

Form of Regulation Review: South West Queensland Pipeline

Discussion Paper

March 2024

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AER reference: 16358438

Amendment record

Version	Date	Pages
1	6 March 2024	42

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1 Introduction

The Australian Energy Regulator (AER) has commenced a review into whether to make a scheme pipeline determination for the South West Queensland Pipeline (SWQP). A determination would result in the SWQP becoming a scheme pipeline, subject to full regulation. If the AER decides not to make a determination, the SWQP will remain a non-scheme pipeline, subject to lighter regulation.

This paper outlines how we will approach the review, sets out the key issues for the review, and invites submissions from stakeholders on these issues.

1.1 What are we doing?

1.1.1 Background – reforms to pipeline regulatory framework

In March 2023, reforms to improve and simplify the gas pipeline regulatory framework commenced. Following the commencement of the reforms:

- all gas pipelines are now regulated as either:
 - scheme pipelines (subject to full regulation, including price regulation),¹ or
 - non-scheme pipelines (subject to a lighter level of regulation)
- we are responsible for determining the level of regulation (or the form of regulation) that should apply to gas pipelines through making ‘form of regulation determinations’.² We must review the form of regulation that applies to a pipeline (form of regulation review) if we receive an application but may also do so of our own initiative.
- the test used to determine the form of regulation of a gas pipeline has changed.

Further information about these gas pipeline reforms is available on the Energy and Climate Change Ministerial Council [website](#).

1.1.2 Form of regulation review program

One of the reasons that the pipeline regulatory reforms were introduced was to address the risk that the previous regulatory regime may have resulted in under-regulation of gas pipelines.³ To ensure that the level of regulation applying to gas pipelines is appropriate and that the long-term interests of gas consumers are promoted, we have been considering whether we should self-initiate a form of regulation review of any gas pipelines in Australia (excluding Western Australia).

In deciding whether to commence an AER-initiated review, we consulted with users of gas pipelines, and reviewed information published by pipeline service providers and from other agencies like the Australian Competition and Consumer Commission (ACCC). The aim of

¹ Price regulation here refers to the approval of reference tariffs in access arrangement as outlined in part 8 of the National Gas Law (NGL).

² See, s 112 of the NGL.

³ See, Energy and Climate Change Ministerial Council, [Options to improve gas pipeline regulation: Regulation Impact Statement for Decision, 2021](#), May 2021.

this exercise was to determine if there was evidence that might suggest AER-initiated reviews were warranted. It did not involve a specific consideration of whether the form of regulation applying to any specific pipeline should change.

We have found that there is evidence to suggest that service providers of non-scheme pipelines throughout eastern Australia *may* have some degree of market power, the ability and incentive to exercise that market power and *may* currently be exercising such market power in the supply of gas pipeline services. Consequently, we intend to conduct a program of self-initiated form of regulation reviews over several years, aiming to conduct up to 2 such reviews a year.

In prioritising which pipeline to review, we will consider the importance of the pipeline to the relevant markets and the extent to which the pipeline service provider may potentially hold and exercise market power in the supply of pipeline services. We will also consider the impact that a pipeline service provider exercising a degree of market power in providing pipeline services could have on gas markets.

We have not yet formed any definitive views on the extent of market power that may be currently held and exercised by any service providers in providing pipeline services. We remain open minded on the question of whether the form of regulation of any non-scheme pipelines, including the SWQP, should change.

1.1.3 The South West Queensland Pipeline

The SWQP is a non-scheme pipeline in south-west Queensland owned by the APA Group (APA). We have selected it for our first form of regulation review due to its importance to the east coast gas market.

Access to the SWQP is currently essential to transport gas between Queensland and the southern states and territories (ACT, NSW, SA, Tas, Vic), and from the Northern Territory to the east coast gas market. It is needed to both transport gas into the southern states, as well as for the transport of gas produced in the southern states into Queensland. The pipeline is also likely to become more important in the future as the need to transport gas into southern states increases in coming years.

1.2 Review process

An indicative outline of the steps and timeline of the review are below.⁴ Further details about the review process can be found in the [AER's Pipeline Regulatory Determinations and Elections Guide \(Regulatory Determinations Guide\)](#).⁵

⁴ The AER will follow the standard consultative procedure, as set out in rule 8 of the National Gas Rules (NGR), in conducting its form of regulation review of the SWQP.

⁵ AER, [AER Pipeline Regulatory Determinations and Elections Guide](#), September 2023.

Table 1.1 – Key dates for SWQP form of regulation review

Milestone	Date
AER provided notice to APA that it is conducting a form of regulation review of the SWQP.	21 February 2024
Discussion Paper for the review published on the AER website, commencing public consultation.	6 March 2024
Stakeholder submissions on Discussion Paper due.	27 March 2024
AER publishes draft decision, seeking stakeholder submissions.	September 2024
Stakeholder submissions on draft decision are due.	October 2024
AER publishes the final decision on whether to make a form of regulation determination in relation to the SWQP.	November 2024

Note: Timing is indicative only and may change.

1.3 How can you get involved?

Interested parties are invited to make submissions on the issues discussed in this paper, and any other they consider relevant, by 27 March 2024. We ask that submissions are provided in an electronic format (.doc or other text searchable document) and emailed to PipelineFOR@aer.gov.au.

In this Discussion Paper we include questions we consider important to our assessment. A consolidated list of questions is included at **Attachment A**. However, we are interested in any other issues stakeholders wish to raise about whether the AER should make such a determination.

1.3.1 Confidential submissions

The AER prefers that submissions are public and published on the AER's website. This facilitates an informed, transparent and robust consultation process.

However, we will accept confidential submissions in some circumstances. If you wish to make a confidential submission, we ask that you contact us before making the submission to discuss whether we can treat your submission, or portions of it, as confidential. In doing so, we ask that you, clearly identify the information that is the subject of the confidentiality claim; and provide a non-confidential version of the submission in a form suitable for publication if possible.

1.3.2 Contact us

If you have any enquiries about this paper, lodging a submission, issues with confidentiality, or would like to meet with the AER to discuss issues raised in this paper, please send an email to PipelineFOR@aer.gov.au.

1.4 Structure of paper

The structure of this Discussion Paper is as follows:

- **Chapter 2 – Regulatory framework for gas pipelines:** Provides an overview of the gas pipeline regulatory framework, and the AER’s form of regulation role.
- **Chapter 3 – The South West Queensland Pipeline and gas market trends:** Outlines the key characteristics of the SWQP and gas market trends that may be relevant to the review.
- **Chapter 4 – Issues for our assessment:** Discusses the key issues for our assessment of whether to make a regulatory determination for the SWQP and seeks stakeholder views on these.

2 Regulatory framework for gas pipelines

This chapter provides an overview of how and why gas pipelines are regulated, the gas pipeline form of regulation framework, and our approach to conducting form of regulation reviews. Further details about the AER's form of regulation role and our approach can be found in our [Pipeline Regulatory Determinations and Elections Guide \(Regulatory Determinations Guide\)](#).

2.1 Regulation of gas pipelines

In Australia all gas pipelines are subject to some level of regulation. This is because gas pipelines often exhibit some monopoly characteristics, and service providers may be able to exercise some degree of market power in providing pipeline services if there was no regulation.

The potential for service providers to exercise a degree of market power in providing pipelines services differs between pipelines and depends on a range of factors. These can include the availability of substitutes, barriers to entry to the pipeline market, countervailing bargaining power of pipeline users, and whether a service provider offers other types of services (network externalities).

So that regulatory obligations applying to pipelines are proportionate and appropriate, there are two levels of regulation that apply to pipelines in Australia, and the AER can undertake reviews to consider whether the level of regulation applying to a particular pipeline should change.

In general, if pipelines have a greater ability to exercise market power, stronger regulation may be needed to constrain their ability to exercise such market power and promote efficient outcomes. Lighter regulation may be more appropriate for pipelines where the ability of a service provider to exercise market power may be constrained by other factors or where the costs of the stronger form of regulation outweigh the benefits.

2.1.1 The two forms of regulation

Under the National Gas Rules (NGR) and the National Gas Law (NGL), all gas pipelines are regulated as either:⁶

- **scheme pipelines:** subject to a stronger form of regulation, which includes price regulation by the AER (full regulation), or
- **non-scheme pipelines:** subject to a lighter form of regulation (light regulation).

Many of the regulatory obligations that apply to scheme and non-scheme pipelines are the same. However there are some differences, a key one being that scheme pipelines are

⁶ NGL, s 2.

subject to full price regulation and required to submit access arrangements to the AER for approval.⁷

Table 2.1 – Summary of regulatory obligations for scheme and non-scheme pipelines

Obligation Type	Scheme pipelines	Non-scheme pipelines
Access obligations ⁸	Scheme and non-scheme pipelines are required to provide third-party access to pipeline services.	
Price regulation ⁹	We approve prices for reference services provided on scheme pipelines. Service providers must submit to us an access arrangement for approval of both price and non-price terms for reference services on a periodic basis (generally every five years).	Prices for services on non-scheme pipelines are not regulated.
Information disclosure ¹⁰	Both scheme and non-scheme pipelines must publish the following information: <ul style="list-style-type: none"> • service and access information: this includes information about the pipeline (like its nameplate rating and delivery points), a description of the services provided and service usage and availability information • standing terms: for scheme pipelines the applicable access arrangement, and for non-scheme pipelines 'standard' price and nonprice terms and how standing prices are calculated • historic financial and demand information • actual prices payable information. 	
Dispute resolution ¹¹	The AER resolves access disputes.	Access disputes are subject to commercially oriented arbitration.
	Small shipper disputes: If a small shipper (i.e. a small user or a small prospective user) has an access dispute in relation to access to either a scheme or non-scheme pipeline, it can elect to have the dispute resolved via mediation.	
Competitive safeguards and prohibitions ¹²	Both scheme and non-scheme pipelines are subject to the same competitive safeguard prohibitions and safeguards. In summary, these are: <ul style="list-style-type: none"> • prohibitions from preventing or hindering access, and bundling 	

⁷ An access arrangement sets out the price and non-price terms and conditions of access for reference services provided by the pipeline. Access arrangement proposals for gas pipelines are assessed and approved by the AER under the NGL and NGR. Service providers must generally submit an access arrangement proposal every 5 years.

⁸ NGL, s 133.

⁹ NGL, Ch 3 Pt 5.

