APA
Australia's energy infrastructure partner

Application for greenfields incentive

Bulloo Interlink

9 July 2025

Contents

1. Executive Summary

1.1. Application for a greenfields incentive determination

This application seeks a greenfields incentive determination under section 100 of the National Gas Law for the proposed Bulloo Interconnect pipeline.

The Bulloo Interlink is a planned 28 inch pipeline approximately 335 km in length, connecting the south west Queensland Pipeline (SWQP) east of Ballera to the Moomba to Sydney Pipeline (MSP). The Bulloo Interlink is a critical part of APA's East Coast Gas Grid (ECGG) expansion plan to provide security of supply to southern markets and support Australia's transition to a low carbon energy system.

The Bulloo Interlink will be structurally separate from both the SWQP and the MSP. Although it will be operated as part of the ECGG (like several other separate pipelines), the Bulloo Interlink will be in many ways operationally independent of other pipelines. It will appear as a separate pipeline in APA's operational systems and be capable of independent flow. It will operate under a separate pipeline licence and will be reported separately for regulatory purposes.

The APA Board plans to make a final investment decision (FID) on whether to proceed with the Bulloo Interlink in October 2025. A greenfields incentive determination will provide the regulatory certainty needed for the APA Board to make this decision.

If FID is reached in October 2025, then it is expected that the Bulloo Interlink will be operational by winter 2028, providing much-needed additional capacity to meet gas demand in southern markets.

1.2. A greenfields incentive determination will support much-needed investment

APA expects that significant investment will be required across the ECGG over the coming decade to support security of supply during the energy market transition. AEMO forecasts increased demand from gas-fired power generation (GPG) during periods of peak demand in the national electricity market (NEM). At the same time, gas supply from southern basins is expected to decline. Additional pipeline capacity is expected to be needed to transport gas from northern supply sources to southern demand centres, including GPG.

However, the timing and nature of the investment requirements is uncertain, as this will largely depend on the pace and shape of the energy market transition – including where any new GPG capacity will be required, changes in industrial demand and rates of electrification. Investment is likely to be required at short notice and with uncertainty around long-term returns. Broader market uncertainty is leading to customers contracting for shorter terms and sizing transport commitments only to known portfolio needs – creating considerable uncertainty around the long-term demand outlook. Investments to support security of supply during the market transition will carry higher risk than past investments. APA's planned investment in the Bulloo Interlink is an example of such an investment.

APA has not yet contracted the capacity on the Bulloo Interlink and the market uncertainty around upstream gas supplies has meant customers are not committing to long term contracts. This will be resolved in time, but APA sees the Bulloo Interlink as a necessary investment to ensure that sufficient north-south transportation capacity is available for when it's expected to be needed – by winter 2028. This investment is likely to carry a high degree of commercial risk at FID. APA is therefore pursuing a range of actions that would mitigate the risks including supporting policies for:

— underwriting of gas infrastructure;
— enhancing gas supplies; and
— overall efficiency in the market.

Seeking some regulatory certainty for the Bulloo Interlink is another of these activities. Absent a greenfields incentive, the current regulatory framework is biased in that the scope for post-investment imposition of regulation retains the business' exposure to downside demand risk but limits the ability of the service provider to capture any benefits associated with upside demand risk. The regulatory truncation of returns and likelihood of under-recovery of capital erodes incentives for otherwise efficient investment.

Regulatory certainty is crucial for supporting investments of this type. Given the commercial risk profile of APA's planned investment in the Bulloo Interlink, APA needs confidence that the regulatory status of this pipeline will not change soon after it is commissioned. A change in regulatory status would affect the timing and profile of APA's return on investment, approach to service offerings and any consideration of future capital expenditure.

In the absence of regulatory certainty, investment in pipeline capacity is likely to fall short of what is needed to meet demand in southern markets – demand that is increasingly 'peaky' and unpredictable owing to the prevalence of GPG demand linked to the electricity market transition.

APA's ECGG expansion plan is designed to meet this demand. greenfields incentive determination that ensures that non-scheme regulation will be applied consistently over the term of the determination is a vital component. It will allow APA to undertake the initial investment in the Bulloo Interlink and any subsequent investments with confidence around future regulatory settings. In this respect, a greenfields incentive determination is, in combination with a contractual book-build, a necessary precursor to FID.

1.3. Investment will support security of supply and reduce costs to end-users

Efficient and timely investment in pipeline capacity will promote reliability and security of supply in east coast gas markets. AEMO and the ACCC have both flagged the need to for investment in pipeline capacity to ensure security of supply.

AEMO's most recent Gas Statement of Opportunities (GSOO) flags risks to security of supply from 2028 onwards.

AEMO notes that from 2028, the southern supply-demand balance is forecast to continue to tighten with existing, committed and anticipated[1] pipeline infrastructure less able to deliver the forecast volumes of gas required under extreme conditions, increasing the risks to peak day adequacy on the most extreme demand days (shown below in Figure 1.1).

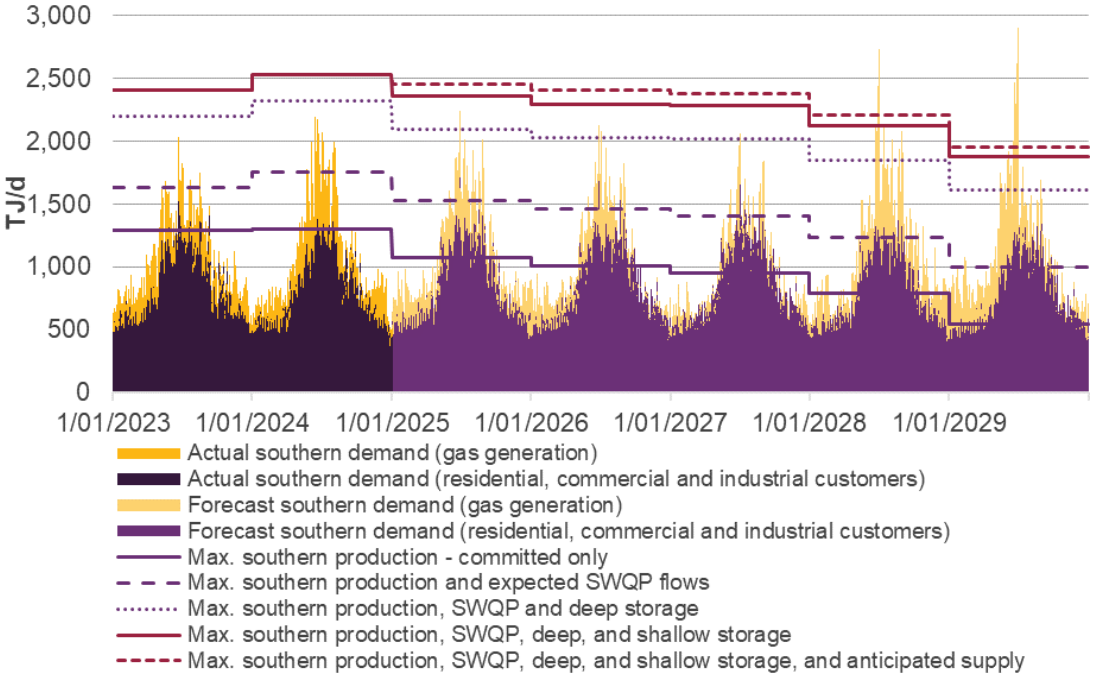
The ACCC similarly notes risks to adequacy of southern supplies, and notes that gas will need to be transported from Queensland to fulfil demand[2].

The Bulloo Interlink will provide additional pipeline capacity to transport gas from Queensland to the southern states to mitigate the risk of supply shortfalls[3]. This will promote security and reliability of supply of gas, particularly for users in the southern states. Increased supply of gas to southern markets will also place downward pressure on delivered gas prices.

By supporting supply to GPG plants, this will also promote security of electricity supply in the NEM during the transition to a lower carbon electricity system.

[1] This does not include the Bulloo Interlink.
[2] ACCC G*as Inquiry 2017-2030, Interim update on east coast gas supply-demand outlook for quarter 3 of 2025,* (March 2025), p11-14
[3] AEMO 2025 *Gas Statement of Opportunities* (March 2025) p13, Table 1 highlights that the ECGG expansion plan pushes southern supply shortfalls out to 2034.

Figure 1-1: Actual daily southern gas system adequacy since January 2023 and forecast to 2029 using existing, committed and anticipated projects (TJ/d)



Source: AEMO 2025 GSOO

1.4. Impact on access to pipeline services and access costs

A greenfields incentive determination will have little if any impact on *access* to pipeline services or the *direct costs* faced by pipeline users. The Bulloo Interlink will form part of an open access grid, and APA does not expect any change (in real terms) to the costs faced by our customers for accessing the grid.

It is not expected that Bulloo Interlink services will be sought by customers on a standalone basis. Rather, the Bulloo Interlink is likely to be one of several pipelines that will be used to supply services connecting northern supply hubs to southern demand centres (e.g. services connecting Wallumbilla to Sydney and Melbourne).

For services that use the Bulloo Interlink, APA will continue to face strong competition. This includes:

— competition from alternative pipelines, such as the Eastern Gas Pipeline (EGP) into Sydney;
— supply from alternative basins like the Gippsland or Otway for supply into Victoria;
— a significant and growing threat from LNG imports; and
— the potential for customers to use swaps, the day ahead auction (DAA) and other alternatives to firm contracted pipeline capacity.

Given this competitive environment, APA does not anticipate a separate charge for the Bulloo Interlink and the tariff from Wallumbilla to Wilton and Culcairn will apply as published. Our customers will not face higher access costs if a greenfields determination is made.

1.5. A greenfields incentive determination will promote the NGO

A greenfields incentive determination for the Bulloo Interlink will:

— promote efficient and timely investment in the pipeline capacity needed to support supply to southern markets;
— have the potential to place downward pressure on delivered gas prices; and
— support security of supply in electricity and gas markets during the transition to a lower carbon energy system, thereby supporting the achievement of emissions reduction targets.

For these reasons, a greenfields incentive determination for the Bulloo Interlink will support the achievement of the National Gas Objective (NGO).

2. East Coast Gas supply and demand

2.1. Gas demand outlook and risk of supply gaps

AEMO's annual Gas Statement of Opportunities (GSOO) provides an independent picture of the annual and peak demands for gas in the southern markets serviced by this pipeline.

The 2025 GSOO is very clear on the expected peak day and seasonal gas shortfalls in the future, and the need to bring northern Australian gas supply to southern markets to avert those shortfalls:

- Gas shortfall risks are forecast to emerge on some days in winter 2028 under extreme peak day demand conditions. While these peak day shortfalls vary in size depending on the forecast winter weather conditions and the degree of coincidence of electricity and gas demand, shortfalls are forecast under all extreme weather conditions studied. From 2028, the southern supply-demand balance is forecast to continue to tighten, with existing, committed and anticipated pipeline infrastructure less able to deliver the forecast volumes of gas required under extreme conditions, increasing the risks to peak day adequacy on the most extreme demand days.[4]
- Expanded pipeline capacity along the SWQP and MSP (following completion of the ECGG Stage 1 and 2 expansion and the MSEP conversion project) will be increasingly relied on to meet southern gas demand, with gas flows reaching flow limits under high demand conditions from 2025 for around 10-20 per cent of the year. Without further expansions of the pipeline network, or expanded southern storage capabilities, northern supplies will be increasingly constrained from providing any available supply to southern customers.[5]
- In 2025, AEMO forecasts indicate local gas production, imported northern supplies via the SWQP and use of storage facilities will likely meet forecast southern demand under weather conditions observed in recent history. During winter a risk of shortfall remains if very high peaks in demand for GPG occur due to very extreme weather conditions or unexpected NEM events.[6]
- In 2029, AEMO forecasts indicate supply gaps during winter months, with smaller shortfalls also forecast outside of winter, as southern production is projected to decline by approximately 50 per cent compared to 2025, and there is not sufficient southern production or pipeline capacity beyond existing, committed and anticipated[7] projects to transport northern gas towards southern markets.[8]
- After 2028, if there is no additional development of new southern supplies and storages, additional supply from northern uncertain projects is forecast to be required for southern regions to maintain sufficient supply to domestic consumers.[9]
- Without additional transportation capacity, southern production decline is expected to increase reliance on northern fields via the SWQP in all options without new supply developments in the south[10].

