APA

Australia's energy infrastructure partner

Application under NGR Rule 80

Expansion of the VTS South West Pipeline

30 October 2025

Acknowledgement of Country

At APA, we acknowledge the Traditional Owners and Custodians of the lands on which we live and work throughout Australia.

We acknowledge their connections to land, sea and community.

We pay our respects to their Elders past and present, and commit to ensuring APA operates in a fair and ethical manner that respects First Nations peoples' rights and interests.

Contents

1. Summary

In February 2025 APA announced a five-year East Coast Gas Grid Expansion Plan to address forecast peak day and seasonal gas shortfalls in southern markets. In consultation on this program, it became clear that stakeholders are also concerned about infrastructure requirements to improve Victoria's gas transmission system, and avoid gas shortfalls, in the nearer term. To this end, APA VTS is seeking a Rule 80 determination from the Australian Energy Regulator (AER) to support investment in expanding the SWP.

Victoria is facing imminent gas supply shortfalls, particularly during peak winter demand periods, due to declining production from the traditional Bass Strait gas fields. This risk has been identified in AEMO's Gas Statement of Opportunities (**GSOO**) and the Victorian Gas Planning Report (**VGPR**).

While the Bass Strait fields are in decline, there is firm gas available in Port Campbell, to the west of Melbourne, both from producers in the Otway basin, and from the Iona gas storage facility. However, the South West Pipeline (**SWP**), which transports gas from Port Campbell to Melbourne, currently lacks the capacity to deliver all of this available gas. This constraint presents a significant risk of gas shortfalls on the coldest days of the year or during periods of high gas-powered electricity generation demand.

To address this, APA is proposing an expansion of the SWP to unlock existing in-state gas supply and enhance system reliability. The expansion will enable timely access to firm gas already available within Victoria, ensuring security of supply from Winter 2028 onwards.

We have evaluated several expansion options, including compression-based and pipeline looping solutions. Each presents substantial benefits, particularly in light of projected growth in gas-powered generation demand. The estimated total cost for these options ranges from approximately $195 million to around $500 million. The options evaluated include:

1. **Compression Option**: Installation of two new compressor stations at Pirron Yallock (Irrewillipe) and Stonehaven in addition to reconfiguration of existing compressors at Winchelsea. This lower-cost solution can be operational by 2028.
2. **Partial looping Option**: An 88 km partial pipeline duplication. While requiring a longer lead time, this option offers greater long-term benefits, including increased capacity, line pack, and support for future supply or demand project development.
3. **Full looping option**: A full 144 km duplication of the existing SWP. This option offers even greater long-term benefits that will future proof the system for anticipated gas-powered generation growth.

All three options are designed to be scalable and responsive to changing demand patterns.

Following an assessment of the benefits and risks of each option, we are proposing a compression-based expansion of the SWP because it allows for:

- Faster delivery timeline (operational by winter 2028) to ensure security of supply.
- Lower capital cost and implementation complexity.
- Availability of compressor equipment.

Recognising that future projects will likely seek access to SWP capacity, we have designed the expansion to be augmentable. This ensures flexibility to accommodate future growth, including supply and demand projects that have not yet reached Final Investment Decision. To support this, APA proposes to begin land access and environmental approvals now to enable timely deployment if needed.

The compression-based solution will provide benefits to Victoria which include:

- **Improved peak day supply adequacy:** Helps meet firm demand from Iona storage and Otway Basin.
- **Enhanced system resilience:** Supports stable gas flows and reduces risk of shortfalls.
- **Cost efficiency for consumers:** Maintains access to lower-cost domestic gas.
- **Supports long-term planning:** Aligns with the National Gas Objective by promoting efficient investment and operation in the interests of consumers.

The SWP is part of the Victorian Transmission System (**VTS**), which is regulated by the Australian Energy Regulator (**AER**). Given the urgency of the 2028 shortfall, APA is seeking the AER's review and approval of this proposal outside the standard five yearly access arrangement cycle, which would otherwise commence in 2028. Early investment is essential to ensure infrastructure is in place in time to meet projected demand.

APA remains committed to working collaboratively with the AER and stakeholders to ensure the VTS continues to support Victoria's energy security and reliability.

APA VTS Australia (Operations) Pty Ltd, ABN 65 083 009 278 (**APA VTS**), as Service Provider for the VTS, is pleased to submit this application to the AER under Rule 80 of the National Gas Rules.

1.1 About APA

APA is a leading ASX listed energy infrastructure business. Consistent with our purpose of securing Australia's energy future, our diverse portfolio of energy infrastructure delivers energy to customers in every Australian state and territory. For decades we have owned, operated, and maintained some of Australia's most important energy infrastructure.

Our diverse energy infrastructure portfolio

Gas infrastructure	Contracted power generation	Electricity transmission
Transmission >15,000 km transmission pipelines	**Renewable energy** 342 MW Wind 356 MW Solar 75 MW BESS	>800 km high-voltage electricity transmission
Storage 12,000 tonnes LNG 18 PJ gas	**Gas fired** 884 MW	including 290 km deep-sea cable
Distribution >29,500 km gas mains and pipelines >1.5 million gas customers		

Our 15,000 kilometres of natural gas pipelines connect sources of supply and markets across mainland Australia. We operate and maintain networks connecting 1.5 million Australian homes and businesses to the benefits of natural gas. We also own or have interests in gas storage facilities and gas-powered generation.

We operate and have interests in 692 MW of renewable generation and battery storage infrastructure, while our high voltage electricity transmission assets connect Victoria with South Australia, New South Wales with Queensland, and Tasmania with Victoria.

APA actively supports the transition to a lower carbon future. In August 2025, we published our FY25 Climate Report 2.0, detailing our progress against our Climate Transition Plan. This plan outlines our commitments to support Australia's energy transition and pathway to net zero operations emissions by 2050.

1.2 About the South West Pipeline

The SWP operates as a bi-directional pipeline between Port Campbell and Lara in Victoria, where it links with the Brooklyn – Lara Pipeline (**BLP**). The SWP is typically utilised for transporting gas from Port Campbell and the Iona Under Ground Storage (**UGS**) facilities towards Melbourne, as well as supporting the refilling of the Iona UGS reservoir. Additionally, it facilitates supply of gas to areas west of Port Campbell, such as the Mortlake Power Station, and to South Australia via the Port Campbell to Adelaide (**PCA**) Pipeline, during the summer and shoulder seasons when Victorian gas demand is lower.