¹⁰ NGR, Pt 10.

¹¹ NGR, Pt 12.

¹² NGL, ss 133, 136 and 136B and NGL, Ch 4 Pt 2.

Obligation Type	Scheme pipelines	Non-scheme pipelines
	<ul style="list-style-type: none"> interconnection and new capacity requirements ring-fencing and associate contract provisions. 	

2.2 Determining the form of regulation of pipelines

As noted above, currently all pipelines are either scheme or non-scheme pipelines. The current regulatory status of a pipeline depends upon how the pipeline was regulated prior to the introduction of the gas pipeline reforms (see section 2.1 of the [Regulatory Determinations Guide](#) for further details).

2.2.1 Changing the form of regulation of a pipeline

To ensure that the level of regulation of gas pipelines remains appropriate over time, the NGR allows for the level of regulation of gas pipelines to change. The form of regulation of a scheme or non-scheme pipeline can change if:

- we make a form of regulation determination. There are two kinds of form of regulation determinations:
 - a scheme pipeline revocation determination:** this is a determination for a scheme pipeline to become a non-scheme pipeline.
 - a scheme pipeline determination:** this is a determination that a non-scheme pipeline should become a scheme pipeline.
- a non-scheme pipeline service provider elects for the pipeline to become a scheme pipeline (a scheme pipeline election).¹³

2.2.2 Form of regulation reviews

The AER will commence a review into whether to make a scheme pipeline revocation determination or a scheme pipeline determination (form of regulation determination) if it receives an application to make such a determination.

However, we may also consider whether to make a form of regulation determination for a pipeline without an application (an AER-initiated review). This is intended to ensure that where there is the potential for a pipeline to exercise market power to the detriment of the long-term interest of consumers, the AER may conduct a review to consider whether it should make a form of regulation determination.

Details about the process for an AER-initiated review is included in section 3.3 of the [Regulatory Determinations Guide](#).

2.3 Our assessment approach

This section summarises the legislative test we must apply when deciding whether to make a form of regulation determination, and how we approach our assessment under this test.

¹³ See ss 112 and 95 of the NGL.

Chapter 5 of the [Regulatory Determinations Guide](#) includes a more detailed discussion of how we generally approach form of regulation determinations.

2.3.1 Summary of the regulatory determination test

Regulatory determination test

The regulatory determination test requires that, in deciding whether to make a relevant determination, we must consider the effect of regulating the pipeline as either a scheme or non-scheme pipeline on:

- the promotion of access to pipeline services
- the costs that are likely to be incurred by an efficient service provider and efficient users of pipeline services, and
- the likely costs of end users.

In doing so, we must have regard to:

- the National Gas Objective
- the form of regulation factors, and
- any other matters we consider to be relevant.

2.3.2 How we make our assessment under the regulatory determination test

The regulatory determination test requires the AER to consider how effective each form of regulation (i.e. full and light regulation) will likely be in promoting access to pipeline services, as well as the likely regulatory costs incurred by efficient service providers, users and end users under each form of regulation. In considering these matters, we will consider the differences between full and light regulation, and the likely impact that these will have on promoting access and costs.

Importantly, to help us make this assessment we must have regard to the National Gas Objective (NGO) and the form of regulation factors.

First, having regard to the NGO allows us to consider the overarching objectives of the NGL, and consider how each form of regulation may promote the efficient investment in, efficient operation and use of, natural gas services for the long-term interests of consumers.

The National Gas Objective is currently:¹⁴

to promote efficient investment in, and efficient operation and use of, natural gas services for the long-term interests of consumers of natural gas with respect to:

- a) price, quality, safety, reliability and security of supply of natural gas; and
- b) the achievement of targets set by a participating jurisdiction—

¹⁴ NGL, s 23.

- i. for reducing Australia's greenhouse gas emissions; or
- ii. that are likely to contribute to reducing Australia's greenhouse gas emissions.

Second, the form of regulation factors are relevant to assessing the level of market power of a service provider and the extent to which it may exercise this market power. This helps us to consider how each form of regulation may promote access to pipelines.

The form of regulation factors are:¹⁵

- a) the presence and extent of any barriers to entry in a market for pipeline services
- b) the presence and extent of any network externalities (i.e. interdependencies) between a natural gas service provided by a service provider and any other natural gas service provided by the service provider
- c) the presence and extent of any network externalities (i.e. interdependencies) between a natural gas service provided by a service provider and any other service provided by the service provider in any other market
- d) the extent to which any market power possessed by a service provider is, or is likely to be, mitigated by any countervailing market power possessed by a user or prospective user
- e) the presence and extent of any substitute, and the elasticity of demand, in a market for a pipeline service in which a service provider provides that service
- f) the presence and extent of any substitute for, and the elasticity of demand in a market for, electricity or gas (as the case may be).

While we 'must have regard to' all the form of regulation factors, we do not need to give equal weight to all factors in considering whether to make a form of regulation or greenfields determination. The significance of, and the interaction between, each factor will vary on a case-by-case basis.¹⁶

We also 'may have regard to' any other matters we consider relevant.¹⁷ These matters will depend upon the circumstances of the pipeline review we are conducting. However, they must be relevant to our consideration of how effective each form of regulation will be in promoting access to the pipeline, and the impact that making the determination will have on the efficient costs to the service provider, users of the pipeline and end users.

Questions

- 1) Please provide any views on how the AER should approach making a form of regulation determination. In particular, provide views on how we should consider the various criteria and factors set out in the NGL.

¹⁵ NGL, s 16.

¹⁶ NGL, s 112(3)(b)(i).

¹⁷ NGL, s 112(3)(c).

3 The South West Queensland Pipeline and gas market trends

This section summarises key characteristics of the SWQP and trends in the gas market that may be relevant to the issues we are considering in the review.

3.1 The South West Queensland Pipeline

We have selected the SWQP for our first form of regulation review because of its importance to the eastern gas market. It is an essential link between Queensland and the southern states and in connecting the Northern Territory to the east coast market. Currently, any gas flowing from Queensland and the Northern Territory to the southern states must pass through the SWQP. The SWQP is also important for producers to access liquified natural gas (LNG) export markets, as it links gas supply in the southern states to Wallumbilla for onward supply to the Gladstone LNG export facilities. This is illustrated in figure 3.1 which shows the SWQP position in the eastern gas market.

Figure 3.1 – SWQP and the eastern gas market

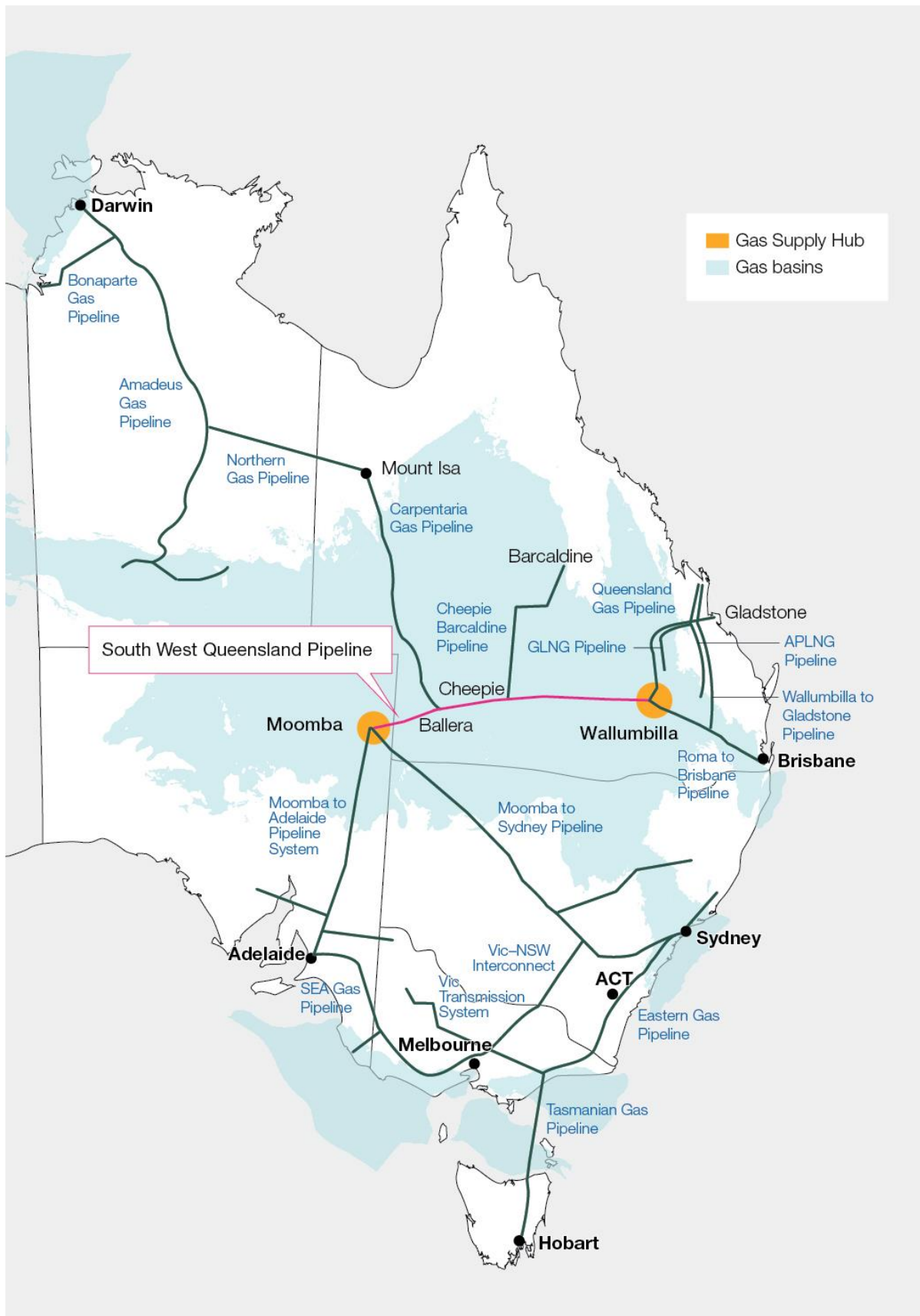


Table 3.1 summarises some of the key characteristics of the SWQP.