The various stages of APA's ECGG expansion program are summarised in section 3 of this application. Within the GSOO scenarios, stages 1-4 of the expansion program are considered as effective as LNG Import Terminals in deferring forecast gas shortfalls until 2034.[11] This solution, including the Bulloo Interlink and the reversal of the Eastern gas Pipeline (EGP), eliminates the need for higher cost, higher emissions LNG import terminals. Stage 5 of the expansion plan will go further in reducing peak day shortfalls and supply gaps.

[4] AEMO, 2025 *Gas Statement of Opportunities (GSOO)* (March 2025) p10.
[5] AEMO, 2025 *GSOO* (March 2025) p69.
[6] AEMO, 2025 *GSOO* (March 2025) p74.
[7] Does not include the Bulloo Interlink.
[8] AEMO, 2025 *GSOO* (March 2025) p74.
[9] AEMO, 2025 *GSOO* (March 2025) p75.
[10] AEMO, 2025 *GSOO* (March 2025) p95.
[11] AEMO, 2025 *GSOO* (March 2025) Table 12, p87.

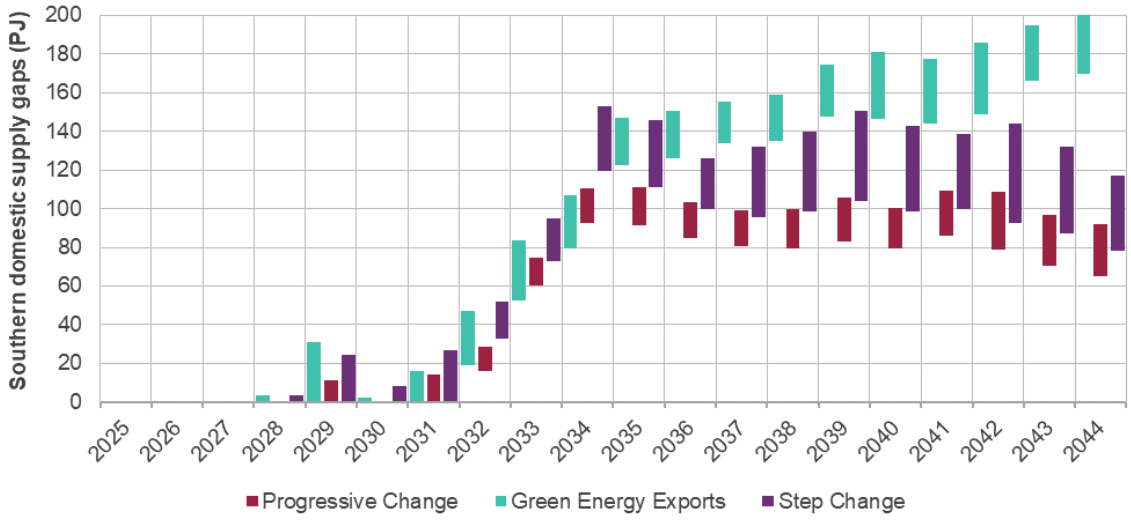
Solutions to the structural short falls from 2034 onwards require further investment in gas production, gas storage, and pipeline transportation.

2.1.1. Annual and seasonal supply gaps are forecast in southern Australia

AEMO states, in its 2025 GSOO: [12]

> *Annual and seasonal supply gaps are increasingly forecast in southern Australia from 2028.*
>
> *From 2028, small seasonal supply gaps are forecast if conditions lead to sustained high gas usage, particularly in winter, even with the development of committed and anticipated supplies as currently planned. While demand flexibility may mitigate short duration peak day shortfall risks, addressing supply gaps will require a solution, or solutions, which bring in more supply…*
>
> *The emergence of projected supply gaps from 2028 and 2029, shown in Figure 5, are lower across later years in the horizon than forecast in the 2024 GSOO, primarily due to lower GPG forecasts and some uncertain supply now being categorised as anticipated supply. Despite the actions to reprofile forecast gas production, extend coal availability, and influence gas use decline through electrification and energy efficiency investments, supply solutions continue to be identified as necessary in this GSOO. The breadth of forecast shortfalls in this 2025 GSOO diverges across modelled scenarios from the mid-2030s, reflecting uncertainty in the speed of the energy transition affecting consumer demand and gas for electricity generation.*

Figure 2-1: Range of domestic annual supply gaps forecast in southern regions based on existing, committed, and anticipated developments, all scenarios, 2025-44 (PJ)



Source: AEMO 2025 GSOO, Figure 5

AEMO's GSOO analysis is restricted to committed and anticipated supply and infrastructure projects only.[13] If more new supply, storage and pipeline expansion projects reach FID, this will further delay the forecast shortfalls. The "Pipeline expansions & upgrade solution" and "LNG regasification terminal" both delay shortfalls until 2034.[14]

Small and infrequent peak day shortfalls are forecasted in extreme weather conditions from winter 2028 (1:20 weather year event).

[12] AEMO, 2025 *GSOO* (March 2025) pp10-11.
[13] Note that the 2025 GSOO considers the Bulloo Interlink as a "development opportunity" – see pp 59,84.
[14] AEMO, 2025 *GSOO* (March 2025) Table 1, p13.

The 2025 GSOO is also forecasting significant shortfalls in the ability of currently installed infrastructure to meet the peak day demand for commercial, residential and gas-fired power generation as shown in the following charts.

Figure 2-2 is replicated from the GSOO but without the pipeline expansions which are the subject of this Greenfields application. Note the conversion of the MSEP is included here and adds 20TJ/day of capacity.

Figure 2-3 below is the same chart but shows the impact of the ECGG pipeline expansions and upgrades.

Figure 2-2: Actual daily southern gas system adequacy forecast to 2036 using Max. committed and anticipated southern production, SWQP, deep, and shallow storage (baseline)

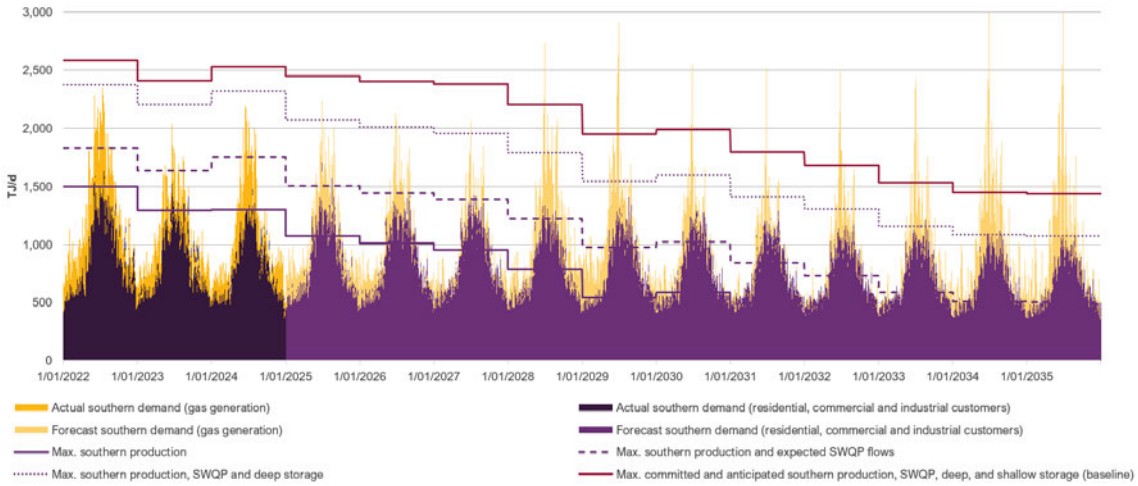
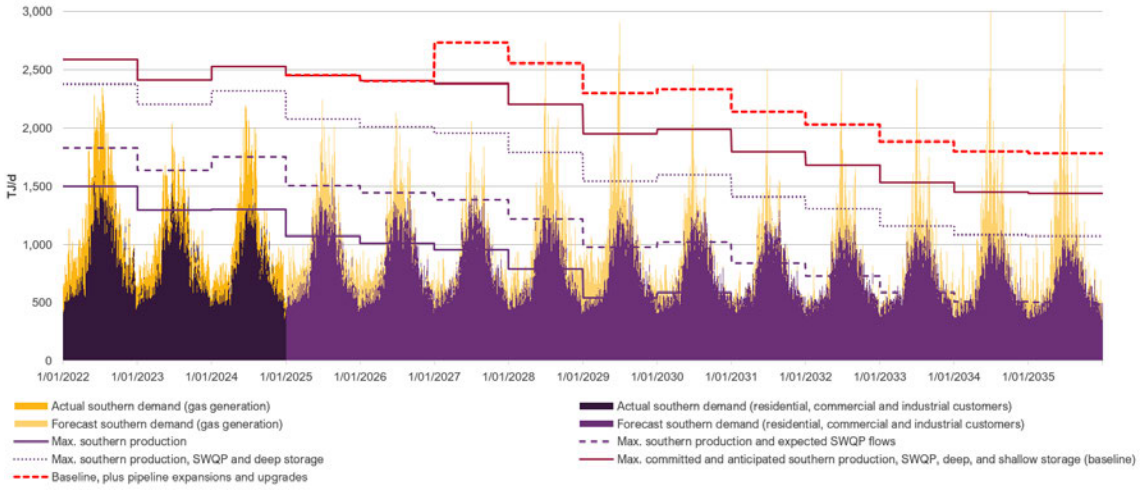


Figure 2-3: Actual daily southern gas system adequacy forecast to 2036 using Max. committed and anticipated southern production, SWQP, deep, and shallow storage (baseline) plus pipeline expansions and upgrades



Source: AEMO 2025 GSOO Figure 6 as modified by APA

2.2. Gas-powered generation in the transition to net zero

Gas will play a key role in transitioning the energy market to net zero. This has again been reinforced by AEMO, in providing an overview of its 2025 GSOO, stating that:[15]

> *During Australia's transition to a net zero emissions future, gas will continue to be used by Australian households, businesses, and industry, and to support the operation of the electricity sector.*

Further, the Hon Chris Bowen, Federal Minister for Climate Change and Energy has stated:[16]

> *Domestically, the Government has a target of 82 per cent renewable energy in our energy mix by 2030. As big and ambitious as this lift is, it will leave 18 per cent of our electricity mix as non-renewable…*
>
> *And as ageing coal-fired power stations leave the grid, that 18 per cent will increasingly be focussed on gas. Gas is a flexible fuel necessary for peaking and firming as we undertake this transformation….*
>
> *Unlike coal fired power stations (or, for that matter nuclear power stations), gas fired power stations can be turned on and off at very short notice, making them vital for peaking and firming. This is before we get to the needs of industrial manufacturers for gas as feedstock and direct energy.*

GPG and gas infrastructure is expected to play a key role in navigating an orderly and secure energy transition, as well as helping Australia meet its net zero targets.

