# Greenfields incentive determination: Bulloo Interlink Pipeline

Discussion Paper

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AUSTRALIAN ENERGY REGULATOR

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# Glossary

| Term | Definition |
|---|---|
| ACCC | Australian Competition and Consumer Commission |
| AEMO | Australian Energy Market Operator |
| AER | Australian Energy Regulator |
| APA | APA Bulloo Interlink Pipeline Pty Ltd |
| decision | The AER's decision to make or not make a greenfields incentive determination |
| determination | Greenfields Incentive Determination |
| ECGG | APA's East Coast Gas Grid |
| FID | final investment decision |
| GPG | gas-powered generation |
| GSOO | AEMO's Gas Statement of Opportunities |
| MSP | Moomba to Sydney Pipeline |
| NEM | National Electricity Market |
| NGL | National Gas Law |
| NGO | National Gas Objective |
| NGR | National Gas Rules |
| SWQP | South West Queensland Pipeline |
| TJ/day | terajoules per day |

# 1 Introduction

The Australian Energy Regulator (AER) is deciding whether to make a greenfields incentive determination for the proposed Bulloo Interlink gas pipeline.

This discussion paper outlines APA Bulloo Interlink Pipeline Pty Ltd's (APA) proposal and sets out the key issues and preliminary considerations for our decision to make or not make a determination (decision) for the Bulloo Interlink.

We welcome any feedback from stakeholders to assist the AER with its decision.

## 1.1 What is a greenfields incentive determination?

A greenfields incentive determination (determination) means that the pipeline cannot become a scheme pipeline during the operative period for the determination. The operative period is 15 years from the *commissioning* of the pipeline or can be a shorter period as determined by the AER.[1]

The determination aims to encourage efficient investment in pipeline infrastructure by improving investment certainty, but these benefits need to be weighed against the potential risks of being exempt from full regulation.

If a determination is made, the Bulloo Interlink will remain a non-scheme pipeline for up to 15 years. It will still be subject to the regulatory obligations applying to non-scheme pipelines.

If a determination is not made, the Bulloo Interlink will become a non-scheme pipeline upon commissioning (as is normally the case). However, the AER may make a scheme pipeline determination under section 92 of the National Gas Law (NGL) in the future, following a form of regulation review.

### First determination under new framework

This is the first time the AER has considered a greenfields incentive determination since gas pipeline reforms were made to the NGL in 2023. The reforms provided for the AER to consider these applications under a more streamlined process compared with the previous "no-coverage" determinations.

Prior to the reforms, similar 15-year no-coverage determinations were made by the relevant Minister based on the National Competition Council's recommendation. There have been five no-coverage determinations made under the previous framework.

[1] NGL, s 102(2).

## 1.2 The two forms of regulation

Under the NGL and the National Gas Rules (NGR), all gas pipelines in Australia (excluding Western Australia) are regulated as either:[2]

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

All new pipelines are non-scheme pipelines when they are commissioned. This will be the case for the proposed Bulloo Interlink regardless of whether we make a determination.

Many of the regulatory obligations that apply to scheme and non-scheme pipelines are the same. However, there are some differences (see Table 3.1 in Section 3.2). Key differences are:

- Scheme pipelines are subject to price regulation and required to submit access arrangements to the AER for approval.[3]
- Scheme pipeline access disputes are resolved by the AER in comparison to a commercially oriented arbitration process for non-scheme pipelines.[4]

## 1.3 APA's application for a greenfields incentive determination

On 23 May 2025, APA Bulloo Interlink Pipeline Pty Ltd (a wholly owned entity of APA Group) submitted to the AER a greenfields incentive determination application (proposal) for its proposed Bulloo Interlink.[5] APA proposes an operative period for the determination of 15 years, the maximum period allowed for in the NGL.

The proposed Bulloo Interlink will be a high-volume gas pipeline approximately 335 km in length. It is proposed to be commissioned in 2028 and will connect APA's South West Queensland Pipeline (SWQP) to the Moomba to Sydney Pipeline (MSP).

APA submits that the Bulloo Interlink is a critical part of its 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.

APA considers a determination will provide the regulatory certainty needed for it to decide to build the Bulloo Interlink.

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2 NGL, s 2.

3 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.

4 NGR, Pt 12.

5 APA, *Application to the AER for a greenfields incentive determination for the Bulloo Interlink (APA application)*, 9 July 2025. [APA submitted its most recent revision of the application on 9 July 2025.]

## 1.4 What are the key investment factors?

Australian Energy Market Operator's (AEMO) 2025 Gas Statement of Opportunities (GSOO) highlights the risk of shortfalls in the southern states from 2028 and notes that these shortfalls can be addressed by increased supply from gas fields, such as those in the Beetaloo and Surat/ Bowen basins to the north of the Bulloo Interlink.[6]

The Bulloo Interlink could help address these projected shortfalls by providing additional pipeline capacity to transport gas from northern supply sources to southern demand centres, including for gas-powered electricity generation (GPG).

There are also emerging potential sources of supply for the southern states from LNG import terminals in New South Wales, Victoria and South Australia. This supply source is expected to become commercially available over the next decade. This may be a substitute to the gas transported from the northern states and may subsequently reduce demand for services on the Bulloo Interlink.

Gas demand is expected to be relatively stable until at least 2043 (see Figure 4.1 in Chapter 4). A decrease in residential demand will be offset by higher GPG demand. However, forecasting GPG is difficult due to the unpredictability of events that affect demand, such as extreme weather conditions or unplanned outages at coal power plants.

Key market trends and developments are further discussed in Chapter 4.

## 1.5 How will the AER make its decision?

In deciding whether to make a determination, we are required to consider the effect that regulating the pipeline as a scheme or non-scheme pipeline would likely have on promoting access to pipeline services, the costs to an efficient service provider, efficient users and prospective users, and the likely costs of end users.

In considering these effects, we must have regard to the National Gas Objective (NGO) and the form of regulation factors. We must also have regard to the extent to which the form of regulation factors *or* competition to develop the pipeline will, or is likely to, pose an effective constraint on the exercise of market power over the operative period.

We further discuss our approach to making a decision in chapter 3.

## 1.6 What is the timing for the decision?

We must follow the standard consultative procedure, as set out in rule 8 of the NGR, in deciding to make a determination for the Bulloo Interlink. Briefly, the standard consultative procedure includes the AER:

- publishing a notice on its website describing APA's application (that is, this discussion paper) and inviting written submissions

[6] AEMO, *2025 Gas Statement of Opportunities (2025 GSOO)*, March 2025, p 47.

- considering submissions and publishing a draft decision on its website and inviting further written submissions
- considering submissions and publishing a final decision on its website.

Under the NGR, we are required to make a decision within 6 months of receipt of an application for a greenfields determination, but we may decide to extend this time (for up to additional 2 months).[7]

We aim to make and publish the draft decision in October 2025 and the final decision in December 2025.

The AER's *Pipeline Regulatory Determinations and Elections Guide* has further details about the greenfields incentive determination process.

## 1.7 How can I get involved?

Interested parties are invited to make submissions on APA's proposal and the issues set out in this discussion paper by 5 pm AEST 28 August 2025. We prefer that submissions are provided in an electronic format (.doc or other text searchable document) and emailed to GasPipelineExemptions@aer.gov.au.

We have included questions for stakeholders in this paper that we consider important for our assessment. A consolidated list of questions is included at **Appendix A**. We are interested in any other issues stakeholders wish to raise about whether the AER should make such a determination.

### Confidential submissions

We prefer that all submissions be publicly available to facilitate an informed and transparent consultative process. We will treat submissions as public documents unless otherwise requested. All non-confidential submissions will be placed on the AER's website. For further information regarding the AER's use and disclosure of information provided to it, see the ACCC/AER Information Policy.

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.

[7] NGR, rr 26(2) and 26(3).