Table 3.1 – Key characteristics of the SWQP

Pipeline description	The SWQP is a 937 km long bi-directional transmission pipeline. It comprises two parallel pipelines linking Wallumbilla in south-east Queensland to Moomba in South Australia.
Construction and ownership¹⁸	The original pipeline, from Wallumbilla to Ballera (755 km), was constructed in 1996. The section of pipeline between Ballera and Moomba (182 km), often referred to as the QSN Link extension, was constructed in 2008. APA acquired the pipeline in December 2012.
Nameplate capacity (TJ/day)¹⁹	Easternhaul (Moomba to Wallumbilla): 340 Westernhaul (Wallumbilla to Moomba – 1 May to 30 September): 453 Westernhaul (Wallumbilla to Moomba – 1 October to 30 April): 384
Customers	As of February 2024, the SWQP is used by 34 customers, including gas retailers, mining companies, gas producers, gas-fired generators, gas traders, and large commercial and industrial users. ²⁰ Gas transported through the SWQP may be used by residential and business customers in any region of the Australian east coast served by gas retailers.
Pipeline services offered²¹	<ul style="list-style-type: none"> • Firm Transport • Interruptible Transport • Firm Park services • Interruptible Park services • Interruptible Loan services • Redirection services • In Pipe Trade services • Operational Capacity Transfer

In the following sections we discuss key usage and price trends that may be relevant to this review.

¹⁸ Australian Energy Market Commission (AEMC), [‘QLD: South West Queensland Pipeline’](#), AEMC website, accessed 27 February 2024.

¹⁹ APA, [‘South West Queensland Pipeline’](#), APA website, accessed 27 February 2024. APA announced upgrades to the SWQP which will increase the capacity stated here, to be completed by winter 2024 (AEMO, [Gas Statement of Opportunities](#), March 2023, p. 56).

²⁰ Australian Energy Market Operator (AEMO), [‘Gas Bulletin Board Shipper List for the South West Queensland Pipeline’](#), AEMO website, access 19 February 2024.

²¹ APA, [‘South West Queensland Pipeline’](#), APA website, accessed 27 February 2024.

3.1.1 Demand for services on the SWQP and how it is used

Trends in demand for services on the SWQP will likely be relevant to several issues in this review, including understanding the extent of any of market power that could be exercised by APA in providing services on the SWQP.

Demand for services on the SWQP varies depending on the direction of transport and time of year. Trends in the volume of pipeline capacity that has been contracted and gas flows on the pipeline illustrate this. Capacity and flow data from the Australian Energy Market Operator’s (AEMO) Gas Bulletin Board shows that demand for southern transport services on the SWQP has been high over the past 5 years.²² Similarly, in its June 2023 report the ACCC reported that there was limited capacity available on the SWQP, noting this would continue throughout 2023.²³

Pipeline capacity available for southern transport is mostly limited during the winter months, when demand for gas in the southern states is high. For example, the SWQP has been nearly fully contracted for gas flowing south towards Moomba in the winter months of 2020, 2022 and 2023.²⁴ Gas shortfalls in the southern states are a key reason for this. For example, the ACCC reports that demand for gas in the southern states will exceed supply by 47 petajoules (PJ) in 2024, and that shortfalls will be worse during winter months.²⁵

Conversely, gas flowing towards Wallumbilla tends to increase in the summer months, likely driven by higher international demand for LNG during winter in the northern hemisphere.²⁶

It seems likely that demand for southerly transportation on the SWQP will continue to be high in the future, although there are other factors that may affect use of the pipeline. Possible developments that may affect the future use of the pipeline are discussed below.

3.1.2 Price levels and trends

Trends in the prices of services on the SWQP may help us assess the extent to which APA may hold and be exercising market power in the supply of services on the SWQP and assess how full regulation could affect the terms and conditions of access.

In its 2016 Gas Market Inquiry Report, the ACCC found evidence of monopoly pricing on many pipelines, including for services on the SWQP.²⁷ Subsequently, and as recently as December 2023, the ACCC reported that it is likely that such monopoly pricing has continued with prices broadly increasing in line with inflation (for prices as of July 2023).²⁸

²² AEMO, ‘[Gas Bulletin Board – uncontracted capacity outlook](#)’, AEMO website, accessed 2 February 2024; AEMO, ‘[Gas Bulletin Board – actual flow and storage \(all data\)](#)’, AEMO website, accessed 2 February 2024.

²³ ACCC, [Gas Inquiry 2017-2030, Interim update on east coast gas market](#), July 2023, p. 29.

²⁴ AEMO, ‘[Gas Bulletin Board – uncontracted capacity outlook](#)’, AEMO website, accessed 2 February 2024.

²⁵ ACCC, [Gas Inquiry 2017-2030: Interim update on the east coast gas market](#), December 2023, pp. 23-25.

²⁶ AEMO, ‘[Gas Bulletin Board – uncontracted capacity outlook](#)’, AEMO website, accessed 2 February 2024; AEMO, ‘[Gas Bulletin Board – actual flow and storage \(all data\)](#)’, AEMO website, accessed 2 February 2024; AER, [State of the energy market 2023](#), AER, October 2023, p. 162.

²⁷ ACCC, [Inquiry into the east coast gas market](#), April 2016, pp. 92, 103 - 111.

²⁸ ACCC, [Gas Inquiry 2017-2030, Interim update on east coast gas market](#), December 2023, p. 126.

As of July 2023:²⁹

- prices for SWQP firm forward transportation services to the southern states (SWQP Westernhaul) ranged from \$1.102 to \$1.541/GJ, with a standing price of \$1.523/GJ
- prices for SWQP firm forward transportation services to Wallumbilla (SWQP Easternhaul) ranged from \$1.037 to \$1.477/GJ, with a standing price of \$1.645/GJ.

3.2 Key gas markets trends relevant to the SWQP

This section discusses several trends in gas markets which may impact the way the SWQP is used in the future and be of relevance to the review.

3.2.1 Gas supply and demand trends

There are several developments that may affect the need to transport gas, particularly into the southern states, and may be relevant to the way the SWQP is used.

Southern supply shortfalls

It seems likely that there will be an increasing need to transport gas from Queensland to the southern states, as there will be insufficient local gas supply to meet demand. This is largely driven by declining gas reserves and production in the south. The ACCC (based on gas producer forecasts and the AEMO projections in the Gas Statement of Opportunities 2023 report), suggested that there will be a supply shortfall in the southern states of 47 PJ in 2024, unless additional gas is supplied from Queensland.³⁰

AEMO projects that an increasing volume of gas will need to be transported south from Queensland to meet demand in the southern states soon. Their analysis of gas reserves indicates that production from existing gas fields in southern states will rapidly decline from 2025, reaching near zero by 2040.³¹ From 2026, AEMO projects that there will be gas supply adequacy gaps if LNG exporters do not divert gas to the domestic market.³² From 2027, AEMO forecasts gas supply shortfalls to occur in the southern states. This will occur even with anticipated gas supply developments, and if Queensland LNG exporters divert the maximum amount of gas possible to southern states.³³

These gas supply trends suggest that the SWQP will play an increasingly important role in meeting gas supply needs in the southern states. However, there are other developments which may mean less gas is required in the southern states over the medium to longer term.

²⁹ ACCC, [Gas Inquiry 2017-2030, Interim update on east coast gas market](#), December 2023, p. 126.

³⁰ ACCC, [Gas Inquiry 2017-2030, Interim update on east coast gas market](#), December 2023, pp. 23 and 44. Gas surplus/deficit is calculated as gas production minus gas demand.

³¹ AEMO, [Gas Statement of Opportunities 2023](#), March 2023, p. 53.

³² AEMO, [Gas Statement of Opportunities 2023](#), March 2023, p. 4.

³³ AEMO, [Gas Statement of Opportunities 2023](#), March 2023, p. 67.

Net-Zero policies

Another of these developments is government policies to reduce the use of gas. Victoria and the ACT have announced the following policies that will affect the market for domestic gas and pipeline services:

- Under Victoria’s Gas Substitution Roadmap, new dwellings, apartment buildings and residential subdivisions requiring a planning permit must be all-electric.³⁴
- The ACT Government announced its policy intention to phase out fossil fuel gas by 2045.³⁵ As part of this, the ACT Government has restricted new gas network connections in all land zoned for residential, commercial and community facility use, as well as residential use building in non-residential zones.³⁶

These policies will likely contribute to a long-term decline in gas demand in Victoria and the ACT. This may reduce demand for gas flowing into southern states through the SWQP.

Gas-fired generation and the energy transition

The electricity sector is a major source of gas demand, accounting for 23% of domestic gas use in eastern Australia in 2022.³⁷ While the use of renewable generation has increased and will likely continue to increase in the future, gas-fired generation is expected to be important for many years. This is because it plays a critical role in supporting renewable generation, by quickly generating power when renewable generation is not sufficient.³⁸

Gas-fired generators will therefore likely use pipeline storage and transport services in the future, even as the use of renewable generation continues to grow. With expected shortfalls in southern gas supply to meet demand in southern states, the SWQP’s capacity may become increasingly important for gas-fired power stations across the National Electricity Market.

Under AEMO’s draft 2024 Integrated System Plan (ISP), gas is currently expected to be necessary in supporting energy supply when renewable generation is not sufficient until 2040.³⁹ The Draft 2024 ISP forecasts that the role of gas-fired generation is expected to change from providing continuous generation to a strategic, back-up role.⁴⁰ However, as we noted in *State of the Energy Market 2023*, forecasting the long-term usage of gas for gas-fired generation is difficult. This is due to the unpredictability of events which lead to an increased need for gas-fired generation, including unforeseen events.⁴¹

³⁴ Department of Energy Environment and Climate Action (DEECA), ‘[Victoria’s Gas Substitution Roadmap](#)’, DEECA website, accessed 27 February 2024.

³⁵ ACT Government, [Developing ACT’s Integrated Energy Plan – Canberra is electrifying: Towards a new zero emissions city](#), August 2023, p. 2.

³⁶ ACT Government, ‘[Canberra to be built all-electric from 8 December](#)’, ACT Government website, 30 November 2023, accessed 27 February 2024.

³⁷ AER, [State of the Energy Market 2023](#), March 2023, p. 160.

³⁸ AER, [State of the Energy Market 2023](#), March 2023, p. 160.

³⁹ AEMO, [Draft 2024 Integrated System Plan](#), December 2023, pp. 65-66.

⁴⁰ AEMO, [Draft 2024 Integrated System Plan](#), December 2023, pp. 65-66.