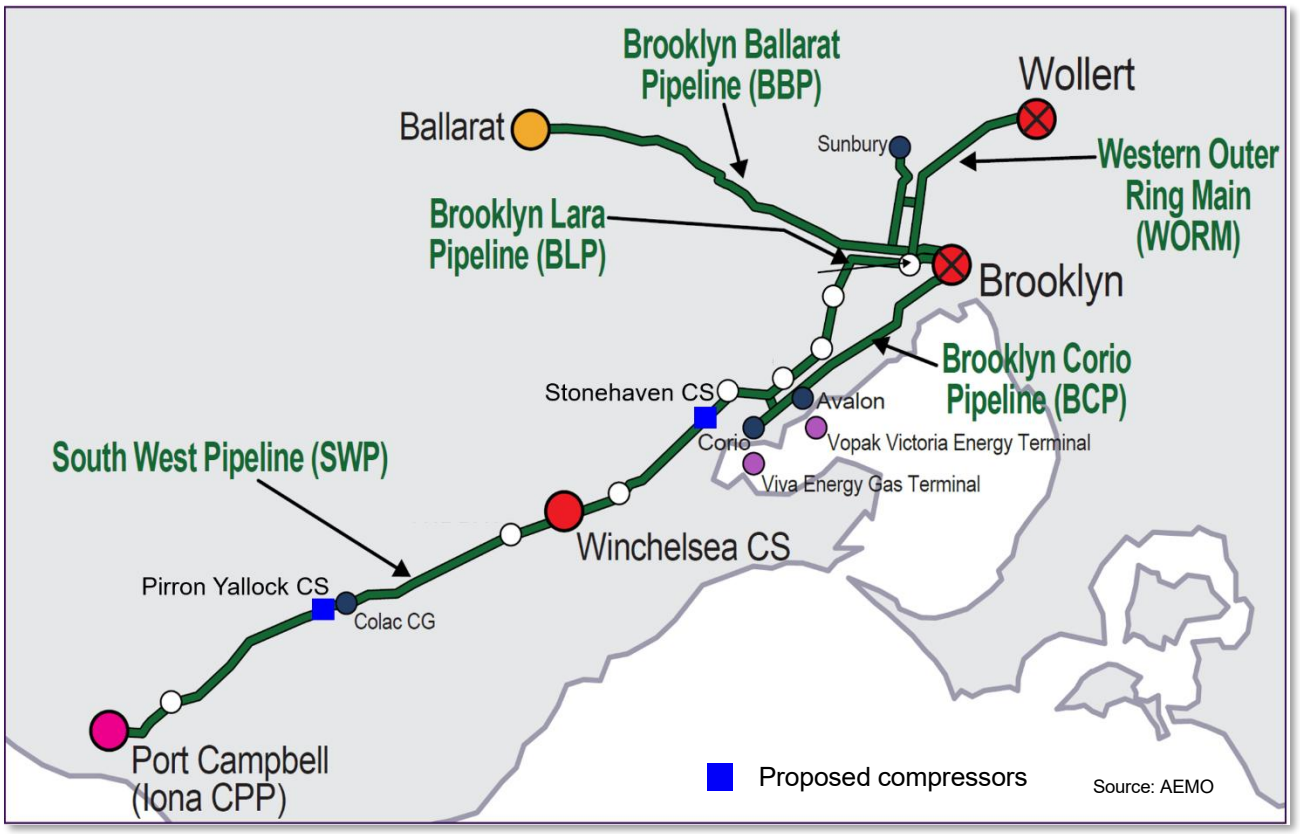
The SWP's capacity for transporting gas from Port Campbell to Melbourne varies depending on system demand, reaching its peak capacity on a 1-in-20 system demand day. This capacity has recently been increased to 532 TJ/d following the completion of the Western Outer Ring Main (**WORM**) project, and the installation of an additional compressor at Winchelsea. The capacity for flow from Melbourne to Port Campbell is maximised on days of low demand, with the current maximum at 348 TJ/d, having recently risen by 152 TJ/d following the completion of the WORM.

Part of the **Victorian transmission system**

Bi-directional pipeline

144km pipeline from Port Campbell to Lara

Transports gas to **fill storage facilities** near Melbourne



2. The supply and demand balance in Victoria

Summary

- Southern Australia faces increasing gas supply risks from 2028 due to declining Gippsland production, with AEMO highlighting the urgent need for new supply and storage to support energy security.
- Victoria is projected to experience peak day gas shortfalls by 2028 unless infrastructure constraints are addressed and supply is increased.
- Of the proposed gas projects to address the predicted shortfalls, only one has reached a Final Investment Decision, placing greater focus on optimising access to existing firm supply already within Victoria.
- Uncertainty around coal plant closures adds complexity to gas demand forecasts, but current system capacity remains insufficient to meet peak day demand even without gas-fired generation.
- While APA is progressing plans to expand its East Coast Gas Grid, including a 40 TJ/day capacity increase at Culcairn, to enable more gas to flow into the Southern States from Northern Basins, there is still some uncertainty around the current capacity on the Victorian Northern Interconnect and interstate gas availability, which means Culcairn cannot be currently relied on to meet Victoria's peak day gas needs.
- The WORM project has improved Iona storage injection capacity, but its full benefits depend on complementary investments – particularly the expansion of the SWP.
- Expanding SWP capacity is essential to improve access to Otway Basin gas and enable more effective use of Iona storage, strengthening Victoria's peak day gas supply resilience.

2.1 AEMO's reports highlight emerging gas supply risks

AEMO's ongoing Gas Statement of Opportunities (**GSOO**) and Victorian Gas Planning Reports (**VGPR**) have long identified reduction in supply availability from the Gippsland basin through Longford.

> *As Gippsland supply continues to decline and production facilities at the Longford Gas Plant are decommissioned[10], southern regions will be exposed to increased risk if either unscheduled production interruptions occur in southern states that reduce supply capacity, or low VRE [variable renewable energy] conditions or coal generator outages increase the GPG demand. (AEMO, 2025 GSOO, p9)*
>
> *[10] The retirement of Longford Gas Plant 1 in October 2024 means the two remaining gas plants are required to achieve peak day capacity of 700 TJ/d. Gas Plant 3 is forecast to retire in December 2028.*

In its 2025 GSOO, AEMO clearly stated (Executive Summary, p3):

> *The 2025 GSOO forecasts risks of peak day shortfalls[2] from 2028, and structural supply gaps[3] emerging from 2029 in southern Australia. While the scale of gas consumption remains uncertain through the energy transition, particularly gas usage for electricity generation, all scenarios identify the need for new supply investments to maintain supply adequacy. Gas supply inadequacy risks forecast in the short, medium, and long term are:*
>
> – *Shortfall risks under peak conditions are forecast in southern Australia from 2028, later than forecast in the 2024 GSOO due to expected falls in residential, commercial and industrial consumption of gas, and the delayed retirement of Eraring Power Station reducing forecast gas-powered generation (GPG) of*

electricity in the near term while it remains online. Seasonal supply gaps may emerge from 2028 if conditions lead to sustained high gas usage.

