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Our ref: IM-70024
Contact officer: Georgia Zele / Rheya Shah
Contact phone: 02 9230 9103 / 02 9230 3815

1 February 2019

Dear Interested Party

Re: Request for submissions: Lochard Energy's proposed acquisition of the Heytesbury Assets from Origin Energy

The Australian Competition and Consumer Commission (**ACCC**) is seeking your views on the proposed acquisition of the Heytesbury Assets (currently owned by Origin Energy Limited (**Origin**)) by Lochard Energy (Iona Operations) Pty Ltd (**Lochard**) (the **proposed acquisition**).

Lochard operates the Iona gas storage facility near Port Campbell in Victoria, which is the only underground gas storage facility in Victoria. The Heytesbury Assets are depleted gas reservoirs which may have the potential for gas storage development for Victoria. Further details regarding the acquisition can be found at **Attachment A**.

The ACCC's investigation is focused on the impact on competition. In particular, we are seeking your views on:

- the impact on competition in the supply of gas storage in Victoria
- alternative suppliers of gas storage in Victoria
- the likelihood of another operator developing the Heytesbury Assets.

Further issues you may wish to address are set out in **Attachment B**.

This matter is public and you can forward this letter to anybody who may be interested.

The legal test which the ACCC applies in considering the proposed acquisition is in section 50 of the *Competition and Consumer Act 2010*. Section 50 prohibits acquisitions that are likely to have the effect of substantially lessening competition in a market.

Please provide your response by no later than **5pm on Friday 22 February 2019**. Responses may be emailed to mergers@acc.gov.au with the title: *Submission re: Lochard/Origin - attention Georgia Zele/Rheya Shah*. If you would like to arrange a time to discuss the matter with ACCC officers, or have any questions about this letter, please

contact Georgia Zele on (02) 9230 9103 or Rheya Shah on (02) 9230 3815.

Updates regarding the ACCC's investigation will be available on the ACCC's Public Mergers Register at ([ACCC mergers register](#)).

Confidentiality of submissions

The ACCC will not publish submissions regarding the proposed acquisition. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the *Competition and Consumer Act 2010*. Where the ACCC is required to disclose confidential information, the ACCC will notify you in advance where possible so that you may have an opportunity to be heard. Therefore, if the information provided to the ACCC is of a confidential nature, please indicate as such. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

Yours sincerely



Tom Leuner
General Manager
Merger Investigations

Attachment A

Lochard

Lochard is a midstream energy infrastructure business that owns and operates the Iona Gas Plant (**Iona**) and also provides natural gas processing services.

Heytesbury Assets

The Heytesbury Assets are depleted gas reservoirs which may have the potential for gas storage development for Victoria. A subsidiary of Origin Energy currently owns the Heytesbury Assets.

Iona

Iona is a large underground facility located near Port Campbell in Victoria, nearby to the Heytesbury Assets. It provides gas storage, processing and compression services, supplying gas directly into the Victorian gas market via the South West Pipeline and into the South Australian market via the South East Australia Gas Pipeline. Iona is primarily used by gas retailers to manage their seasonal base load. It has a capacity of approximately 26,000TJ. Lochard currently supplies gas storage services to Origin through Iona.

The proposed acquisition

Lochard is proposing to acquire all shares in a subsidiary of Origin Energy that holds the Heytesbury Assets.

Attachment B

1. Please provide a brief description of your business or organisation.
2. Please outline the reasons for your interest in the proposed acquisition, including any commercial relationship/s with either Lochard or Origin.
3. Please provide a description of how your business uses Iona, and any other gas storage facilities in Victoria or eastern Australia. If possible, please provide information for your business setting out:
 - a. the volumes of gas withdrawn from the market, and injection into the market using gas storage facilities during 2017-18FY,
 - b. the volumes of gas stored in gas storage facilities, including Iona, during 2017-18FY and
 - c. whether your use of gas storage facilities, including Iona, changes over the course of a year, and if so, a description of this change.
4. Please outline alternatives to the Iona and Heytesbury Assets for the supply of storage (or equivalent) services post-acquisition. In your answer, please consider:
 - a. linepack (extra gas effectively stored in pipelines by increasing pressure)
 - b. LNG facilities (APA's Dandenong and potential future import facilities)
 - c. other storage providers (Moomba storage and AGL's storage assets including Silver Springs and Newcastle).
5. Please comment on whether swing services, for example north-south gas flows from Queensland to Victoria during peak winter periods, provided by gas producers are an alternative to storage services such as those discussed in response to question 4.
6. Please comment on the potential for the development of other gas storage options and alternatives to gas storage services in the future, including other underground facilities in Victoria, possible LNG import facilities and alternative swing services. In your answer, please consider the timeframe for this development to be operational and an estimate of costs.
7. Please discuss whether it is viable for a company other than Lochard to develop the Heytesbury Assets into a gas storage facility. Please provide reasons for your answer.
8. Please discuss the extent to which the Heytesbury Assets, if acquired by a company other than Lochard, would place competitive constraints on Iona in the supply of gas storage services. Please provide reasons for your answer.
9. Please provide any additional information or comments, or identify other competition issues, that you consider relevant to the ACCC's consideration of the proposed acquisition under section 50 of the Act.