



Hon Lily D'Ambrosio MP

Minister for Climate Action
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MBR-260503325

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Dear [REDACTED]

Thank you for the opportunity to provide feedback on the Australian Energy Regulator's (AER) Positions Paper for APA's proposed South West Pipeline (SWP) expansion, under Rule 80 of the National Gas Rules.

Delivering a cost-effective and technically sound solution to the constraints on the SWP, which best accommodates a broad range of current and potential supply sources, is a critical step in ensuring security of supply, preparing Victoria's transmission system for the future, and placing downward pressure on energy prices.

As you will note in the attached submission, the Victorian Government supports the AER funding of APA's expansion to the SWP and the preliminary assessment works to the SWP and the Brooklyn to Lara Pipeline (BLP), proposed under APA's 10 April Addendum application. In addition, the Victorian Government recommends that these early assessment and land access works be conducted along the length of the SWP and BLP. These are prudent measures which are in line with the National Gas Objectives and are in the best interests of Victorian customers and market participants.

The Victorian Government also expects APA will put in place mitigation measures to address any reliability issues which may occur as a result of its compression solution for the SWP.

The attached submission provides further detail on this position. If you would like to discuss any of these matters further, please contact [REDACTED] Executive Director, Energy Transition and Strategy, at the Department of Energy, Environment and Climate Action, at [REDACTED] [@deeca.vic.gov.au](mailto:[REDACTED]@deeca.vic.gov.au).

Yours sincerely

[REDACTED]
Hon Lily D'Ambrosio MP
Minister for Climate Action
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30/06/2026

Encl.



Official

Victorian Government Submission to the Australian Energy Regulator's Positions Paper on APA's South West Pipeline expansion proposal

June 2026

The Victorian Government welcomes the opportunity to make a further submission to the Australian Energy Regulator's (AER's) review of APA's application for pre-approved capital expenditure under Rule 80 of the National Gas Rules (NGR) for an expansion of the Southwest Pipeline (SWP), as well as for early assessment works for a potential next stage expansion on the SWP and the Brooklyn to Lara Pipeline (BLP). The Victorian Government would further like to acknowledge the work undertaken by the AER to date on APA's application.

The Victorian Government supports the indicative position communicated by the AER in its 15 May 2026 Positions Paper, noting that the AER reserves the right to scrutinise costings put forward by APA in its 10 April 2026 addendum to its original 31 October 2025 application.

Context

In March 2026, the Australian Energy Market Operator (AEMO) issued its latest *Gas Statement of Opportunities* (GSOO) and *Victorian Gas Planning Report* (VGPR) forecasts. These reports indicate that winter peak-day shortfall risks have pushed out from 2028 to 2029 and that annual and structural shortfall risks have moved from 2029 to 2030. While this is a positive development, urgent action is still required to ensure sufficient transportation capacity is available to allow access to the market for the additional supply and storage that are needed to address the shortfall risks.

The Victorian Government's position on a first-stage expansion of the Southwest Pipeline

In its Positions Paper, the AER has signalled that it intends to support a first stage SWP capacity increase up to 615 terajoules a day (TJ/d) for winter 2029. As previously outlined, the Victorian Government remains strongly supportive of a capacity increase on the SWP to alleviate current constraints and to allow for Port Campbell supply and storage projects to better contribute to alleviating forecast Victorian gas shortfall risks. Helping to alleviate SWP capacity constraints should also help put downward pressure on currently high SWP capacity certificate prices arising from current constraints.

On this basis, the Victorian Government supports added transportation capacity in the southwest of the system of no less than 615 TJ/d for winter 2029. Noting APA has indicated this capacity expansion will be delivered by winter 2029, the Victorian Government expects that, should the AER support costings for this work, APA will meet its commitment on time and in full.

Submissions made by the Victorian Government and AEMO to the AER in February 2026 on APA's 31 October 2025 Rule 80 application expressed a preference for pipeline looping over compression for a first-stage expansion. The Victorian Government notes that APA revised its earlier estimates that pipeline looping could be delivered to address peak day shortfall risks for winter 2029 and has stated that compression is now the only option APA can feasibly deliver in those timeframes. The Victorian Government notes the AER's comments in its Positions Paper that "delays in APA's planning processes appear to have contributed to the current situation, where only one feasible SWP augmentation investment option is available to address forecast risks of peak day shortfalls".

APA had explicitly linked its proposed first-stage expansion to Lochard Energy reaching Final Investment Decision (FID) on its Stage 1 Heytesbury Underground Storage (HUGS1) project. The HUGS1 project reached FID in mid-2024. AEMO's March 2025 VGPR flagged constraints in the southwest of the Victorian system and set out multiple options to address these constraints, adding to the options it had already set out in its 2024 VGPR.