- *The completion of committed and anticipated gas supply developments is vital to minimise shortfall risks.*
- *Ongoing availability and operation of all deep and shallow gas storages will be critical in minimising the risk of peak day shortfalls and seasonal supply gaps, providing operational flexibility that is important now and into the future to manage gas use variability.*

[2] *A peak day shortfall is driven by insufficient available gas production or transport capacity to meet extreme peaks in demand on a single day.*

[3] *A seasonal or annual supply gap is driven by insufficient gas production or transport capacity to meet total seasonal or yearly demand.*

2.2 Proposed projects to bring additional supply into Victoria

A number of projects have been proposed to increase gas supply into Victoria and help prevent both seasonal and peak day shortfalls. AEMO's 2025 GSOO has assessed that, if progressed, several of these projects could effectively address these risks. However, as of this application, only one has reached a Final Investment Decision as shown in **Error! Reference source not found.**.

Table 1: Status of projects proposed to increase gas supply into Victoria

Project	Capacity Increase (TJ/day)	Other infrastructure investment required	FID status
Port Kembla LNG import terminal[1]	**~500 FSRU** subject to EGP southern haul capacity	Expansion of VicHub EGP-VTS connection. 200TJ/day committed, could be upgraded to 325 TJ/day	☒
VIVA Geelong LNG import terminal	**~778 FSRU, ~240 net** after Iona back-off	Expansion of SWP / curtailment of Iona	☒
Vopak Avalon LNG import terminal	**~778 FSRU, ~240 net** after Iona back-off	Expansion of SWP / curtailment of Iona	☒
Venice Outer harbour LNG import terminal	**405** less Adelaide and Iona back-off	Reversal of SEAGas Expansion of SWP / curtailment of Iona	☒
Golden Beach Gippsland storage	**125** production **375** storage	None	☒
APA East Coast Grid expansion stage 3, 4 & 5	**160**	VNI expansion	☒
Lochard Heytesbury storage expansion	**113**	Expansion of SWP	☑

[1] For clarity, Squadron Energy completed physical mechanical construction of the Port Kembla Energy Terminal (**PKET**) in December 2024. Jemena has completed construction of a pipeline lateral that connects the PKET to the Eastern Gas Pipeline (**EGP**). However, the Höegh Gallion, the Floating Storage and Regasification Unit (**FSRU**) leased to Squadron Energy, was deployed to Egypt in July 2024, on an interim charter from AIE and Höegh Evi. No public announcement has been made on a firm timeline of how long the Höegh Gallion will remain in Egypt or when it will be deployed to Port Kembla. While the PKET can supply up to 500TJ/day, AEMO's 2025 GSOO (p70) identifies that the southbound capacity of Jemena's EGP is 200 TJ/day, expandable to 325 TJ/day, pending expansion of the VicHub connection point.

Given that only one project has reached a Final Investment Decision, APA VTS has limited scope to respond to the identified shortfalls under the current Rule 79 investment prudency requirements. As such, this application focuses on solutions that are scalable and responsive to market participants' needs to ensure the system can reliably access the firm gas supply currently available in Victoria.

Recognising that future projects will likely seek access to SWP capacity, we have designed the expansion to be augmentable. This approach provides flexibility to accommodate future growth, including projects that have not yet reached Final Investment Decision. To support this, APA proposes to begin land access and environmental approvals now to enable timely deployment of further looping if needed.

While this application focusses on expanding capacity to support projects that have reached Final Investment Decision, we recognise the potential long-term benefits of pipeline looping, particularly for future supply and demand projects. Several stakeholders, including AEMO and Amplitude, strongly support early full pipeline looping in anticipation of future demand. In light of this, APA is undertaking early planning to enable a timely response if demand emerges. Further consideration of pipeline looping will be included in the 2028–32 access arrangement process.

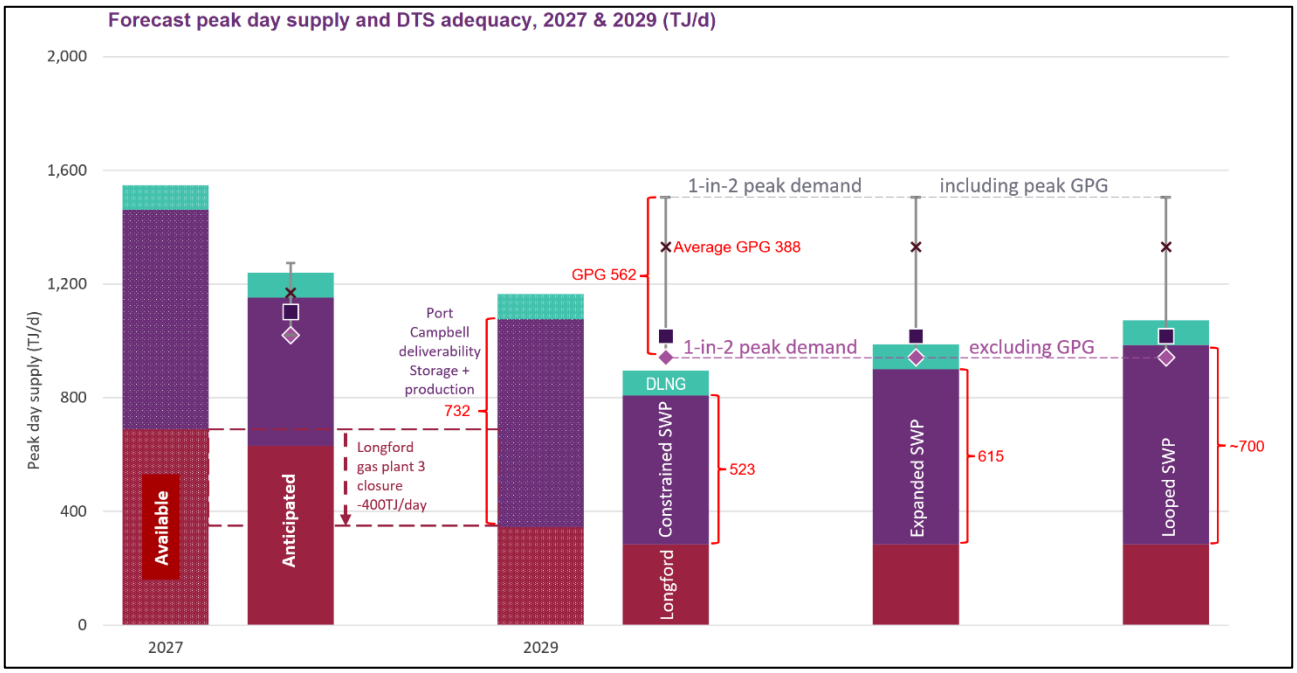
This application is part of our ongoing strategy to invest in our east coast gas grid, ensuring sufficient capacity for domestic gas to meet southern market demand and mitigate the forecast shortfalls identified by AEMO and the ACCC.

