

# VTS Access Arrangement 2023-2027

## APA Initial Proposal

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This project was funded by Energy Consumers Australia ([www.energyconsumersaustralia.com.au](http://www.energyconsumersaustralia.com.au)) as part of its grants process for consumer advocacy projects and research projects for the benefit of consumers of electricity and natural gas.

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# Overview

Capex increase of 20% from last period

Steady increase in tariffs:

2027 tariffs are 47% higher than 2018 tariffs

Identified stranding risk:

accelerated depreciation and fixed principle augmentation

# Customer Engagement

- Roundtable was **open and accommodating**
  - Responded to requests for modelling
  - Information – clear and well presented
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- Important to track responses from different stakeholders:
    - Consumers and industry
  - **Unresolved**
    - Demand/supply questions – 2022 GS00 may clarify
    - Victorian Government gas roadmap (now due first half of 2022)

# Accelerated Depreciation

- Stranding risk drivers:
  - Efficient appliances
  - Low electricity costs
    - driven by renewables especially rooftop solar
  - Imperative to act on climate
    - global agreements
  - Exhaustion of legacy gas fields

# Accelerated depreciation

- Adjusting depreciation schedules poses **risks for consumers**:
  - **ongoing augmentation** might continue, with consumers bearing the stranding risk
  - if disconnections from gas increase
    - then accelerated depreciation would **raise gas prices** (further) in response
  - the RAB could become artificially low
    - leading to low or **inadequate revenue for essential operations**
- Accelerated depreciation would not manage **other consumer risks of stranding**
  - A wind down would require planning and adequate notice for consumers
  - A risk remains, of unaffordable prices on an underused asset

# Hydrogen research

- R&D is characteristically '**high risk**' investment
- Green hydrogen at an **early research stage**
  - will its eventual applications require high pressure lines?
- Pipelines are long lived assets
  - is there a compelling case to conduct this research **now**?
- Does this spending meet tests of **NGL**?

# South West Pipeline

- SWP proposed with **fixed principle terms**, as well as **accelerated depreciation**
- Circumstances require a **higher-than-BAU** level of evidence
- Requires a robust options analysis of all solutions, including **demand management**
- Important to reassess demand/supply in light of **2022 GSOO**
- SWP interaction with Section 80s proposals



# WORM

- Compared to 2018, this project has:
  - Higher project costs
  - Lower future demand forecasts
  - Potential for further delays
- Renewed business case should include
  - Detailed load/supply analysis, from 2022 GSOO
  - Options analysis, including demand management

# Section 80 Proposals

- Projects proposed with **fixed principle terms**, as well as **accelerated depreciation**
- Options assessment required

# Conclusion



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