⁴¹ AER, [State of the Energy Market 2023](#), March 2023, p. 160.

3.2.2 LNG

LNG Export from Queensland

Another trend that may impact the SWQP is the need for gas to be transported into Queensland for LNG export, as the SWQP is a key pipeline for transporting gas from the Cooper Basin and potentially other sources in the south to Wallumbilla and the Gladstone LNG export facilities.

Most of the gas currently produced in the east coast is exported as LNG.⁴² Approximately 70% of Australian gas production is exported to international markets as LNG (mainly to Japan, China, Taiwan and the Republic of Korea), accounting for 21% of global LNG exports in 2022.⁴³ The International Energy Agency expects total gas consumption in the Asia-Pacific region will likely continue to grow until 2030 and will then either decrease or remain steady depending on countries' progress towards net zero.⁴⁴ Given the Asia-Pacific region is the main market for Australian LNG, change in gas demand in this region is likely to affect future demand for LNG export.

LNG import terminals

If LNG import terminals are developed in the southern states this will impact the need to transport gas south on the SWQP. Currently, several LNG import terminals in the southern states are being considered. These include the proposed Port Kembla terminal, South Australian Outer Harbor LNG project, and terminals in Geelong, Port Adelaide, and Port Phillip Bay.⁴⁵ If developed, these terminals could compete with the SWQP for transport services to the southern states.

However, these developments are currently uncertain. All the above LNG import terminals, except for the proposed Port Kembla terminal are yet to sign contracts to receive LNG imports and are still subject to a final investment decision to proceed, as well as other regulatory approvals.⁴⁶ The proposed LNG Terminal at Port Kembla appears to be most progressed of the proposed terminals. However, there is still uncertainty about whether the project will be completed.⁴⁷

3.2.3 Potential new gas supply and pipelines

New sources of gas supply and potential pipeline developments may also impact how the SWQP is used. Two such developments are discussed below, but we note that there may be other relevant potential developments.

⁴² AER, [State of the Energy Market 2023](#), March 2023, p. 162.

⁴³ Department of Industry, Science and Resources, [Future Gas Strategy: consultation paper](#), October 2023, p. 14.

⁴⁴ International Energy Agency, [World Energy Outlook 2023](#), October 2023, p. 285.

⁴⁵ See; AER, [State of the Energy Market 2023](#), March 2023, pp. 180-182; AEMO, [Gas Statement of Opportunities 2023](#), March 2023, p. 64; AEMO, [2023 Victorian Gas Planning Report](#), March 2023, p. 65.

⁴⁶ AEMO, [Gas Statement of Opportunities 2023](#), March 2023, p. 64.

⁴⁷ ACCC, [Gas Inquiry 2017-2030: Interim update on the east coast gas market](#), December 2023, p. 67.

Hunter Gas Pipeline

It is possible that new pipelines could be constructed which compete with the SWQP or provide substitute services.

Currently, Santos is considering developing the Hunter Gas Pipeline (HGP) that would run from the Wallumbilla to Newcastle and connect to Santos' Narrabri Gas Project in the Gunnedah Basin. If developed, and operated on a bi-directional basis, the HGP could be an alternative pipeline to the SWQP for the movement of gas between northern and southern states. It appears that Santos is currently intending to develop the pipeline in two stages: Stage 1 would link Narrabri to Hexham (in Newcastle), and Stage 2 Narrabri to Wallumbilla.⁴⁸

Santos acquired Hunter Gas Pipeline Pty Ltd (and therefore the planning approval for the pipeline route) in August 2022. The pipeline development is contingent on development of the Narrabri Gas Project. At present, the final investment decision for development of the Narrabri Gas Project has been delayed to 2025.⁴⁹

New gas supply

The development of new gas supply could also impact how the SWQP is used, by increasing the demand for transport on the SWQP. There are number of possible developments in this area.

First, the Beetaloo Basin is a gas field located in the Northern Territory, which was approved for gas production in May 2023 by the Northern Territory Government. There are a few developers seeking to produce gas in Beetaloo Basin including Empire Energy and Tamboran Resources. APA has signed agreements with both developers for the connection of each of their respective projects in Beetaloo Basin to APA's Amadeus Gas Pipeline.⁵⁰ Each of these agreements also include proposed longer-form arrangements that would see APA working with each developer to connect Beetaloo Basin to the east coast gas market, including for example by building a new pipeline that connects to the SWQP.

If the development of occurs, usage of the SWQP would likely increase as any gas from the Beetaloo Basin being transported to Queensland, or to the southern states, would need to travel along at least part of the SWQP. Tamboran Resources has indicated that it plans to commence first gas to the east coast gas market in 2028 and has signed letters of intent for the supply of gas with two energy retailers.⁵¹ Final investment decision on the Beetaloo to Amadeus Gas Pipeline portion of the gas pipeline connection, between Beetaloo Basin and the east coast gas market, is currently set for 2024 with a commission date of 2025.⁵²

⁴⁸ Santos, '[Hunter Gas Pipeline](#)', Santos website, accessed 1 March 2024.

⁴⁹ Santos, [ASX Media Release: Investor Day 2023](#), 22 November 2023, p. 32.

⁵⁰ APA, [APA signs initial agreement to commence work to connect Empire Energy's Beetaloo Basin assets](#) [media release], 8 August 2023, accessed 27 February 2024; APA, [APA signs initial agreement to commence work to connect Tamboran's Beetaloo Basin assets](#) [media release], 23 June 2023, accessed 27 February 2024.

⁵¹ Tamboran Resources, [ASX Announcement: Tamboran increases total domestic East Coast LOIs to 600 – 875 TJs per day](#) [media release], 28 August 2023, accessed 27 February 2024.

⁵² ACCC, [Gas Inquiry 2017-2030, Interim update on east coast gas market](#), December 2023, p. 68.

Similarly, the Galilee and North Bowen basins could potentially impact how the SWQP is used. The Galilee Basin is located in western Queensland, while the North Bowen basin is located in central-eastern Queensland.⁵³ APA has signed non-binding memorandums of understanding with Galilee Energy to potentially develop a connecting pipeline to the Galilee Basin, and with Blue Energy to investigate pipeline route options in both the North Bowen and Galilee Basins.⁵⁴

Questions

- 2) We are seeking views on the trends discussed in this chapter and how they may impact the use of the SWQP, and the extent of any market power APA may hold in providing services on the pipeline. We are also interested in whether there are other trends in relevant markets that currently, or in the future may, impact the supply of services and use of SWQP.

⁵³ Geoscience Australia, '[Galilee basin region](#)', Geoscience Australia website, 5 September 2023, accessed 1 March 2024; Geoscience Australia, '[North Bowen basin region](#)', Geoscience Australia website, 25 September 2023, accessed 1 March 2024.

⁵⁴ Galilee Energy, '[Pipeline MOU signed with APA](#)' [media release], 28 October 2022, accessed 1 March 2023; APA Group, '[2021-22 Annual Report](#)', August 2023, p. 22.

4 Issues for our assessment

This section outlines the key issues we consider relevant to our assessment of whether to make a form of regulation determination for the SWQP and seeks stakeholder views on these.

4.1 Overview

As discussed in chapter 2, in deciding whether to make a form of regulation determination we must apply the form of regulation test as set out in s 112 of the NGL.

This requires us to assess how effective each form of regulation will be in promoting access to pipelines services, as well as the likely costs of each form of regulation. In doing this we must consider the NGO and the form of regulation factors but may also have regard to any other matters we consider relevant. This section is structured as follows:

- **Section 4.2:** We discuss and seek views on how each form of regulation may impact access to pipeline services, and the costs of each form of regulation, and considering this, whether we should make a scheme pipeline determination for the SWQP.
- **Sections 4.3 and 4.4:** We then discuss and seek views on the extent to which each form of regulation will promote the NGO, and how each of the form of regulation factors apply to the SWQP, noting that this will inform our consideration of the issues discussed at Section 4.2.
- **Section 4.5:** Seeks views on whether on whether the AER should make a scheme pipeline determination for the SWQP.

4.2 Effect of regulating the SWQP as a scheme or non-scheme pipeline on access and costs

This section discusses issues relevant to our assessment of how effective each form of regulation will likely be in promoting access to pipeline services, and the costs of each form of regulation that may be incurred by an efficient service provider, users of the SWQP, and end users. In conducting the assessments outlined below, we will have regard to the NGO and the form of regulation factors as discussed in sections 4.3 and 4.4.

4.2.1 Approach to comparing scheme and non-scheme regulation for the SWQP

When deciding whether to make a form of regulation determination, we will consider how effective and costly each form of regulation will likely be in promoting access to pipeline services, and the likely costs of each form of regulation.⁵⁵ We will then decide which form of regulation should apply to the pipeline and whether we should make the determination. In making the comparison, we will consider the differences between scheme and non-scheme

⁵⁵ Having regard to the NGO, the form of regulation factors, and any other matters we consider relevant.

regulation, and the likely impact that these will have on promoting access, and costs associated with each.

Currently, the SWQP is regulated as a non-scheme pipeline and therefore subject to a lighter form of regulation. This means that in assessing how non-scheme regulation will affect access and costs, we will consider the current situation for the SWQP. However, we will also need to consider how recent changes to the non-scheme pipeline regulatory framework, including improvements to the information disclosure regime and access dispute provisions, may affect costs and access on the SWQP in the future.⁵⁶

To assess the affect that regulating the SWQP as a scheme pipeline will have on the access costs of regulating, we will consider how the additional requirements that apply under full regulation may impact access and costs. While there are some other differences between scheme and non-scheme regulation, the key difference is that a scheme pipeline is subject to price regulation and must submit an access arrangement to the AER for approval.

However, this assessment does not involve a full cost-benefit analysis. While we will consider quantitative information where relevant, it is a qualitative and not quantitative assessment.⁵⁷

4.2.2 Promotion of access to pipeline service

The first element in the regulatory determination test involves evaluating the likely impact of scheme and non-scheme regulation on the promotion of access to pipeline services. In doing so, the key issues we will consider include how each form of regulation may affect:

- the ability of users and potential users to negotiate access
- the price terms that may be offered or negotiated
- the non-price terms and conditions of access that may be offered or negotiated.