AEMO's 2024 Integrated System Plan (ISP) is abundantly clear that:[17]

> *As Australia's coal-fired generators retire after decades of service, renewable energy connected with transmission and distribution, firmed with storage and backed up by gas-powered generation is the lowest-cost way to supply electricity to homes and businesses.*

but identifies a risk of insufficient (gas) supply infrastructure as a risk to the delivery of the energy transition:[18]

> *The energy transition depends on timely investment decisions, which are hampered by uncertainty. Delays and uncertainties in energy regulation, environmental and planning approvals increase the complexity faced by electricity infrastructure investors and add to the risk of project delay. As well, the need for higher levels of flexible gas capacity will challenge Australia's existing gas supply infrastructure. …*
>
> *Further investment in gas infrastructure will be required to ensure energy reliability, potentially including additional supply, upgrades and expansions of existing pipelines, import terminals, increased storage, and alternative fuels such as hydrogen and other green gases, and other liquid fuels.*

Since publishing the 2022 ISP, AEMO has recognised that GPG will play an even greater role during the transition by increasing its GPG forecasts in the 2024 ISP by some 60 percent.

The ISP also identifies a risk associated with peak GPG demand coinciding with peak winter gas demand:[19]

> *As more renewable generation enters the NEM, increasing the diversity of supply across the year and across the regions, an inherent tension will be necessary to manage which is that renewable energy yields are generally lower in winter, with shorter days affecting*

[15] AEMO, Executive Summary of *2025 Gas Statement of Opportunities* (20 March 2025), p 3.
[16] Commonwealth Energy Minister, Hon Chris Bowen, *Speech to CEDA WA Energy Transition Summit,* 17 November 2023
[17] AEMO ,2024 ISP, June 2024, pp 6, 10, 21, 22, 29, 49, 65.
[18] AEMO, 2024 ISP, June 2024, pp 16, p80.
[19] AEMO, *2024 Integrated System Plan (ISP)* (June 2024), p 70.

> *solar generators in particular. As a backup reserve to other electricity generation forms, including storage, gas generation is forecast to increasingly provide flexible operation at times when the supply-demand balance is tight. Gas for electricity generation is therefore expected to be needed most during winter, when gas demand for heating is also high. Its availability depends on gas supplies through the East Coast Gas System.*
>
> *AEMO forecasts that if gas and electricity demands peak simultaneously, particularly during extreme conditions in winter affecting both electricity and gas demand, then there is a risk that gas supply to gas-powered generation may be curtailed by pipeline infrastructure constraints. Likewise, if electricity demand peaks when renewable energy availability is low, pipeline constraints may impact the capacity for gas generation to support other dispatchable reserves.*

It is clear that Australia's transition to net zero will depend heavily on GPG to support variable renewable generation, and that GPG will require the support of a robust gas supply chain.

2.3. Investment required

AEMO's 2025 GSOO relevantly makes the following observations, highlighting the urgent need for investment: [20]

> *The 2025 GSOO forecasts risks of peak day shortfalls[2] from 2028, and structural supply gaps[3] emerging from 2029 in southern Australia. While the scale of gas consumption remains uncertain through the energy transition, particularly gas usage for electricity generation, all scenarios identify the need for new supply investments to maintain supply adequacy.*
>
> *This 2025 GSOO assessment of gas supply adequacy assumes that all committed and anticipated supply and infrastructure projects are progressed and completed to schedule. Without these, peak day shortfalls in the short term are more likely.*

From 2026 the southern supply-demand balance continues to tighten, and existing pipeline infrastructure becomes less able to deliver the volumes of gas required under extreme conditions, increasing the risks to peak day adequacy on the most extreme demand days.

Northern producers need to deliver anticipated supplies and from 2026, investments in currently uncertain sources of supply will be needed to meet both domestic requirements and contracted LNG export positions.

2.3.1. North to south pipeline capacity

Increased north to south pipeline capacity provides southern demand centres with improved access to northern gas production, including existing, committed, anticipated and as yet undeveloped uncertain production (see GSOO Section 3.2.1). APA's ECGG Stage 3 expansions of the SWQP, MSP and the Bulloo Interlink (see GSOO Section 3.3.1*)* continue to be identified as development opportunities, and other projects such as Jemena's EGP reversal will also support improved north-south flow capabilities.

Additional pipeline capacity would provide improved capability to transport gas south throughout the year to the major load centres of Victoria, New South Wales and South Australia.

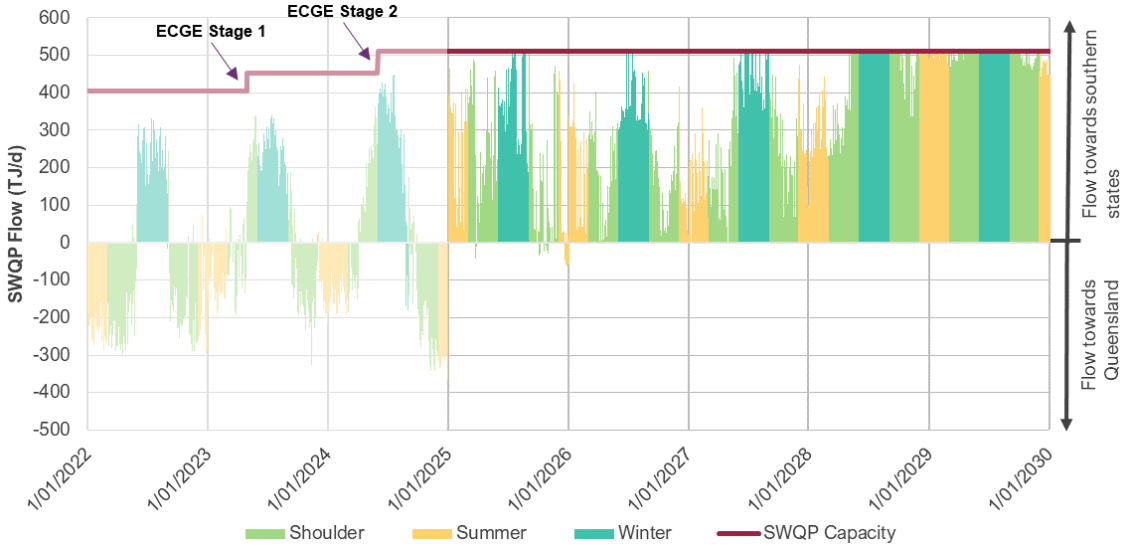
AEMO's 2025 GSOO indicates that from 2025, refilling southern storages ahead of winter peak demand periods will rely more heavily on gas transported from northern fields via the SWQP, as southern production declines. Figure 2-4 replicated below shows an increasing trend for higher utilisation of the SWQP to support southerly flow to the southern states. The SWQP is forecast to

[20] AEMO, 2025 *GSOO* (March 2025) p3, p10. [2]A peak day shortfall is driven by insufficient available gas production or transport capacity to meet extreme peaks in demand on a single day. [3]A seasonal or annual supply gap is driven by insufficient gas production or transport capacity to meet total seasonal or yearly demand.

increasingly reach pipeline capacity from 2025 onwards, constraining the amount of northern gas that can flow to southern markets. [21]

The ECGG Expansion Stage 3, featuring the Bulloo Interlink, will increase the available SWQP capacity to 605TJ/day, an increase of 93TJ/day.

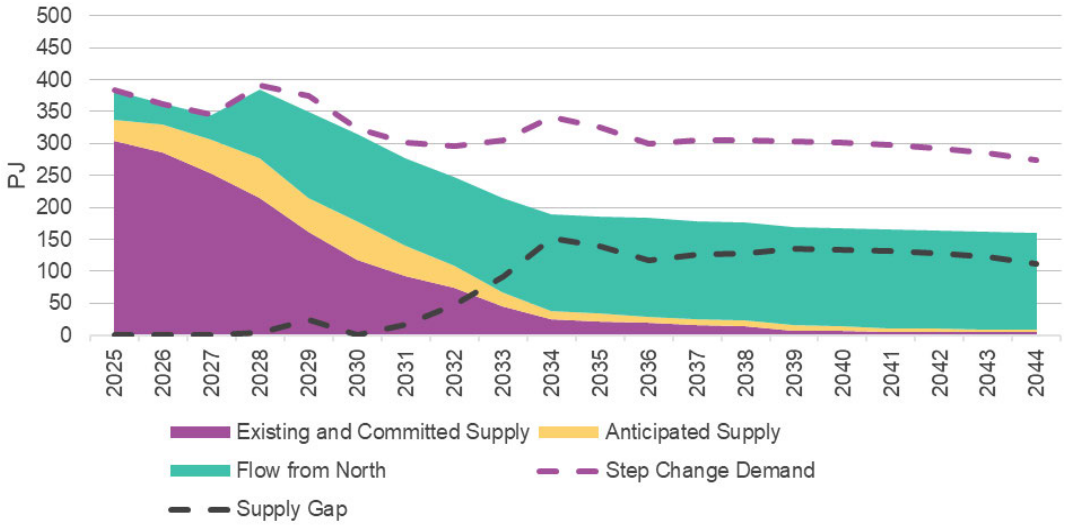
Figure 2-4: Actual (2022 to 2024) and projected (2025 to 2030, reference year 2018, Step Change) gas flows along the SWQP (TJ/d) – positive flows are southbound



Source: AEMO 2025 GSOO Figure 37

The ECGG Expansion Plan is designed to ensure there is sufficient capacity for domestic gas supplies in northern Australia to supply southern market demand and to avoid the market shortfalls otherwise forecast by AEMO and shown in Figure 2-5.

Figure 2-5: Projected annual adequacy in southern regions, Step Change scenario, with existing, committed and anticipated developments, 2025-44 (PJ)



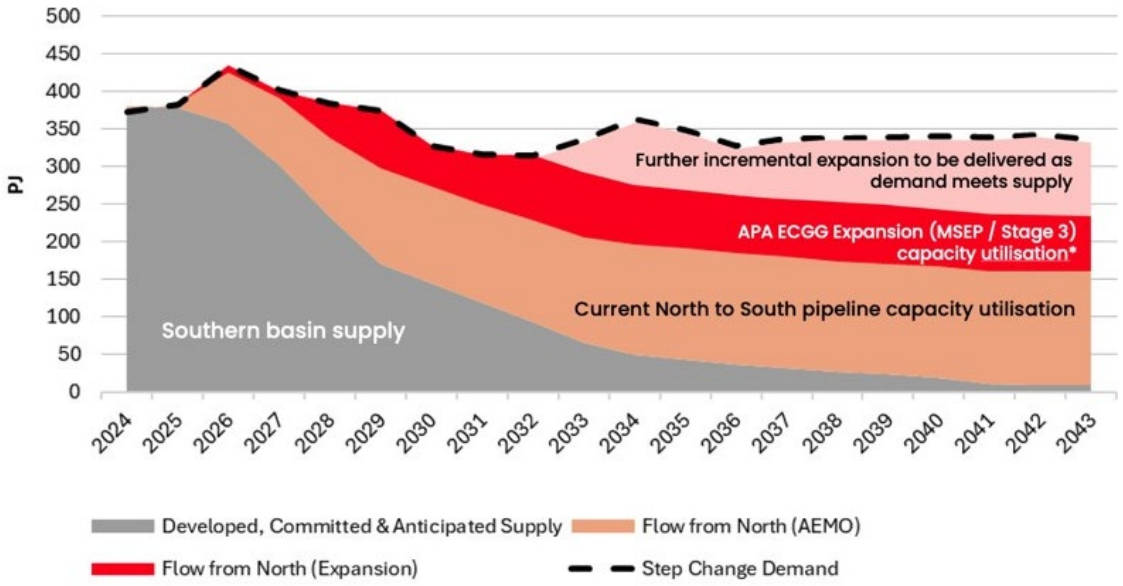
Source: AEMO 2025 GSOO Figure 41

[21] AEMO, 2025 *Gas Statement of Opportunities (GSOO)* (March 2025) pp70-71.

