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Victorian Transmission System Stakeholder
Engagement Group. 2023-27 access arrangement
(AA6).

Roundtable 13 – AEMO 2022 GSOO & Victorian
Gas Planning Report. Updates.

13 April 2022



Today's discussion & format

Topics		
1	Welcome & Acknowledgement of Country	
2	AEMO 2022 Gas Statement of Opportunities & Victorian Gas Planning Report	Inform
3	Update – Demand management information paper	Inform & consult
4	Updates WORM business case	Inform & consult
6	Other updates in brief	Inform & consult
7	Next steps	Inform & consult

**Note that the meeting will be recorded to assist updating issues register.
Video will not be distributed outside of APA.**

**Purpose of today's discussion is to inform & consult
We do encourage your views and feedback today.**

AEMO 2022 Gas Statement of Opportunities & Victorian Gas Planning Report

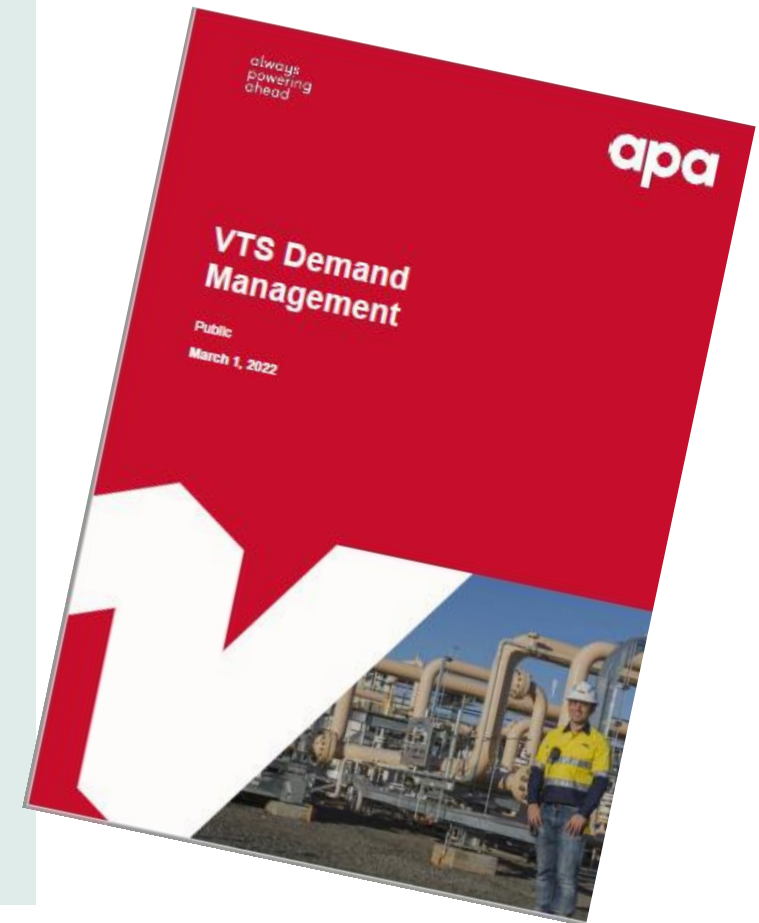
Demand Management

Demand management information paper

Demand management & curtailment

- APA VTS investigated feasibility of using demand management as an alternative to investing capital in projects
- **Curtailment.** In the National Electricity Market, AEMO has responsibility for system security and has a number of levers including: Lack of Reserve market notices; Reliability and Emergency Reserve Trader (RERT) contracts; and load shedding (this is the last resort)
- **Demand management.** Incentive to customers to voluntarily reduce demand during peak periods as a mechanism to avoid or defer network augmentation expenditure.

- While AEMO appears to assume responsibility for investigating economic curtailment opportunities in its Victorian Gas Planning Approach, there does not appear to be any empowerment for such activity
- For a demand management initiative to be useful in deferring or replacing the need for system augmentation, it will be necessary to achieve a demand response in the order of **100 TJ/day** when called upon
- We considered the feasibility of collaborating with retailers, gas powered generators and large customers.



Demand management information paper

- **Retailers** were not able to offer demand management assistance due to:
 - Few large C&I customers in retailer's portfolio
 - Paying a fee is unlikely to be sufficient incentive for a retailer to give up flexibility
 - Gippsland Basin supply decline dwarfs the theoretical ability for demand reduction
 - Any demand reduction mechanism is unable to relieve the market need for expansion of the SWP
 - RERT successful in NEM and warrant preliminary investigation by AEMO as the market operator.