Non-scheme pipeline regulation and pipeline access

To help us understand how effective non-scheme pipeline regulation may be in promoting access to the SWQP we will look at both how non-scheme regulation is currently operating, as well as how the recent changes to the non-scheme regime may impact the way services are provided on the SWQP in the future. This will include considering the following issues:

- **Negotiation process:** How are negotiations with APA for access to the SWQP currently carried out? Is there the ability to genuinely negotiate on terms and conditions of access?

⁵⁶ Under the gas pipeline reforms, all pipelines are now required to publish the information specified under Part 10 of the NGR (unless holding an exemption). This includes publishing service and access information, financial information, and information on historical demand, the cost allocation methodology used, standing terms and actual prices payable. The dispute resolution process now specifies the matters the dispute resolution body must consider in making an access determination and includes an optional 50-day fast track dispute resolution process, protections for small customers, and an 8-month time limit on making an access determination.

⁵⁷ This approach is described in more detail in the Regulatory Determinations Guide. See, AER, [AER Pipeline Regulatory Determinations and Elections Guide](#), September 2023, chapter 5.

- **Price and non-price terms:** How reasonable are the price and non-price terms and conditions of access to the pipeline? Do users consider that existing prices or other terms and conditions are unreasonable or higher than they should be?
- **Exercise of market power:** Does APA have market power in the provision of services on the SWQP, and if so, what is the extent of that power? To what extent is it able to exercise market power in setting terms and conditions of access for the SWQP, or over the term of any contract? What is the extent of users' countervailing market power?
- **Effectiveness of non-scheme pipeline regulation:** How useful are information disclosure, access dispute and other non-scheme pipeline obligations in helping users negotiate access to the SWQP? Do these measures help to constrain APA exercising any market power that it may hold in supplying services on the SWQP?
- **Reforms to the non-scheme pipeline regulatory regime:** There have been several changes to the non-scheme pipeline regulatory regime, including improvements to information disclosure obligations and access dispute provisions. How these changes may impact access to the SWQP are important in considering how non-scheme regulation may promote access. In particular, if users have previously experienced access issues or if APA has exercised a degree of market power, whether the new measures may be effective in addressing these issues.

Scheme pipeline regulation and access

To assess how scheme pipeline regulation may promote access to services, we are interested in how the additional regulatory obligations will impact access to the SWQP.

The key difference between scheme and non-scheme regulation is that scheme pipelines are subject to price regulation. This involves the service provider submitting an access arrangement, which includes reference service prices and non-price terms, to the AER for approval. Therefore, we are seeking views on whether full price regulation is necessary to promote access to the SWQP. Relevant to this is the impact that full regulation will have on prices and other terms and conditions of access.

Questions

- 3) Can users currently negotiate fair and reasonable terms and conditions of access to the SWQP? Do you consider that any terms or conditions of access are unreasonable?
- 4) Do you consider that APA is currently able to exercise a degree of market power in negotiating with users for access on the SWQP? If so, how does this impact negotiations?
- 5) If APA can exercise a degree of market power in supplying services on the SWQP, how effective is non-scheme pipeline regulation currently in constraining this market power and promoting access? Which elements of the current non-scheme regime are, or are not, working?
- 6) How do you consider changes to the non-scheme pipeline regulatory regime (which commenced in March 2023) may affect the way access is negotiated or services are supplied on the SWQP? Will improvements to the information disclosure regime, and the access dispute framework affect users' ability to negotiate access?

- 7) Do you consider that regulating the SWQP as a scheme pipeline is needed to promote access to the SWQP? *If* APA is exercising a degree of market power in the supply of services on the SWQP, will scheme pipeline regulation help to constrain APA in the exercise of this market power?
- 8) What impact would making a scheme pipeline determination for the SWQP have on the promotion of access to services on the SWQP? In addition, and specifically, how will a scheme pipeline determination impact:
 - the ability of users and prospective users to negotiate with APA for SWQP services
 - the prices currently charged and the pricing structure (including premiums and fixed charges) for pipeline services on the SWQP
 - the non-price terms (including contract terms and MDQs) offered or negotiated for pipeline services on the SWQP
 - the pipeline services offered or not offered on the SWQP?

4.2.3 Costs of scheme and non-scheme regulation

The second element in the regulatory determination test requires us to consider the costs incurred by an efficient service provider, and an efficient user or prospective user of the pipeline services, and end users, under each form of regulation. The costs under this part of the test are the regulatory costs incurred by each type of participant in the market for gas pipeline services, as well as end users, due to the pipeline being subject to full or light regulation.

As many of the obligations under full and light regulation are the same, in comparing how they may respectively affect costs, we will focus on the regulatory costs which are likely to differ under the two forms of regulation.

Costs incurred by an efficient service provider

The first set of costs we are interested in are the costs that APA from regulation of the SWQP as a scheme or non-scheme pipeline. In our assessment, we will consider the costs that would likely be incurred by a service provider acting in an efficient manner. A service provider acting in an efficient manner will take steps to minimise its transaction and regulatory costs.

In general, as scheme pipeline regulation is a ‘heavier’ form of regulation, it may be that the costs to APA will be higher if we decide that it should be a scheme pipeline.

Of particular relevance is where the costs between scheme and non-scheme regulation may differ. Areas where this may be the case include:

- for light regulation:
 - the time and costs involved in negotiating and forming contracts with users, including coordinating negotiations and contracts between several users

- costs involved in facilitating access negotiation information requests during negotiations with users (for information beyond that provided by the pipeline information disclosure guidelines)
- the costs involved in commercial arbitration if an access dispute were to arise
- for full regulation:
 - the costs involved in participating in the access arrangement approval process with the AER and the costs of complying with a reference tariff variation mechanism
 - the potential reduction in negotiation costs with users and prospective users once an access arrangement has been approved by the AER
 - the costs involved in AER-determined resolution of pipeline disputes if they were to arise.

Costs for efficient users or prospective users

The second set of costs are the costs to efficient users or prospective users of the SWQP (i.e. shippers). We will consider the costs that would be incurred by a user or prospective user acting in an efficient manner, who will seek to minimise their own regulatory and transaction costs.

In relation to the likely costs incurred by users or prospective users of the SWQP, we consider the largest costs will be the costs of negotiating access to pipelines and resolving access disputes. Generally, regulatory costs to users or prospective users will likely be lower under full regulation. This is because as the access arrangement approval process is likely to reduce the costs involved in making information requests and reduce the need to negotiate terms and conditions of pipeline access compared to under light regulation.

Again, areas where the costs between full and light regulation will differ are of particular relevance. These may include:

- for light regulation:
 - the costs involved in making access negotiation information requests during negotiations for pipeline services, including costs in determining the information needed (beyond that provided under the pipeline information disclosure guidelines)
 - other transaction costs during negotiations for pipeline services
 - the time involved in negotiating and forming contracts with the pipeline service provider
 - the costs involved in participating in an arbitration if an access dispute arises
- for full regulation:
 - the costs and time involved in participating in the access arrangement approval process as stakeholders
 - the costs involved in AER-determined resolution of pipeline disputes if they were to arise.

Costs for end-users

Finally, we will consider the costs likely to be incurred by end users of natural gas under different forms of regulation (i.e. consumers of natural gas). Although end users do not face direct regulatory costs, the pass-through of regulatory costs from service providers and users may impact retail gas prices. Therefore our assessment of the service provider, and users' costs will be relevant to this. This assessment also considers other potential burdens on end users under both forms of regulation.

Questions

- 9) What are the costs incurred by an efficient service provider, an efficient user, and end users under full and light regulation? Are costs higher for full or light regulation?
- 10) Do you have any views on the ability of APA to pass regulatory costs onto users of the SWQP, and users of the SWQP to pass on the costs of regulation to end users? Similarly, do you have any views on whether cost savings would be passed on?

4.3 Promotion of the National Gas Objective

In considering whether we should make a scheme pipeline determination for the SWQP, we will have regard to how regulating the SWQP as a scheme pipeline, and a non-scheme pipeline will promote the NGO.

National Gas Objective

The National Gas Objective is:

to promote efficient investment in, and efficient operation and use of, natural gas services for the long-term interests of consumers of natural gas with respect to:

- a. price, quality, safety, reliability and security of the supply of natural gas; and
- b. the achievement of targets set by a participating jurisdiction:
 - i. for reducing Australia's greenhouse gas emissions; or
 - ii. that are likely to contribute to reducing Australia's greenhouse gas emissions.

In doing this, we will consider how each form of regulation may impact the efficient investment, operation, and use of the SWQP, as well as the supply of gas and other natural gas services. This will include considering how scheme and non-scheme regulation may affect incentives to make investments in the SWQP, the supply of gas and or other gas services.

Questions

- 11) How could regulating the SWQP as a scheme or non-scheme pipeline promote or help achieve the NGO? For example, how may each form of regulation impact:
 - the efficient investment in the SWQP and any other gas services (including the supply of natural gas)

- the efficient operation of the SWQP and any other gas services (including the supply of natural gas)
- the efficient use of the SWQP and any other natural gas services (including the supply of natural gas)?

4.4 Form of regulation factors

We must also have regard to the six form of regulation factors in considering whether to make a scheme pipeline determination. The form of regulation factors help us to assess the degree of market power that may be held by service providers, and their ability to exercise any market power they hold. This then informs our assessment of how effective each form of regulation may be in constraining any market power of the service provider and promoting access to pipeline services.

We are therefore seeking views on how each of the form of regulation factors applies to the SWQP. In particular, how each of the form of regulation factors may affect the degree of market power that APA may hold in supplying services on the SWQP, and its ability to exercise that market power.

The following sections discuss each form of regulation factor in detail.

4.4.1 Barriers to entry

The first factor we must consider is:

Form of regulation factor (a):

‘the presence and extent of any barriers to entry in a market for pipeline services’

Barriers to entry are any factors or features of a market that would prevent, deter, or hinder a service provider entering the market for gas pipeline services in competition with the SWQP. The higher the barriers to entry to a pipeline services market, the greater the degree of market power an existing service provider may hold.

Barriers to entering the market for pipeline services in competition with the SWQP may include the following:

- **Structural barriers:** These include fixed capital costs involved in building a pipeline and acquiring land and easements, to compete with the SWQP. These are likely to be high for many gas pipelines, but particularly the SWQP, considering it is a long pipeline (937km) and services many locations.
- **Legal or regulatory barriers:** These include factors such as the need to acquire pipeline licenses and regulatory approvals to construct a competing pipeline.
- **Other barriers:** These may include the need to agree on foundation contracts with several future users to underwrite the financing involved to construct a competing pipeline.