APA has stated in writing to the AER that it intends to address the reliability concerns raised in AEMO's February 2026 submission in relation to APA's preferred compressor option. While the additional compressor pad at the Stonehaven site proposed by APA in its addendum application would allow for future installation of a second compressor to provide added redundancy and improve reliability, the Victorian Government notes the compressor pad does not in itself improve reliability. It is the Victorian Government's expectation that, having made a commitment

to ensuring the solution is reliable, APA will ensure it has appropriate mitigants in place to address the risks raised by AEMO.

The Victorian Government notes the additional costs in APA's addendum application for the Stonehaven / Irrewillipe compressors and for the compressor pad at Stonehaven. It will defer to the AER to determine what is reasonable for these costs or if any additional information from APA is required to evidence costings.

Next stage SWP and/or BLP expansion

There appears to be broad consensus that any next stage expansion of the SWP and BLP can only be achieved by pipeline looping. The Victorian Government is pleased to note that APA's 10 April 2026 addendum application includes a request for pre-approved capex for early assessment works on both the SWP and the BLP, at \$16M and \$15.1M respectively.¹

APA is taking a reasonable approach in requesting pre-approval for this capex so it may proceed with early critical path assessments, to ensure it can deliver timely additional pipeline capacity to help avert shortfall risks for winter 2030. Pipeline infrastructure works typically involve long lead times, and early easement and environmental assessment works to support subsequent statutory decision-making typically constitute a significant portion of overall project timeframes.

The Victorian Government considers it is critical these assessment works start as soon as possible to maximise the potential for several highly credible supply and storage projects to help address the projected 2030 structural shortfalls. Some proponents have pointed to a "chicken and egg" problem whereby FID for their projects relies on assurance capacity on the SWP and BLP will be available, while noting APA has signalled it requires FID on these projects to press ahead with these pipeline capacity expansions. It is incumbent on APA to ensure that in seeking funding for early works it is adequately catering for a 2030 delivery date in relation to both the SWP and/or BLP works should these expansions be further progressed. This early work should not pre-emptively lock out any future projects or supply options.

The Victorian Government wishes to clearly convey its expectation that the assessment works will be undertaken along the full length of the SWP and the full length of the BLP to ensure the optimal next stage solution can be adopted, to ensure optionality is maintained and to allow APA to quickly respond with the appropriate expansion in response to investment decisions taken by other parties.²

The Victorian Government's *Economic Growth Statement* recognises the importance of efficient approvals processes. The Statement includes a commitment, which extends to gas projects, to complete Environmental Effect Statement (EES) processes, should these be deemed necessary, in 18 months or less. These changes will make the EES system faster, cheaper and more predictable and provide certainty for investors. These processes also require proponents to engage in an efficient and timely manner and the Victorian Government therefore encourages APA to ensure it is engaging early and regularly with the relevant parts of government.³

The Victorian Government notes APA's view that early easement activities, including assessment works, would not lock in a large component of costs but pose a large part of overall project time for looping projects, with APA noting: '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.'⁴ It is vital then, that these assessments and early preparatory works begin as soon as possible.

¹ APA, *South West Pipeline Expansion Proposal - Addendum to APA VTS Rule 80 Application*, 10 April 2026, 5.

² APA notes in its the Business Case to its 30 October 2025 Rule 80 application, page 12, that, "it would be prudent to undertake early works activities, such as desktop environmental assessment, ecologists field and threatened species surveys of the entire SWP and BLP (from Lara to Truganina) to later reduce lead times in securing approvals for any future looping, if required" [emphasis added]. APA, *South West Pipeline Expansion Proposal - Business case*, 17 October 2025, 12. APA also states in its application document, page 15, that "[t]his 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." APA, *Application under NGR Rule 80 Expansion of the VTS South West Pipeline*, 30 October 2025, 15

³ The Victorian Government, *Economic Growth Statement. Victoria: Open for Business*, December 2024, 25.

⁴ APA *Application under NGR Rule 80 Expansion of the VTS South West Pipeline*, 30 October 2025, 15

The Victorian Government expects that APA, as system planner, works closely with AEMO, the system operator, on the next-stage design of both a SWP and a BLP expansion. The Government would be highly concerned if any next-stage SWP expansion amplifies the risks AEMO has outlined with the compressor solution. APA is encouraged to undertake detailed discussions with AEMO on this, and to consider the modelling AEMO has conducted, including options to build on compression. In this regard, the Victorian Government notes AEMO has indicated that a next stage technical solution that involves looping around the two new compressors at Stonehaven and Irrewillipe would carry reliability risks and AEMO therefore presents alternative looping options that it considers would provide a better outcome. APA is encouraged to investigate alternative options with AEMO.

The Victorian Government also looks forward to regular engagement with APA while early assessment works are progressed to ensure adequate certainty is provided to supply and storage projects able to contribute to or address shortfall risks to allow these to proceed in the interests of all Victorian consumers. It is important that the interests of consumers are safeguarded by any approved capex being spent on the activities this capex is being provided to fund.