



FOR A BETTER WORLD

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Att: Lynley Jorgensen

Director

Australian Energy Regulator

Via email: lynley.jorgensen@aer.gov.au; vicgaar2018-22@aer.gov.au

30th March 2017

Dear Ms. Jorgensen,

Visy submission – VTS Access Arrangement 2018 - 2022

We value the opportunity to make a submission on the Victorian Transmission System Access Arrangement 2018 – 2022. We apologise for the lateness of our submission but hope our submission can be taken into account by the AER in its decision making around the Access Arrangement.

SWP Expansion

Firstly we broadly support the submission made by Marsden Jacobs Associates, backed by a consortium of market participants including Lochard Energy, owner of the Iona Underground Storage Facility, regarding South West Pipeline (SWP) expansion. Storage facilities will become increasingly important in an environment where gas supply security risk is steeply rising.

We strongly believe that expanding the SWP is a key priority as this is a path to market for a diverse source of supplies from the Otway Basin and also as the gateway to storage of gas at Iona. Under current conditions, the SWP is frequently constrained, mostly in the direction towards storage but also in the direction of the VTS which is likely to rise in future. The market cannot afford for these persistent constraints to remain which create gas supply security risk and also significant financial risk for participants utilising the SWP and the Iona gas storage facility.

We strongly support the expansion of this pipeline capacity and in particular taking advantage of existing capacity that is unutilised. Specifically, we understand that one out of three compressors for the pipeline remain unutilised and yet the market pays for this capacity to be available. Our strong recommendation is that this third compressor be available to augment SWP capacity in both directions. Specifically, as identified in the AEMO's Victorian Gas Planning Report 2016, for expenditure of \$4.5mil, SWP injection



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capacity would increase by 20TJ/day to of 450TJ/day and withdrawals would increase very significantly by 68TJ/day to 170TJ/day.

These expansions are urgent and should proceed immediately.

Culcairn Tariff

A significant increase in the Culcairn Withdrawal Tariff has will be forthcoming in 2018 (from \$0.80/GJ to \$1.06/GJ – a 33% increase). In particular existing users of the Culcairn Interconnector will be hit with a 33% increase in pricing with no expected resultant impact on security for gas they haul on this pipeline.

We recognise that pipeline owner APA has made expenditure to augment pipeline capacity however volumes flowing on the Culcairn Interconnector and the Young-Culcairn MSP lateral have massively increased, in both directions, and will continue to do so and this has and will provide very large increases in revenue to underpin those expansions.

Visy strongly questions whether the tariff should increase so sharply with the large increase in volumes significantly increasing revenues to the pipeline owner.

Culcairn injections into VTS – remove disincentives

We propose that injections of gas into the VTS from Culcairn are eligible for a payment equivalent to the Culcairn Withdrawal Tariff (\$0.80/GJ). The reason is that Culcairn Injections will offset Withdrawals thereby potentially alleviating / minimising Culcairn constraints. This will also alleviate a barrier to entry of gas into the VTS faced by northerly gas supplies (eg Moomba and Queensland) – if flow of northerly gas supplies into VTS is incentivised, this may also yield system security benefits as gas supplies maybe more readily available during peak demand conditions.

We look forward to the AER's decisions on the Access Arrangement.

Yours sincerely,

(Royce DeSousa)
GM – Energy + Sustainability
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