Under its ECGG Expansion plan, APA's modelling shows demand for gas will subsequently be addressed until 2032, with the capacity to deliver further incremental expansion in later years. This is detailed in Figure 2-6.

Importantly, the plan can be delivered in stages, so it incrementally satisfies demand while minimising the costs to consumers. The Bulloo Interlink Pipeline is a significant and strategic component of this plan.

Figure 2-6: Forecast southern demand (Step change scenario)/ Supply including ECGG expansion



Source: APA Internal modelling, AEMO 2025 GSOO

2.4. Non-scheme regulation provides the necessary support for investment

The 2024 GSOO highlighted that the next decade will be a crucial period for investment to support the energy transition whilst maintaining security of energy supply. Much of this investment is likely to carry considerable risk, given the uncertainty around the pace and shape of the market transition.

Australia's national gas access regime provides that all pipelines are subject to some form of regulation: either as a "scheme pipeline", in which the AER approves *ex ante* reference tariffs through an access arrangement process, or as a "non-scheme pipeline", where shippers and end-users negotiate prices for access to pipeline infrastructure subject to an information disclosure and commercial arbitration regime.

The Greenfields Incentive under s100 of the National Gas Law (NGL) provides for assurance that the pipeline would not be subject to scheme regulation for a significant period (15 years by default).

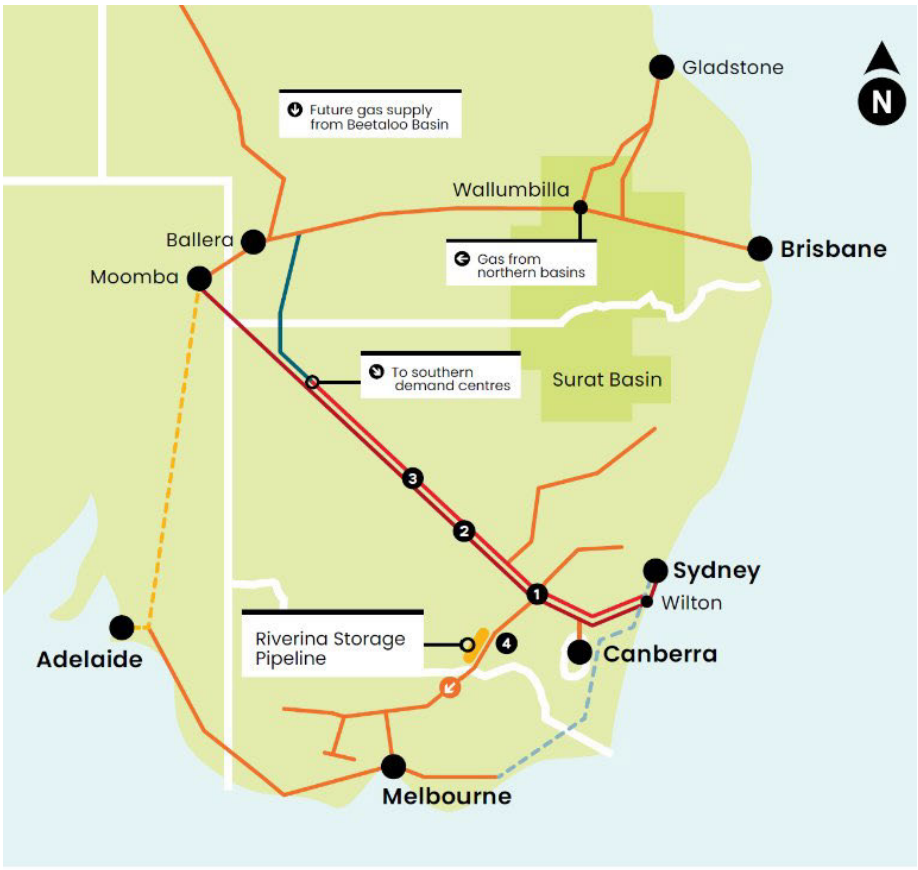
The prospect of tariff regulation being imposed after risk has been assumed by investors with a view to capping any upside returns would create a real disincentive for investment at this critical juncture. It is likely to mean that investors are less willing to support investment which carries uncertain regulatory risk – and in some cases, such investment may only be supported if long-term contracts or other risk mitigants are in place.

Confirmation that economic regulation would not be imposed for a significant period after risk has been crystallised will be important to attract investment capital to the Bulloo Interlink project.

3. East Coast Grid Expansion Plan and Bulloo Interlink

The Bulloo Interlink is a central piece of APA's East Coast Gas Grid (ECGG) Expansion Plan.[22]

The ECGG Expansion Plan is aimed at delivering an increase in north-to-south gas transport capacity and new southern markets storage to help ensure lower cost and lower emissions domestic gas is available to meet East Coast gas demand and to support the delivery of new gas-powered generation.



The plan deploys increments of capacity to market each year between 2025 to 2029, enabling investment timing to meet the evolving dynamics of the east coast gas market. The component parts of the ECGG expansion plan as shown in Table 3-1 are intended to work together to maximise delivery of northern Australian gas to southern markets.

[22] See APA ASX release, *APA's East Coast Gas Expansion Plan* published 24 February 2025.

Table 3-1: East Coast Gas Grid Expansion Plan

Stage	Name	Description	Year
MSEP	MSEP conversion	Reconfiguration of the Moomba-Sydney Ethane Pipeline to provide natural gas transport and storage from Moomba to Wilton/Culcairn.	2025
Stage 3	Young PRS	Pressure Reduction Skid (PRS) [23] on the Moomba-Sydney Pipeline (MSP) at Young.	2025
	Gilgunnia compression	Gas driven compressor located on the MSP at MW733. Previously MSP Stage 3a but now in a different location.	2026
	Milne PRS	PRS on MSP at MW880.	2026
	Uranquinty compression	Electric drive compressor at Uranquinty. Previously MSP Stage 3b.	2027
	Bulloo Interlink	335km, 28-inch pipeline connecting the SWQP to MSP.	2028
Stage 4	Riverina Storage Pipeline Phase 1	59km, 42-inch pipeline Electric drive compressor at Uranquinty	2028
	Riverina Storage Pipeline Phase 2	89km, 42-inch pipeline Electric drive compressor at Uranquinty	2029
Stage 5	Riverina-Culcairn connection	VTS AA 2027 Compressor, Looping of existing DN400, Meter Station, PRS.	2029

Two of the developments shown in Table 3-1 have reached FID and will add new north-to-south gas transport capacity in 2025 and 2026, namely the:

— Moomba to Sydney Ethane Pipeline (MSEP) conversion project which is targeting completion in 2025. Conversion to natural gas will increase total southbound capacity from Moomba to Sydney from 565 TJ/day to 590 TJ/day; and

— MSP off-peak capacity expansion project which will increase capacity in summer months - when pipeline maintenance is being undertaken -to 80-120 TJ/day.

Stage 3 of the expansion plan focusses on increasing capacity to move gas between northern basins and southern markets by around 24 per cent. This includes two new compressors on the MSP but specifically, the proposed delivery of the Bulloo Interlink which is summarised below in section 3.1.

Stage 4 of the expansion plan focusses on delivering new gas storage to support AEMO's forecast need for peaking GPG to support renewable energy in the NEM.

This requires the delivery of the proposed new Riverina Storage Pipeline (RSP) [24], a dedicated 500 TJ storage pipeline in NSW, along with new compression and pipeline infrastructure.

If progressed as scheduled, Stage 4 would add new storage capacity for winter 2028 and 2029. The storage project can be delivered in stages, with ~200TJ of storage online as early as 2028, and the potential to expand to ~500 TJ as early as 2029.

Finally, Stage 5 adds flexibility and capacity upgrades to the Victorian Transmission System (VTS). The potential project will expand APA's MSP and VTS systems through the addition of new compressors, reconfiguration works, and pressure regulation infrastructure. It is proposed that an 84 per cent increase in transport capacity into Wollert, Victoria could be delivered as early as winter 2029.

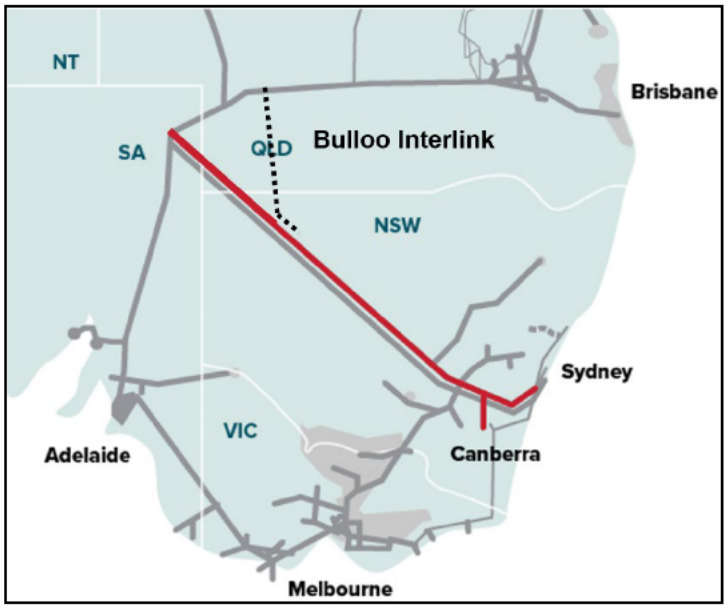
[23] MSP is currently subject to extended periods (up to 7 months per year) of capacity reduction to allow for an extensive ongoing dig and inspection program. The Pressure Reduction Skids reduce the periods of pressure and capacity reduction to as little as 2 months per year. This will provide capacity in the summer months.

[24] A separate application for a Greenfields Incentive determination will be made for the Riverina Storage Pipeline.

3.1. About the Bulloo Interlink

The Bulloo Interlink is a planned 15 kPa, 28-inch single-directional pipeline, approximately 335 km in length, linking the SWQP to the MSP.

The Bulloo Interlink is designed to transport gas from northern basins such as the Surat in Queensland and the Beetaloo in the Northern Territory, amongst others. Engineering design and planning, along with long lead item procurement, is progressing as part of committed early works funding.



The project will increase the East Coast Gas Grid capacity to bring northern gas to southern markets by 105 TJ/day. Combined with other elements of the East Coast Gas Grid expansion program, APA expects capacity between Young and Melbourne would increase from 190 TJ/day to 229 TJ/day. It will also allow for future, progressive increases in capacity between Young and Melbourne during subsequent stages.

Section 24 of the National Gas Rules (NGR) requires the information included in Table 3-2 to be provided as a description of the pipeline.