2.3 Peak day supply adequacy

AEMO's 2025 VGPR addresses peak day supply adequacy (AEMO, 2025 VGPR, p3, emphasis in original):

> ***Expected peak day supply capacity to the DTS (including from storage facilities) is forecast to decline*** *by 31% from 1,296 terajoules a day (TJ/d) in winter 2025 to 895 TJ/d in winter 2029. Forecast peak day supply capacity in winter 2028 has increased from 882 TJ/d in the 2024 VGPR Update to 1,094 TJ/d due to increased Gippsland production capacity, including the delayed retirement of Longford Gas Plant 3.*
>
> ***A peak day supply adequacy gap is forecast for both 1-in-2 and 1-in-20 system demand days during winter 2029****, despite a forecast 12% reduction in Victorian peak day system demand across the outlook period. The peak day system demand shortfalls forecast in the 2024 VGPR Update have been delayed until winter 2029, primarily due to the increased Gippsland production. Supply adequacy is, however, forecast to remain tight, with supply from the Dandenong Liquefied Natural Gas (LNG) facility likely to be required to support the peak day demand and even low levels of gas-powered electricity generation (GPG) on a peak day. There is a high risk of shortfalls forecast due to unexpected conditions such as demand surges and unplanned supply restrictions.*

This is encapsulated in the VGPR Figure 5, reproduced below to focus on 2029 (with annotations):



Source: AEMO 2025 VGPR p12, APA analysis.

To further explain why the VTS currently lacks sufficient capacity to meet peak day gas demand, even before accounting for gas-fired power generation, it's helpful to step through the following key issues highlighted by VGPR Figure 5:

1	**Longford supply declining**	By 2029, peak day supply from Longford is forecast to be around 400 TJ/day lower than in 2027, significantly reducing available capacity from this key source.
2	**Port Campbell supply constrained by SWP**	While Port Campbell production and storage can provide up to 732 TJ/day, the SWP currently limits delivery to the market to just 523 TJ/day, creating a constraint.
3	**1-in-2 peak demand excluding GPG**	The combination of reduced Longford supply and SWP constraints means there is already a forecast 2029 shortfall in meeting peak day demand, even without any gas required for electricity generation.
4	**1-in-2 peak demand with average GPG**	When average gas-powered generation is factored in (388 TJ/day), the shortfall becomes more pronounced.
5	**1-in-2 peak demand with peak GPG**	Under conditions of maximum gas-powered generation demand (562 TJ/day), the shortfall is over 600 TJ/day, highlighting the capacity gap.

AEMO's 2025 VGPR (Table 14) is also very clear that supply from Port Campbell (the Iona Close Proximity Point) is constrained by the capacity of the SWP:[2]

[2] The SWP constraint is also highlighted in VGPR sections 3.4.1 [pp56, 57: "Lochard Energy will expand Iona UGS capacity by up to 45 TJ/d through HUGS, expected to provide this additional supply capacity from winter 2027. Supply into DTS will continue to be constrained by the capacity of the SWP."] and A4.4 (Tables 42, 43)

Table 14 Forecast peak day system demand supply adequacy, 2025 to 2029 (TJ/d)

Supply source		2025	2026	2027	2028	2029
Gippsland [A]	Expected [B]	686	657	630	484	285
	Anticipated	0	0	0	0	0
	Total available plus anticipated	686	657	630	484	285
Port Campbell (Geelong) [D]	Expected [E]	523	523	523	523	523
	Anticipated	0	0	0	0	0
	Total available plus anticipated	**523**	**523**	**523**	**523**	**523**
Melbourne	Expected	87	87	87	87	87
Total Victorian supply	Total Victorian expected	1,296	1,267	1,240	1,094	895
	Total Victorian anticipated	0	0	0	0	0
	Total Victorian expected plus anticipated	**1,296**	**1,267**	**1,240**	**1,094**	**895**
1-in-2 system demand		1,071	1,047	1,021	987	942
1-in-20 system demand		1,156	1,130	1,101	1,064	1,016
1-in-2 day surplus quantity with Victorian expected supply		**226**	**220**	**219**	**107**	**-47**
1-in-20 day surplus quantity with Victorian expected supply		**140**	**137**	**139**	**30**	**-121**

Note: totals may not add up due to rounding.
A. Gippsland zone includes Longford, Orbost and Lang Lang production facilities. Combined production is gas available to the DTS, EGP and TGP.
B. Expected Gippsland zone supply excludes the portion of available Gippsland supply that is needed to supply Tasmanian demand and demand along the EGP, including in south-east New South Wales, that cannot be supplied from any other source.
C. Port Campbell zone includes the Otway and Athena production facilities and Iona UGS. Combined supply is gas available to the DTS, South Australia and Mortlake Power Station. All of this supply cannot be supplied into the DTS due to the SWP capacity.
D. Expected Port Campbell supply is limited by the capacity of the SWP.

AEMO, 2025 VGPR, p59. Highlighting added.