### Contact us

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

## 1.8 Structure of paper

The structure of this discussion paper is as follows:

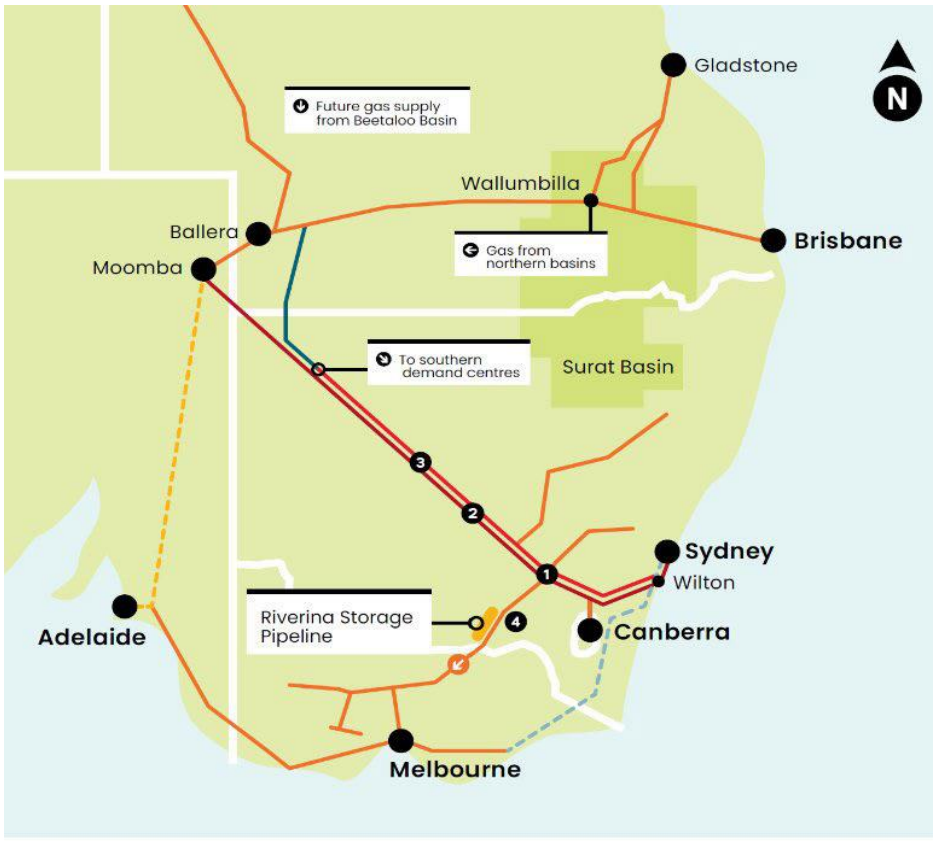
- **Chapter 2 – APA's application:** Summarises APA's application and provides background information about the proposed Bulloo Interlink.
- **Chapter 3 – Our assessment approach:** Provides an overview of the gas pipeline regulatory framework and the AER's process of deciding whether to make a determination. It also sets out the assessment approach for the determination and outlines our approach to the market definition and the relevant markets for our assessment.
- **Chapter 4 – Relevant market trends:** Discusses gas market trends that may be relevant to the AER's decision.
- **Chapter 5 – Issues for our assessment:** Sets out key issues for our assessment and seeks stakeholders' views on the questions we are seeking feedback on.

# 2 APA's application

The Bulloo Interlink is a proposed 335 km 28-inch pipeline that will connect the SWQP east of Ballera to the MSP in the south. The Bulloo Interlink is intended to transport gas from northern basins such as the Surat and Bowen basins in Queensland and the Beetaloo in the Northern Territory, amongst others.[8]

Figure 2.1 shows the Bulloo Interlink in the context of APA's interconnected ECGG and the broader gas pipeline network. Pipelines not owned by APA are indicated in dotted lines.

**Figure 2.1 – Proposed Bulloo Interlink and the ECGG[9]**




8 *APA application*, p 1.

9 *APA application*, p 12.

The Bulloo Interlink is part of Stage 3 of APA's East Coast Grid Expansion Plan, announced in February 2025.[10] According to APA, the pipeline (together with the installation of 2 new compressors on the MSP) will increase the capacity of gas delivery from the northern gas fields to the southern markets by around 24%. APA states that the East Coast Grid Expansion Plan is designed to:[11]

- ensure there is sufficient capacity for domestic gas to supply southern market demand
- avoid the market shortfalls forecast by AEMO and the Australian Competition and Consumer Commission (ACCC)
- help ensure lower cost and lower emissions domestic gas is available to Australian markets
- support the delivery of new gas-powered electricity generation.

The Bulloo Interlink is progressing with early works and APA plans to make a final investment decision (FID) on whether to proceed with the Bulloo Interlink in October 2025. It follows 2 other near-term projects that have already reached the FID stage.[12] These projects will add new north-to-south gas transport capacity in 2025 and 2026.[13] According to APA, the company's Board initially approved expenditure of up to $47 million to progress the ECGG expansion plan of which the Bulloo Interlink is a key component. As of June 2025, $2.4 million has been spent on access and approvals, engineering and early construction works for the Bulloo Interlink.[14]

The overarching theme of the APA application is that the potential for scheme regulation is likely to deter/significantly delay efficient investment.

APA considers there will be little to no risk of a detrimental impact from a greenfields incentive determination on access to pipeline services or on direct costs faced by pipeline users. This is because services on the Bulloo Interlink will be offered as part of a multi-asset (transport) service in conjunction with other APA pipelines. APA states the cost of compliance of preparing an access arrangement under scheme regulation to be $400,000 annually.

Rather, APA considers a greenfields incentive determination will provide the certainty required to support investment in the Bulloo Interlink. This will lead to enhanced access to pipeline services and increased capacity being available for supply; ultimately putting downward pressure on prices for end-users.[15]

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10 APA, *APA's East Coast Gas Expansion Plan*, 24 February, APA website, accessed 16 May 2025.

11 *APA application*.

12 Moomba to Sydney Ethane Pipeline conversion project is targeting completion in 2025 and will increase total southbound capacity from 565 TJ/day to 590 TJ/day. MSP off-peak capacity expansion project will increase capacity in summer months when pipeline maintenance is being undertaken to 80-120 TJ/day.

13 APA, *APA's East Coast Gas Expansion Plan*, 24 February, APA website, accessed 16 May 2025.

14 *APA application*, Appendix A, p 27.

15 *APA application*.

# 3 Our assessment approach

In making our decision, we need to consider the effect of regulating the pipeline as a scheme pipeline or non-scheme pipeline. We describe this comparison as being two potential states of the world – one in which the Bulloo Interlink would be subject only to non-scheme regulation for up to 15 years and the other in which it would be subject to scheme regulation over the same period.

If we make a determination, the Bulloo Interlink will be a non-scheme pipeline and will be subject only to the regulatory obligations applying to non-scheme pipelines. For example, it will be required to publish prescribed transparency information under Part 10 of the NGR such as service availability information and actual prices payable information. It will also remain subject to the access negotiation and dispute frameworks under Parts 11 and 12 of the NGR.

If we do not make a determination, the Bulloo Interlink will still be a non-scheme pipeline upon commissioning (as is normally the case). However, there remains the possibility that the Bulloo Interlink could become a scheme pipeline in the future.

## 3.1 Regulatory framework

The regulatory test we must use in our determination is set out in section 112 of the NGL and is summarised below.

Section 112(2) of the NGL requires the AER to consider the effect of regulating the pipeline as a scheme pipeline or non-scheme pipeline on the following principles:

(a) the promotion of access to pipeline services; and

(b) the costs that are likely to be incurred by an efficient service provider; and

(c) the costs that are likely to be incurred by efficient users and efficient prospective users; and

(d) the likely costs of end users.

Section 112(3) of the NGL sets out what the AER must have regard to when assessing the principles above, which are:

(a) the NGO; and

(b)(i) the form of regulation factors; and

(b)(ii) the extent to which the form of regulation factors or competition to develop the pipeline (whether formal or informal) between 2 or more unrelated prospective service providers will, or is likely to, pose an effective constraint on the exercise of market power in respect of the services provided by means of the pipeline for the operative period; and

(c) that the AER may have regard to any other matter it considers relevant, including, for example, any information it obtains in the course of performing its functions.