Table 3-2: Pipeline description (Section 100(2)(c) of the NGL)

National Gas Rule 24(1)	Description
(a) a description sufficient to identify the pipeline and its route	The Bulloo Interlink is a planned DN700 pipeline, approximately 335km in length, connecting the SWQP east of Ballera to section 3 of the MSP. Shown in the diagrams above.
(b) the end points of the trunk of the pipeline (i.e. the points defining the extremities, where the trunk begins and ends)	The Bulloo Interlink is a planned to connect to the SWQP east of Ballera in the north (at the existing Meadows LV, KP 96), and to the MSP in the south (at the existing Mecoola Creek scraper station, KP 300). The SWQP and MSP will remain in service while the Bulloo Interlink is commissioned. The Bulloo Interlink is not expected to connect to the MSEP at this time.
(c) if a lateral forms part of the pipeline – the point where the lateral interconnects with the trunk and the end point of the lateral	There are no laterals currently contemplated for the Bulloo Interlink.
(d) the range of diameters for the principal pipes (including laterals)	The Bulloo Interlink is a planned DN700 pipeline.
(e) an estimate of the pipeline's capacity and an estimate of the extent to which the pipeline's capacity is likely to be utilised by the applicant or associates of the applicant	See the discussion on increased capacity in sections 2 and 3 of this application. Some APA Group ring-fenced entities may contract for services using the Bulloo Interlink. Any resulting associate contracts will abide by the associate contract provisions in s146 and s147 of the National Gas Law and will be provided to the AER in accordance with Rule 33.

National Gas Rule 24(1)	Description
	Other than those disclosed associate contracts, there are no relationships between APA Group and a user, supplier or end user in any of the locations served or downstream locations served by the pipeline.
(f) a website address at which a map of the route of the pipeline may be inspected.	Further information on the East Coast Grid Expansion Plan, including a map of the Bulloo Interlink pipeline, can be found on the APA Group Website[25].

3.2. A greenfields pipeline project

To be a 'greenfields pipeline project', a pipeline must be:[26]

- structurally separate from any existing pipeline; *or*
- a major extension to an existing pipeline.

These concepts are not defined in the NGL or NGR but have been considered by the National Competition Council (NCC) in assessing applications under the previous greenfields inventive regime.

APA considers that the Bulloo Interlink is 'structurally separate' from existing pipelines. However, if the AER were to consider it is as an extension to an existing pipeline, then it would be a "major extension". In either circumstance, the Bulloo Interlink satisfies the NGL definition of a 'greenfields pipeline project'.

3.2.1. Structurally separate from existing pipelines

Previous NCC decisions treated pipelines as 'structurally separate' from existing pipelines if they exhibit some or all of the following features:[27]

- the pipeline is 'a major piece of infrastructure in its own right' (as opposed to a minor extension or augmentation of an existing pipeline);
- the pipeline carries gas to or from different locations, compared to existing pipelines;
- the pipeline is 'operationally independent of existing pipelines';
- the pipeline has separate meters, valves, scrubber stations and compressor stations;
- the pipeline is separately licenced; and
- the pipeline is reported separately for regulatory purposes (e.g. on the Gas Bulletin Board).

Not all of these features need to be present in order for a pipeline to be treated as 'structurally separate'. However, when several of these features are present then it strongly suggests structural separation from existing pipelines.

The relevant features of the Bulloo Interlink are set out below.

Table 3-3: Features of the Bulloo Interlink relevant to whether it is 'structurally separate'

Feature	Apply	Explanation
The pipeline is 'a major piece of infrastructure in its own right'	✓	The Bulloo Interlink will cover a substantial distance (approximately 335km) and transport significant volumes of gas. It is intended to provide a new link between existing pipelines, rather than simply extending those pipelines.

[25] https://www.apa.com.au/operations-and-projects/gas/gas-transmission/east-coast-grid-expansion-ecge
[26] NGL, s 2.
[27] NCC, Northern Goldfields Interconnect Gas Pipeline 15 year no-coverage application: Final Recommendation, 24 November 2023, [2.20].

Feature	Apply	Explanation
The pipeline carries gas to or from different locations, compared to existing pipelines	✓	The Bulloo Interlink will carry gas from a point east of Ballera to an injection point around a quarter of the way down the MSP. There is no single pipeline that currently carries gas between these two locations.
The pipeline is 'operationally independent of existing pipelines'	✓	Although it will be operated as part of APA's ECGG (like several other separate pipelines), the Bulloo Interlink will be in many ways operationally independent of other pipelines. It will appear as a separate pipeline in APA's operational systems and will need to be capable of independent flow due to the transient nature of gas flows and need for in-service storage. The input flows will be an independent combination of flows from the SWQP, QSN, CGP and NEAP[28] with outlet flows to the MSP.
The pipeline will have separate meters, valves, and scrubber stations.	✓	The pipeline will include inlet, outlet and intermediate stations. There are no compressor stations on the BIL but there will be additional metering at the end facility.
The pipeline will be separately licenced	✓	The Bulloo Interlink will be operated under a separate pipeline licence and by a separate service provider entity to existing pipelines.
The pipeline will be reported separately for regulatory purposes	✓	The Bulloo Interlink will be reported as a separate pipeline under Part 10 of the National Gas Rules.

3.2.2. If an extension, it is a major extension of an existing pipeline

The features identified in Table 3-3 highlights that the Bulloo Interlink should be treated as structurally separate from existing pipelines. It is not an extension of an existing pipeline.

Indeed, if it were to be considered an 'extension', it is not clear which existing pipeline it would be seen as extending. The Bulloo Interlink will provide a new link between multiple pipelines – from near the intersection of the SWQP and CGP at Ballera to a point approximately a quarter of the way down the MSP.

However, were the AER to consider it to be an 'extension' of any pipeline then it is clearly a 'major' extension.

Previous NCC decisions have treated pipelines as "major" extensions where they substantially elongate and/or increase the available capacity on an existing pipeline. For example, the Comet Ridge to Wallumbilla Pipeline Loop (CRWPL) was treated as a major extension on the basis that it would:[29]

- be 119km long, extending the length of the existing GLNG Gas Transmission Pipeline by around 28%; and
- deliver over half of the estimated volume of gas that can be carried on the GLNG Gas Transmission Pipeline.

The Bulloo Interlink will be substantially longer than the CRWPL (and also longer than several other pipelines that are treated as separate pipelines within the East Coast Gas Grid[30]). It will also result in a significant increase in the capacity of the MSP to bring gas to southern markets (greater than 100TJ/day).

[28] NEAP is the North to East Australia Pipeline, a planned pipeline to bring Beetaloo gas to southern markets.
[29] NCC, Comet Ridge to Wallumbilla Pipeline Loop - 15 year no-coverage determination: Final Recommendation, 28 April 2015.
[30] For example, the Reedy Creek Wallumbilla Pipeline.

Given these features, the Bulloo Interlink is clearly a “major” extension of the existing pipeline grid if it was not considered structurally separate.

APA considers the Bulloo Interlink as a structurally separate pipeline but were the AER to consider it is as an extension to an existing pipeline then it would be a “major extension”. In either circumstance, the Bulloo Interlink is a ‘greenfields pipeline project’ for the purposes of this application.

4. Efficient investment to support security of supply and reduce costs faced by end-users

In deciding whether to make a greenfields incentive determination, the AER must consider the effect of regulating the Bulloo Interlink as a scheme or a non-scheme pipeline on:

— the promotion of access to pipeline services; and

— the costs that are likely to be incurred by an efficient service provider, users / prospective users and end-users.[31]

In doing so, the AER must have regard to the NGO and the form of regulation factors.

For reasons discussed in section 5 below, a greenfields incentive determination will have little if any impact on *access* to pipeline services or the *direct costs* faced by pipeline users. The Bulloo Interlink will form part of an open access grid, and APA does not expect any change (in real terms) to the costs faced by our customers for accessing the grid.

Rather, the most important effect of a greenfields incentive determination will be to provide the regulatory certainty needed to support investment to increase transportation capacity on the ECGG. This will in turn promote reliability and security of supply and place downward pressure on delivered gas prices. In this way, a greenfields incentive determination will support the achievement of the NGO.

4.1. Market uncertainty and commercial risk in undertaking this investment

For reasons discussed in section 2 above, APA expects that significant investment will be required across the ECGG over the coming decade to support security of supply during the energy market transition.

However, the timing and nature of these investment requirements is uncertain, as this will depend on a range of factors relating to the pace and shape of the energy market transition, including:

— where any new GPG capacity will be required;

— changes in patterns of industrial demand; and

— rates of domestic electrification.

Consequently, investment is likely to be required at short notice and ahead of APA being able to contract any new capacity.

While APA can foresee a need for this investment to support security of supply, the long-term demand outlook – and therefore the outlook for revenue and returns – is highly uncertain. This is in part due to customers opting for shorter term contracts, reflecting broader uncertainty around gas supply and demand dynamics. Firm transport contracting is now typically two to three years, reflecting a change to shorter term gas supply contracting with customers sizing transport commitments only to known portfolio needs.

Pipeline investments to support security of supply during the market transition are therefore likely to carry higher risk and uncertainty around returns compared to past investments. Given the uncertainty around the pace and shape of the market transition, there is likely to be the potential for both upside returns and downside risk on any investment. The prospect of tariff regulation being imposed after risk has been assumed by investors with a view to capping any upside returns will create a real disincentive for investment at this critical juncture.

APA's planned investment in the Bulloo Interlink is an example of such an investment. APA has not yet contracted the capacity on the Bulloo Interlink, and therefore this investment carries a high degree of commercial risk. However, APA sees this as one of several necessary investments to

[31] Section 112(2) of the NGL

ensure that sufficient north-south transportation capacity is available. APA is planning to undertake this investment ahead of fully contracting capacity on the Bulloo Interlink, to ensure that the capacity is available for when it's expected to be needed – by winter 2028. APA therefore needs to mitigate the commercial risks where possible.

4.2. Non-scheme regulation will promote efficient investment and support the long-term interests of consumers

In an environment of uncertain demand, non-scheme regulation will best promote efficient investment. The potential for scheme regulation to be applied, including regulation of reference tariffs under the NGR, is likely to deter or significantly delay efficient investment.

The reasons for this are explained in the expert report of Mr Jeff Balchin, which was considered by the AER in its form of regulation review for the South West Queensland Pipeline. Mr Balchin noted:

> *The difficulties with applying cost-based regulation to pipelines with long term demand uncertainty was canvassed extensively in the mid-2000s as an element of reviews of the Third Part Access Code for Natural Gas Pipeline Systems, including by the ACCC, Productivity Commission, the Ministerial Council on Energy, and an Expert Panel appointed by the Ministerial Council on Energy. Amongst other matters, the reviews addressed the question of whether pipeline regulation under the Gas Code generated the necessary incentives for pipeline investment in situations where demand is uncertain. The uniform conclusion of the reviews was that demand uncertainty was not able to be adequately addressed under the reference tariff regime by either bringing forward depreciation, compensating for stranding risk in the regulated rate of return, or using longer regulatory periods.* [32]

Mr Balchin notes that the greenfields incentive framework was introduced in the Code (and later brought across to the NGL) as one mechanism to address this issue. The greenfields incentive mechanism was one way to provide certainty for project proponents around the non-application of reference tariff regulation where there was material demand risk.

4.3. Certainty is needed around the application of non-scheme regulation to the Bulloo Interlink

Making a greenfields incentive determination for the Bulloo Interlink, thus ensuring that it remains a non-scheme pipeline for at least the term of the determination, will provide the regulatory certainty which is a necessary element to support:

— APA's initial investment in the Bulloo Interlink; and

— subsequent expansions of the capacity of the Bulloo Interlink as may be required to meet southern demand.

