50</sup>
- (c) In order to provide MAP services for new origination contracts with volumes over [REDACTED], MapleCo would need to [REDACTED], which would be challenging.<sup>51</sup>

67. The Parties also submitted that MapleCo has been unsuccessful at winning new contracts that they have bid for. The Parties submitted that this is because energy suppliers have either decided to award contracts to their incumbent MAPs or MapleCo have withdrawn from tenders due to meter volume requirements not being met.<sup>52</sup>

#### *Tender data*

68. The tender data also suggests that the Parties are not particularly close competitors. As discussed in paragraphs 60-61, the tender data shows that Calisen is a relatively

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<sup>48</sup> FMN, paragraph 15.191.

<sup>49</sup> FMN, paragraph 15.196.

<sup>50</sup> Annex GEN-0010, The Parties' bidding data, FMN.

<sup>51</sup> FMN, paragraph 1.9.

<sup>52</sup> Annex GEN-0010, The Parties' bidding data, FMN.

strong MAP which is often successful when competing for origination contracts, whereas MapleCo, is less active and has not been successful in any tenders.

69. In the [redacted] instances the Parties competed against each other since 2019 (which represents [10-20]% of the tenders Calisen participated in and [90-100]% of the tenders MapleCo participated in) MapleCo did not win any whilst Calisen won [redacted]. This and the greater participation and success of other MAPs in tenders (see paragraph 62) suggests that, compared to other MAPs, MapleCo has exerted a relatively weak competitive constraint on Calisen since 2019.
70. As discussed in paragraph 26, rather than run a formal tender process, energy suppliers sometimes extend contracts with existing suppliers. Subsequently, if two or more MAPs have origination contracts with the same energy supplier, they may also compete for these extensions. However, the Parties do not have origination contracts with the same energy supplier and therefore are unlikely to compete for extensions in the foreseeable future.<sup>53</sup>

#### *Internal documents*

71. Calisen internal documents indicate that it competes with MapleCo for the supply of MAP services. However, there is limited evidence that the Parties compete particularly closely and generally Calisen's monitoring does not go beyond typical monitoring of the wider market alongside other MAPs. For example:
- (a) Several recent Calisen board documents refer to MapleCo as OVO's MAP.<sup>54</sup> However, these references are often in the context of wider market reporting and MapleCo is listed alongside a number of other MAPs.<sup>55</sup>
  - (b) A Calisen board document dated May 2021 states that it approached [redacted] to discuss MAP services.<sup>56</sup>
  - (c) A Calisen document dated March 2021 prepared for [redacted] notes that MapleCo and Calisen were shortlisted from five MAPs that participated in a competitive tender process for an origination contract with one energy supplier.<sup>57</sup>
72. MapleCo internal documents indicate that it remains active in the market for certain origination contract opportunities. For example:

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<sup>53</sup> FMN, paragraph 15.26.

<sup>54</sup> Calisen Annex CAL-0084, May 2021 Board Pack, slide 10,11; Calisen Annex CAL-0086, Board Meeting March 2022, slide 6; Calisen Annex CAL-0098, Commercial update paper Nov 2021, slide 12.

<sup>55</sup> See, for example, Calisen Annex CAL-0073, Calvin deep dive 15 June 2021, slide 8.

<sup>56</sup> Calisen Annex CAL-0084, Calvin Board Pack– Final.pptx, slide 11.

<sup>57</sup> Calisen Annex CAL-0131, IC Paper, pages 9 and 14.

- (a) A MapleCo board document dated February 2021 describes possible pipeline opportunities for origination contracts. All of these contracts appear to be for volumes above [REDACTED] meters.<sup>58</sup>
- (b) A MapleCo business report dated December 2022 records calls held between MapleCo and a large energy supplier discussing new smart meters.<sup>59</sup>

### *Third-party views*

73. The responses of customers and competitors to the CMA's merger investigation indicate that Calisen is a much stronger competitor for MAP services than MapleCo:
- (a) Nearly all customers submitted that Calisen was a very strong competitor and that MapleCo was either a strong or adequate competitor. One customer submitted that MapleCo was an established MAP but had historically worse rates than Calisen, albeit that its rates could improve.
  - (b) All competitors identified Calisen as a very strong competitor for MAP services. Competitor views on MapleCo were more mixed, with some describing MapleCo as a very strong competitor, some describing it as adequate, and others describing it as weak.
74. In addition, as covered in paragraph 84 below, third-party evidence does not suggest that MapleCo is a particularly close competitor to Calisen when compared to other MAPs. Customers submitted that Macquarie, SMS and NPML were stronger competitors than MapleCo and that SMA and Horizon were at least as strong.
75. However, two competitors raised concerns that the Merged Entity would have a large market share and dominate the MAP market.

