

19 August 2022

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

Submitted by email to: APAVTS2023@aer.gov.au

Dear Sebastian,

AER Draft Decision APA Victorian Transmission System Access Arrangement 2023-2027

Lochard Energy (**Lochard**) welcomes the opportunity to provide feedback on the AER's draft decision regarding the review of the APA proposal for the Victorian Transmission System (**VTS**) 2023-2027 (**Draft Decision**). Lochard commends AER's over-arching balanced view in the Draft Decision, which recognises necessary infrastructure investment where required. This investment will support both security and reliability of supply across gas and electricity, in the context of operating with uncertainty on the pathway to a net-zero emissions future.

AEMO's Gas Statement of Opportunities (**GSSO**), AEMO's Victorian Gas Planning Report and the Victorian Government's Gas Substitution Roadmap are key documents guiding the users of the system as they navigate an optimal path to manage the opportunities and challenges in front of us.

Lochard's comments on the Draft Decision are set out as follows:

1. Support for completion of the Western Outer Ring Main (**WORM**) and South West Pipeline (**SWP**) Expansion (Winchelsea Compressor)

To enable the VTS to deliver ongoing benefits to consumers in maintaining reliability and security of supply, Lochard supports APA and the AER's decision to first complete the WORM. Secondly, and more importantly, Lochard supports the \$60.1M for the duplication of the Winchelsea compressor on the Victorian SWP. Lochard notes that this compressor solution is presented within the Draft Decision as an illustrative placeholder. Lochard understands that the capacity delivered by the duplication is warranted and accepted in the Draft Decision, with only the \$60.1M investment figure under debate.

2. Request for necessary spending for planning further time-critical SWP expansion

The AER has identified operating under uncertainty as one of its key assessment themes.

In the Draft Decision, AER rejected APA's proposal under rule 80 seeking pre-approved capital expenditure for Declared Transmission System projects subject to meeting certain investment conditions. Lochard agrees that investing to deliver energy security for Victoria should be considered carefully. However, the challenges of not implementing an investment path for key security of supply infrastructure in the 2023-27 Access Agreement may have the unintended outcome of then having to implement other more capital-intensive solutions in the future. Lochard requests the AER give further consideration to this aspect of its Draft Decision.

Investment enabling access to fully utilise gas storage capacity is critically important to managing an uncertain energy demand and supply future, with users having identified many factors contributing to future gas demand for the VTS. The Victorian Government presented in its Gas Substitution Roadmap possible pathways to reduce natural gas demand from approximately 200PJ today to 50PJ by calendar year 2045. Any of these planning scenarios are unlikely to significantly change the need for gas storage as the weather patterns in Victoria will continue to have annual seasonality, in particular with increased demand in winter, and storage will be needed to enable the electrification pathway for Victoria and to support the resilience in both the gas and electricity systems due to variable renewable energy (solar and wind) (**VRE**) and uncertain user demand.

One of the projects that could deliver further storage capacity is Lochard's Heytesbury Underground Gas Storage (**HUGS**) project. HUGS is currently under consideration by Lochard and has the potential to add further storage and injection capacity into the Declared Whole Gas Market (**DWGM**). If it proceeds, HUGS would support resilience of the VTS and increase the volume of stored gas available to Victorian consumers when needed, as well as supporting "firming" VRE into the National Electricity Market.

Lochard considers planning for an additional minor expansion of the APA SWP as a prudent risk mitigation option. Lochard recommends the AER include a capital consideration in APA's rule 80 submission so additional and currently constrained storage capacity and gas supply can be made available to manage the complex AEMO operated Victorian gas system, as identified by AEMO GSOO March 2022 (Page 7 Figure 2). This prudent and tactical investment in undertaking preparatory augmentation works would ensure that a 'shovel ready', least cost to serve, expansion of the system is available when required later this decade to address AEMO predicted shortfalls and help manage an accelerated transition to VRE.

In closing, more than ever, storage of gas is a key foundation in the management of the impacts of weather influences in Victoria, the uncertainty attached to VRE and outside global influences. In summary,

- Lochard strongly supports the timely completion of the WORM;
- Lochard supports the AER's Draft Decision to include Winchelsea compressor duplication; and
- Lochard proposes that, in its final decision, the AER approves necessary spending for planning further time-critical SWP expansion, as a prudent risk mitigation option, responding to the risks identified in the AEMO GSOO March 2022 (Page 7 Figure 2).

If you wish to discuss any aspect of this submission further, please contact Giles Toler at #####.

Yours Sincerely,

Anthony Fowler
Chief Executive Officer