



**AGL Energy Limited**  
ABN: 74 115 061 375  
Level 24, 200 George St  
Sydney NSW 2000  
Locked Bag 1837  
St Leonards NSW 2065  
t: 02 9921 2999  
f: 02 9921 2552  
agl.com.au

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**Sebastian Roberts**  
**Special Advisor**  
**Australian Energy Regulator**  
**GPO Box 3131**  
**Canberra ACT 2601**

By email: [APAVTS2023@aer.gov.au](mailto:APAVTS2023@aer.gov.au)

**6 September 2022**

**Draft Decision: APA Victorian Transmission System (VTS) Access Arrangement 2023-27  
(1 January 2023 to 31 December 2027)**

AGL welcomes the opportunity to provide comments to the Australian Energy Regulator (AER) in relation to both its *Draft Decision: APA Victorian Transmission System (VTS) Access Arrangement 2023 to 2027* (Draft Decision) and APA's response through its *APA Victorian Transmission System 2023-27 access arrangement. Revised proposal* (Revised Proposal).

AGL currently supplies over 4 million electricity and gas customers in Australia and operates the largest private electricity generation portfolio in the National Electricity Market, comprising coal and gas-fired generation and renewable energy generation. AGL also has a gas supply and transportation portfolio for trading and to supply wholesale and consumer customers. Nationally, AGL has 1.5 million gas customers with about 600,000 customers in Victoria.

AGL generally supports the AER's Draft Decision, however, we note that in its Revised Proposal APA has submitted additional information or amended its position on several elements where the AER Draft Decision rejected its original regulatory proposal. As a gas wholesaler and retailer, we would like to provide some comments on several of these matters.

- AGL fully supports the completion of Western Outer Ring Main (WORM) in a timely and cost-effective manner, noting that the project is significantly delayed. We agree that its completion will assist in maintaining reliability and security of supply and it is critical that it is in place by for winter 2023. AGL expects the AER to determine whether the revised capital and operating expenditure proposed for its completion and ongoing operation are efficient.
- AGL previously supported APA's proposal to expand the South West Pipeline (SWP) to 570 TJ/d but note that APA has since announced its intention to pursue duplication of the Winchelsea compressor on the SWP, which has been accepted by the AER in the Draft Decision. Although this will only increase Iona's injection capacity to 517 TJ/d during the winter peak period, AGL supports this decision as a timely and lower cost solution noting that the AER is yet to complete its review of the proposed costs for this project.



- AGL agrees with the AER's Draft Decision to not accept the rule 80 applications by APA for pre-approval of capital expenditure for expansion of the SWP to facilitate potential projects as required. AGL did not support these applications because of the uncertainty surrounding the projects and the lack of clarity surrounding their inter-relationship, namely the combined impact if one or more of these projects was finalised and therefore the actual system requirements and augmentations that are needed.

AGL notes that there is the ability for APA to make an R80 application during the access arrangement period if further augmentation is required once any Final Investment Decision is made for one or more of these projects. The only concern for participants will be that the AER ensure such a process is efficient so that APA is able to complete any necessary augmentations in a timely manner to align with the commencement of any project.

We note that in its Revised Proposal, APA has proposed a pass-through provision to apply where further expansion of the VTS is required in the access arrangement period for which a Rule 80 application is approved. This would appear to allow APA to amend its reference tariffs to ensure cost recovery commences during the regulatory period. While we are unclear how this cost-pass through process would work in practice, AGL would in theory support this revenue trigger if it minimised the risk of any delays to augmentations and therefore the commencement of any finalised projects.

- Hydrogen is a key component of Victoria's gas substitution roadmap and repurposing of existing gas infrastructure for hydrogen is lower cost than building entirely new pipeline networks. In its submission on APA initial regulatory proposal, AGL agreed that a hydrogen safety and integrity assessment of the VTS was necessary but was reluctant for the significant cost to be included in this Access Arrangement period. We note the AER rejected the hydrogen safety and integrity study in its Draft Decision.

In its Revised Proposal, APA has elected to extend the testing program to over 10 years, rather than 5 years and depreciate the study over the life of pipelines. This approach considerably reduces the impact on consumers and AGL would therefore support the hydrogen safety and integrity assessment outlined in APA's Revised Proposal.

- AGL considers that the current VTS reference tariffs, namely a pricing methodology based on injection and withdrawal charges, is too complex and not appropriate for pass through in retail gas prices. However, we note the Draft Decision has accepted APA proposal to continue the current reference tariff structures in the next regulatory period. APA has highlighted it intends to move away from the existing tariff structure towards something more straightforward and AGL looks forward to engaging in such tariff reform.

If you have any questions in relation to this submission, please contact Patrick Whish-Wilson, Senior Manager Regulatory Strategy, at [REDACTED]

Yours sincerely

Chris Streets  
Acting/ General Manager Policy and Market Regulation