



Hon Lily D'Ambrosio MP

Minister for Energy, Environment and Climate Change
Minister for Solar Homes

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Ms Clare Savage
Chair
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Ref: MBR047403



Dear Ms Savage

LETTER OF SUPPORT TO AER FOR DUPLICATION OF COMPRESSION AT WINCHELSEA

I am advised that the Board of APA Group has approved the duplication of compression at the existing Winchelsea compressor station site on the Southwest Pipeline (SWP) and that these works can be commissioned in time for winter 2023.

I would like to take this opportunity to confirm Victoria's support for the duplication of compression at Winchelsea in time for winter 2023 and beyond.

As you will be aware, the Australian Energy Market Operator's (AEMO's) 2022 Gas Statement of Opportunities and Victorian Gas Planning Report both flagged the risk of gas supply shortfalls in the south-eastern states under extreme weather conditions from as early as winter 2023, given declining supply from the Bass Strait and pipeline capacity constraints. AEMO further notes a significant reduction in overall system resilience, including reduced redundancy at the Longford gas plant. It notes that there are no greenfields options available within 2023 timeframes to help mitigate against this risk, but that additional compression at the brownfields Winchelsea site is still possible, expanding SWP capacity by 52 terajoules a day.

It is in this context that the Winchelsea option provides a prudent balance between mitigation of the growing supply and resilience risk and associated impacts on end consumers, while supporting energy affordability for these same consumers. I understand the costs of Winchelsea duplication compared with other SWP expansion options, such as construction of compression at Stonehaven or Pirron Yallock, are comparatively low and provide the only timely response in 2023 timeframes. The Winchelsea option could also support further expansion of the SWP, should it be required through pipeline looping, which could be made hydrogen ready. The Winchelsea option would therefore be in line with the State's objective of reaching net zero emissions by 2050 while maintaining reliability, safety and affordability of energy supply, avoiding the need for overbuild and reducing the risk of future stranded assets while helping to protect against the risk of a gas supply disruption.

I would like to thank the AER for your recognition of the need for this project and support for its timely investment, subject to your regulatory considerations of prudent and efficient expenditure.

Yours sincerely

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