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6 September 2022

Sebastian Roberts
Special Advisor
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601
Submitted by email: APAVTS2023@aer.gov.au

Dear Sebastian,

APA VTS Gas Access Arrangement Revised Proposal 2023-2027

The Australian Energy Market Operator (AEMO) welcomes the opportunity to comment on the Revised Proposal of APA VTS Australia (Operations) Pty Ltd (APA)'s Gas Access Arrangement Review (GAAR) for the Victorian Declared Transmission System (DTS) to apply from 1 January 2023 to 31 December 2027. AEMO operates the DTS, which is referred to as the "VTS" by APA and is therefore a key stakeholder in the outcome of APA's 2023-2027 GAAR proposal.

The attached submission is intended to provide the AER with additional context around items in APA's revised GAAR proposal submitted by APA on 10 August 2022, that is relevant to asset upgrades, decommissioning, security of supply, DTS operability and hydrogen safety in the DTS.

This AEMO submission can be made public.

Should you have any questions or require more information, please contact Myra Horomidis, Senior Gas Transmission Engineer on ## #### #### or email ####.

Yours sincerely,

Matthew Clemow

Group Manager – Gas Markets and System Operations

Attachment: AEMO Submission on APA VTS Gas Access Arrangement Revised Proposal 2023-2027

AEMO Submission on APA VTS Gas Access Arrangement Revised Proposal 2023-2027

Business Case 200: Evaluating and Mitigating Hydrogen Safety and Integrity Risks on the VTS

AEMO made a submission on this business case (BC) in response to APA's draft proposal that supported Option 2: APA conducting a proposed hydrogen safety and integrity study during the upcoming 2023-27 access arrangement period.

AEMO reiterates its support for this study to be conducted to determine the suitability of the DTS pipelines to accept hydrogen. APA's revised BC has identified several DTS pipelines as a priority to undergo the safety and integrity assessment within the 2023-27 access arrangement period.

Since APA's draft proposal was submitted, the Victorian Government has released its Gas Substitution Roadmap which acknowledges that hydrogen will be essential for industrial energy users in hard-to-electrify sectors. As stated in AEMO's submission to APA's draft proposal, a study such as this is likely to be on the critical path for any potential hydrogen blending projects into Victorian gas transmission and distribution networks. Indicative timelines in the Roadmap are for hydrogen blending to commence prior to the end of this decade, which is necessary to be consistent with the Victorian Government's pledge towards net zero emissions by 2050.

AEMO's 2022 Integrated System Plan (ISP) released in June 2022 indicated that the optimal timing of all scenarios, including the Hydrogen Superpower scenario, is as soon as possible. Postponement of actionability would reduce the net-market benefits associated with the Hydrogen Superpower scenario and increase worst regret costs of up to $200 million[1].

AEMO looks forward to providing input to APA's prioritisation of pipelines to be assessed during the hydrogen safety and integrity study.

Business Case 203: Wollert A Decommissioning

Since AEMO's February 2022 access arrangement submission, the Wollert A compressor station has continued to be an underutilised facility that is operationally required to supply the T74 Wollert to Wodonga Pipeline during periods of high flows to Culcairn or when the two Wollert B Centaur units are unavailable. As previously outlined, it is expected that there will be sufficient compression redundancy available at Wollert when the third Wollert B Centaur is installed as part of the Western Outer Ring Main (WORM) Project. After the WORM is completed, decommissioning of the Wollert A compressors should be considered.

AEMO supports Option 4 to develop an end-of-life plan for the Wollert A compressor station including potential decommissioning within the 2023-2027 access arrangement period. Undertaking a post-WORM study is prudent to allow AEMO and APA to fully understand the longer-term Wollert operational modes and to confirm that the forecast of post-WORM system operation eventuates.

AEMO also agrees that the study must consider additional scope risk. AEMO expects that this may include the investigation of several options to improve supply redundancy and operability for northern Victorian that is

[1] Section 5.4 Actionable Projects, AEMO 2022 Integrated System Plan at https://aemo.com.au/-/media/files/major-publications/isp/2022/2022-documents/2022-integrated-system-plan-isp.pdf?la=en

supplied by the T74 pipeline. APA's example that a second run is likely to be required at the Wollert T119 Pressure Reduction Station (PRS) is a reasonable concern. AEMO utilises this PRS regularly as the flow path to support T74 pipeline demand. This is currently only a single-run PRS that was originally intended to be a temporary installation for the Victorian Northern Interconnect Expansion Project and the design reflects this. As APA has outlined, the Wollert A station has historically been used to provide redundancy for this PRS run.

AEMO looks forward to providing input to APA's system utilisation study from the independent system operator's perspective.

Business Case 204: Brooklyn CS 8, 9 and 10 Decommissioning and 11 Upgrade

Similar to BC203 for Wollert A, AEMO supports Option 4 to develop an end-of-life plan for the Brooklyn 8, 9 and 10 compressor units, including potential decommissioning within the 2023-2027 access arrangement period.

Developing an end-of-life plan once the WORM Project is complete is prudent to ensure forecast operations are consistent with the future operational reality. This may also allow APA to consider the implications of an LNG import facility connecting to the South West Pipeline if one of the proposed projects has progressed sufficiently.

AEMO welcomes the inclusion of additional scope risk for this plan and that APA's revised submission includes further necessary works to Brooklyn Unit 11 within the scope of the business case. The scope risk should also consider further reliability improvement works that are required to enable the high availability of both Brooklyn units 11 and 12, as these two compressors are essential for supporting Ballarat demand on winter peak demand days and operation of the Laverton North Power Station.

In addition, APA's BC314 includes reducing the risk of long gas compressor and station outages by improving the access to critical spares. APA have cited significant increases in the lead times for some spare parts as a key risk to returning assets to service after an unplanned outage. AEMO considers it prudent for APA to have appropriate critical parts on hand for use in a timely manner to mitigate the consequences of unplanned outages.

AEMO looks forward to providing comment on APA's system utilisation study from the independent system operator's perspective.