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Australian Energy Regulator (AER)

Submitted via email to ResetCoord@aer.gov.au

Lochard Energy submission on APA Victorian Transmission System – Rule 80 application for the expansion of the South West Pipeline

Dear AER,

Lochard Energy welcomes the opportunity to provide its input on APA's Victorian Transmission System (VTS) Rule 80 application for the proposed expansion of the South West Pipeline (SWP).

Lochard Energy is the owner and operator of the Iona Underground Gas Storage Facility (Iona), located in Port Campbell, Southwest Victoria. Iona plays a critical role in supporting the security and reliability of the east coast energy supply system. Supply from Iona has been consistently relied on by Lochard's customers to manage supply and demand volatility across gas and electricity markets, and to facilitate the integration of variable renewable generation and mitigate the risk of extreme price outcomes.

Responding to market needs, Lochard has invested and delivered multi-stage expansion projects to increase Iona's capacity from 390 TJ/d in 2015 (when Lochard acquired Iona) to 570 TJ/d in 2023. Lochard's current project, the Heytesbury Underground Gas Storage (HUGS) development, reached FID in 2024 and is on track to deliver another 45TJ/d of firm storage withdrawal capacity (with associated increase in reservoir capacity) from 2027. Iona's nameplate capacity will be 615TJ/d post the HUGS expansion.

Lochard is considering options to further expand Iona beyond HUGS (HUGS2). If this development occurs, then Iona's capacity, combined with that of Otway and Athena, could see Otway region capacity at circa 900 TJ/d far exceeding the current SWP capacity of 523 TJ/d. The ability to fully utilise Iona's potential increased storage capacity and to unlock additional supply from Otway producers is very much dependent on the corresponding expansion of the SWP.

Lochard is pleased with the market's recognition of the urgency to unlock existing low-cost supply in the Otway region, in face of impending peak day and seasonal shortfalls in Victoria.

The following sections set out the need for SWP capacity expansion from a gas storage development perspective. In short, Lochard Energy recommends:

- a longer-term view of energy market needs is taken and supports the pre-approval of full SWP looping, with the requirement that proceeding to each stage of expansion remains subject to the relevant supply projects reaching FID.
- As to the solution for the first stage of expansion, our primary driver for this - given our HUGS expansion - is the time-frame. From a technical perspective, Lochard is agnostic

between the compression or looping options and our view is that either solution provides scalability for further augmentation later. However, as we believe it will be a quicker process to implement compression as compared to partial or full looping from a project delivery perspective, Lochard supports the current compression option as proposed by APA for the next stage of SWP expansion.

- Lochard acknowledges AEMO's operational concerns as the VTS operator and also shares APA's concerns that the time required for approvals related to looping could be significantly longer than for compression.
- Lochard supports APA's proposal to begin land access and environmental approvals as soon as possible to enable timely deployment of looping solutions and shares its concerns from past experience that the approval stages are likely to be much more time consuming than the construction phase.

1. Certainty of a pathway for SWP capacity increase in the longer-term is a critical enabler to deliver the full potential for gas storage in the Otway Region

The Otway region's geological structure has world-class sandstone quality suitable for gas storage development both onshore and offshore. Many fields have a known history of gas production or close analogue of reservoir behaviour, at comparatively lower risks for gas storage developments. Currently, the Iona Underground Gas Storage Facility consists of four different storage reservoirs (Iona, North Paaratte, Wallaby Creek, and Seamer). In total, there are 10 wells that provide extensive flexibility and redundancy in providing injection and withdrawal services.

In 2025, Lochard conducted an expression of interest (EOI) process seeking market feedback for gas storage capacity becoming available from 2027. The response was significantly oversubscribed and as a result has supported the commencement of the concept development phase for subsequent fields, such as Tregony, Fenton Creek, and McIntee, which, if the project proceeds, could add in the order of a further 6.4 PJ of storage volume and associated injection and withdrawal capacity (up to another 150TJ/d) in 2029-2031. Lochard refers to this project as HUGS2.

In addition to market support for the HUGS2 development, having certainty of a pathway for SWP capacity to step up from the current 523 TJ/d to circa 800TJ/d (the capacity from full looping), will be a pre-requisite for FID of HUGS2 and any further storage development at Iona

2. More Southern storage enables more northern and southern domestic gas supply

Currently, Victoria's supply is primarily sourced from Longford. However, with Longford's capacity forecast to reduce from 700 TJ/d in 2025 to 345 TJ/d from 2029 onwards, this will increase the reliance on northern gas. This trend is evident in the increasing flows south via SWQP/MSP. The Federal Government's recent gas market review proposes a prospective domestic gas reservation scheme, expected to commence in 2027, which has the intention of making more northern supply available for southern markets.

Additionally, emerging gas exploration and development in the Otway Basin—led by ConocoPhillips, Amplitude, and Beach—offers promising additional supply. To encourage further exploration in the southern waters, the Victorian Government released new exploration acreage in the Otway region for bidding in December 2025.

To fully utilise the domestic gas supply and manage the volatile demand profile, increasing storage capacity in Victoria is a strategic enabler to southern production and northern transport. Having certainty of a pathway for SWP capacity to increase is ever more important to unlock the brownfield storage expansion potential in the Otway region.

3. Balance the regulatory framework of VTS and certainty of gas access for GPG development

To support the exit of coal generators Yallourn and Eraring, AEMO forecasts that circa 4GW of new gas powered generation (GPG) is required to be built across NSW and Victoria. Uncertainty around coal plant closures and availability of gas supply and capacity create additional challenges in the development of new GPG.

Iona, being positioned along the SWP corridor, as outlined in the APA proposal, is in an ideal location for future GPG development. However, the existing five-year regulatory period over the VTS and the additional time required for any out-of-cycle variations creates greater uncertainty and unknowns for potential GPG projects connecting to the SWP. For an SWP-connected GPG project to be considered at the same level of maturity on timing and access certainty with an equivalent project connecting to a contract-carriage pipeline, it is essential to take a longer-term view and assess the gas infrastructure needs that can underpin Victoria's energy transition into the early 2030s.

Accordingly, Lochard recommends that, ultimately, full SWP looping is undertaken to bring the SWP capacity to ~800 TJ/d, with the requirement that proceeding to each stage of expansion remains subject to the relevant supply projects reaching FID.

To close, Lochard re-emphasises the importance of commencing SWP expansion promptly, given the significant lead times required to increase pipeline capacity and Lochard's HUGS development. This will allow the market to benefit from existing lower-cost gas supplies and manage the shortall risk identified in AEMO's 2025 Gas Statement of Opportunities (GSOO) and the Victorian Gas Planning Report (VGPR).

Lochard welcomes the opportunity to engage further with the AER and looks forward to working collaboratively to support the development of a robust and resilient energy system. We remain ready to provide further input or assistance as needed.

If you would like to discuss this submission, please contact Ee Siew Ong at [redacted]

Yours sincerely

[redacted]

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