In the absence of a greenfields incentive determination, there will be uncertainty regarding the future regulatory status of the Bulloo Interlink. A scheme pipeline determination could potentially be made at any time, meaning that the Bulloo Interlink could become subject to scheme regulation. Scheme regulation could potentially affect:

— the way in which services are defined and offered to customers;

— the timing and profile of returns;

— the allocation of costs between services and tariff structures; and

— the treatment of future capital expenditure – including expenditure which may need to be undertaken ***ahead*** of demand, and which therefore may not satisfy the rule 79 criteria.

[32] Incenta Economic Consulting, *Economic principles for deciding on the appropriate form of regulation for the South West Queensland Pipeline*, March 2024, p 8.

Uncertainty around the future regulatory status of the Bulloo Interlink may mean that:

— the initial investment is delayed or potentially abandoned if the perceived regulatory risk is too great; and/or
— the initial investment and any subsequent expansions may be 'undersized' – as APA would not have the confidence to invest in capacity that is not required to meet immediately foreseeable demand (because such investment may not meet the new capex criteria in rule 79); and/or
— subsequent expansion may be delayed until there is sufficient certainty around demand and APA can be confident that the capex will meet the rule 79 criteria.

In short, in the absence of regulatory certainty, investment in pipeline capacity may fall short of what is needed to meet demand in southern markets – demand that is increasingly 'peaky' and unpredictable owning to the prevalence of GPG demand linked to the electricity market transition.

4.4. A greenfields incentive determination can provide the regulatory certainty needed to support investment

The risk of regulatory uncertainty distorting investment is well recognised. For example, in its 2004 review of the gas access regime, the Productivity Commission noted:

> *Regulatory risk occurs when additional risks are imposed on a project's returns due to uncertainty about a regulator's future behaviour. This increase in project risk, if there is no compensating increase in the expected return of the project, will act as a deterrent to investors.*

Recognising this, the PC recommended a mechanism for a prospective investor to obtain a binding 'no coverage' ruling. The PC noted that "*such a ruling would reduce regulatory uncertainty and therefore might cause otherwise marginal pipeline investments to proceed*".[33] The PC noted that both the earlier review of the national access regime and the COAG Energy Market Review favoured the use of binding rulings. The 'no coverage' determination framework, which later became the greenfields incentive determination framework, was introduced into the gas access regime following the PC's recommendation.

4.5. Certainty around the application of non-scheme regulation will continue to support APA's investment in the ECGG

A greenfields incentive determination will be critical for reducing regulatory uncertainty and supporting APA's investment in the Bulloo Interlink and the ECGG more broadly.

Without a greenfields incentive, the scope for post-investment imposition of regulation maintains the business' exposure to downside demand risk but limits the ability of the service provider to capture any benefits associated with upside demand risk. The regulatory truncation of returns and likelihood of under-recovery of capital erodes incentives for otherwise efficient investment.

APA has previously noted the importance of regulatory certainty to its investment decisions in its March 2024 submission to the SWQP Form of Regulation Review. APA noted that its decision on Stage 3A of the ECGG expansion program had been suspended in light of the (then) current regulatory uncertainty. APA was only prepared to commit to further investment in Stage 3A after it received confirmation from the AER that it would not be making a scheme pipeline determination for the SWQP.

In this case, regulatory uncertainty is a similarly critical factor in APA's decision-making. A greenfields incentive determination can substantially reduce uncertainty and in combination with a contractual book-build, support FID.

[33] Productivity Commission, Review of the Gas Access Regime, 11 June 2004, p 399.

5. Access to pipeline services and costs faced by end-users

A greenfields incentive determination will have little if any impact on *access* to pipeline services or the *direct costs* faced by pipeline users.

The Bulloo Interlink will form part of the open access ECGG and will be one of several pipelines that will be used to supply services connecting northern supply hubs to southern demand centres.

APA does not expect any change (in real terms) to the costs faced by our customers for ECGG services if a greenfields incentive determination is made. In supplying these services, APA will continue to be constrained by competition and the countervailing power of our customers.

5.1. Competitive constraints on APA's supply of pipeline services

The Bulloo Interlink will form part an interconnected ECGG that is used to transport gas from supply sources to major demand centres. As southern supplies decline, this will increasingly be north-south transportation services, connecting gas sources in northern parts of Australia to southern demand centres.

Gas transportation services will not be sought by customers on the Bulloo Interlink alone. Rather, the Bulloo interlink will be one of several pipelines used to meet the transportation needs of our customers – for example, transportation from Wallumbilla to Wilton or Culcairn.

APA's provision of these services will be subject to the constraints that apply to the existing MSP and other parts of the ECGG. It will continue to face strong competition from:

- the current availability of substitutes through alternative pipelines (e.g. the EGP for supply into Sydney) and alternative supply basins (e.g. Gippsland or Otway for supply to Victoria);
- other substitutes for firm capacity contracts such as the potential for customers to use swaps, the DAA or a combination of them;
- new entry from LNG import terminals; and
- the countervailing power of large shippers.

For APA's large customers, their ultimate need is delivery of gas to a retail customer base, industrial facilities, export facilities or GPG.

These customers will have a range of options for servicing that portfolio, including supply arrangements from multiple gas basins, swap arrangements and capacity on different pipelines. For example, a large retailer with residential and industrial customers in the southern states (as well as potentially some GPG capacity) could meet its requirements through a combination of southern supply sources, swap arrangements, storage to meet seasonal peaks, firm transport capacity across multiple pipelines, and short-term transport capacity including auction capacity, particularly when filling and refilling storage outside of the peak.

A shipper will rarely view firm capacity (contracted directly with APA) as a "must-have" service but instead, just one option among many for meeting its requirements.

The availability of these alternatives means that shippers can exercise considerable countervailing power in negotiating new transportation arrangements. Shippers will frequently refer to the availability of these alternatives and be simultaneously exploring a range of alternatives when negotiating with APA.

Even industrial customers that need to secure gas for facilities in fixed locations have a range of options for meeting these requirements. One set of options would include contracting separately with gas producers and pipeline operators for firm supply from different locations (using different pipeline routes). Alternatively, the customer could contract for delivery of gas to its facilities, with the supplier to arrange transport (in which case the supplier would be able to avail itself of the transport options outlined above). Finally, in some cases an industrial customer might take advantage of short-term capacity made available through the capacity trading and auction

mechanisms. Industrial customers frequently use the services of gas supply consultants and nominating agents to understand and access these opportunities.

The AER recognised in its Form of Regulation review for the SWQP that there are a limited number of large users of pipeline service and these users are sufficiently large and concentrated to hold significant countervailing power. Furthermore, the countervailing power of these large customers has also increased in recent years due to an expansion of the regulatory framework for non-scheme pipelines.

Customers now have access to a wide range of information to aid negotiations – including service availability information, extensive cost data, and information on the average and individual prices paid by other customers. Customers also have access to an arbitration mechanism (governed by pricing principles and procedural rules set out in the NGR) to resolve any disputes.

These competitive factors mean that APA is not able to exercise any market power, such as restricting capacity or seeking material increases in tariffs. This is readily apparent when you consider that in investing in the Bulloo Interlink, APA is proactively expanding capacity through a new pipeline, which may not be supported by foundation contracts.

APA has strong commercial incentives to move quickly to meet customer demand and contract for gas transportation services on the pipeline.

5.2. Impact on users' access to pipeline services and costs

Making a greenfields incentive determination for the Bulloo Interlink will have no impact on the direct access costs faced by pipeline users. The Bulloo Interlink will be subject to open access in the same way as the existing ECGG.

As the Bulloo Interlink connects two pipelines (rather than directly connecting supply and load), there is not expected to be a stand-alone tariff for the Bulloo Interlink. APA's proposal is to provide gas transportation services between Wallumbilla and Wilton or Culcairn, using the Bulloo Interlink, to both new and existing shippers, at current posted rates.

APA does not propose to increase tariffs between Wallumbilla and Wilton/Culcairn once the Bulloo Interlink is in service. That is, APA's tariffs for north-south gas transportation services are expected to be unchanged in real terms.

Moreover, APA notes that it would not be able to increase prices for north-south supply due to the competitive constraints discussed above, despite the significant capital investment being made in the Bulloo Interlink.

APA's incentive is to increase utilisation and ensure that the needs of shippers are met.

Reflecting these incentives, APA engages in extensive negotiations with prospective customers. Throughout these negotiations APA seeks to accommodate each shipper's needs, to the extent practicable (subject to physical and engineering constraints). For example, shippers will often seek greater flexibility around availability and pricing of capacity to meet the needs of their portfolio, which may include flexible GPG capacity and/or seasonal load. APA has provided a confidential summary of its engagements with prospective customers with this application, as noted in Appendix C.

These competitive processes, especially negotiation of foundation contracts for a pipeline, synthesise all market information and risks (and willingness to bear those risks) and reflects these in a final set of prices and contract terms.

In simple terms, the competitive negotiation of a major project gives rise to both expensive and intensive assessments of costs and risks and, ultimately, reliable estimates of cost-based prices.

5.3. Impact on end-users' costs

Providing the certainty necessary to support timely and efficient investment in the Bulloo Interlink and the broader ECGG (including investment *ahead* of demand where necessary) will ultimately lead to:

— enhanced access to pipeline services:
— increased capacity being available on the ECGG; and
— increased capacity being available for supply to southern markets.

The increased supply of gas will put downward pressure on delivered gas prices in the southern states and and provide for lower prices for end-users.

5.4. Impact on the costs faced by an efficient service provider

APA has previously estimated that scheme regulation imposes additional annualised costs in the order of $400k per year for each pipeline due to the cost of preparing an access arrangement under scheme regulation. The ongoing cost of managing and reporting scheme vs non-scheme pipelines remains comparable.

However, as highlighted in section 2, gas infrastructure and GPG is expected to play a key role in supporting the market transition and significant investment is required to ensure security of supply. Therefore, the costs of deferred or delayed investment in infrastructure are likely be significant to users and consumers and as explained, the prospect of scheme regulation has the potential to negatively impact investment.

As well as the potential to distort or deter investment, scheme and tariff regulation can also expose service providers to:

— Institutional time delays ;
— constraints on commercial negotiations; and
— the high potential for regulatory error.

These costs are known to be particularly significant for assets with high investment requirements, uncertain demand, and the need for service flexibility.

5.5. Form of regulation factors

Assessing a greenfields incentive determination under Part 3 requires determining whether effective constraint on the exercise of market power exist in respect of services provided by a pipeline. In making this assessment, the AER must have regard to the relevant form of regulation factors under section 16 of the NGL.

5.5.1. Barriers to entry

In its Draft Decision on the SWQP Form of Regulation Review, the AER focused on barriers to entry being largely concerned with building a duplicate pipeline – in particular, the AER identified significant sunk costs, economies of scale, regulatory approvals and access to land[34].

APA believes this approach leads to an incomplete assessment. Although there are no factors or features that prevent the construction of an alternate pipeline,[35] APA is largely constrained by the existence of various options available to shippers to meet their ultimate needs. The available options will differ between shippers, but in no case will the construction of a pipeline be the only alternative to the pipeline services provided by the Bulloo Interlink.

[34] AER, *Form of Regulation Review: South West Queensland Pipeline Draft Decision,* October 2024, p31-32
[35] Considering the Pipeline Interconnection Principles in Part 6 of the National Gas Rules, another service provider could equally build this pipeline – APA thus has no barriers to entry advantage.

For APA's customers, the ultimate need is the delivery of gas either to a retail customer base, industrial facilities, export facilities or GPG. This is addressed in section 5.1.