The capacity of the SWP is also identified as a constraint to future Port Campbell supply. AEMO's 2025 GSOO (p55) also notes:

> *A consortium of gas producers (ConocoPhillips, Amplitude Energy, Beach Energy, Woodside) has contracted the Transocean Equinox[50] drill rig for exploration and well decommissioning in the Otway Basin, starting in 2025. If successful, the wells could connect to existing gas infrastructure near Port Campbell and help supply gas to the southern market later in the decade. For more information, see Chapter 4 of the 2025 VGPR."*
>
> *[50] Beach Energy, Annual Report 2024, 12 August 2024, at https://yourir.info/resources/0c5a441cf54ff229/announcements/bpt.asx/2A1540360/BPT_2024_Beach_Energy_Ltd_Annual_Report.pdf.*

The 2025 VGPR (p67) notes that "The proposed 3-well drilling program targets backfilling declining Otway fields to supply into the existing Athena Gas Plant with a potential 90 TJ/d of production by 2028."

The 2025 VGPR (p66) also notes "Lochard is also considering further storage expansions including HUGS Phase 2, potentially increasing working storage volume at Iona UGS by up to 6.4 PJ and supply capacity by up to 150 TJ/d (from 615 TJ/d up to 765 TJ/d) from 2029 or 2030."

2.4 Other matters influencing the supply and demand balance

The gas supply and demand balance in south eastern Australia remains dynamic, and several external factors have the potential to impact Victorian gas supply and demand balance, including:

- the potential to further extend the operational life of the Eraring coal-fired power station in New South Wales;
- ongoing speculation regarding the timing of the planned closure of the Yallourn coal-fired power station in Victoria.

As with the Final Investment Decision status of projects affecting gas supply, this application is based on publicly available announcements at the time of submission. This application does not rely on speculation about the future status of existing coal-fired power stations.

While the scope for extending the operational lives of coal-fired power stations will inevitably impact the demand for gas-fired power stations, AEMO's 2025 VGPR is clear (see Figure 5 reproduced above) that there is insufficient capacity in the VTS to meet *system demand* even before accounting for any gas-powered generation requirements.

2.5 Modelled supply through Culcairn

AEMO's VGPR does not model any peak day injections to the VTS from Culcairn.[3] However it does (Table 22) identify that the capacity of the Victorian Northern Interconnect is limited to 180TJ/day for flows towards Melbourne, primarily due to capacity constraints in the New South Wales transmission network.

This limitation is understandable – for example, if Origin Energy's Uranquinty power station is operating at full capacity and a gas peak demand day coincides with an electricity peak demand day, the Interconnect pipeline pressure may drop to levels where gas cannot be reliably delivered from Culcairn.

This presents a challenge. While AEMO, as operator of the Declared Wholesale Gas Market (**DWGM**) and VTS, has powers to curtail Victorian industrial load (including gas-powered generation) in response to a Victorian gas peak demand crisis, it is not clear that AEMO can curtail an industrial customer or gas-powered generation loads in another state to manage Victorian gas demand.

That said, not every peak gas day will coincide with peak electricity demand. To explore the potential contribution from Culcairn under more favourable conditions, APA has undertaken sensitivity testing assuming 180 TJ per day is available for injection at Culcairn.

2.6 The role of the WORM

The AER approved construction of the WORM during the 2018-22 access arrangement period.[4] Following time required to complete environmental assessments, APA VTS submitted a business case as part of the 2023-27 access arrangement to support the completion of this in-flight project.[5]

In that business case, APA VTS identified that, prior to the WORM, the VTS could inject only 140 TJ per day into Iona storage. A key objective of the WORM was to increase this injection capacity, specifically, withdrawals from the VTS into Iona, to a maximum of 280 TJ per day during the summer months.

With the WORM now complete, there is potential to inject gas into Iona storage on the warmer days of the Victorian winter, which may allow the storage facility to be cycled over the winter months. However, the benefit

[3] AEMO, 2025 VGPR, p58.

[4] See AER, Final Decision, APA VTS Australia Gas access arrangement 2018 to 2022, Attachment 6 – Capital expenditure, November 2017.

[5] See APA VTS, Western Outer Ring Main (WORM) Project – Business Case Update 2022, March 18, 2022..

of this increased capability to quickly replenish Iona storage is currently limited by an inability to withdraw sufficient gas from storage to meet demand on the system peak day.

In this context, the proposed expansion of the SWP is a complementary investment that will help unlock the full value of the WORM by enabling greater withdrawal capacity when it is most needed.

2.7 Peak demand and seasonal demand adequacy

The proposed expansion of the SWP is primarily aimed at enhancing security of supply by enabling the system to better meet peak day gas demand. While this investment alone may not fully address Victoria's annual or seasonal gas needs, it plays a critical role in improving access to available supply.

In particular, this expansion will allow access to current and projected deliverability of gas from the Otway Basin through Port Campbell.[6] AEMO's 2025 GSOO identifies that the limited capacity of the SWP is the constraint to accessing this production.[7]

Additionally, by supporting the cycling of Iona gas storage over the winter months, the SWP expansion could help maintain a more consistent flow of gas from northern supply sources, allowing more gas to be sourced steadily across the season.

Separate to this application, APA continues to progress plans to expand its East Coast Gas Grid, with the current plan to add 24% more transport capacity to address projected overall market shortfalls out to 2032, with the capacity to deliver further incremental expansion.

[6] See AEMO 2025 GSOO, p55. "A consortium of gas producers (ConocoPhillips, Amplitude Energy, Beach Energy, Woodside) has contracted the Transocean Equinox50 drill rig for exploration and well decommissioning in the Otway Basin, starting in 2025. If successful, the wells could connect to existing gas infrastructure near Port Campbell and help supply gas to the southern market later in the decade. For more information, see Chapter 4 of the 2025 VGPR."

[7] AEMO, 2025 VGPR, p11 "Port Campbell peak day supply capacity into the DTS will continue to be limited by capacity of the South West Pipeline (SWP), with the impact of this restriction evident in Figure 5 that shows the difference between available and expected Port Campbell supply."

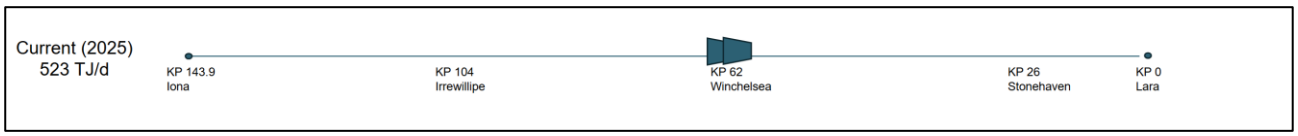
3. Proposed investment

Summary

- APA VTS is proposing a staged approach to expanding SWP capacity, beginning with two new compressor stations to deliver earlier benefits by winter 2028, while also preparing for potential future pipeline looping by progressing land access and environmental approvals.
- While this application proposes a lower-cost compression solution to expand SWP capacity by 2028, it recognises the potential long-term benefits of pipeline looping, particularly for future gas-powered generation, and supports early planning to enable a timely response if future supply sources emerge.
- Consideration of further pipeline looping will be included in the 2028–32 access arrangement process.
- APA VTS encourages a holistic approach to understanding the total cost of gas supplied to end users.
- Expansion of the SWP helps maintain access to lower-cost domestic gas that's already within Victoria.
- This raises important considerations under the National Gas Objective about long-term consumer interests and the efficiency of gas supply.

