

5 June 2026

Australia Energy Regulator

By email: ResetCoord@aer.gov.au

Dear Reset Coordinator,

Position paper: APA's rule 80 application for South West Pipeline

The WAG Pipeline (W.A.G. Pipeline Pty Ltd ABN 73 004 784 310) "WAG" is an incorporated Joint Venture of its two shareholders, Viva Energy Australia Pty Ltd and Mobil Oil Australia Pty Ltd.

WAG is currently a crude oil pipeline constructed in 1972 and has an approximate length of 130 km, spanning from Westernport to Altona and continuing to Viva Energy's refinery at Geelong. WAG is rated up to 5,500 kPag in Maximum Allowable Operating Pressure (MAOP) and has a nominal pipeline diameter of 400 mm from Geelong to Altona and increases to 600 mm from Altona to Crib Point, Westernport (refer to Figure 1 below). With the decline in crude oil and condensate production from the Gippsland fields, the pipeline ceased crude/condensate operations in late 2025 and is available for repurposing.

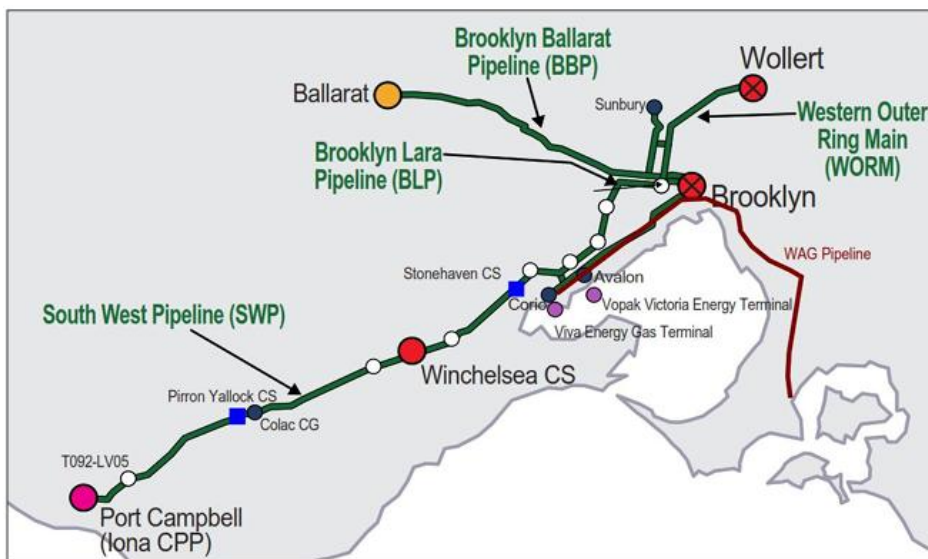


Figure 1: Diagram of the WAG Pipeline with the DTS showing key locations

(Source: AEMO, Victorian Gas Planning Report 2025, Figure 35)

The Joint Venture thanks the Australian Energy Regulator (AER) for the opportunity to provide feedback on the AER position paper regarding APA's rule 80 application for the South West Pipeline (SWP). In this position paper, the AER puts forward support in principle for APA's proposed project to increase capacity on the SWP via compression and to carry out early works for further expansion via looping options on both the SWP and Brooklyn-Lara Pipeline (BLP).

WAG's response to the AER's position paper covers the following key themes:

1. WAG has successfully progressed through feasibility and early engineering studies confirming its capability to be converted for high pressure gas transportation service. It now presents a viable and timely opportunity to increase the transport options from the west of Melbourne.
2. WAG requests the AER, in assessing APA's rule 80 application, to have regard to the WAG conversion pathway as a material alternative option that should be evaluated before the AER is satisfied that the proposed works represent prudent and efficient expenditure for consumers. Proper assessment of the WAG conversion pathway would likely change the timing and sequencing of the optimal projects, including this compression application, required to support the future capacity needs of the Victorian market.
3. This option must be considered prudently by APA as part of a suite of options to improve the supply capability of the SWP system in accordance with the NGO and the NGR.

