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19 January 2026

Kris Funston
Executive General Manager, Networks
Australian Energy Regulator
GPO Box 3131
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By email: resetcoord@aer.gov.au

Dear Mr Funston,

Subject: APA's application under NGR Rule 80 for South West Pipeline (SWP) Expansion

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to comment on the Australian Energy Regulator's (AER's) consultation regarding the application submitted by APA under Rule 80 of the National Gas Rules (NGR). In this application, APA is seeking a determination from the AER that its planned capital expenditure for the South West Pipeline (SWP) expansion satisfies the requisite criteria as outlined in Section 79 of the NGR.

This positive determination is crucial for allowing the expenditure to be included in the Regulatory Asset Base (RAB) during the upcoming 2028-33 access arrangement period. The goal of this process is to provide Network Service Providers (NSPs) like APA with the required certainty to move forward with projects where timing is critical, by reducing the risk of not recovering investment costs without a prior determination from the AER.

Based on forecasts from the AEMO's Gas Statement of Opportunities (GSOO) and the Victorian Gas Planning Reports (VGPR), gas shortfalls are anticipated by the winter of 2029. This is primarily due to reduced gas supply from Longford, combined with the current capacity limits of the South West Pipeline (SWP). This critical risk necessitates the immediate evaluation of investment options for mitigation. To ensure the Victorian Transmission System (VTS) can meet demand and address the projected SWP constraints by 2029, APA has assessed the merits of both compression and looping options.

Despite the advantages of these investment options, APA has selected and is proposing Option 2 – (Compression) in its application.¹ This option was chosen because it is considered superior to both the status quo and network looping, making it the most likely option to comply with NGR Section 79.

¹ APA: Application under NGR Rule 80: Expansion of the VTS South West Pipeline p. 13 "Option 2 - Compression (recommended option)

Red and Lumo endorse Expansion Option 2, which involves Compression

APA's proposed investment choice, Option 2 (Compression), is supported by Red and Lumo as the preferred strategy to resolve the SWP constraint for winter 2029. This option aligns with NGR Section 79 for AER capital expenditure approval. Specifically, it is considered the most prudent and cost-effective initial approach, satisfying the efficiency criteria (NGR Section 79(1)(a)). Furthermore, this capital expenditure is deemed essential for preserving service integrity, thereby meeting the service integrity criteria (NGR Section 79(2)(c)(ii)).

The proposed SWP expansion, APA's Option 2 (Compression), is a critical, compression-based solution for the system's long-term viability. This proposal immediately increases capacity and enhances essential operational flexibility. Furthermore, it appears to address current uncertainty surrounding Final Investment Decisions (FIDs) for new Victorian gas supply projects by offering two different sequencing options for the subsequent expansion phases.

Analysis of AEMO's Supplementary Findings on the SWP Expansion Presented at the AER Public Forum

At the AER's public forum regarding APA's Rule 80 application for the SWP expansion, AEMO presented an evaluation of some different investment solutions for addressing the constraint on the SWP in winter 2029. These solutions included enhanced compression and pipeline looping under conditions where Liquefied Natural Gas (LNG) was, and was not, connected at Geelong.

AEMO appeared to favor a looping strategy (Base 4) for the South West Pipeline (SWP) expansion over a plan relying solely on compression (Base 1). ²The looping approach was deemed more reliable for mitigating the expected constraint by winter 2029. Compression-only carried a higher risk of increasing system vulnerabilities, potentially jeopardizing gas supply security in specific scenarios.

AEMO's assessment, which included the integration of Liquefied Natural Gas (LNG) at Geelong, indicated that the looping option (Base 7) was the superior and most advantageous choice, outperforming the compression alternative (Option 10). ³While looping provided a modest capacity increase of about 4 TJ upon connecting the LNG facility to the Victorian Transmission System (VTS), its primary benefit was the substantial change in the profile shape. This alteration was critical for significantly mitigating the effects of the Port Campbell back-off.

² "AEMO assessment of South West Pipeline expansion options" - Luke Garland 11 December 2025 p.15.16
<https://www.aer.gov.au/system/files/2025-12/AER%20-%20Public%20Forum%20-%20APA%20VTS%20-%20r.80%20application%20for%20the%20South%20West%20Pipeline%20-%20Combined%20presentation%20slides%20-%2011%20December%202025.pdf>

³ 'Ibid' p.18

Despite the potential implications for APA Group's projected investment strategy regarding the SWP constraint in winter 2029, we continue to support Option 2. This position is grounded in two core arguments. Firstly, the AER's authority in a Rule 80 application is strictly limited to evaluating whether APA's chosen project satisfies the Section 79 criteria; it does not extend to mandating an alternative. Consequently, we cannot endorse any of AEMO's proposed alternatives. Secondly, new Victorian supply projects, such as LNG, have not yet reached a Final Investment Decision (FID) and, as such, cannot be reliably incorporated into the current decision-making process.

Further Dialogue Recommended Between APA and AEMO

We support APA's proposed Option 2 to address the anticipated 2029 winter constraints on the SWP. However, we emphasize the critical need for APA and AEMO to commit to open and transparent engagement regarding potential solutions for the SWP's expansion for winter 2029 and beyond. This is especially important considering new supply projects, such as planned LNG import terminals in the Geelong region, which could significantly alter gas flow dynamics and impact the severity and timing of the SWP constraint in 2029.

Regarding this Rule 80 application, the AER's authority is limited to assessing whether APA's proposal meets the Section 79 criteria. As the AER cannot mandate an alternative solution, we are unable to support any of the alternatives suggested by AEMO. We remain committed to active engagement with AEMO and APA concerning any further discussions or proposals to resolve the SWP constraint in 2026, and we reserve the right to revise our position on any subsequent proposals submitted by APA.

About Red and Lumo

Red and Lumo are 100% Australian owned subsidiaries of Snowy Hydro Limited, collectively retailing gas and electricity to over 1.4 million customers across Victoria, New South Wales, Queensland, South Australia, and the ACT. Should you wish to discuss any aspects of this submission or have further enquiries, please contact Con Noutso, Regulatory Manager, on [REDACTED]
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Yours sincerely,

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