3.1 Expansion options

As discussed in section 2, the SWP currently features a 2-unit compressor station at Winchelsea, in which these two compressors are configured for series operation:[8]



We have assessed several options including compression based and pipeline looping solutions. Each option can deliver significant benefits, particularly considering potential growth in gas-powered generation. The estimated costs for these options ranges from $195 million to around $500 million.

The options evaluated include:

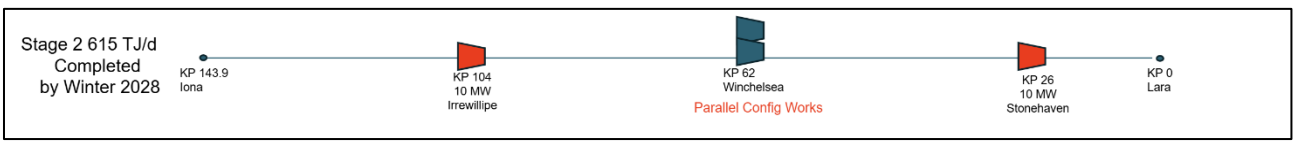
- Option 1 – Do nothing

  This option requires no capital expenditure, however risks of winter peak shortfalls will remain.

- Option 2 – Compression (recommended option)

  This option requires capital expenditure of $195.3 million.

  APA VTS proposes to invest in two additional compression facilities, one at Pirron Yallock (Irrewillipe) and another at Stonehaven.



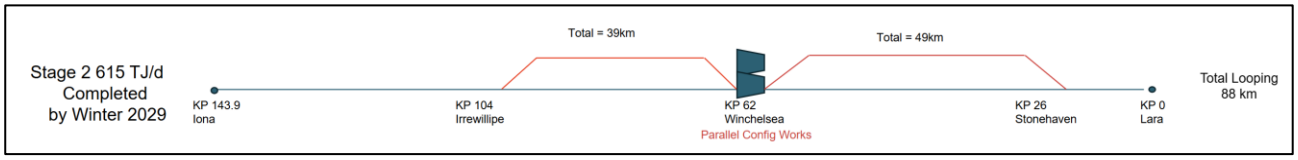
[8] In series operation, the output of one compressor feeds into the input of the other. This configuration avoided re-wheeling costs of the first Winchelsea compressor when the second compressor was installed in 2023. With the additional volumes enabled by the Stonehaven and Pirron compressors, the Winchelsea compressor station will be better configured in parallel (side-by-side) configuration. Much of the work to amend the configuration was completed at the time of installation – the reconfiguration costs are minor.

We currently hold land in both locations. In addition, works are to be conducted around the Winchelsea compressor station configuration to allow the two existing units to operate in parallel. This lowest cost solution can be operational before winter 2028.

- Option 3 – Partial Looping

  The attached business case also canvasses an alternative option of partially looping the SWP. While requiring a longer lead time, this option offers greater long-term benefits, including increased capacity, line pack, and support for future gas-powered generation development. This solution can be operational for winter 2029.

  This option requires capital expenditure of $331.2 million.



- Option 4 – Full Looping

  APA VTS also considered at a high level, fully looping the SWP, to cover its full 144km length. This would increase capacity of the SWP to over 700 TJ per day and improve line pack. This option offers even greater long-term benefits that will future proof the system for anticipated gas-powered generation growth and future supply sources.

  This option would require capital expenditure at least 50 per cent higher than option 3 and risk missing a winter 2029 completion.

3.2 Scope of this application

All of the expansion options outlined above are designed to be scalable and responsive to changing demand patterns. After assessing the benefits and risks of each option, **option 2** – adding two compressors to the SWP**,** is recommended as the preferred option. This recommendation is based on several important factors:

- Faster delivery timeline, supporting security of supply.
- Lower capital cost and project complexity.
- Availability of compressor equipment enabling earlier deployment.

The timing factor is a central consideration. Compression can be delivered by winter 2028, whereas looping would not be operational until winter 2029.

We have outlined a proposed program of works to increase the capacity of the SWP to meet current firm deliverability from Iona gas storage. Further expansion can be accomplished through pipeline looping.

Given the timing of this application, and the upcoming VTS access arrangement process, the scope of this application has been limited to the first (compression) stage of this program and pre-work for future looping. This approach aligns the timing for consideration of this application, the 2028-32 access arrangement process, and the construction lead times to provide additional capacity by winter 2028.

Any future need for further expansion is best informed through the 2028-32 access arrangement process. If looping is proposed and approved through that process, it could be delivered promptly, potentially by winter 2029.

Land access and environmental assessment

Notwithstanding the capacity created by the compression projects, we consider that there is a strong likelihood that the SWP will require looping in the near future. However, pipeline looping is a more time-consuming and complex undertaking than compression, primarily due to the time required for land access and environmental approvals.

While these early activities often incur relatively low direct costs, they often represent a significant portion of the overall project timeline. In contrast, pipeline construction, though capital-intensive, tends to proceed more rapidly once approvals are secured.

The time required for land access and approvals is a major reason the alternative looping option would be in service for winter 2029, whereas the compression option would be in service for winter 2028. These access and approval costs, estimated at $102,000, are included in the looping option analysis in the attached business case.

Should partial or full looping be required, it would be proposed as part of the 2028-32 access arrangement. In the interim, we consider that it would be prudent to undertake the land access and environmental works required to enable a looping project to commence promptly on approval. We suggest that the AER consider extending its Rule 80 determination to cover these early stage activities to support timely and efficient future development.

If, following further consultation, the partial looping project is ultimately considered to be the preferred option, the additional costs associated with conducting the land access and environmental approval activities over the entire length of the pipeline route would be minimal.