### *Conclusion on closeness of competition*

76. The evidence above suggests that Calisen and MapleCo are not particularly close competitors.
- (a) Tender data, third-party evidence, and the Parties' internal documents suggest that while Calisen is a relatively strong MAP which is often successful when competing for origination contracts, MapleCo, is less active (although it does remain active to some extent) and has not been successful in any tenders.
  - (b) In terms of MapleCo's constraint on Calisen, it has only competed against Calisen in a small number of tenders, suggesting a relatively weak constraint.

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<sup>58</sup> MapleCo Annex MAP-0022, Maple TopCo Minutes, page 3.

<sup>59</sup> MapleCo Annex MAP-0037, New Business update report, page 2.



Similarly, Calisen's internal documents and third-party evidence do not point to MapleCo being a particularly close competitor to Calisen.

77. As regards concerns from third parties around the Merged Entity's market share, whilst the CMA acknowledges that the Parties have a large meter base, as discussed above in paragraph 52 to 56, the CMA believes that market shares do not represent an accurate reflection of current competitive conditions and do not therefore accurately reflect closeness of competition. The CMA considers that there is a range of evidence which shows that competition occurs for origination contracts and that the Parties are not close competitors on that basis.

### ***Alternative suppliers***

78. The CMA has examined the constraint posed by alternative suppliers by considering within its assessment:
- (a) the Parties' submissions;
  - (b) tender data;
  - (c) the Parties' internal documents; and
  - (d) third-party views.

### ***The Parties' submissions***

79. The Parties submitted that the Merged Entity would face competition from a number of sophisticated commercial MAPs such as Macquarie, SMS, SMA, NPML and Horizon.<sup>60</sup>
80. The Parties submitted that Macquarie is the closest competitor to Calisen, having competed in at least 11 of the [X] tenders Calisen has participated in since 2017, as well as the largest provider of MAP services in Great Britain.<sup>61</sup>
81. The Parties also submitted that [X] were close competitors with MapleCo due to their existing origination contracts with OVO.<sup>62</sup>

### ***Tender data***

82. As shown in tables 3 and 4 above, and discussed in paragraph 62, CMA analysis of the tender data submitted by third parties indicates that there a number of commercial MAP providers active in the UK. In particular, Macquarie, SMS, Horizon, and NPML have all regularly competed against the Parties.

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<sup>60</sup> FMN, paragraph 15.149 to 15.168.

<sup>61</sup> FMN, paragraphs 15.151 to 15.153.

<sup>62</sup> FMN, paragraphs.

### *Internal documents*

83. Evidence from the Parties' internal documents suggests that there are several other competitors for the provision of MAP services. For example:
- (a) A paper developed for a Calisen [REDACTED] in February 2022 notes a conversation where an energy supplier refers to three other '[REDACTED]' MAPs. Calisen considered that these other MAPs include Macquarie, Horizon and SMS.<sup>63</sup>
  - (b) A [REDACTED] market report produced for MapleCo from September 2022 lists Calisen, along with Macquarie, as one of two [REDACTED] third-party MAPs. The document also lists three other [REDACTED] sized MAPs (SMS, NPML, SMA) along with MapleCo.<sup>64</sup>