Section 16 of the NGL sets out the form of regulation factors:

(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 (that is, 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 (that is, 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).

If the AER decides to make a determination, and the pipeline is not commissioned within 3 years after the decision takes effect, the determination may lapse unless the AER decides to extend the 3-year period.[16]

## 3.2 Comparing the two different forms of gas pipeline regulation

Many of the same regulatory obligations apply to scheme pipelines and non-scheme pipelines, but there are also several differences highlighted in Table 3.1 below.

**Table 3.1 Regulatory Obligations – Scheme pipelines and non-scheme pipelines**

| Obligation Type | Scheme pipelines | Non-scheme pipelines |
|---|---|---|
| Access obligations<br>(NGL s 133) | Scheme and non-scheme pipelines are required to provide third-party access to pipeline services. | |
| Price regulation<br>(NGL Ch 3 Pt 5) | 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. |

16 NGL, s 105.

| Obligation Type | Scheme pipelines | Non-scheme pipelines |
|---|---|---|
| Information disclosure<br>(NGR Pt 10) | Both scheme and non-scheme pipelines must publish the following information:<br>• service and access information: this includes information about the pipeline (its nameplate rating and delivery points), a description of the services provided and service usage and availability information.<br>• 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.<br>• historic financial and demand information.<br>• actual prices payable information. | |
| Dispute resolution<br>(NGR Pt 12) | 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<br>(NGL Ch 4 Pt 1 and 2) | Both scheme and non-scheme pipelines are subject to the same competitive safeguard prohibitions and safeguards. In summary, these are:<br>• prohibitions from preventing or hindering access, and bundling.<br>• interconnection and new capacity requirements.<br>• ring-fencing and associate contract provisions. | |

## 3.3 The relevant markets

In considering whether to make a greenfield incentive determination, we must consider multiple markets in accordance with the relevant provisions set out in sections 112(2) and 112(3) of the NGL.

We must consider these markets over the operative period which may be up to 15 years.

Form of regulation factors set out in sections 16(a),16(b), 16(d) and 16(e) of the NGL relate to the market for pipeline services. This means that the relevant market includes the market for pipeline services provided by the Bulloo Interlink and any competing or substitutable pipeline services. An example of a substitutable pipeline service would be a pipeline that is able to service the same demand. For the purposes of our determination, we intend to consider the market for pipeline services that transport gas to the same demand centres that would be served or partially served by the Bulloo Interlink.

Form of regulation factors set out in sections 16(c) and 16(f) of the NGL relate to broader markets:

- Section 16(c) discusses interdependencies between covered gas services and any other service in any other market. We will therefore identify and consider any interdependencies that may exist between pipeline services on the Bulloo Interlink and any other service provided by APA.

- Section 16(f) discusses any substitutes and elasticity of demand in a market for electricity or gas. We consider that the relevant market is for the supply of gas to the demand centres in the southern states. We are mindful that electricity may be a viable substitute for some customers (for example, residential customers) but may not be a viable substitute for others (such as GPG plants and some industrial customers).

Under section 112(3)(b)(ii) of the NGL, we are also required to have regard to the extent to which the form of regulation factors *or* competition (whether formal or informal) to develop the Bulloo Interlink could pose an effective constraint on the exercise of market power in respect of services provided by means of the pipeline for the operative period. In having regard to this limb of the test, we will consider the competition between prospective service providers to develop the Bulloo Interlink before it is built, including alternative routes or proposals. This provision does not require us to look at the potential development of future pipelines competing with the Bulloo Interlink after it has been commissioned (we will consider these pipelines when considering the form of regulation factors).

We note also that our analysis is forward looking. In defining the markets above, we need to consider the relevant matters over the operative period (which is up to 15 years).

**Question**

1. What are your views on our approach to defining the relevant market for the greenfields incentive determination?

# 4 Relevant market trends

A forward-looking analysis of the market trends suggests there is a strong case for bringing additional gas supply from the existing and emerging northern supply fields to the southern markets. However, demand for individual pipeline services may be lower if substitutes such as LNG import terminals or competing pipelines can serve the demand centres that would be served by the Bulloo Interlink. The following chapter looks at some of these market trends in more detail.

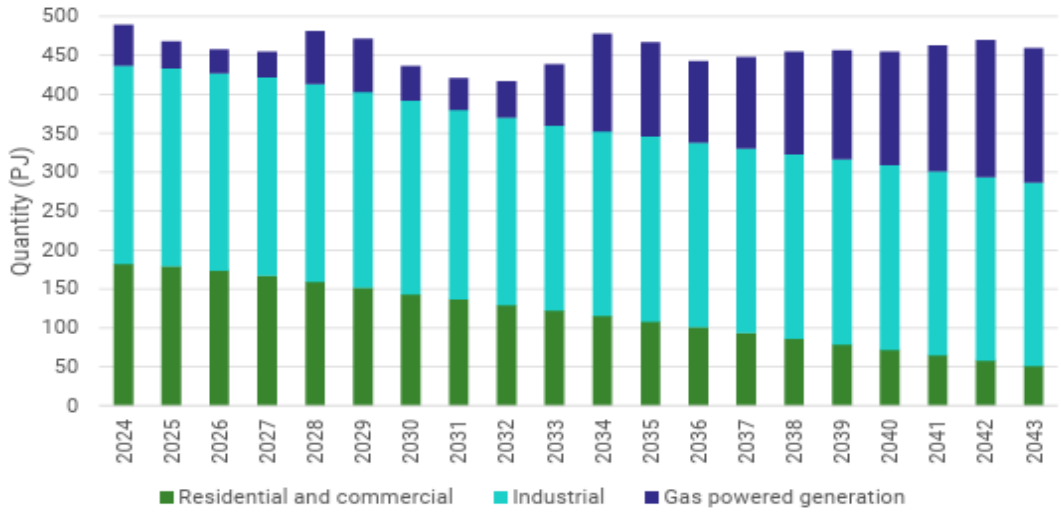
## 4.1 Gas demand

### Residential, commercial and industrial demand

The ACCC indicates that long-term gas demand on the east coast market is expected to remain high for at least the next 2 decades.[17] This is shown on Figure 4.1 below. Decreasing demand for gas from residential and commercial (excluding industrial) consumers is expected to be offset by a doubling of demand for GPG, particularly peak demand, over the next decade, which is seen as a key driver of the expected supply shortfalls in southern states.

As shown in figure 4.1, industrial demand for gas is expected to remain relatively flat. Gas is needed as a key component in manufacturing and chemical processes to produce, for example, fertiliser and cosmetics. Industrial users do not have technically or commercially feasible alternatives to gas for these purposes, and their transition away from gas will depend on technological advancements.[18]

**Figure 4.1 – Forecast annual gas demand on the east coast, between 2024 and 2043**




*Source:* ACCC, *December 2024 Gas inquiry Interim report*, Gas Inquiry 2017–2030, December 2024, p 5.

[17] ACCC, *December 2024 Gas inquiry Interim report*, Gas Inquiry 2017–2030, December 2024, p 4.

[18] AEMO, *2025 GSOO*, March 2025, p 4.