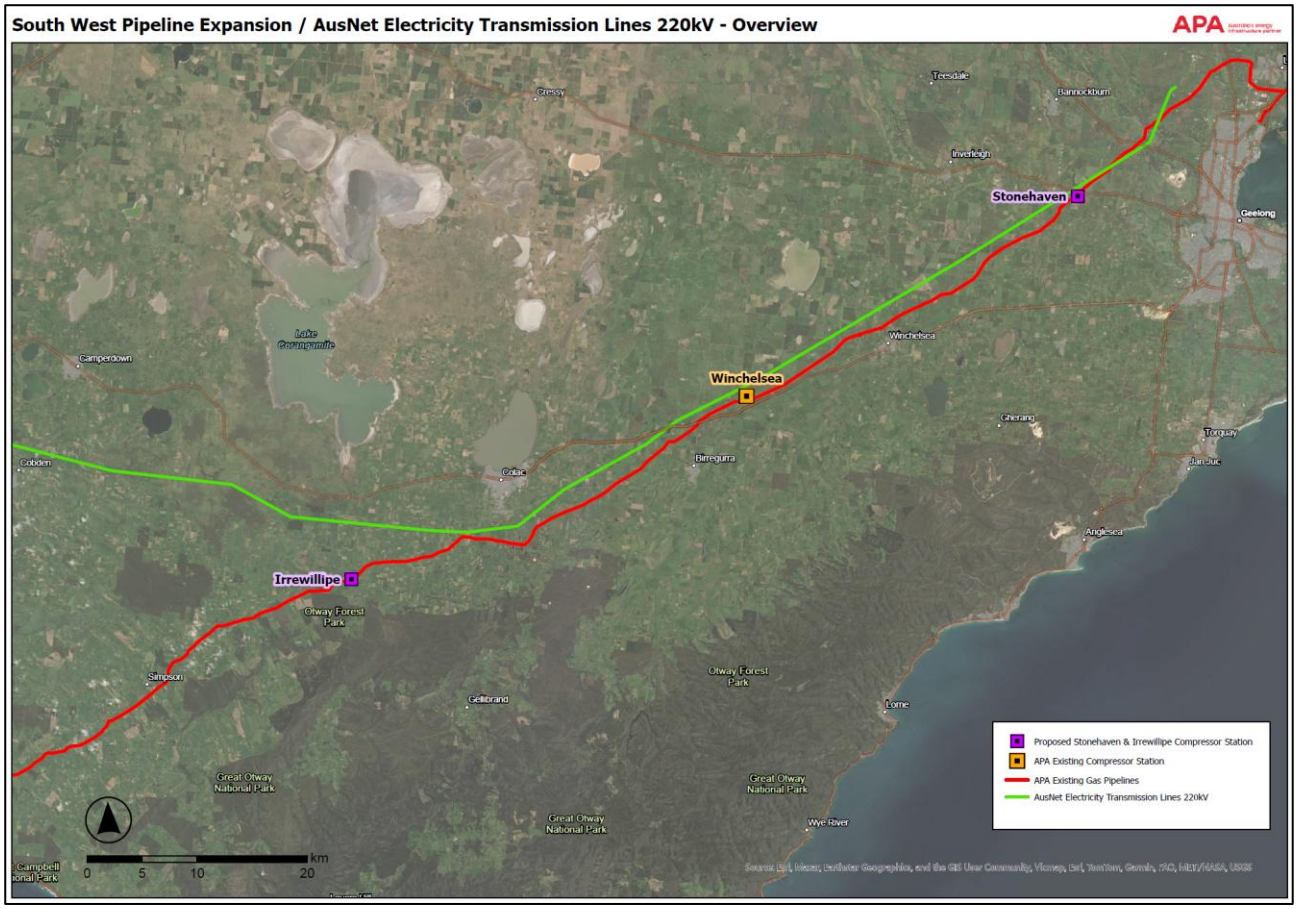
This work can be conducted more efficiently as one survey, as opposed to incurring additional mobilisation and demobilisation costs associated with conducting the survey as two or more discrete jobs. In this respect, we have taken the initiative to commence a program of works to propose to survey the entire length of the easement.

We acknowledge that the proposed program of works has not reached Final Investment Decision at APA. Under the Victorian regulatory regime, APA VTS cannot recover or earn a return on or of its capital investment outside the AER access arrangement determination process.

A positive Rule 80 determination would give confidence that the AER has decided to roll the investment into the capital base at the commencement of the next access arrangement. This will be a necessary step in enabling APA to proceed to Final Investment Decision.

3.3 Short term and long term considerations

As discussed above, we have proposed a two compressor solution, at Stonehaven (KP26) and Pirron Yallock (Irrewillipe) (KP104). The map below shows the length of the route of the SWP in red, from approximately KP 0 (top right) to KP 144 (bottom left).



Also shown on this map, in green, is an AusNet 220kV electricity transmission line, running parallel to the SWP for some 76km, until it starts to diverge to the west at approximately KP93. For much of this length, the AusNet line is less than 1km away from the SWP.

Generally, sites with close proximity to both high pressure gas transmission pipelines and high voltage electricity transmission lines are well placed for construction of gas-powered generation. As Australia continues its transition to a lower-carbon economy, gas-powered generation is expected to play a key role in firming intermittent renewable energy sources. Given these factors, it is reasonable to expect that gas-powered generation proponents may consider this corridor as a viable location for new plant.

In terms of system resilience to manage the immediate and peaky demands of gas-powered generation, the additional line pack availability of the looping option would be preferable to the compression option. The looping option would also provide additional line pack should a number of gas-powered generators seek to locate along this corridor.

However, we are unaware of any proponents actively seeking access to the SWP to accommodate a future gas-powered generation unit.

This presents a challenge. While the flexibility to accommodate future gas-powered generation may well be in the long term interests of gas customers, Rule 79(2)(c)(iv) limits justification for capital expenditure to existing levels of demand at the time the investment is made. It does not allow for capital expenditure justified by potential future demand.

Accordingly, this application proposes the lower cost compression option as the preferred approach.

In this respect, we note that the National Gas Objective, a provision of the National Gas Law, requires a broader view relative to the strict interpretation of individual Rules. Were the AER to conclude that the looping option promoted the longer term view of the National Gas Objective more than the compression option, we believe it would be reasonable for the AER to approve the looping option.

We look forward to exploring this with stakeholders through a public consultation process.

