



The Hon Lily D'Ambrosio MP

Minister for Energy, Environment and Climate Change
Minister for Suburban Development

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FILE No:

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Ms Paula Conboy
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Australian Energy Regulator
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AUST. COMPETITION
CONSUMER COMMISSION
MELBOURNE

26 MAY 2017

Dear Ms Conboy

APA GROUP - SUPPORT FOR UPGRADES TO BROOKLYN COMPRESSOR STATION

As you are aware, in March 2017, the Australian Energy Market Operator (AEMO) released its 2017 *Gas Statement of Opportunities*, reporting on the adequacy of eastern Australian gas markets to supply forecast gas demand over a 20-year period. In the 2017 GSOO, AEMO forecasts potential shortfalls in the supply of gas to meet projected demand by gas-fired electricity generation from the summer of 2018-19. This is unless there is appropriate action by gas producers and governments to address these shortfalls.

In the 2017 GSOO, AEMO also advises that there is uncertainty regarding whether the Iona underground gas storage facility located in western Victoria, will be refilled for the 2018 winter and forecasts that it is unlikely that it will be refilled for the 2019 winter. The Iona underground gas storage facility is a critical infrastructure facility for providing gas to Victoria in the winter months.

I understand that the uncertainty highlighted by AEMO arises because:

- an increased amount of gas is flowing from the Longford gas processing facility to western Victoria through the South West Pipeline;
- the South West Pipeline also transports gas for refilling of the Iona underground gas storage facility;
- the current configuration of compressor units at the Brooklyn Compressor Station limits the amount of gas that may be processed through that compressor station for transportation to Port Campbell and the Iona underground gas storage facility along the South West Pipeline.

I have, accordingly, met with representatives of the APA Group and understand that there is a simple solution to this issue (and that the solution is also recommended by AEMO). That solution is that the compressor units at the Brooklyn Compressor Station may be reconfigured to allow for greater amounts of gas to be processed through the facility. These works would be at a cost of approximately \$2.0 million and take approximately 3-4 months. APA has proposed funding for this to be provided through the 2018-22 gas access arrangements review.

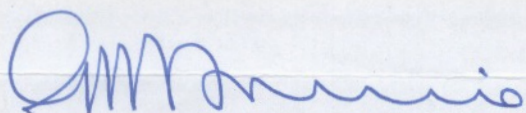
I understand that the APA Group proposes to bring forward these compressor upgrade works, the cost of which forms part of the APA Group's 2018-2022 gas access arrangement submission, so that

the works may be completed to allow for the refilling of the Iona gas storage facility, over this summer 2017/2018, for the winter for 2018.

The maintenance and upgrade of the Brooklyn compressors is important to Victoria's security of gas supply until alternative options become available. I would like to express my strong support for the APA Group's proposal, and reiterate the Andrews Labor Government commitment to ensuring that Victoria will continue to have a safe, secure and reliable supply of gas.

If you have any questions or require further information about this issue please contact Paul Murfitt, Acting Executive Director, Energy Policy and Programs on 03 9937 8235.

Yours sincerely



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