### *Third-party views*

84. The responses of customers and competitors to the CMA's merger investigation indicate that there are a number of other active MAPs of varying strength:
- (a) Customers altogether identified eight MAPs that compete with the Parties, with every customer identifying at least five MAP competitors to the Parties. This customer evidence indicates that there are five MAP competitors that were at least as strong as MapleCo: Macquarie, SMS, NPML, SMA, and Horizon.<sup>65</sup> Macquarie (along with Calisen) was consistently ranked strongest, followed by SMS and NPML. Customers considered SMA and Horizon less strong but still adequate (similarly to MapleCo). Others MAPs mentioned by customers included Vantage, Meter Corp, and National Grid Smart.<sup>66</sup>
  - (b) Competitors suggested that Macquarie and SMS were strongest (after Calisen). Horizon, SMA, NPML, Vantage, and NG Smart were also identified as competing MAPs, although considered not to be as strong as MapleCo (or Calisen, Macquarie, and SMS).<sup>67</sup>
85. However, two competitors raised concerns that the Merged Entity will have strong links to all major energy suppliers, and this may allow them to circumvent usual tender processes.<sup>68</sup>

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<sup>63</sup> Calisen Annex CAL-0040, [REDACTED] - IC paper, page 3.

<sup>64</sup> MapleCo Annex MAP-0002, Project Phoenix Top-Up Due Diligence, slide 50.

<sup>65</sup> SMA and Horizon have a common owner, Arcus Infrastructure Partners. The CMA has not considered the extent to which SMA and Horizon compete independently as this would not impact its finding that there are sufficient competitors available to constrain the Parties post-Merger.

<sup>66</sup> Third party responses to the CMA's energy supplier questionnaire, question 3.

<sup>67</sup> Third party responses to the CMA's MAP questionnaire, question 5.

<sup>68</sup> Third party responses to the CMA's MAP questionnaire, question 6.

### *Conclusion on alternative suppliers*

86. The CMA believes that there will be a number of MAPs that will exert a significant constraint on the Merged Entity post-Merger:
- (a) Macquarie and SMS have both competed successfully against the Parties in the past, are considered '[X]' MAPs in Calisen's internal documents and were considered strong or very strong MAPs by many third-party respondents to the CMA's merger investigation.
  - (b) Horizon has competed in fewer tenders but been relatively successful when it has participated, is considered a '[X]' MAP in Calisen's internal documents, and some third parties refer to it as a strong competitor while others as an adequate one.
  - (c) NPML has been very active in competing for tenders and was considered a strong or very strong MAP by nearly all customers that responded to the CMA's merger investigation, though not by many competitors, and it has won fewer tenders competing against the Parties than the MAPs above.
  - (d) There is a tail of smaller competitors that collectively have won a small number of tenders and are likely to constrain the Parties, such as SMA, Vantage, and Meter Corp.
87. Regarding concerns that the Merged Entity may be able to circumvent usual tender processes by leveraging existing relationships to secure contract extensions, the CMA considers this unlikely. Customers did not raise this concern and, in any event, the CMA considers that customers would have a range of alternative MAPs to constrain the Merged Entity irrespective of how they decide to tender.

### ***Conclusion on horizontal unilateral effects***

88. For the reasons set out above, the CMA believes that Calisen and MapleCo are not close competitors and there will be a will be a number of MAPs that will exert a significant constraint on the Merged Entity post-Merger. Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of MAP services in Great Britain.

## **BARRIERS TO ENTRY AND EXPANSION**

89. Entry, or expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no SLC. In assessing

whether entry or expansion might prevent an SLC, the CMA considers whether such entry or expansion would be timely, likely and sufficient.<sup>69</sup>

90. The CMA has not had to conclude on barriers to entry or expansion, as the Merger does not give rise to competition concerns on any basis.

### **THIRD-PARTY VIEWS**

91. The CMA contacted customers and competitors of the Parties. One customer and a number of competitors raised concerns about the Merger's impact on competition in Great Britain. These have been set out and taken into account where appropriate in the competitive assessment above.
92. The CMA also contacted Ofgem, which did not express concerns about the Merger.

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<sup>69</sup> [Merger Assessment Guidelines \(CMA129\)](#), March 2021, from paragraph 8.40.

## DECISION

93. Consequently, for the reasons set out in this decision, the CMA does not believe that it is or may be the case that the Merger may be expected to result in an SLC within a market or markets in the United Kingdom.
94. The Merger will therefore **not be referred** under section 33(1) of the Act.

**Eleni Gouliou**  
**Director**  
**Competition and Markets Authority**  
**18 May 2023**