Overall, it appears that barriers to entry to the market for gas pipeline services in competition with the SWQP may be high. This may contribute to APA holding a degree of market power

and an ability to exercise such market power in the supply of services on the SWQP. However, we do note that there is the potential for new entry into the east coast pipeline market, such as the HGP which would connect the Narrabri Gas Project to Newcastle and Wallumbilla.⁵⁸

Questions

- 12) What do you consider the barriers to entry to the market for gas pipeline services in competition with the SWQP are, and what are the extent of these barriers? Do you consider there is the potential for a new entrant to build a competing pipeline with the SWQP? Are there other ways that a new entrant may enter the market to compete with the SWQP?
- 13) What market developments, if any, may affect the barriers to entry to construct a pipeline which would compete with SWQP?

4.4.2 Network externalities

The next two factors we must consider relate to network externalities:

Form of regulation factors (b) and (c):

‘the presence and extent of any network externalities (that is, interdependencies) between a natural gas service provided by a service provider:

- and any other natural gas service provided by the service provider
- and any other service provided by the service provider in any other market’

For these factors, ‘network externalities’ refer to the way in which a service provider’s operations, and potentially its ability to exercise market power may be affected by other services it provides.⁵⁹ This includes services in both a gas market but also any other services provided.

Considering these helps us assess the degree of any market power held by a service provider and its ability to exercise the power in the supply of pipeline services. However, we note that we will also consider how measures to manage competition issues arising from these types of network externalities are addressed by ring-fencing and associate contract provisions in the NGL and NGR.

Network externalities between gas services provided

Under this factor, we will consider how other gas services provided by APA may affect the degree of market power it may hold in the supply of services on the SWQP.

⁵⁸ As discussed in Chapter 3, Santos is not expected to make a decision in relation to the Narrabri project until 2025 and even if it does decide to develop the pipeline it may take some time for it to be developed and start competing with the SWQP.

⁵⁹ It does not have the ‘economic meaning’ of referring to how the benefit an agent derives from a good or service changes as the number of other agents consuming the same kind of good or service changes.

Providing other gas services can contribute to the degree of market power of a service provider in several ways. For example, a pipeline service provider that owns other pipelines may achieve efficiency benefits through economies of scale that confer an advantage over competitors and affect how it provides services on, and charges for access to, its pipelines. Further, if a service provider operates a network of pipelines, it may affect the way that they provide services to users. Similarly, economies of scope may arise where a pipeline service provider also owns and provides access to storage facilities.

APA provides a range of other gas services and is the largest provider of gas pipeline services in eastern Australia. In summary, it:⁶⁰

- operates 7,500 km of gas pipelines across the east coast of Australia. This includes:
 - 6 transmission pipelines which connect directly to the SWQP
 - 5 transmission pipelines which are not connected to the SWQP
- has an interest in a number of other gas pipelines, and provides asset management services to other pipelines in which it does not have any ownership
- owns and operates a gas storage facility in Dandenong Victoria.

More detail on the services provided by APA is included in **Appendix B**.

APA provides an extensive range of gas services in addition to those on the SWQP. The gas pipeline services and storage services could impact the degree of market power APA may hold on the SWQP and affect its incentives in providing services on the SWQP. For example, if access to multiple APA-owned pipelines is necessary for a user, it may improve APA's bargaining position in access negotiations.

Questions

- 14) How does APA's operation of other pipeline and storage services impact how APA supplies services on the SWQP, and/or how users are able to access the SWQP? This may include matters such as the use of multi-asset agreements or bundling of services.
- 15) Does the ability of APA to provide other pipeline services affect the degree of any market power held by APA in supplying services on the SWQP, and if so, how?
- 16) Are current ring-fencing and associate contract provisions in the NGL effective in managing any competitive advantage that APA would otherwise gain from operating other gas services?

Network externalities between gas services and services provided in another market

Under this factor, we consider whether any non-gas services provided by APA may affect its degree of market power APA may hold in providing services on the SWQP. APA provides a range of such services and owns and operates a portfolio of transmission electricity interconnectors, gas-fired generators (such as Diamantina Power Station), and wind and

⁶⁰ APA, [APA overview](#), APA website, viewed 8 February 2023.

solar farms (such as the Darling Downs Wind Farm and the North Brown Hill Wind Farm). It also provides an asset management services business catering to these asset types.

It is possible that the provision of gas and non-gas services may influence APA's incentives in providing gas services on the SWQP. For example, if a gas service provider is also operating other forms of electricity generation (such as wind or solar farms), this may influence its incentives to transport gas to competing gas-fired generators.

However, as solar and wind generation do not generally compete with gas generation, renewable generation may not impact how a service provider supplies to other gas fired generators.⁶¹

Questions

- 17) How does APA's operation of any non-gas services, including those discussed above, impact how APA supplies services on the SWQP, and/or how users are able to access the SWQP?
- 18) Does the provision of any non-gas services by APA provide APA with a degree of market power in the supply of service on the SWQP? If so, explain how.
- 19) Are current ring-fencing and associate contract provisions in the NGL effective in managing any competitive advantage APA would otherwise gain from operating any other services?

4.4.3 Countervailing market power

We must also consider the countervailing market power of users under the form of regulation factors:

Form of regulation factor (d):

'the extent to which any market power possessed by a service provider is, or is likely to be, mitigated by any countervailing market power possessed by a user or prospective user'

The greater the countervailing market power of pipeline users, the less likely it is that a service provider will be able to exercise any market power it may hold in negotiating access to the pipeline. There are several factors which may impact the degree of countervailing market power of users.

First, if users can switch to alternative services because there are viable substitutes available, they will have countervailing market power. Form of regulation factors (e) and (f) require the AER to consider the presence and extent of substitute services. Our assessment of the viability of any such substitutes will be used in our assessment of the degree of countervailing power of users under this form of regulation factor. The availability of

⁶¹ This is because gas generation is most often used to meet shortfalls when wind and solar generation is not sufficient.

substitutes for gas pipelines services on the SWQP is discussed in detail in Section 4.4.4 and 4.4.5 below.

Secondly, the size and number of existing users of a pipeline may also impact users' bargaining positions in negotiations with pipeline owners. For example, where a pipeline serves only a few very large users who contract for most of the capacity on the pipeline, such users may have a greater degree of countervailing market power. This is because the pipeline service provider is reliant on these users, and a service provider may risk full or partial stranding of assets if these users do not purchase supply from them. However, if a pipeline supplies a larger number of smaller users, who each purchase a smaller proportion of capacity on the pipeline, these individual users are likely to have less countervailing market power as the service provider has alternative users of its pipeline services readily available.

Finally, where there is limited available capacity (i.e. the pipeline services are in high demand), users' countervailing market power may also be more limited. This is because if a user is not satisfied with the terms and conditions of access offered, the service provider can make an offer to another waiting user rather than negotiating.

Some factors may suggest the countervailing market power of users of the SWQP could be limited. There are currently 34 contracted users of the SWQP, including gas and electricity retailers, mining, gas producers, refineries and generators, gas traders and industrial users.⁶² These users are dispersed across the eastern gas market and vary in size and their demand for gas pipeline services. As discussed in chapter 3, there is also high demand for services on the SWQP and this is forecast to continue. Finally, as discussed below, there may be limited substitutes for users of the SWQP.

Questions

20) What factors, including those discussed above, do you consider impact the degree of countervailing market power of users, or prospective users?

21) If you are a user:

- do you consider that you are able to negotiate reasonable terms and conditions of access (including on prices) to the SWQP
- can you describe the process of negotiating with APA, for example, are there any elements of the negotiation process which are easier or more difficult to reach agreement on, and how does negotiating access to the SWQP compare to other pipelines
- are there any factors which you consider make your ability to negotiate with APA easier or more difficult?

4.4.4 Substitutes and elasticity of demand for pipeline services

Under the next form of regulation factor, we must consider substitutes for services on the pipeline.

⁶² AEMO, '[Gas Bulletin Board Shipper List](#)', AEMO website, accessed 19 February 2024.

Form of regulation factor (e):

‘the presence and extent of any substitute, and the elasticity of demand, in a market for a pipeline service in which a service provider provides that service’

This form of regulation factor looks at the degree to which users of a pipeline service can use alternative pipeline services and/or methods to transport gas, or the extent of any substitutes for the transport of gas on the pipeline. The greater the number of viable substitutes available to users, and the greater the price elasticity of demand of users, the more limited the service provider’s ability to exercise market power in negotiations will be. Additionally, the threat of a substitute can also limit a service provider’s ability to exercise market power.

Substitutes to using a pipeline service may include:

- transport services on other existing gas pipelines, or constructing new pipelines to transport gas
- other transportation means, such as transporting LNG via road or sea
- engaging in gas swaps, allowing a user to bypass the need to physically transport gas.

The degree to which these substitutes limit the extent of market power a service provider may hold, and its ability to any exercise market power, depends on the credibility and viability of these alternatives.

It currently appears that there are factors which may limit the viability of substitutes for pipeline services on the SWQP, but this could change in the future.

Firstly, there do not appear to be any other pipelines that are currently substitutes for the SWQP. At present, any gas flowing between Queensland to the southern states must pass through the SWQP and there are no available alternative gas pipeline routes for users looking to transport gas between these locations. Further, for users in southern states, it is unlikely that acquiring transport services on other pipelines which connect locations outside of Queensland, can be seen as a substitute for services on the SWQP. This is due to the need to transport gas from Queensland to meet the demand in the southern states (as discussed in chapter 3).

It also seems unlikely that, at least for existing users, constructing a new pipeline to bypass the SWQP is viable, particularly considering the high capital costs involved (see section 4.4.1). However, we note that it is possible that a substitute pipeline service could emerge in the future, such as Santos’ proposal to build the HGP.

Secondly, it does not appear that current alternatives to transporting gas via the SWQP are viable substitutes. Transporting gas in the form of LNG via road is unlikely to be a viable substitute for most users due to higher costs and delays, and reduced flexibility in the volumes of gas that can be transported and how the gas can be traded.

However, it is also possible that the development of LNG import terminals in southern states could provide alternative means of transport (via use of existing pipelines and road transport) and serve as a substitute for services on the SWQP. These LNG import terminals would also be capable of receiving gas from sources overseas. However, it is not clear that any such import terminals will proceed, or if they are that they will be cost-competitive with

transportation via the SWQP due to the added costs of sea transportation and service charges of the LNG import terminal.

