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6 March 2017

Mr Chris Pattas
General Manager – Networks
GPO Box 520
Melbourne VIC 3001
(via email: VicGAAR2018-22@aer.gov.au)

Dear Mr Pattas

Re: APA Victorian Transmission System - Access Arrangement 2018-22

Powershop Australia Pty Limited (*Powershop Australia*) submits this response in relation to the proposed Access Arrangement by APA for the Victorian Transmission System (*VTS*), which is to take effect from 1 January 2018. Powershop Australia welcomes the opportunity to provide comment on the above Access Arrangement. Powershop Australia is an active Market Participant in Victoria. Arrangements that can be shown to improve the efficiency by which gas is transported have the potential to lower gas prices for end-users, both in terms of gas prices and electricity prices as a result of Gas Powered Generation (*GPG*).

Powershop Australia offers the following comments in relation to one particular aspect of the proposed Access Arrangement. Our main concern is that the capacity of the South West Pipeline (*SWP*) needs to be increased in both directions. The reasons for this are set out below.

Melbourne to Port Campbell (westerly direction)

- Gas flowing in the westerly direction is required to transport gas to Iona (to be stored) and to South Australia.
- The need to fill storage when there is surplus gas supply available during the summer months is critical to ensure that there is enough gas to supply peak winter demand. The capacity of the SWP in the westerly direction is currently inadequate as demonstrated by AEMO's published constraint notices on the SWP in this direction on a daily basis.
- The closure of Hazelwood Power Station (*Hazelwood*) is likely to increase demand for GPG during the summer months. This has the potential to reduce the availability of gas to fill storage. It is also possible that the utilization of Laverton Power Station (*Laverton*) will also increase. Laverton generation reduces the export capacity of the SWP by a ratio of one-to-one which further reduces the capacity of the SWP in the westerly direction.
- The opportunity to fill storage is further reduced when outages at production facilities (such as Longford) and outages at the Iona facility are taken into account.
- If Victorian gas reserves reduce in the future, it is possible that there will be reduced gas availability to fill storage. Therefore the capacity of the SWP in the westerly direction is required to be further increased to make up for the days that gas is not available to fill storage.
- The need to transport Longford gas across the VTS via Iona to support South Australian gas demand is now part of normal daily flows in Australia. If in the future, gas reserves are reduced in the western part of the state (Otway, Casino) efficient gas transportation will be more essential in the coming years.

Port Campbell to Melbourne (easterly direction)

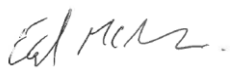
- System security is the most important aspect of the SWP. The Iona facility has the capacity to supply gas into Victoria, but the gas is constrained by the capacity of the SWP. Arrangements that can be shown to improve the efficiency by which gas is transported have the potential to lower gas prices for end-users, both in terms of gas prices and electricity prices as a result of GPG.
- The potential for decreasing Victorian gas reserves in the future and uncertainty in sourcing gas from Queensland means that capacity on the SWP to supply Melbourne is essential to maintain system security for Melbourne winter demand.
- Increased connections with population growth will increase peak winter demand on the VTS. Higher utilisationof GPG is likely with the closure of Hazelwood further adding to the peak demand. Increased capacity on the SWP to Melbourne should be a key consideration to support the increase in peak demand.
- Iona's gas storage is a valuable asset in helping to meet peak winter demand. Expansion of the SWP capacity to Melbourne should be considered to maximise the usage of Iona's expanded capacity to support winter peak demand.
- The Longford gas plant is ageing and may not as reliable as it used to be. The plant has had some unplanned maintenance events in the past 12 months. The frequency of unplanned events may increase in the future. Increase in SWP capacity to Melbourne will assist the market to manage system security during such events.

The Australian gas market has changed in the past five years and emerging trends for the next five years may see reduced gas supply, increased peak demand, increased demand for GPG and required gas flows from Longford via Iona to support South Australian demand. Gas supply must be ready to respond quickly to intra-day changes in demand for gas. Increased penetration of renewable energy is likely to mean increased demand for GPG, at least for a transition period. Improving the efficiency by which gas is transported has the potential to lower gas prices for end-users, both in terms of gas prices and electricity prices as a result of GPG.

The above arguments have been made in accordance with Rule 79 of the National Electricity Rules.

Powershop Australia looks forward to continued engagement with the AER (and APA) through this VTS review process. Please contact James Waldren Manager Energy Markets (james.waldren@powershop.com.au) to discuss any aspect of this submission.

Yours sincerely



Ed McManus
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Powershop Australia