1. Pipeline Feasibility Assessment

Preliminary modelling conducted in the 2025 AEMO Victorian Gas Planning Report shows that the WAG has a transportation capacity of approximately 200 TJ/d if converted to transport natural gas in combination with a Gas Terminal connected at Geelong. This pipeline capacity is modelled to be limited primarily by the pressure loss in the Geelong to Altona section of the pipe, which has a diameter of 400 mm.

AEMO has identified the WAG as a project that "will improve SWP capacity" subject to "pipeline integrity assessment and licensing changes to operate as a natural gas pipeline" being completed (AEMO SWP Expansion Options Assessment Report, Table 8). The modelling of the WAG indicates that post the inclusion of a Geelong Terminal project, that the 'back off' effect noted by the AER is substantially reduced through its inclusion. We note, however, that no modelling has been performed on a WAG standalone scenario, that is, what would be the increase in capacity with the WAG alone without compression or without the Geelong Terminal Project(s) connecting or with only one of the two compressors proposed. Whilst we acknowledge that the capacity improvement in a standalone configuration may be lower, this represents a gap in the analysis to date.

We consider that the WAG could be delivered more quickly and has the potential to alter or remove the need for one or both proposed compressor stations, thereby lowering the total investment cost and risk and achieving a more reliable gas supply service. Closing this gap would provide the AER, AEMO and APA with the information needed to inform optimal sequencing and scope of future SWP/BLP augmentation decisions.

In 2025, WAG conducted a feasibility assessment with an independent consultant. These results demonstrate that no regulatory impediments exist to changing licence and achieving safety case acceptance, subject to completion of further integrity assessment, safety and environmental risk assessment, any required licence

amendment or Ministerial authorisation, and acceptance of the relevant safety and environmental management documentation by the responsible Victorian regulators.

In 2026, WAG completed a limited mechanical testing program to evaluate the capability of the WAG to safely convey natural gas. Testing was undertaken in accordance with the latest Australian Standards and conducted by an independent, internationally accredited laboratory in the United States. The results demonstrate that the pipeline exhibits excellent performance characteristics, with no indication that any further necessary testing would preclude a change in service from crude oil to natural gas.

WAG requests that this additional modelling be conducted both in standalone and post Gas Terminal connection to prudently plan the lowest cost pathway for the DTS/VTS enhancement pathways.

2. Further modelling and preservation of efficient augmentation options

In addition to the compressor package, APA's proposed option to augment the Declared Transmission System (DTS) includes early works related to looping the BLP to facilitate increased gas supply from the South West Pipeline (SWP) and potential future import terminals into Melbourne. In considering the WAG value post Geelong Terminal connection, we note that a full 44 km duplication (looping) of the BLP is complex and associated with significant environmental, social and regulatory impacts, which may, depending on scope and impacts, trigger an Environmental Effects Statement (EES), similar to those required for the Western Outer Ring Main (WORM) and SWP looping projects.

The Australian Energy Market Operator (AEMO) 2024 Gas Planning Report (Section 4.2.4) highlights the extended delivery timeframes associated with pipeline development in Victoria. The report indicates that up to seven years may elapse between AER approval and project completion. This duration reflects the time required for Environmental Effects Statement processes, Environment Protection and Biodiversity Conservation (EPBC) Act approvals, procurement, and construction activities.

These extended approval timelines are driven primarily by the impacts associated with constructing new pipeline infrastructure or undertaking significant looping works. Such impacts include cultural heritage considerations, native habitat disturbance, impacts to listed threatened species, landowner disruption, and broader effects on local businesses. The Pipelines Act also mandates extensive stakeholder consultation, including engagement with community groups, local councils, and state infrastructure operators prior to obtaining Ministerial approval. These timelines leave future options associated with Victorian energy supply vulnerable.

In contrast, to support timely delivery while maintaining a social licence to operate, WAG strongly recommends prioritising the use of existing infrastructure. While BLP looping may take up to seven years to deliver, the WAG conversion could occur much faster. It also provides a strategically valuable direct route from the SWP to large-diameter transmission pipelines servicing central Melbourne.

The WAG can be repurposed to transport alternative hydrocarbons through a licence amendment under Pipelines Regulations (Regulation 13). Importantly, the pipeline already holds environmental approvals for crude oil service, which arguably presents a greater environmental risk profile than natural gas. As such, there is unlikely to be any additional environmental triggers under the Pipelines Act or Regulations that would materially delay approval of a change in service conditions.