AEMO's 2025 GSOO also indicates a stable long-term demand for gas with forecast consumption shifting to GPG from the early 2030s, driven by electrification. As coal generators operating in the National Electricity Market (NEM) retire, increasing the need for sources of alternative dispatchable electricity generation sources, gas use for GPG is projected to increase significantly and become more variable. Increased GPG demand is seen as one of the drivers of peak daily shortfalls (i.e. peak daily demand above available supply).[19]

## Gas-powered generation demand

The electricity sector is a major source of gas demand, accounting for 21% of domestic gas use in eastern Australia in 2023. South Australia and Queensland used the most GPG in 2023 (each using 37% of GPG in the NEM).[20] Analysis from the 2024 Integrated System Plan reinforces the important role GPG is forecast to play in the NEM from 2028 by helping manage extended periods of low variable renewable energy (solar and wind) generation, providing rapid firming support when other dispatchable sources are unavailable, and continuing to support grid security and stability as the coal generation fleet retires in the NEM.[21] Long-term forecasting of anticipated GPG use is complicated and actual GPG demand may vary depending on the electricity market conditions. This is due to the unpredictability of events which lead to increased need for GPG, such as extreme weather conditions and unplanned outages at coal power plants.[22]

Regardless of the complexities in forecasting long-term GPG demand, the Bulloo Interlink will likely support the supply of gas to respond to increasingly 'peaky' demand emerging from GPG uptake by supplying gas to existing and new GPG sites in the southern states. Figure 4.2. indicates that there are expected periods (specifically, in winter) where GPG generation needs will exceed current gas supply, driving the need for new capacity in those periods (unlike other 'non-peaky' periods during the year).

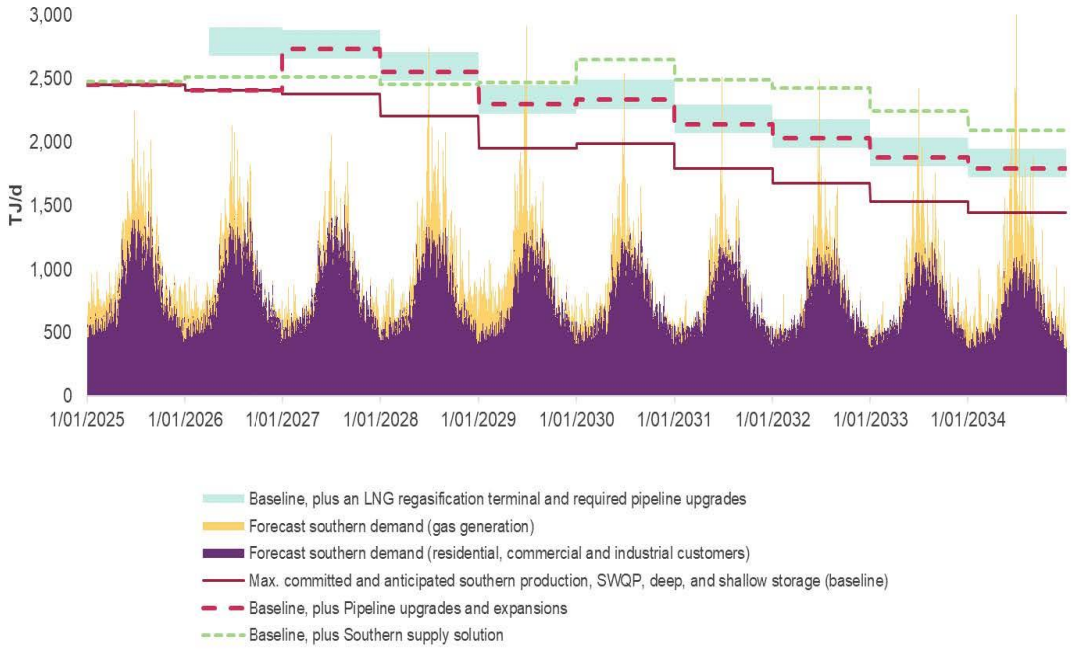
19 AEMO, *2025 GSOO*, March 2025, pp 6, 90.

20 AER, *State of the Energy Market 2024*, November 2024, p 162.

21 AEMO, *2025 GSOO*, March 2025, p 6.

22 AER, *State of the Energy Market 2024*, November 2024, p 162.

**Figure 4.2 – Forecast southern daily adequacy of the future gas supply options, between 2025 and 2035**




*Source:* AEMO, *2025 GSOO, March 2025, p 14.*

# 4.2 Gas supply

## AEMO predicts southern supply shortfalls

AEMO reports in its 2025 GSOO an increasing need to transport gas from the northern to southern gas markets in the future. AEMO highlights the risks of peak day shortfalls in the southern states from 2028,[23] and annual structural supply gaps emerging from 2029.[24] Increased production forecast from northern gas fields in these years will be offset by significant decline in southern production of almost 40% between 2025 and 2029.[25] These shortfalls may be delayed by the timely completion of committed and anticipated gas production, storage and infrastructure projects.[26]

The ACCC's December 2024 Gas Inquiry 2017–2030 Interim report also highlights the important of investments in gas production, storage and transport to reduce the risk of winter seasonal shortfalls and annual supply gaps in the southern states.[27]

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23 A peak day shortfall (i.e. peak daily demand above available supply) is driven by insufficient available gas production or transport capacity to meet extreme peaks in demand on a single day.

24 AEMO, *2025 GSOO*, March 2025, p 66.

25 AEMO, *2025 GSOO*, March 2025, p 47.

26 AEMO, *2025 GSOO*, March 2025, p 13.

27 ACCC, *December 2024 Gas inquiry Interim report*, Gas Inquiry 2017–2030, December 2024, p 106.

More broadly, the Federal Government's *2024 Future Gas Strategy* highlights an important future role of natural gas "through to 2050 and beyond" and calling for new investment in gas supply and transport infrastructure.[28]

These gas supply trends suggest that the Bulloo Interlink will play an important role in meeting gas supply needs in the southern states as APA indicates that it will increase the capacity to move approximately 24% more gas between northern basins and southern markets.[29]

## LNG import terminals

LNG import terminals are an alternative to transporting gas via pipelines to the southern states and may impact the demand for pipeline services on the Bulloo Interlink in the future. It is difficult to determine the extent to which LNG development could reduce demand for pipeline services on the Bulloo Interlink due to differences in the projected price ranges of the various supply options. There are presently four LNG import terminals in Australia's east coast at different stages of development.[30] Most of these LNG projects will serve the same demand centres as the proposed Bulloo Interlink (i.e., Victorian and NSW markets). These are discussed below.

If the Bulloo Interlink is built it could impact forecast demand for services on some or all of these LNG import terminals. This may be a consideration for developers when deciding whether to build these LNG import terminals. In other words, if the Bulloo Interlink can meet the demand for gas transportation services, the likelihood that one or more of the proposed LNG import terminals will be built may be reduced.

### Port Kembla Energy Terminal and Eastern Gas Pipeline reversal

The Port Kembla Energy Terminal, owned by Squadron Energy, is Australia's first LNG regasification terminal, commissioned in late March 2025. It is expected to transport 130 petajoules per year of gas to NSW and Victoria (including for GPG). However, recent media reports indicate that the terminal will not be ready for commercial operations until at least mid-2027 (originally expected to start operating in 2026).[31]

The Port Kembla Energy Terminal is connected to Jemena's Eastern Gas Pipeline (EGP) via a 12-km lateral pipeline. The Eastern Gas Pipeline transports gas from gas fields in Gippsland, Victoria to the major gas markets in NSW and the ACT. The proposed Eastern

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28 Minister for Resources and Minister for Northen Australia The Hon Madeleine King MP, *Why net zero will only be possible with natural gas*, [Opinion piece], 19 December 2024, accessed 30 June 2025.

29 APA, *APA's East Coast Gas Expansion Plan*, 24 February, APA website, accessed 16 May 2025.

30 ACCC, *December 2024 Gas inquiry Interim report*, Gas Inquiry 2017–2030, December 2024, p 110.

31 C Packham, *Forrest's Port Kembla LNG terminal is delayed to 2027*, The Australian, 15 May 2025, accessed 13 June 2025; See also, K Fuller, *Port Kembla Energy Terminal delayed until 2027 amid shifting gas demand*, ABC News, 26 May 2025, accessed 13 June 2025.

Gas Pipeline reversal project will allow it to operate bi-directionally by winter 2026 to flow gas from the Port Kembla Energy Terminal to the Victorian gas market.[32]

A further three LNG import terminals are planned to be in operation in the next few years:[33]

- Outer Harbour Terminal, Port Adelaide SA (expected to be in operation in 2027)
- Geelong Terminal, Geelong VIC (expected to be in operation in 2028)
- Victorian Energy Terminal, Port Phillip (expected to be in operation in 2029).