A narrow assessment of barriers to entry in the provision of pipeline services would fail to account for these immediate and significant competitive threats.

5.5.2. Network externalities

Network externalities refer to the interdependencies between the gas services provided by the Bulloo Interlink and any other services that APA provides in other markets.

Network externalities are less pronounced for gas transmission pipelines and the Bulloo Interlink does not exhibit network externalities in the same way as an electricity network or gas distribution system. It is a point-to-point link, that can be bypassed by customers, either through swap arrangements, alternative supply sources and/or seeking proposals for alternative pipeline routes.

While APA's ECGG does includes several other pipelines that the Bulloo Interlink is connected or interdependent on, the breadth of this network does not contribute to, or enhance, market power. Many of these pipelines are utilised by a single or very few large shippers, without which the asset would be stranded: of the nine transmission pipelines in the East Coast Grid, five are utilised by six or fewer shippers and three by three or fewer shippers.[36]

Moreover, the ability to offer services on one pipeline does not mean that market power can be exercised on others. Shippers can obtain services on other pipelines independently (potentially in combination with competing services), or they can choose multi-asset service offerings.

The Bulloo Interlink transportation services will be offered together with services on other pipelines (e.g. as part of a multi-asset service). APA does offer some shippers greater service flexibility through its multi-asset service offerings, but this is driven by the customer's service requirements. Where APA offers this flexibility, doing so can deliver benefits for both parties but also comes with some commercial risk to APA due to the complexity of balancing contractual rights of shippers, actual nominations and pipeline capacity across multiple pipelines.

This does not give rise to network externalities. A multi-asset service (for example between Wallumbilla and Culcairn) is still a point-to-point service with the same scope for bypass.

Moreover, the Bulloo Interlink will be providing new pipeline transportation capacity on the ECGG and has an overriding incentive to provide access and contract out this additional capacity. Current services and contracts on the connected pipelines will also not be directly impacted.

5.5.3. Countervailing market power

Large shippers and industrial companies will utilise the Bulloo Interlink as part of multi-asset services. There are a limited number of current and prospective customers, and they hold significant countervailing market power when contracting with APA for pipeline services. These users are sufficiently large and concentrated and service providers are always at risk of full or partial stranding of assets if these users do not purchase services from them.

These users have credible alternatives to using the Bulloo Interlink as discussed above in section 5.1.

5.5.4. Substitutes for gas and pipeline services

As highlighted above, APA's customers are not seeking transportation services on a pipeline but the delivery of gas either to a retail customer base, industrial facilities, export facilities or GPG.

[36] AEMO, GBB Shippers List (15 March 2023) (link). The Reedy Creek to Wallumbilla Pipeline is utilised only by Australia Pacific LNG Marketing Pty Ltd, South East South Australia pipeline utilised only by Origin and Group Energy and the Berwyndale Wallumbilla Pipeline utilised by Shell (Walloons coal Seam Gas Company Pty Ltd and Shell Energy Australia Pty Ltd) and AGL.

In this context, shippers will rarely view firm capacity on the Bulloo Interlink as “must-have” service. Rather, firm capacity on the ECGG will typically be only one option among the many available to shippers to meet southern gas demand.

As highlighted in section 2, AEMO’s *2025 GSOO* identifies that future gas demand can be met by a range of alternatives with expansion of the ECGG being just one option. AEMO highlights alternative options and therefore real competitive constraints such as:

— increased production in Victoria through gas projects in the Gunnedah, Otway, Gippsland, Cooper and Bass basins;

— imported gas by way of LNG import terminal projects close to southern demand centres with developments being considered in Port Kembla, Adelaide and Geelong; and

— increased investment in storage near southern demand centres.

6. Greenfields incentive determination will promote the NGO

In assessing whether to accept a Greenfield incentive determination, the AER is required to have regard to the NGO.

A proper consideration of the NGO is key to the application of section 112 of the NGL, particularly the requirement to promote efficient investment in natural gas services for the long-term interests of consumers of natural gas with respect to the federal and state emissions targets.

APA believes the construction of the Bulloo Interlink will support the achievement of the NGO by:

— promoting efficient and timely investment in the pipeline capacity needed to support northern gas supplies to southern markets;
— placing downward pressure on delivered gas prices in both the medium and long-term; and
— supporting security of supply in electricity and gas markets during the transition to a lower carbon energy system, thereby supporting the achievement of emissions reduction targets.

While APA believes there is a need for this investment, the long-term outlook is highly uncertain, primarily due to uncertainty around gas supplies and demand dynamics.

Given the uncertainty around the pace and shape of the market transition, there is likely to be the potential for both upside returns and downside risk on any investment as there is significantly higher risk and uncertainty compared to past investments.

When considering whether to commit capital, APA must consider expected returns on its investment across the ECGG, recognising the potential for variability in returns over time and across different parts of the network.

Under a lighter form of regulation, the risks associated with future demand uncertainty are borne by the service provider and its investors and investors will typically take a longer term view of required returns, having regard to this uncertainty and risk. This heightened risk exposure requires the potential for higher return on investment. This can occur under a lighter form of regulation but is truncated by introducing heavier regulation.

The prospect of scheme regulation being imposed after risk has been assumed by investors with a view to capping any upside returns will create a real disincentive for investment at this critical juncture. It is likely to mean that investors are less willing to support investment which carries both upside and downside risk. This highlights the need for a greenfields incentive in order for investment to take place.

Consequently, APA believes that granting a greenfields incentive application for the Bulloo Interlink will promote the NGO.

Appendix A: Application information, as required by Rules

Additional details and pipeline information must accompany the written application for a greenfields incentive determination under section 25 of the NGR.

National Gas Rule 25(1)	Description
(a) the name of the applicant	**APA BULLOO INTERLINK PIPELINE PTY LTD** **ACN 684 765 142** A subsidiary of: APA Group Limited ACN 091 344 704 Level 25, 580 George Street, Sydney NSW 2000 PO Box R41, Royal Exchange NSW 1225
(a) the *contact details* of the applicant	Natalie Lindsay, General Manager Economic Regulation and External Policy Strategy and Corporate Development T +61 2 8044 7088 M +61 408 681 355 E natalie.lindsay@apa.com.au
(b) a statement of the basis on which the project for the construction of the pipeline is to be regarded as a greenfields pipeline project	See the discussion in section 3.2.
(c) a statement of expenditure already made on the construction of the pipeline and an estimate of the expenditure yet to be made	The APA Group Limited Board initially approved expenditure of up to $47 million to progress the APA ECGG expansion plan of which the Bulloo Interlink is a key component. Much of this early expenditure is on the Long Lead Item procurement of compressors and associated equipment required for the expansion plan. As of June 2025, $2.4 million has been spent on access and approvals, engineering and early construction works for the Bulloo Interlink. At this stage, it is estimated that the total construction costs of stage 3 will be in the order of $1 billion with the Bulloo Interlink currently estimated to require capital expenditure of around $670m. A confidential breakdown of this capex estimate can be found in Appendix D.
(d) a statement of the services to be provided by means of the pipeline	The Bulloo Interlink will primarily provide a gas transportation service to bring northern Australia gas to southern markets. See further discussion in sections 2.1 and 2.3.
(e) a statement of the locations to be *served* by the pipeline and, in relation to each *downstream location*, a statement of other sources of covered gas available at the relevant location.	The Bulloo Interlink will primarily provide a gas transportation service to bring northern Australia gas to southern markets. Ultimately it will supply downstream locations in NSW and Victoria. The Bulloo Interlink will *serve* the SWQP at the existing Meadows LV, KP 96 and the MSP at the existing Mecoola Creek scraper station, KP 300.See further discussion on alternate sources of gas in sections 2.1 and 0. The MSEP will remain in service unaffected; the Bulloo Interlink is not expected to connect to the MSEP at this time. The Bulloo Interlink Is not expected to be bi-directional at this time.

National Gas Rule 25(1)	Description	
	Upstream supply: The Bulloo Interlink will take all its upstream supply from the SWQP. There are currently no other sources of supply at the location *served*.	**Downstream supply:** The Bulloo interlink will inject all of its gas into the MSP at its *downstream location*. The MSP may also be able to supply gas (from Moomba) at the location *served*. The MSP and MSEP are currently not interconnected.
(f) a statement of any existing pipelines, and any proposed pipelines of which the applicant is aware, that *serve* (or will *serve*) any of the same locations or that pass (or will pass) within 100 km of any of the same locations	The MSP and SWQP are the only pipelines that *serve* the same locations *served* by the Bulloo Interlink. The only covered gas pipelines passing within 100km of those locations are the QSN Link and Carpentaria Gas Pipelines. The MSP and MSEP are currently not interconnected at the *downstream location*.	
(g) where relevant, an estimate of the:		
(i) reserves of natural gas available at any upstream location to be served by the pipeline and an estimate of the rate of production from that location;	Australia has over 100,000PJ of gas reserves and resources (2P/2C). The Beetaloo Basin and undeveloped Surat Gas projects are the two largest new supply options for eastern Australia and have relatively lower development costs compared with other undeveloped domestic basins. The Bulloo Interlink is designed and located to transport gas supplied from either location. Further information is presented in Appendix B below.	
(ii) feedstock used to create a primary gas (other than natural gas) at any upstream location to be served by the pipeline and an estimate of the rate of production from that location	N/A	
(h) in relation to the proposed operative period of the determination, an estimate of expected demand at each *downstream location* to be *served* by the pipeline including, for each location, a description of the expected customer base and an indication of the revenue expected from each location	See the discussion in section 2.1. The Bulloo Interlink will assist in serving all demand in south eastern Australia ("southern markets" in AEMO's GSOO definition). The demand in those "southern markets" is well canvassed in the GSOO, although the Bulloo Interlink is not expected to serve all that demand single-handedly. APA trusts in AEMO that the GSOO forecasts have been prepared on a reasonable basis and are the best forecasts or estimates possible in the circumstances. The Bulloo Interlink is not expected to receive any revenue from any particular downstream location *per se*. As discussed in sections 1.4 and 5.2, the Bulloo Interlink will be a link in transporting gas from the SWQP (sourced from the Wallumbilla Hub or the NT) to Wilton or Culcairn, at approximately the same tariff as currently charged for that transmission service. A preliminary measure of the revenue to be earned by the Bulloo Interlink might be estimated as follows: 105 TJ/day incremental southbound capacity x \$2.3868/GJ/day current tariff Wallumbilla – Wilton x 1,000 GJ/TJ x 365 days per year = \$91.474 million per year annual revenue (\$2025)	

National Gas Rule 25(1)	Description
(i) the identity of all parties with an interest in the proposed pipeline and the nature and extent of each interest	The Bulloo Interlink is owned by APA Bulloo Interlink Pipeline Pty Ltd, a 100% owned subsidiary of APA Group Limited.
(j) a description of the following relationships:	
(i) any relationship between the owner, operator and controller of the pipeline (or any 2 of them);	The Bulloo Interlink will be owned, operated and controlled by APA Group entities.
(ii) any relationship between the owner, operator or controller of the pipeline and a user, supplier or end user in any of the locations served by the pipeline;	The Bulloo Interlink will be an open access pipeline serving arms-length customers. Some APA Group ring-fenced entities may contract for services using the Bulloo Interlink. Any resulting associate contracts will abide by the associate contracts provisions in s146 and s147 of the National Gas Law and will be provided to the AER in accordance with Rule 33. Other than those disclosed associate contracts, there are no relationships between APA Group and a user, supplier or end user in any of the locations served or downstream locations served by the pipeline.
(iii) any relationship between the owner, operator or controller of the pipeline and the owner, operator or controller of any other pipeline serving any one or more of the same locations	The pipeline is one of several pipelines making up APA's East Coast Gas Grid. The other APA pipelines *serving* the same or downstream locations include the South West Queensland Pipeline and the Moomba Sydney Pipeline. The MSEP is currently not interconnected with the MSP and therefore does not *serve* the same downstream connection point.
(k) a statement of whether it would be feasible to expand the capacity of the pipeline and, if so, an explanation of how the capacity might be expanded and an estimate of the cost	The Bulloo Interlink is being designed to meet the maximum (unlooped) capacity of the MSP (800TJ/day) without compression.[37] While it could be possible to add compression to the pipeline at a later date, any expansion of the capacity of the Bulloo Interlink would require a similar expansion in the capacity of both the SWQP and MSP. APA has not investigated such an expansion. For the 15-year term of the Greenfield Incentive being sought in this application, it would be reasonable to say that it would not be feasible to expand the capacity of the Bulloo Interlink.
(l) an estimate of the annual cost to the service provider of regulation as a scheme pipeline and as a non-scheme pipeline	APA generally estimates the cost pf preparing an access arrangement to be in the order of $2 million, every 5 years ($400k per year on an annualised basis). APA estimates that the ongoing cost of managing and reporting scheme vs non-scheme pipelines to be similar. Consequently, regulation as a scheme pipeline would impose additional costs of ~$400k per year.
(m) any information the applicant considers relevant to the application of the principles set out in section 112 of the *NGL*	See the discussion in section 4, 5 and 6.