WAG requests that the AER, before making a final determination on APA’s proposed works, seek further modelling and evidence addressing the WAG conversion pathway as a credible alternative option.

The estimated cost of these further early works is approximately \$10M, comprising further pipeline mechanical testing, full development of the gas safety case and the detailed engineering studies on SWP tie-in locations. This represents a low-cost, low-risk investment that would preserve an alternative and potentially more efficient augmentation pathway for the DTS.

WAG submits that the AER should take the WAG conversion pathway into account when assessing whether APA’s proposed works are prudent and efficient.

The proposed scope directly addresses the technical inputs AEMO has identified as outstanding – pipeline integrity assessment and licensing changes.

Project Deliverable	Indicative Cost	Duration
Project Management, Approvals and Design	\$1.6m	18 months including Safety Case Acceptance
Further Metallurgical testing	\$8.4m	12 months
Total for Early Works	\$10m	
Integration to VTS	TBD	

3. Planning, prudence, and compliance with the National Gas Objective

Given the WAG is an existing asset, its successful conversion to gas service significantly reduces the complexity related to access, approvals, impact to the environment and community and avoids major new construction.

All options for planning of SWP expansions should be assessed against how they support the National Gas Objective (NGO). The NGO, as stated in the National Gas Laws (NGL), is:

“to promote efficient investment in, and efficient operation and use of, covered gas services for the long term interests of consumers of covered gas with respect to:

- a. price, quality, safety, reliability and security of supply of covered gas; and*
- b. the achievement of targets set by a participating jurisdiction—*
 - i. for reducing Australia's greenhouse gas emissions; or*
 - ii. that are likely to contribute to reducing Australia's greenhouse gas emissions.”*

Consistency with the National Gas Rules (NGR)

The proposed expenditure satisfies the Rule 79 new capital expenditure criteria.

Prudence

The proposed expenditure is prudent as it directly addresses AEMO’s operational reliability concerns associated with a compression-based expansion by providing a fixed pipeline asset as an alternative. When comparing options to increase the capacity of the SWP against the NGO, compression has higher emissions and potential reliability and security of supply concerns, whereas pipeline augmentation has lower emissions

and improves security of supply. Repurposing an existing pipeline meets both objectives when compared to brownfield looping and compression.

Efficiency and least-cost outcomes

Further modelling of the WAG conversion pathway represents a 'least regrets' approach. The utilisation of the WAG for gas transmission presents a lower-impact, shorter-lead-time solution compared to new construction or looping options and has the potential to materially alter the most efficient pathway for delivering higher gas flows from the west of Melbourne required post 2029.

Subject to completion of further technical, regulatory and commercial work, the WAG can be delivered within a shorter timeframe and would provide clear benefits to the Victorian community by accelerating the augmentation of the DTS/VTS while minimising environmental, social, and regulatory impacts.

National Gas Objective

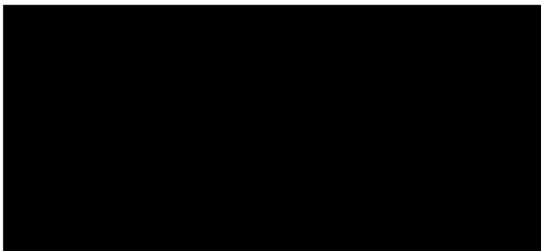
By improving reliability, managing delivery risk and minimising costs while preserving future expansion options, the proposed incremental expenditure promotes the long-term interests of consumers through secure, reliable and cost-effective gas supply, consistent with the National Gas Objective.

In summary, we request from the AER the following:

1. Have regard to the \$10M indicative estimate of further early works required to assess the WAG conversion pathway, including additional pipeline mechanical testing, development of the gas safety case, and engineering studies.
2. Require inclusion of the WAG in APA system modelling across a range of future supply scenarios.
3. Ensure that any approval of works is not without proper assessment of the WAG conversion pathway as an augmentation option.

WAG would welcome the opportunity to further discuss this proposal and support APA in progressing a practical and efficient solution to address future supply challenges within the DTS/VTS.

Yours sincerely,



Commercial Infrastructure Lead
for and on behalf of W.A.G. Pipeline Pty Ltd