## Potential new gas supply and pipelines

The development of new gas sources of supply could impact how the Bulloo Interlink will be used in the future, by increasing the demand for north-south transport in the future. There are also several possible relevant pipeline developments.

If constructed, the Hunter Gas Pipeline could become an alternative pipeline route to the Bulloo Interlink in transporting gas from the Narrabri gas project and Wallumbilla Gas Hub to the southern demand markets in New South Wales.

To meet the forecast demand for gas in the southern states, all the future supply developments discussed in this chapter may be needed to proceed. However, if they are all built, they will likely impact the use of the Bulloo Interlink because of the increased volumes of gas that will need to be transported from the northern production centres to the southern demand centres and the various pathways through which this may occur.

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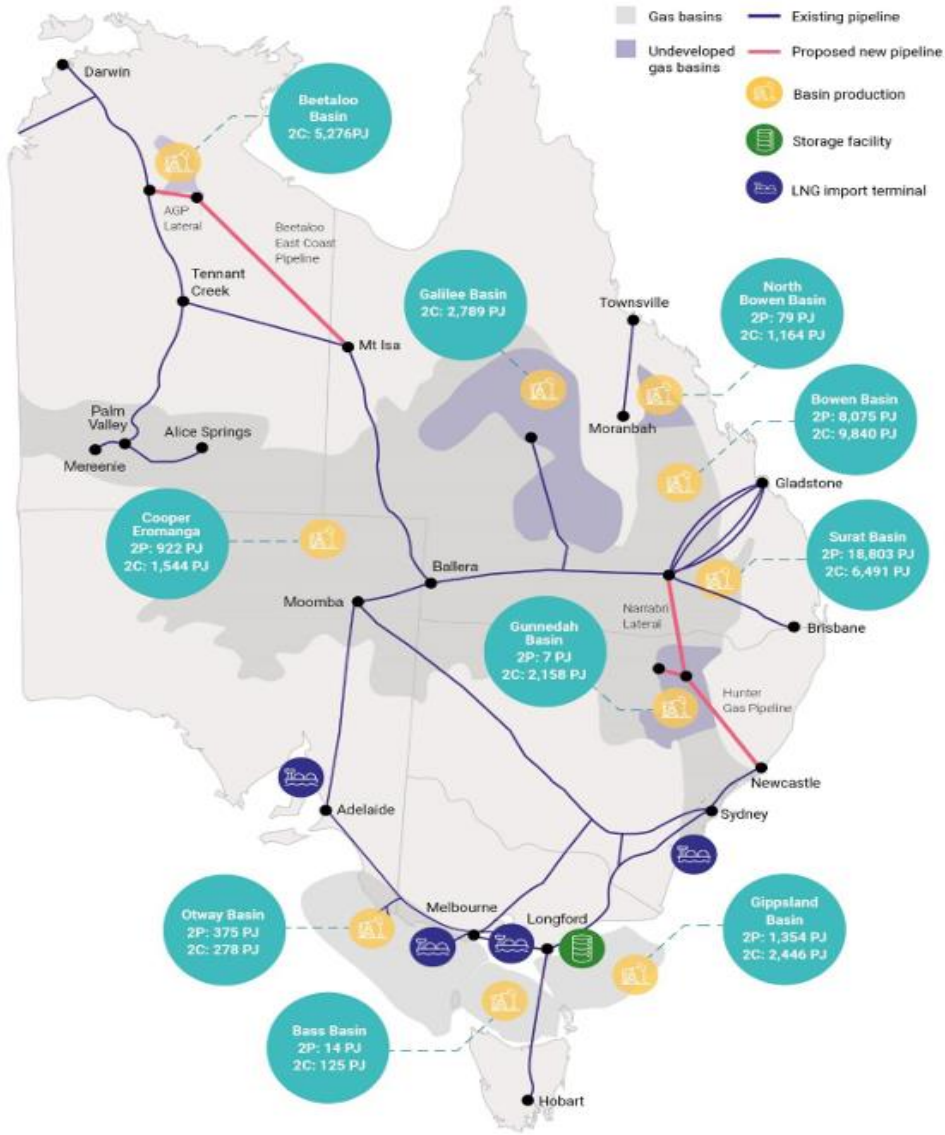
32 Jemena, *LNG Regasification – Delivering New Gas on Time and on Price*, [media release], 8 May 2025, accessed 13 June 2025.

33 M Pek, *Australia could import LNG from 2027 with four projects underway along east coast*, Reuters website, 12 June 2025, accessed 16 June 2025.

**Figure 4.2 – Current reserves and resources and potential sources of new supply**




*Note:* The above map does not indicate the proposed Bulloo Interlink.

*Source: ACCC,* [*Gas inquiry 2017-2030 Interim report*], December 2024, p 105.

## New gas supply projects in the Northern Territory

### Beetaloo Sub-basin

The Beetaloo Sub-basin, located in the Northern Territory, is estimated to contain more than 200,000 petajoules of gas.[34] This gas field has been the focus of several recent projects and

[34] Department of Industry, Science and Resources (DISR), *Beetaloo gas resources*, DISR website, accessed 16 June 2025.

will likely require substantial investment in pipeline infrastructure to transport gas to the east coast markets.[35]

There are currently three major developers seeking to produce gas in Beetaloo Sub-basin, Beetaloo Energy Group (formerly Empire Energy), Tamboran Resources and Santos.[36] All companies are yet to reach FID for their projects.

- Tamboran Resources has previously indicated that it plans to commence delivery of the first gas to the east coast gas market in 2028.[37] It has entered into three binding agreements with APA, including the construction of a new pipeline to connect the Beetaloo Sub-basin to the east coast gas market.[38]
- APA and Beetaloo Energy Group are reportedly working on open-access pipeline concepts to transport gas from the Beetaloo to the east coast markets more than 500 TJ/day.[39] The concept considers the potential construction of a new pipeline connecting the Beetaloo to APA's Carpentaria Gas Pipeline.

**APA's North to East Australia Pipeline project**

The North to East Australia Pipeline project, proposed by APA, is planned to transport gas from the Beetaloo Sub-basin to the southern markets.[40] Timing of the FID is unknown but is expected to be commissioned in 2028, according to a recent ACCC report.[41] According to the ACCC, the new pipeline is expected to be delivered in three stages and will ultimately be capable of delivering over 1,000 TJ/day (initially, the new pipeline will be connected to APA's Carpentaria Gas Pipeline and, subsequently, expanded through looping and compression).[42]

According to APA, the proposed Bulloo Interlink will be able to transport gas from northern basins such as the Beetaloo Sub-basin through the CGP, SWQP and the North to East Australia Pipeline with outlet flows to the MSP.[43]

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35 APA, *Keynote Address to the Queensland Energy Club*, APA website, 29 May 2025, accessed 16 June 2025.

36 While both Tamboran Resources and Beetaloo Energy Group have announced plans to deliver gas from the Beetaloo to the southern markets in addition to the LNG exports via Darwin, Santos appears to consider supplying gas solely for LNG exports.

37 Tamboran Resources, *ASX Announcement: Tamboran increases total domestic East Coast LOIs to 600 – 875 TJs per day* [media release], 28 August 2023, accessed 16 June 2025.

38 In its application, APA indicated plans to build the North to East Australia Pipeline to bring Beetaloo gas to the southern markets.

39 Empire Energy, *Updated Capital Raise Presentation*, 6 June 2025, ASX Announcement, p 18, accessed 16 June 2025.

40 *APA application*, p 16.

41 ACCC, *Gas inquiry 2017-2030 Interim report*, December 2024, pp 118-119.

42 ACCC refers to APA's new pipeline as the NT - Beetaloo East Coast Pipeline.

43 *APA application*, pp 14, 16.

