



10 February 2022

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**APA VTS 2023-27 Access Arrangement  
Fixed Principle application to the Western Outer Ring Main**

Dear Belinda

A key dynamic of the APA VTS proposed revised access arrangement is the strong tension created by the current and future gas supply and demand balance - between the needs for peak day security of supply and annual supply adequacy on one hand, against the ambitions of the Victorian government to reduce gas use through the Net Zero 2050 target and Gas Substitution Road Map on the other.

In its proposed revised access arrangement for the 2023-27 access arrangement period, APA VTS proposes to undertake capital expenditure to expand the capacity of the South West Pipeline (SWP) to provide security of supply for Victorian gas customers.

The APA VTS submission expressed our concern that the infrastructure installed to increase capacity to provide security of supply has the characteristic of being long lived. The Victorian Gas Substitution Road Map, the Infrastructure Victoria interim report and the AEMO IASR suggest that gas demand will fall prior to the expiry of the additional infrastructure asset life. Gas demand may reduce and as a result the security of supply provided by the additional infrastructure may not then be required. The expansion could be exposed to the National Gas Rules Capital Redundancy provisions in Rule 85.

APA VTS was clear in its submission that the SWP expansion will require a supportive investment environment in order to proceed, and proposed a number of features to provide that supportive investment environment.

A key feature was a Fixed Principle under Rule 99 that the capital redundancy provisions of Rule 85 or the access arrangement are never to apply to investment to expand the capacity of the VTS during the upcoming access arrangement period.

The APA VTS proposed revised access arrangement therefore includes the following Fixed Principle:

**8.3 Augmentation of South West Pipeline**

Any conforming capital expenditure undertaken to augment the capacity of the South West Pipeline in the Seventh or subsequent access arrangement periods is not to be subject to the capital redundancy provisions of this or subsequent access arrangements or Rule 85.

The AER had sought clarity on whether it was the intent of APA VTS that the Fixed Principle should equally apply to investment in the Western Outer Ring Main – the “WORM”.

APA VTS thanks the AER for seeking this clarification, and advises that yes, it is the intention of APA VTS that the Fixed Principle protecting the South West Pipeline expansion should equally apply to the WORM.

We propose that Clause 8.3 of the APA VTS proposed revised access arrangement should read as follows:

**8.3 WORM and Augmentation of South West Pipeline**

Any conforming capital expenditure undertaken on the Western Outer Ring Main (WORM) or to augment the capacity of the South West Pipeline in the Sixth ~~Seventh~~ or subsequent access arrangement periods is not to be subject to the capital redundancy provisions of this or subsequent access arrangements or Rule 85.

The amendment to the reference from the Seventh to the Sixth access arrangement period is to accommodate expenditure that has already been undertaken on the WORM, and expenditure that is expected to be undertaken in 2022.

We would be pleased to discuss any questions or comments that may arise. Please contact me in the first instance, on (02) 9275 0031 or by email at [scott.young@apa.com.au](mailto:scott.young@apa.com.au).

Sincerely,

[signed]

**Scott Young**  
Manager Regulatory