Gas Powered Generation. Curtailing GPG loads is not a viable due to:

- variability of the GPG load
- inter-market complexity
- poor financial incentives for GPG to reduce gas usage rather than generate electricity.

Using VOLL we calculated that the:

- cost of curtailing Uranquinty at VOLL for only 10 hours would be greater than cost of completing the WORM and greater than the cost of expanding the SWP.
- this would only increase supply to the VTS by approximately 7.1 TJ/hour.

Tariff D customers (excluding 24/7 glass manufacturers)

- there is no single large customer that could provide a sufficiently large demand response to avoid WORM augmentation or SWP expansion
- some of these customers are not necessarily taking gas on the peak days
- a significant number of VTS industrial customers would need to be engaged and willing to simultaneously reduce consumption on the peak days in order for demand management to be a viable option

Under current market arrangements, demand management is not a feasible option for APA VTS. The potential cost of implementing demand management is greater than the cost of investing in the WORM and proposed SWP expansion. The transaction costs, complexity of execution, and risks of an insufficient number of large users able to curtail consumption makes this option unworkable and possibly ineffective.

APA VTS would support the AER/ AEMO undertaking a review into the potential for future demand management in the DWGM

Western Outer Ring Main – updated business case

In response to requests from AER and stakeholder submissions we prepared an updated WORM business case. Our analysis found that the need for the WORM remains the same as the case in 2017 but now with a greater level of urgency to meet forecast winter peak shortfalls in 2023 and onwards.

Option 1. Complete WORM project

Breakeven analysis

- Converting Electricity Value of Customer Reliability (VCR) to gas VCR the WORM pays for itself (breaks even) on an annualised basis if it helps to avoid loss of supply of between 2.4 and 8.0TJ/day. (This compares to VTS peak day of 1,200TJ/day and annual load in excess of 200,000TJ.)

Willingness to pay

- The total WORM project would cost on average:
 - \$2.70 per year per household
 - \$25 per year per business.
- Are customer willing to pay these amounts to keep gas flowing and avoid interruption to hot water; gas cooking and heating. And to avoid interruptions to business activity?

Willingness to accept

Would households be willing to accept compensation of \$2.70 per household per year or \$25 per business per year and face an increased risk of gas shortages?

Option 2: Cancel WORM Project - (Do nothing further)

Cancellation of the WORM would invoke cancellation fees

The costs to cancel the WORM are estimated to be similar to completing the WORM.

We find this unacceptable.

Option 3: Implement demand management and cancel WORM Project.

Not a feasible option as discussed in previous slides.

Other updates

Other updates

Winchelsea compressor

- AEMO 2022 GSOO & VGPR talked about increased system security threat and suggested a second compressor at Winchelsea
- We are in discussions with Victorian government about AEMO suggestion for a compressor at Winchelsea.

Hydrogen

- In recent developments APA had been approached by proponents of potential hydrogen production projects seeking to blend hydrogen into injection points on the VTS.

Discussion:

- *Are there any questions?*
- *Are there any updates you wish to share?*



Next steps

Please contact us if you wish to discuss your submission

We are proposing to prepare Discussion Papers to set out our thinking on key topics.

These discussion papers will form our revised proposal.

Do you have proposed key topics?

Do you have any comments?

VTS key activities and dates

Phase 4 - After we've submitted proposal

Who	Date	Activity	Topics
APA VTS	13 April 2022	Roundtable 13	AEMO to present on GSOO/ VGPR. Other updates.
APA VTS	Early May 2022	Roundtable 14	Discuss feedback from submissions
APA VTS	Early June 2022	Roundtable 15	Discuss feedback from submissions
AER	mid-end June 2022	AER Draft Decision	AER publishes Draft Decision
APA VTS	Early July 2022	Roundtable 15	Discuss APA VTS revised proposal
APA VTS	July / August 2022	Revised proposal	APA VTS submits revised proposal
Stakeholders	August 2022	Stakeholder submissions	Submissions on revised access arrangement proposal and draft decision
AER	November 2022	AER Final Decision	AER publishes final decision
APA VTS		Implement final AA	Publish on website. Inform commercial.
APA VTS	TBA	Annual stakeholder sessions	

**Thank you for your participation.
Have a good break over Easter holidays.**

For further information

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