If the North to East Australia Pipeline is built, it will likely increase demand for pipeline services on the Bulloo Interlink to carry gas from the Beetaloo Sub-basin to the southern states.

## New gas supply projects in Queensland

### Surat and Bowen Basins

The Surat and Bowen Basins account for most of the proven and probable gas reserves on the east coast and are likely to be the main sources of ongoing supply.[44] A significant portion of new and anticipated projects in these basins involve LNG producers and their associates and gas produced under these projects will likely be exported under long-term LNG contracts.

Under the Heads of Agreement between Queensland LNG producers and the Australian Government, uncontracted gas produced by the LNG producers must be offered to the domestic market on 'competitive terms' before it is offered to the international market.

The Queensland Government has also recently acted to support increased gas production in the state by approving the opening of nine new gas areas.[45] The Queensland Government is committed to unlocking 16,000 sq km to explorers to increase domestic supply (of both conventional gas and coal seam gas) across major resource basins such as Surat/Bowen Basins and Cooper/Eromanga Basins.

It is expected that gas from the Queensland basins (specifically, Surat Basin) for domestic consumption will be transported through the Bulloo Interlink.[46]

## New gas supply projects in the southern states

Gas reserves in the southern states are expected to be substantially depleted by the mid-2030s. However, gas producers and explorers have reported approximately 20 southern supply projects that could potentially come online between 2026 and 2035. Most of these projects propose to supply gas from 2028 onwards but have not yet been approved for development and require FIDs to proceed.[47]

These developments will alleviate the southern supply shortfalls to some extend in the short term but will not be sufficient to provide the required supply of gas to the southern states over the medium to longer term. We invite stakeholders' views on the extent that new gas supply developments in the southern states will provide alternative sources of supply and compete with the Bulloo Interlink in the future.

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44 ACCC, *Gas inquiry 2017-2030 Interim report*, December 2024, p 115.

45 Queensland Government, *Crisafulli Government steps on the gas to bring down prices and attract investment*, [media release], 28 May 2025, accessed 16 June 2025; See also, C Burns and T Fellows, *Qld politics: State opens gas pipelines to drive down power bills*, NT News, 28 May 2025, accessed 5 June 2025.

46 *APA Application*, p 14.

47 ACCC, *Gas inquiry 2017-2030 Interim report*, December 2024, p 106.

### Narrabri Gas Project

The Narrabri Gas Project, owned by Santos, is in the Gunnedah Basin in northern NSW. It is considered an important potential source for large-scale gas supply, able to meet up to half of NSW's gas demand.[48] Gas from the Narrabri Gas Project would likely be transported to market via the proposed Hunter Gas Pipeline, potentially creating an alternative to the Bulloo Interlink.

Santos has reported that gas production could commence from 2028 pending the project reaching FID.[49] However, there has been recent reports that a potential change in ownership of Santos would create more uncertainty and delays for the Narrabri project.[50]

### Hunter Gas Pipeline and Narrabri Lateral Pipeline

The Hunter Gas Pipeline is a proposed 833 km bi-directional pipeline to connect the Wallumbilla Gas Supply Hub in Queensland to Newcastle in New South Wales and to run close to Santos' Narrabri Gas Project in the Gunnedah Basin. If constructed, it will become a second route for the movement of gas between northern and southern states, potentially competing with the Bulloo Interlink.

Santos is currently progressing plans for the construction of the Narrabri Lateral Pipeline to connect the Narrabri Gas Project to the Hunter Gas Pipeline.[51]

We are seeking stakeholders' views on the extent that the Hunter Gas Pipeline, if built, will constrain APA's market power in regard to services on the Bulloo Interlink.

### Proposed gas projects by smaller gas suppliers

According to the ACCC, up to 1,000 petajoules of contingent resources has been identified in potential projects from six small producers.[52] Although these are small-scale projects, if they come online, they could reduce potential gas shortfalls and support greater competition in the southern markets.

## Relevant policy developments

The Federal Government has recently announced a 6-month review into gas market regulations. The Review will consider future reform options to achieve efficient investment and enhanced energy security by ensuring Australia's long-term access to affordable gas alongside renewables.[53]

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48 Santos, *Narrabri Gas Project*, Santos website, accessed 16 June 2025.

49 ACCC, *Gas inquiry 2017-2030 Interim report*, December 2024, p 107.

50 G Tauriello, *Takeover bid puts gas deal in doubt*, The Daily Telegraph, 17 June 2025, accessed 17 June 2025.

51 Santos, *Narrabri Lateral Pipeline: Fact Sheet November 2023*, Santos website, accessed 13 June 2025.

52 ACCC, *Gas inquiry 2017-2030 Interim report*, December 2024, p 165.

53 Department of Climate Change, Energy, the Environment and Water, *Gas market review to strengthen domestic supply*, [joint press release], DCCEEW website, 30 June 2025, accessed 2 July 2025.

Energy Ministers have also been considering options to expand AEMO's power to address potential structural gas supply shortfalls in the east coast. AEMO's new powers will direct it 'to be technology and solution agnostic' and require that the chosen solution or mix of solutions be delivered in a timely manner and the lowest cost to customers.[54]

**Questions**

2. What feedback do you have on the trends discussed in this chapter and how they may impact the potential use of the Bulloo Interlink when it is built and within the 15-year horizon of the proposed determination?

3. What other trends in relevant markets may currently, or in the next 15 years, impact the supply of services and potential use of the Bulloo Interlink?

4. How do you think the Bulloo Interlink may impact the construction of the LNG import terminals that are proposed to serve the east coast gas market?

[54] Energy and Climate Change Ministerial Council, *Meeting Communique - 14 March 2024*, ECMC website, 14 March 2025, accessed 3 July 2025.

# 5 Issues for our assessment

We must consider the likely effect of regulating the Bulloo Interlink as a scheme pipeline or a non-scheme pipeline on the promotion of access to pipeline services and costs that are likely to be incurred by an efficient service providers, efficient users, prospective users and end users. We must also have regard to the NGO in deciding whether to rule out the prospect of scheme regulation for the operative period of the proposed determination.

## Promotion of access to pipeline services

There are several important elements to the promotion of access to pipeline services.

Users need the ability to physically transport gas using pipeline services. We therefore need to consider whether scheme or non-scheme regulation would have any effect on the likelihood that the Bulloo Interlink will be built. If it is not built, we need to consider whether a substitutable pipeline will become available, or otherwise whether users will have access to alternative gas pipeline services.

Users should ideally have access to those pipeline services that best meets their needs. For example, this might be access to firm rather than as available services, or the ability to transport the required volume of gas on any given day. These pipeline services should be available on terms and conditions that reasonably reflect a workably competitive market.

Lastly, any market power of APA in respect of pipeline services on the Bulloo Interlink should be sufficiently constrained to allow the negotiation of reasonable terms and conditions between APA and users.

## Costs

We are required to consider the effect of scheme or non-scheme regulation on costs likely to be incurred by an efficient service provider, efficient users and prospective users, and end users.

Under scheme regulation, the costs to users of accessing the pipeline may be reduced (compared with non-scheme regulation) as reference tariffs would reflect efficient costs to the service provider. However, scheme regulation would impose additional costs on APA, which it estimates to be approximately $400,000 annually.[55]

The possibility that the Bulloo Interlink would not proceed under scheme regulation and, consequently, the impact that this may have on costs to both service providers and users is potentially relevant. Our consideration of this issue will be informed by our consideration of the NGO and the promotion of efficient investment in pipeline services. We would expect the outcome that is in the best long-term interests of consumers will be the one that would deliver efficient costs, reliability and a secure gas supply.

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55 *APA Application*, p 29.

## The NGO and Form of Regulation Factors

Our consideration of the promotion of access and consideration of costs must have regard to:

- the NGO; and
- the form of regulation factors; and
- the extent to which the form of regulation factors or competition to develop the pipeline will, or is likely to, pose an effective constraint on the exercise of market power in respect of services provided by the Bulloo Interlink.

We also may have regard to other relevant matters.