Finally, using gas swaps may be a substitute in some cases, but it may be limited. For example, LNG producers have offered seasonal swap products to the market, whereby domestic gas customers can purchase gas from LNG producers located in Queensland during winter when gas is most needed domestically (particularly in southern states) and sell it back in the summer months. These swaps can deliver gas to gas customers in the southern states without physically shipping it along a pipeline. This involves ‘swapping’ rights to gas held in different physical locations, therefore bypassing the need to transport gas via pipelines (including on the SWQP which is required for the movement from northern and southern states).

However, such gas swaps may only be a partial substitute for transport on the SWQP. This is because generally these swaps are used when there are short-term peaks and troughs in demand and are not suitable to fulfil longer-term supply needs.

Questions

- 22) Are any services on other pipelines a substitute for pipeline services on the SWQP? This can include pipelines which transport gas from an alternative source.
- 23) Are there other viable substitutes to transport gas between Queensland and the southern states, such as LNG by road? Please explain why any alternative transport methods may or may not be viable substitutes.
- 24) To what extent are gas swaps a viable substitute for transporting gas via the SWQP and do they constrain any market power APA may hold? Have you used, or are you aware of the use of, gas swaps as an alternative to acquiring gas pipeline services on the SWQP? Please provide any details on scenarios where gas swaps are, and are not, viable alternatives to acquiring SWQP services.
- 25) Have you ever considered constructing your own pipeline to bypass use of the SWQP? Provide any views on the costs of construction.
- 26) For users of the SWQP, if the price of gas pipeline services on the SWQP increased, would you change your use of the pipeline? Provide any details on how your use of the SWQP may change. For example, would there be a certain point at which you would stop acquiring SWQP services from APA?
- 27) If you think there are substitutes for the use of the SWQP, to what extent do you think they pose a constraint on any market power APA may have?

4.4.5 Substitutes and elasticity of demand for gas

The final form of regulation factor relates to gas substitutes.

Form of regulation factor (f):

‘the presence and extent of any substitute for, and the elasticity of demand in a market for, electricity or gas (as the case may be)’

This form of regulation factor looks at the degree to which users of the gas transported by a service provider can use substitute energy sources (e.g. electricity, diesel or coal). The greater the degree of substitutability between gas and any alternatives, the lesser the degree of any market power APA may have in providing services on the SWQP. Additionally, the potential threat of substitutes to gas may also play a part in limiting the extent and exercise of market power that may be held by APA.

While there are many different types of users of the SWQP, the degree to which there are gas substitutes will differ between them.

For commercial and industrial users, the degree to which alternative energy sources will be suitable substitutes will depend on several factors including the purpose for which the gas is used. However, it generally appears that there are *currently* limited substitutes for gas for these users. For example, there may be very limited substitutes where gas is used as a feedstock. This is also the case where gas is used for high temperature heating as electric alternatives are either ineffective, or too time or financially costly or technically difficult to implement.⁶³

This may be more likely for users of the SWQP, as some of its users (such as miners and gas producers) are located in regions outside the main electricity transmission and distribution networks, and would need to build electricity network infrastructure to electrify their operations.⁶⁴ However, there may be the potential for this to occur in the future, and we note that the CopperString 2032 project is an example of where new transmission line is being built to connect mining regions.⁶⁵ We note that stand alone power systems may be a viable option for these users (which could be based on renewable energy or diesel fuel), but would also require significant upfront capital expenditure.

Similarly, for gas-fired generators, there may also be limited substitutes because the use of alternative fuels would again be costly. Gas producers are also likely to have limited scope to substitute gas with alternative fuels, as natural gas is the core of their business.

However, it is possible that substitutes for commercial and industrial users and for gas-fired generators could possibly change in the future as technologies develop.

Residential and small business consumers are the end users who are most likely, at least in the short to medium term, able to adopt alternative energy sources as a substitute for gas. However, the ability and willingness of residential and small business users to switch away from gas may vary across different groups of customers due to the upfront costs associated with electrification.

AEMO's 2023 Gas Statement of Opportunities, reported that gas demand will likely decline from 2022 to 2040, driven partly by residential gas demand declining by approximately 60% from 2020 to 2040, suggesting that users will eventually switch away from gas.⁶⁶ However,

⁶³ AER, [Gas Inquiry Interim Report January 2023](#), January 2023, p. 73.

⁶⁴ For example, Mt Isa Mines (owned by Glencore) which operates mines, mineral processing plants and smelters outside of the Powerlink and ergon energy networks.

⁶⁵ See, Powerlink Queensland, '[CopperString 2023](#)', Powerlink website, accessed February 2024.

⁶⁶ AEMO, [Gas Statement of Opportunities 2023](#), March 2023, pp. 32-33.

there is still considerable uncertainty around how many consumers will switch away from gas in the medium to long-term, as we have found in several recent gas pipeline access arrangement decisions.⁶⁷

Finally, it is also possible that hydrogen or other renewable gases could be substitutes for natural gas in the medium to long term. However, their use today is limited and how they may be used in the future is uncertain.⁶⁸

Questions

28) For industrial and commercial users:

- What substitutes are available for industrial users of gas? What is the viability of these substitutes currently? Where the viability of substitutes is limited, why is this the case?
- How will the viability of substitutes change in the medium and longer-term?

29) In relation to residential and small business users, how viable is electrification as a substitute for gas? What factors may limit this, and how may this change in the future?

30) How does the availability of substitutes for different classes of customers affect the extent of any market power held by APA in providing services on the SWQP?

4.4.6 The extent of any market power held and exercised by APA on the SWQP

Considering the form of regulation factors above, we are seeking views on the extent of any market power held by APA, and whether it is exercising any market power in the supply of services on the SWQP.

Questions

31) Do you consider that APA has market power in the supply of services on the SWQP? If so, to what extent does APA hold market power? Please explain your reasons for your views.

32) Do you consider that APA is currently able to exercise market power in the supply of services on the SWQP, and if so, why is this the case? Reasons could include through the way that it negotiates price and non-price term conditions.

⁶⁷ AER, [Multinet Gas Networks 2023-28 Final decision: Attachment 4 – Regulatory Depreciation](#), June 2023, p. 7; and AER, [AusNet 2023-28 Final decision - Attachment 4 – Regulatory Depreciation](#), June 2023, p. 8.

⁶⁸ AER, [Multinet Gas Networks 2023-28 Final decision: Attachment 4 – Regulatory Depreciation](#), June 2023, p. 7; and AER, [AusNet 2023-28 Final decision - Attachment 4 – Regulatory Depreciation](#), June 2023, p. 8.; AER, [Regulating Gas Pipelines under Uncertainty](#), November 2021, p. 33.

4.5 Should the AER make a scheme pipeline determination for the SWQP?

Finally, considering the range of issues discussed in this chapter, we are interested in views on whether the AER should make a scheme pipeline determination for the SWQP.

Questions

33) Considering the extent to which each form of regulation is likely to promote access to the SWQP, and the costs associated with each form of regulation, having regard to the NGO and form of regulation factors, do you consider that the AER should make a scheme pipeline determination for the SWQP? Please provide the reasons for your view.

Appendix A – Consolidated list of questions

1. Please provide any views on how the AER should approach making a form of regulation determination. In particular, provide views on how we should consider the various criteria and factors set out in the NGL.
2. We are seeking views on the trends discussed in this chapter and how they may impact the use of the SWQP, and the extent of any market power APA may hold in providing services on the pipeline. We are also interested in whether there are other trends in relevant markets that currently, or in the future may, impact the supply of services and use of SWQP.
3. Can users currently negotiate fair and reasonable terms and conditions of access to the SWQP? Do you consider that any terms or conditions of access are unreasonable?
4. Do you consider that APA is currently able to exercise a degree of market power in negotiating with users for access on the SWQP? If so, how does this impact negotiations?
5. If APA can exercise a degree of market power in supplying services on the SWQP, how effective is non-scheme pipeline regulation currently in constraining this market power and promoting access? Which elements of the current non-scheme regime are, or are not, working?
6. How do you consider changes to the non-scheme pipeline regulatory regime (which commenced in March 2023) may affect the way access is negotiated or services are supplied on the SWQP? Will improvements to the information disclosure regime, and the access dispute framework affect users' ability to negotiate access?
7. Do you consider that regulating the SWQP as a scheme pipeline is needed to promote access to the SWQP? If APA is exercising a degree of market power in the supply of services on the SWQP, will scheme pipeline regulation help to constrain APA in the exercise of this market power?
8. What impact would making a scheme pipeline determination for the SWQP have on the promotion of access to services on the SWQP? In addition, and specifically, how will a scheme pipeline determination impact:
 - the ability of users and prospective users to negotiate with APA for SWQP services
 - the prices currently charged and the pricing structure (including premiums and fixed charges) for pipeline services on the SWQP
 - the non-price terms (including contract terms and MDQs) offered or negotiated for pipeline services on the SWQP
 - the pipeline services offered or not offered on the SWQP?
9. What are the costs incurred by an efficient service provider, an efficient user, and end users under full and light regulation? Are costs higher for full or light regulation?
10. Do you have any views on the ability of APA to pass regulatory costs onto users of the SWQP, and users of the SWQP to pass on the costs of regulation to end users? Similarly, do you have any views on whether cost savings would be passed on?