4. Stakeholder engagement

Summary

- APA VTS is committed to meaningful, ongoing stakeholder engagement to ensure decisions reflect the needs and views of customers and stakeholders.
- A comprehensive Stakeholder Engagement Plan has been developed in collaboration with stakeholders to guide the 2028–32 VTS access arrangement process, including tariff structure review.
- Dedicated forums have been established to support structured and transparent engagement.
- APA VTS has undertaken initial engagement with key stakeholders on the proposed SWP expansion and remains committed to ongoing consultation, including through a public process.
- While early action is needed to meet the 2028 shortfall, we will continue to work collaboratively with the AER and stakeholders to ensure the project supports Victoria's long-term energy reliability.

APA VTS is committed to embedding quality stakeholder engagement into our business to ensure our actions are directly underpinned by the views of the consumers and communities we serve.

To support the development of the 2028–32 VTS access arrangement, including a review of VTS tariff structures, we have developed a Stakeholder Engagement Plan in collaboration with our customers and stakeholders. This plan outlines our engagement approach, identifies key stakeholders, and sets out the principles, priorities, and mechanisms for ongoing engagement.

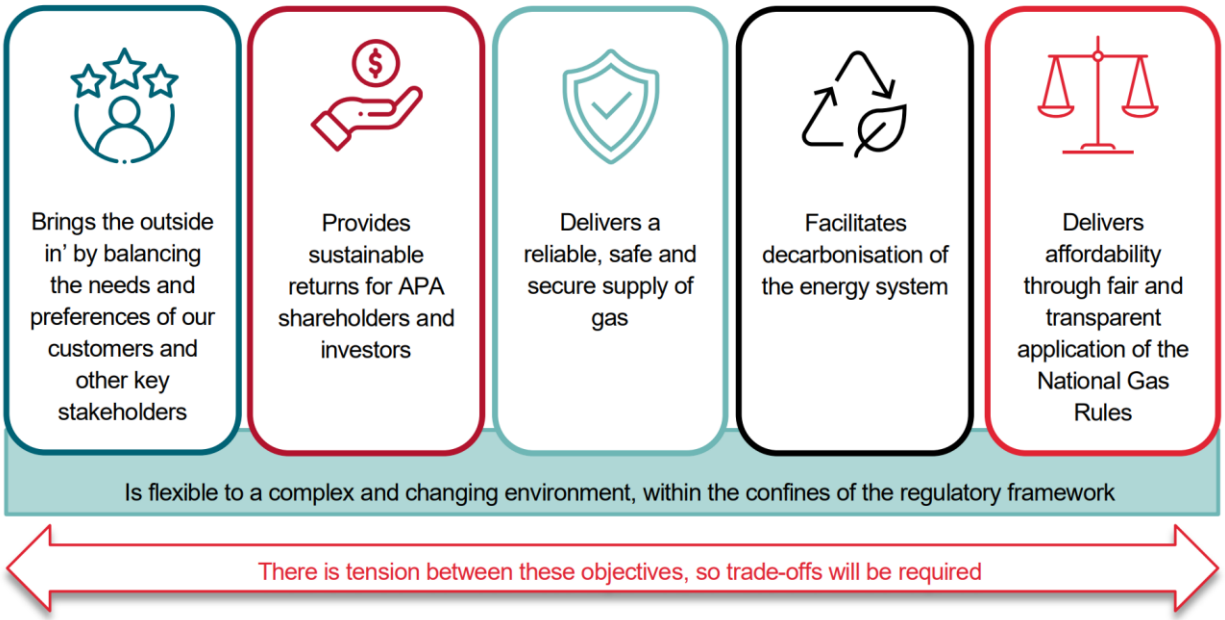
As part of this process, we have established two dedicated groups:

- The VTS Regulatory Reference Group (RRG), and
- The VTS Tariff Reference Group (TRG).

These groups provide structured forums for stakeholder input and feedback throughout the access arrangement process.

We tested and refined our engagement objectives during the development of the Engagement Plan. The updated objectives now include a stronger focus on affordability, the need for flexibility in a dynamic energy environment, and recognition that trade-offs may be required between competing priorities. These same objectives apply to this SWP expansion application.

APA's stakeholder engagement aims to deliver an access arrangement that is capable of acceptance and:



We have engaged with the RRG and other directly interested stakeholders on our intention to explore SWP expansion options, and invited further one-on-one discussions where desired. Preliminary discussions have also been held with key stakeholders, including:

- The Victorian Minister for Energy and Resources, the Hon. Lily D'Ambrosio
- The State Electricity Commission of Victoria
- AEMO
- The Victorian Department of Energy, Environment and Climate Action (DEECA)
- Commonwealth Department of Climate Change, Energy, the Environment and Water (DCCEEW)

We have also flagged our intention to examine SWP expansion at the AEMO Gas Wholesale Consultative Forum.

Whilst stakeholders support an expansion of the SWP, there are varying views on the preferred approach to the expansion. For example, AEMO and Amplitude strongly support full pipeline looping. In response, we are proposing a phased expansion of the SWP starting with compression. This initial step offers a lower-cost solution while enabling early planning for potential future pipeline looping which could support future long-term needs such as gas-powered generation and future supply sources.

Given the urgency of addressing the projected 2028 shortfall and the need to submit this application for AER assessment, stakeholders have not yet had the opportunity to explore the detailed reasoning and costings outlined in this application and the accompanying business case.

Early investment is essential to ensure infrastructure is in place in time to meet projected demand. However, APA VTS remains committed to working collaboratively with the AER and stakeholders to ensure the SWP expansion supports Victoria's energy security and reliability.

We will continue to engage with our stakeholders, including the RRG, throughout this process and welcome a public consultation process as part of the AER's consideration of this application.

Glossary

AEMO	Australian Energy Market operator
AER	Australia Energy Regulator
APA VTS	APA VTS Australia (Operations) Pty Ltd
ASX	Australian Stock Exchange
BLP	Brooklyn – Lara Pipeline
DCCEEW	Commonwealth Department of Climate Change, Energy, the Environment and Water
DEECA	Victorian Department of Energy, Environment and Climate Action
DWGM	Declared Wholesale Gas Market
GPG	Gas-powered generation
GSOO	AEMO's Gas Statement of Opportunities
LNG	Liquified Natural Gas
PCA	Port Campbell to Adelaide pipeline
RRG	Regulatory Reference Group for the VTS 2038-32 access arrangement
SWP	South West Pipeline
TJ	Terajoule
TRG	Tariff Reference Group for the VTS 2038-32 access arrangement
UGS	Iona Under Ground Storage
VGPR	Victorian Gas Planning Report
VTS	Victorian Transmission System
WORM	Western Outer Ring Main