Our analysis must consider the likely outcomes for a prospective pipeline over the proposed operative period of the determination—in this case, a 15-year period.[56]

The NGO and form of regulation factors are informative of our assessment of promoting access to pipeline services at efficient costs. On the face of it, the construction of the Bulloo will likely promote access to pipeline services. Its location would suggest that it would be well used, connecting demand and supply in the East Coast gas market. However, access on reasonable terms and conditions would be compromised if the pipeline development is an economically inefficient investment, or the pipeline operator is able to misuse of market power. In these circumstances, pipeline access would likely not be promoted. Further, such an outcome would likely lead to inefficient costs, the other aspect of our test.

The NGO and form of regulation factors support our consideration of promotion of access and efficient costs. For example, the NGO, premised on achieving the long-term interests of consumers through economic efficiency, enables us to consider whether scheme regulation (compared with non-scheme regulation) would best support efficient investments in covered gas services and efficient costs.

This is further supported by our consideration of the form of regulation factors. These enable us to better understand whether there will likely be sufficient constraints on the exercise of market power over the operative period of the determination under either form of regulation.

Should the form of regulation factors point to constraints on the exercise of market power in the absence of scheme regulation, the case for making a greenfields incentive determination will be stronger. In such circumstances, we would expect that pipeline users could negotiate access to the pipeline with reasonable price and non-price terms of access. Conversely, should the form of regulation factors point to the potential for APA to exercise a greater

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56 By way of contrast, the recent form of regulation review on the South West Queensland Pipeline (SWQP) involved an assessment of whether the current form of regulation (non-scheme) remained appropriate. It relied upon existing evidence on how the SWQP performs under non-scheme regulation. It could draw on current and historical data, as well as expected future scenarios, related to pricing and access negotiation.

degree of market power, then allowing for the possibility of scheme regulation for the Bulloo Interlink may be in the long-term interest of consumers.

In essence, we need to have regard to the NGO and the form of regulation factors to inform our consideration of the effect of scheme or non-scheme regulation on efficient investment in the pipeline and its operation in a manner that promotes access and efficient costs.

We must also have regard to the extent to which the competition to develop the pipeline could pose an effective constraint on the exercise of market power in respect of services on the Bulloo Interlink. This requirement refers to the competition to build the pipeline in question (i.e. the Bulloo Interlink) as evidenced by either a formal (i.e. tender) or informal competition process. Should there be a competitive process for the development of Bulloo Interlink, or a similar pipeline, this would likely pose a check on the market power of APA and strengthen the case for a greenfields incentive determination.

**Question**

5. Do you have any comments on the key issues affecting our consideration of the promotion of access and efficient costs for the Bulloo Interlink?

## 5.1 The NGO

**The NGO is:**[57]

to promote efficient investment in, and efficient operation and use of, covered 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—

i. for reducing Australia's greenhouse gas emissions; or

ii. that are likely to contribute to reducing Australia's greenhouse gas emissions.

We have identified two key issues relevant to our consideration of the NGO.

The first relates to the issue of efficient investment in covered gas services. APA considers that a determination will support the NGO by encouraging efficient investment, particularly in the Bulloo Interlink. It states "*… a greenfields incentive determination is, in combination with a contractual book-build, a necessary precursor to FID*".[58] APA considers that the investment will put downward pressure on prices. If no determination is made, it is possible that efficient investment in this pipeline may be cancelled or deferred.

57 NGL, s 23.

58 *APA application*, p 2.

The AER invites comments on the possibility that APA may not proceed with the Bulloo Interlink. Our analysis of relevant gas market trends, as outlined in chapter 4, indicates that the Bulloo Interlink could play an important role in promoting security of gas supply in the east coast market.

The second key issue relates to market power. Should a determination be made but market power is not effectively constrained, users may be charged inefficient costs, which is inconsistent with the NGO. Instead, the NGO will likely be best promoted where there are effective constraints on the exercise of market power (either by the market or regulation) while also promoting efficient investment. This would likely lead to outcomes that reflect a competitive market and are in the long-term interests of consumers.

A final consideration is whether scheme regulation may impact the achievement of targets set by a participating jurisdiction for reducing greenhouse emissions. For example, if scheme regulation were to discourage construction of the Bulloo Interlink, we may consider potential greenhouse emissions of alternative sources of supply such as LNG imports.

**Questions**

6. What is the likelihood of the Bulloo Interlink proceeding in the presence or absence of a greenfields incentive determination? How should this inform the AER in deciding whether to make this determination?
7. How might scheme regulation on the Bulloo Interlink to deter efficient investment in pipeline services in the relevant market?
8. Do you think that a shorter than the default 15-year operative period of the determination would better balance investment incentives with market power concerns?

## 5.2 The form of regulation factors

The form of regulation factors help us assess the extent of any market power a service provider could exercise in the provision of pipeline services on the relevant pipeline, and if there are any constraints on that market power. The exercise of market power could lead to higher costs for users and end users, or to difficulty for users securing access to services on fair terms.

Importantly, section 112 does not require us to make a definitive finding that a service provider has a certain level of market power, or that it will exercise market power in a particular way. We do, however, need to show how we have had regard to the form of regulation factors in deciding whether access to pipeline services will be better promoted at efficient cost under scheme or non-scheme regulation. 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 decision to grant a determination.

Of relevance to the application of form of regulation factors for greenfields incentive determinations specifically is the requirement to consider whether the form of regulation factors will effectively constrain a service provider’s ability to exercise market power through

*the operative period* of the determination.[59] This highlights the need for the assessment to be forward looking considering emerging market dynamics. This contrasts with the approach we would take to a form of regulation review of an existing pipeline which would look at evolving market trends as well as current condition on a pipeline such as existing price and non-price terms.

## Barriers to entry

**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 prevent, deter, or hinder a prospective entrant entering the relevant market. Barriers to entry may include structural or technological barriers (such as sunk costs and economies of scale or scope), legal or regulatory barriers and strategic barriers that arise as a result of the threat of retaliatory action by incumbents. The higher the barriers to entry, the greater the likelihood that a service provider will have market power because the threat of new entry will not pose a constraint on the service provider's behaviour.

The form of regulation factor in section 16(a) of the NGL requires us to consider the barriers to entry 'in a market for pipeline services'.

APA submits that it does not have any barriers to entry advantage and that that another service provider could equally build an alternative pipeline. It also states that the AER needs to broaden its assessment of the barriers to entry by considering not only the construction of a pipeline as the only alternative to the pipeline services provided by the Bulloo Interlink, but also other significant competitive threats and options.[60] As outlined in section 3, this form of regulation factor requires that our assessment of barriers to entry be limited to "a market for pipeline services" rather than other means of bringing gas supply to the market.

There are certain factors that create barriers to entry to the market in which the Bulloo Interlink will compete, including:

- the large sunk costs to construct a new pipeline
- requirement to obtain regulatory approvals and secure access to land and easements
- APA's network of interconnected transmission pipelines in the East Coast (the ECGG)) and its ability to offer multi-asset services across multiple pipelines may also act as a barrier to entry for competing providers.

We will consider other potential existing and emerging substitutes for the transportation services on the Bulloo Interlink (e.g., LNG import terminals, AEMO's Day Ahead Action,

59 See also AER, *AER Pipeline Regulatory Determinations and Elections Guide*, July 2024, pp 26-31.

60 *APA application*, pp 22-23.

locational swaps, alternative pipelines) under the form of regulation factor at sections 16(e)–(f) of the NGL, which relate to substitutes for a pipeline service.

**Questions**

9. What are your views on barriers to entry for a competitor to provide alternative pipeline services to the Bulloo Interlink?
10. Do you expect that the Bulloo Interlink will face competition during the next 15 years, and if so, how might this impact access negotiations?

## 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'

### Network externalities between gas services provided by the service provider

We must consider any interdependencies between the pipeline services provided on the Bulloo Interlink and other covered gas services[61] (e.g., compression or storage services), including those provided on other pipelines, for example under multi-asset gas transportation agreements.