11. How could regulating the SWQP as a scheme or non-scheme pipeline promote or help achieve the NGO? For example, how may each form of regulation impact:
 - the efficient investment in the SWQP and any other gas services (including the supply of natural gas)
 - the efficient operation of the SWQP and any other gas services (including the supply of natural gas)
 - the efficient use of the SWQP and any other natural gas services (including the supply of natural gas)?
12. What do you consider the barriers to entry to the market for gas pipeline services in competition with the SWQP are, and what are the extent of these barriers? Do you consider there is the potential for a new entrant to build a competing pipeline with the SWQP? Are there other ways that a new entrant may enter the market to compete with the SWQP?
13. What market developments, if any, may affect the barriers to entry to construct a pipeline which would compete with SWQP?
14. How does APA's operation of other pipeline and storage services impact how APA supplies services on the SWQP, and/or how users are able to access the SWQP? This may include matters such as the use of multi-asset agreements or bundling of services.
15. Does the ability of APA to provide other pipeline services affect the degree of any market power held by APA in supplying services on the SWQP, and if so, how?
16. Are current ring-fencing and associate contract provisions in the NGL effective in managing any competitive advantage that APA would otherwise gain from operating other gas services?
17. How does APA's operation of any non-gas services, including those discussed above, impact how APA supplies services on the SWQP, and/or how users are able to access the SWQP?
18. Does the provision of any non-gas services by APA provide APA with a degree of market power in the supply of service on the SWQP? If so, explain how.
19. Are current ring-fencing and associate contract provisions in the NGL effective in managing any competitive advantage APA would otherwise gain from operating any other services?
20. What factors, including those discussed above, do you consider impact the degree of countervailing market power of users, or prospective users?
21. If you are a user:
 - do you consider that you are able to negotiate reasonable terms and conditions of access (including on prices) to the SWQP
 - can you describe the process of negotiating with APA, for example, are there any elements of the negotiation process which are easier or more difficult to reach agreement on, and how does negotiating access to the SWQP compare to other pipelines

- are there any factors which you consider make your ability to negotiate with APA easier or more difficult?
22. Are any services on other pipelines a substitute for pipeline services on the SWQP? This can include pipelines which transport gas from an alternative source.
 23. Are there other viable substitutes to transport gas between Queensland and the southern states, such as LNG by road? Please explain why any alternative transport methods may or may not be viable substitutes.
 24. To what extent are gas swaps a viable substitute for transporting gas via the SWQP and do they constrain any market power APA may hold? Have you used, or are you aware of the use of, gas swaps as an alternative to acquiring gas pipeline services on the SWQP? Please provide any details on scenarios where gas swaps are, and are not, viable alternatives to acquiring SWQP services.
 25. Have you ever considered constructing your own pipeline to bypass use of the SWQP? Provide any views on the costs of construction.
 26. For users of the SWQP, if the price of gas pipeline services on the SWQP increased, would you change your use of the pipeline? Provide any details on how your use of the SWQP may change. For example, would there be a certain point at which you would stop acquiring SWQP services from APA?
 27. If you think there are substitutes for the use of the SWQP, to what extent do you think they pose a constraint on any market power APA may have?
 28. For industrial and commercial users:
 - What substitutes are available for industrial users of gas? What is the viability of these substitutes currently? Where the viability of substitutes is limited, why is this the case?
 - How will the viability of substitutes change in the medium and longer-term?
 29. In relation to residential and small business users, how viable is electrification as a substitute for gas? What factors may limit this, and how may this change in the future?
 30. How does the availability of substitutes for different classes of customers affect the extent of any market power held by APA in providing services on the SWQP?
 31. Do you consider that APA has market power in the supply of services on the SWQP? If so, to what extent does APA hold market power? Please explain your reasons for your views.
 32. Do you consider that APA is currently able to exercise market power in the supply of services on the SWQP, and if so, why is this the case? Reasons could include through the way that it negotiates price and non-price term conditions.
 33. Considering the extent to which each form of regulation is likely to promote access to the SWQP, and the costs associated with each form of regulation, having regard to the NGO and form of regulation factors, do you consider that the AER should make a scheme pipeline determination for the SWQP? Please provide the reasons for your view.

APA owns several other pipelines which are directly connected to the SWQP and set out in Table B.1.

Table B.1 – APA owned pipelines connected to the SWQP

Pipeline	Regulation	Route serviced
Berwyndale to Wallumbilla Pipeline (BWP)	non-scheme	Connects the Berwyndale coal seam fields and wider Surat gas basin in central Queensland to the Wallumbilla hub
Carpentaria Gas Pipeline (CGP)	non-scheme	Connects the SWQP (and the east coast gas grid) to Mt Isa and the Northern Territory gas transmission network
Moomba to Sydney Pipeline (MSP)	non-scheme	Connects Moomba to New South Wales, and the Victorian Transmission System at Culcairn
Reedy Creek Wallumbilla Pipeline (RCWP)	non-scheme	Connects the Reedy Creek gas field to Wallumbilla
Roma Brisbane Pipeline (RBP)	scheme	Connects the Wallumbilla hub to residential customers in Brisbane and regional centres along its route
Wallumbilla to Gladstone Pipeline (WGP)	non-scheme	Connects the Wallumbilla hub to the Gladstone LNG facility

APA also owns several other pipelines which are not directly connected to the SWQP and are set out in Table B.2.

Table B.2 – APA owned pipelines not connected to the SWQP

Pipeline	Regulation	Route serviced
Amadeus Gas Pipeline (AGP)	scheme	Connects Amadeus Basin in the south of the Northern Territory to Darwin
Central Ranges Pipeline (CRP)	non-scheme	Connects the Central West Pipeline at Dubbo to the Central Ranges distribution gas network in north-east NSW
Central West Pipeline (CWP)	non-scheme	Connects to the MSP and transports gas to regional towns in western NSW, terminating at Dubbo
South East South Australia Pipeline (SESA)	non-scheme	Connects the Sea Gas Pipeline (SGP) in Victoria to the Australian Gas Networks' distribution network at Ladbroke Grove in Victoria
Tamworth Gas Network	non-scheme	Distribution network in Tamworth, NSW
Victorian Transmission System (VTS)	scheme	A transmission pipeline network which transports gas from various inlet points to load centres throughout Victoria

Pipeline	Regulation	Route serviced
Western Outer Ring Main (WORM)	non-scheme	Connects the Plumpton Meter Station and the Wollert Compressor Station northwest of Melbourne

APA also has an interest in several pipelines which are not directly connected to the SWQP and are set out in Table B.3.

Table B.3 – APA partially owned pipelines not connected to the SWQP

Pipeline	Regulation	Route serviced	Ownership
Allgas gas distribution network	non-scheme	A distribution pipeline network connecting from Brisbane to the northern tip of NSW and including small extensions in Northern NSW and a separate pipeline to an ammonium nitrate plant at Moura in central QLD	APA holds a 20% ownership interest. The remaining partners are the Marubeni Corporation (40%) and SAS Trustee Corporation (40%)
Bonaparte Gas Pipeline (BGP)	non-scheme	Connects Wadeye, transporting gas from the Blacktip gas field in the Timor Sea to the AGP at Ban Ban Springs	APA holds a 19.9% ownership interest and manages and operates the pipeline on behalf of Energy Infrastructure Investments
Mortlake pipeline	non-scheme	Connects the PCI to the Mortlake Power Station	APA holds a 50% ownership interest in SEA Gas, the Retail Employees Superannuation Trust owns the remaining 50%
Port Campbell to Adelaide pipeline (PCA)	non-scheme	Connects Port Campbell in South West Victoria to Pelican Point in South Australia	APA holds a 50% ownership interest in SEA Gas, the Retail Employees Superannuation Trust owns the remaining 50%
Port Campbell to Iona pipeline (PCI)	non-scheme	Connects the Athena Gas Plant and the Victorian Declared Transmission System (DTS), where it connects to the South West Pipeline (SWP), it also connects to the Otway Gas Production Facility and to the Mortlake pipeline	APA holds a 50% ownership interest in SEA Gas, the Retail Employees Superannuation Trust owns the remaining 50%
Wickham Point Pipeline (WPP)	non-scheme	Connects the LNG Plant at Wickham Point to the AGP and	APA own 19.9% of Energy Infrastructure

Pipeline	Regulation	Route serviced	Ownership
		the Weddell Power Station near Darwin	Investments and operate the WPP

APA operates several pipelines in which it holds no ownership interest and are set out in Table B.4.

Table B.4 – APA operated pipelines (no ownership interest)

Pipeline	Regulation	Route serviced	Ownership
Riverland Pipeline System (RPS)	non-scheme	Connects the MAPS to Berri and Murray in the Riverland region of South Australia.	The RPS is owned by Australian Gas Networks as part of Australian Gas Infrastructure Group
Wide Bay Pipeline (WBP)	non-scheme	Connects Maryborough to Rockhampton in Queensland.	The WBP is owned by Australian Gas Networks as part of Australian Gas Infrastructure Group

APA owns or has an interest in gas storage and processing facilities which are set out in Table B.5.

Table B.5 – APA owned storage and processing facilities

Storage facility	Location	Storage capacity	Service
Dandenong LNG storage facility	The Inner Ring Main of Melbourne	680 TJ	Provides the ability to store and inject gas into the Victorian Declared Wholesale Gas Market
Kogan North	West of Brisbane	12 TJ/day	Supplies gas to the RBP at Mile Point

APA owns the Basslink electricity transmission interconnectors which is set out in Table B.6.

Table B.6 – APA owned electricity transmission interconnectors

Interconnector	Route serviced	Transmission capacity	Services
Basslink	Connecting the Tasmanian transmission network at George Town Substation with the Victorian transmission network at Loy Yang Substation.	400 kV DC	Electricity transmission. Fibre optic telecommunication services.

APA manages the Murraylink and Directlink electricity interconnectors on behalf of Energy Infrastructure Investments (EII), set out in Table B.7.

Table B.7 – APA partially owned electricity transmission interconnectors

Interconnector	Route serviced	Regulation	Ownership
Murraylink	Connects VIC (via Red Cliffs) to SA (via Berri).	Fully regulated under National Electricity Law and National Electricity Rules	19.9% (through ownership of EII)
Directlink	Connects QLD (in Bungalora) to NSW (in Mullumbimby)	Fully regulated under National Electricity Law and National Electricity Rules	19.9% (through ownership of EII)

APA owns a number of gas-fired and renewable generators, set out in Table B.8.

Table B.8 – APA owned generators

Generator	Generator Type	Location	Capacity
Daandine	Gas	West of Brisbane	30 MW
Darling Downs Solar Farm	Solar	Darling Downs, QLD	108 MW
Diamantina Power Station	Gas	Mt Isa region	242 MW (combined cycle gas turbine) 60 MW back-up generator (open cycle gas turbine)
Dugald River Solar Farm	Solar	Northern QLD	88 MW
Leichardt	Gas	Northern QLD	60 MW
Thomson	Gas	Near Mt Isa, QLD	22 MW
X41	Gas	Near Mt Isa, QLD	41 MW

APA also has interests in a renewable generator, which is set out in Table B.9.

Table B.9 – APA partially owned generators

Generator	Generator Type	Location	Capacity	Ownership
North Brown Hill	Wind	Hallett, SA	132 MW	APA have a 20.2% interest