[37] For completeness, APA's analysis indicates that, given the remote location, construction of a larger diameter free-flow pipeline can be conducted at lower cost than a smaller diameter pipeline including compression.

National Gas Rule 25(1)	Description
(n) any other information on which the applicant relies in support of the application.	

APA submits that any forecasts or estimates relied upon in this application have been arrived at on a reasonable basis; and represent the best forecast or estimate possible in the current circumstances.

Appendix B: Reserve and production information

Rule 25(1)(g) requires an application for a greenfield incentive to include an estimate of the reserves of natural gas available at any upstream location to be served by the pipeline and an estimate of the rate of production from that location.

Reserves

AEMO's 2024 and 2025 GSOO publications provide a summary of the reserves as reported on the Gas Bulletin Board[38] at the time of the respective publication:

<table>
<tr><th>2024 GSOO Supply data</th><th>2025 GSOO Supply data</th></tr>
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<td>

Reserves and Resources

For the GSOO modelling, AEMO used reserve and resource numbers confidentially provided by stakeholders via the GSOO survey (see first table below). Majority of data is from surveys; where gaps exist in data, older information from earlier GSOOs or publicly available sources has been retained. The summary of reserves and resource numbers used in GSOO modelling is provided in the first table, aggregated to protect confidentiality.

The second table contains market information based on gas volumes from Rystad Energy.

Survey Data (Petajoules)

	2P		
Basin	Developed	Undeveloped	2C
Total	17,640	16,279	39,296

Reserves and resources as at September 2023

Rystad Energy Data (Petajoules)

Basin (1, 2)	2P	2C (3)
Amadeus	214	420
Bass	22	215
Bonaparte	4,429	11,907
Bowen/Surat	21,095	25,469
Clarence-Moreton	2,386	2,335
Cooper/Eromanga	1,302	8,227
Galilee-Drummond	-	187
Beetaloo/Georgina	167	23,017
Gippsland	2,217	1,966
Otway	685	1,306
Sydney (Camden)	-	28
Total	32,515	75,078

Source: Rystad Energy

Reserves and resources as at December 2023

Notes:
(1) Rystad Energy includes Gunnedah basin reserves as part of Bowen/Surat basin.
(2) Rystad Energy includes McArthur basin reserves as part of the Beetaloo/Georgina basin.
(3) 2C reserves include all available reserves, regardless of technical feasibility.

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Reserves and Resources

For the GSOO modelling, AEMO used reserve and resource numbers from the Gas Bulletin Board (GBB). The summary of reserves and resource volumes is provided in the table below.

GBB Data (Petajoules)

Basin	2P	2C
Amadeus	221	208
Bass	14	125
Beetaloo	-	5,109
Bowen/Surat	29,287	22,546
Cooper/Eromanga	870	1,576
Galilee-Drummond	-	2,789
Gippsland	1,186	2,448
McArthur	-	2,836
Otway	390	279
Total	31,968	37,915

Source: https://aemo.com.au/energy-systems/gas/gas-bulletin-board-gbb/data-gbb/reserves-resources-reporting-and-facility-developments

Reserves and resources as at Feburary 2025

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Production information

AEMO's Gas Bulletin Board publishes the nameplate rating of production facilities.

As at the date of this application, the GBB reports the following production capacities for processing facilities currently able to deliver gas through the Bulloo Interlink to southern markets:

[38] See https://www.nemweb.com.au/Reports/CURRENT/GBB/GasBBReservesAndResources.csv

	A	B	C	K
1	facilityname	facilityid	facilitytype	capacityquantit
4	Atlas	544261	PROD	48
19	Atlas East Central Processing Facility	640008	PROD	54
24	Bellevue	540083	PROD	270
50	Combabula	540094	PROD	305
57	Condabri Central	540080	PROD	195
61	Condabri North	540090	PROD	185
62	Condabri South	540086	PROD	190
65	Daandine	540050	PROD	74.34
66	Eurombah Creek	540089	PROD	185
68	Fairview	540070	PROD	310
69	Jordan	540088	PROD	507
70	Kenya	540075	PROD	184
80	Kincora	544253	PROD	20
81	Kogan North	540061	PROD	13
101	Meridian	540064	PROD	54
103	Moomba	550045	PROD	290
104	Orana	540084	PROD	195
114	Peat	540065	PROD	12
115	Reedy Creek	540085	PROD	190
116	Rolleston	540073	PROD	10.5
117	Roma	540095	PROD	245
120	Roma North	544260	PROD	24
122	Ruby Jo	540082	PROD	507
123	Scotia	540072	PROD	105
135	Spring Gully	540066	PROD	64
136	Strathblane	540067	PROD	73
141	Talinga	540076	PROD	125
144	Taloona	540068	PROD	70
149	Tipton	540051	PROD	37
153	Windibri	540069	PROD	147
155	Woleebee Creek	540087	PROD	761
185	Yellowbank	540074	PROD	20.5

These reported facilities have a combined nameplate capacity of 5,470 TJ/day. APA acknowledges that much of this capacity is currently dedicated to LNG exports – however, this capacity should be recognised in the context of export redirections (virtual imports) to meet the needs of southern Australian markets.

However, the GBB reports only *existing* facilities, and does not report the expected increase in production capacity from the Beetaloo basin.

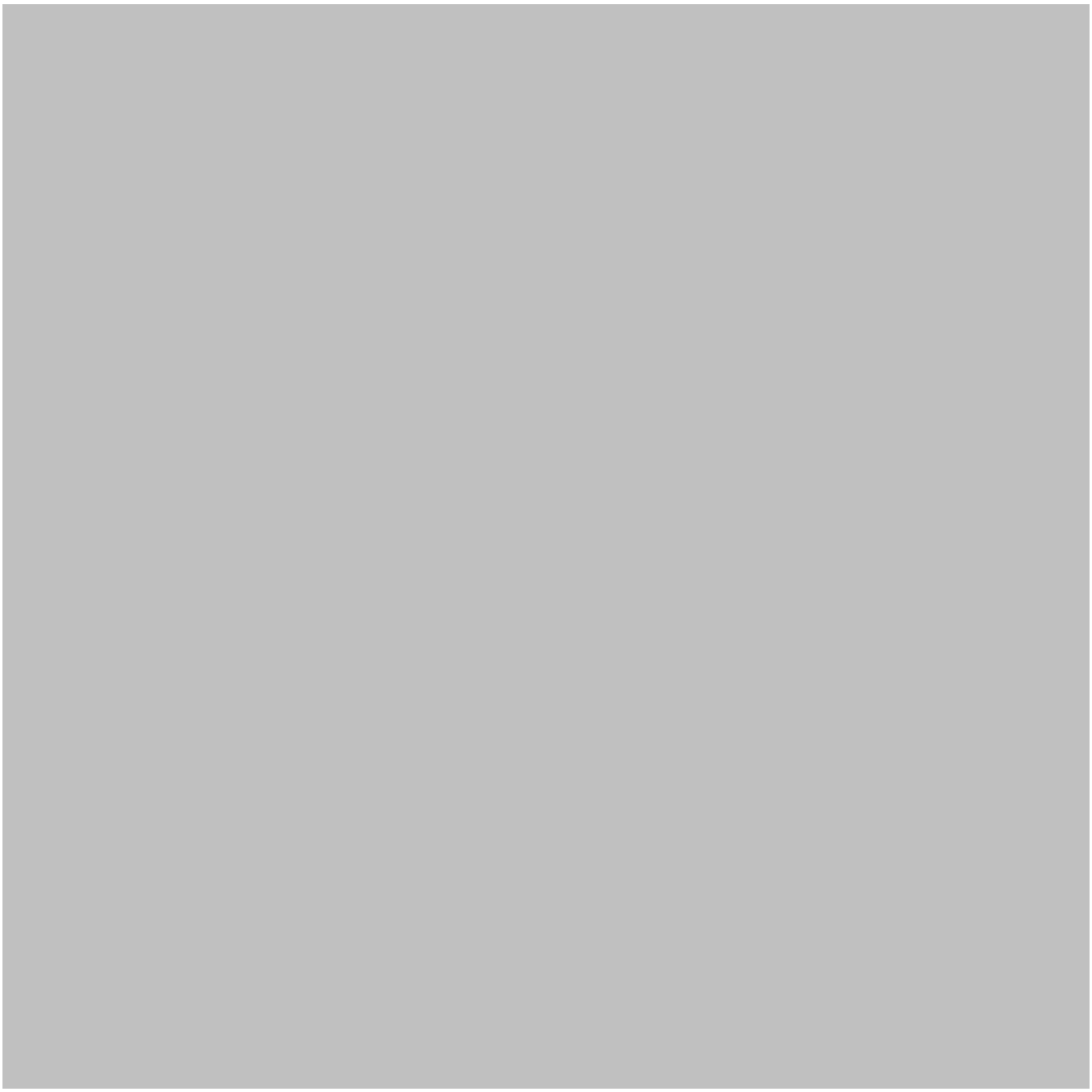
Empire Energy (now Beetaloo Energy Australia), in its January 2025 Corporate Presentation, estimated its Contingent and Prospective Resources in the order of 50,000PJ (p1):

Empire also reports that its Carpentaria Gas Plant has a nameplate capacity of 42 TJ/day (p10). It also estimates that it can provide ~200TJ/day to supply the Australian East Coast in Phase 2 of its Domestic Gas Project (p21) before expanding to be able to produce ~1 Bcf per day (approximately 1,000TJ/day) to supply LNG export markets.

Tamboran Resources, in its July 2024 Investor Presentation, identified its strategy to produce 1 Bcf/day (approximately 1,000TJ/day) to domestic markets by 2028-2030 (p18) and a further 1 Bcf/day (approximately 1,000TJ/day) for LNG markets.

Appendix C: Supporting information - CONFIDENTIAL

Appendix D: Capital Expenditure forecast - CONFIDENTIAL



[39] APA Board Paper, April 2024, APA Investment Committee, November 2024