The provision of other pipeline services (including on other pipelines) can contribute to APA's market power by increasing its competitive advantage, increasing barriers to entry or otherwise by impacting how users can access services on the Bulloo Interlink. The Bulloo Interlink will connect APA's SWQP and MSP and services provided on the Bulloo Interlink will multi-asset services utilising these and potentially other pipelines owned by APA. APA Group's other assets are shown in **Appendix B**.

APA contends that these multi-asset services will not give rise to network externalities as the Bulloo Interlink will still be a point-to-point service that can be bypassed by users either through gas swap arrangements or alternative supply sources. In addition, APA notes that its current services and contracts with users on the connected pipelines will not be directly impacted; that is, the gas transportation route (and whether it includes Bulloo Interlink) will not affect the current tariffs.[62]

A scenario where APA's network externalities between gas services might lead to the exercise of market power is as follows. Consider that one of APA's pipelines becomes a

61 As defined in section 2 of the NGL.

62 *APA application*, p 23.

scheme pipeline, and that services offered on the Bulloo Interlink typically also include transportation on this scheme pipeline. APA could exercise its market power to control prices on the network system by increasing prices on the Bulloo Interlink. This may make up for any decreased revenue due to application of a reference tariff on the scheme pipeline and therefore reduce the benefits of scheme regulation to users. Where there is evidence of market power, the AER may conduct a form of regulation review on a pipeline and decide to make it a scheme pipeline. In this scenario, if the Bulloo Interlink is granted a determination the AER has no power to constrain APA's market power by making the Bulloo Interlink a scheme pipeline. However, this exercise of market power could be mitigated by competition or other constraints of market power, or by reducing the operative period of the determination.

In the scenario presented above, users could seek alternative transport routes and other service providers could build competing pipelines. However, the likelihood of these competitive outcomes needs to be considered against the availability and costs of the alternative transport routes, and the high barriers of entry and the long lead time needed to build new pipelines.

Another relevant factor is that, as part of the project to construct the Bulloo Interlink, APA may decommission the MSP from Moomba to the point of connection with the Bulloo Interlink.

We are seeking views on whether network externalities may contribute to APA's market power in provision of pipeline services on the ECGG and on the Bulloo Interlink.

**Question**

11. Do you have views about if, and how, APA's pipeline network (the ECGG) could influence its ability to exercise market power on the Bulloo Interlink?

### Network externalities between gas services and services provided in another market

Form of regulation factor (c) requires us to consider whether there are any network externalities (or interdependencies) between the covered gas services APA will provide on the proposed Bulloo Interlink and any other services APA provides in any other market. For the purposes of this factor, we will consider any other market to include a market for any services other than 'covered gas services' (such as electricity generation and transmission services).

Similar to form of regulation factor (b), providing other services can contribute to a service provider's market power in supplying services on a pipeline. For example, if a service provider owns or operates a gas fired power plant, it may affect the service provider's incentives to provide gas transport services to its competitors.

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 solar farms (such as the Darling Downs Wind Farm and the North Brown Hill Wind

Farm). APA also provides an asset management services business catering to these asset types.

We are seeking stakeholder views on whether APA's ownership of these assets (and any others) might influence APA's market power in provision of pipeline services on the ECGG.

**Question**

12. Does APA's provision of any non-gas services (i.e., electricity, diesel or hydrogen) provide it with an incentive to exercise market power, or otherwise provide services to related businesses on more favourable terms, in the supply of services on the Bulloo Interlink?

## Countervailing market power

**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 number of users using both the MSP and SWQP concurrently can vary, but as of 4 July 2025, there were 22 users (see Table 5.1). Given the linkages between the MSP and SWQP with the proposed Bulloo Interlink, we would expect that many of these users may use the Bulloo Interlink as part of a multi-asset (transport) service arrangement.

**Table 5.1 – MSP/SWQP concurrent users**

| Shipper type | Shipper name |
|---|---|
| Gas retailer | AGL, Agora Retail, Alinta Energy, EnergyAustralia and Shell Energy. |
| Gas producer | Arrow Energy Trading, Beach Energy, Esso Australia Resources, Origin Energy, Santos and Senex. |
| Gas trader | Macquarie Bank and PetroChina. |
| Commercial and industrial user | Brickworks, Dyno Noble Limited (previously known as Incitec Pivot), Mount Isa Mines, OneSteel Manufacturing and Orica. |
| GPG | Pelican Point Power. |
| LNG exporter | APLNG and GLNG. |
| Other | Eastern Energy Supply.[63] |

*Source: AEMO, GBB Shippers, AEMO website, 2025, accessed 16 July 2025.*

[63] Eastern Energy Supply is an energy buyers' group which purchases gas on behalf of its members.

APA submits that the prospective users of the Bulloo Interlink will be large shippers and industrial companies that hold significant countervailing market power. APA considers these users can credibly bypass the Bulloo Interlink, for example by using alternative pipelines, using swaps or the Day Ahead Auction. Given the size of these users and the alternatives available to them, service providers are always at risk of full or partial stranding of assets if these users do not purchase services from them.[64]

Through the consultation process during the 2024 SWQP form of regulation review, we asked users about their countervailing market power in negotiations with APA. Based on these discussions, we formed our views that only the largest incumbent users on the SWQP may have some degree of countervailing market power. The degree to which this countervailing market power of the largest users benefits other users (and end-users) is not clear.

Another relevant consideration is the expected demand for pipeline services on the Bulloo Interlink. Where there is limited available capacity (i.e., demand for firm transport services is high), countervailing market power of users (both large and smaller) may be more limited. On the other hand, users may hold more countervailing market power where credible substitutes exist.

We are seeking views on whether any countervailing power of large and small users of the proposed Bulloo Interlink could effectively constrain APA's ability to exercise market power in the provision of pipeline services.

**Question**

13. To what extent do you think users will have countervailing market power (including bargaining power) in negotiating access to the Bulloo Interlink? Is this countervailing power limited to only certain classes of users?

## Substitutes and elasticity of demand for pipeline services

**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'

The degree to which substitutes limit the extent of market power a service provider may hold, and its ability to exercise any market power, depends on the credibility and viability of these alternatives. Generally, the more readily available substitutes are for users to switch to if a service provider increases prices, the more elastic demand is likely to be and the more the service provider's market power will likely be constrained.

APA contends in its application that its customers would rarely view firm capacity on the Bulloo Interlink as a 'must-have' transportation service. Rather, they seek delivery of their

64 *APA application*, p 23.

gas to either retail customer base, industrial or export facilities, or GPG. In this regard, firm capacity on APA's ECGG is seen as one of the available options to transport gas to the southern markets. Other options include, for example, increased gas production in Victoria, imported gas via LNG import terminals or increased investment in gas storage in the southern demand centres.

We have discussed the existing and emerging gas supply options in Section 4.1. We consider that most users cannot solely rely on supply from the southern states given the expected long-term decline in southern gas production, which is forecast to worsen in the future unless new sources of supply become available. Where viable substitutes are limited, demand may be less price elastic, and a service provider may have greater market power.

Through the consultation process during the 2024 SWQP form of regulation review we asked users whether they considered LNG import terminals would be a substitute for transportation services on the SWQP. Only a few users considered that it could be a substitute for the SWQP services. In general, users told us that they did not think LNG import terminals would be an effective substitute because the price of LNG imports would likely be significantly higher than that of domestically sourced gas.[65]

However, a recent report by Rystad Energy (commissioned by Jemena) on competitiveness of LNG imports suggests that LNG import terminals can be competitive with the delivered price of new northern supply with both options in the range of $14-19 per gigajoule.[66] It is therefore possible that LNG imports could pose more of a constraint on APA's market power in the future should the prices become more comparable. This could be the case if AEMO is conferred new powers to underwrite LNG import terminal to meet short-term gas supply needs (as discussed in Chapter 4).

LNG import terminals, if developed and priced competitively with the pipeline, may pose an efficient constraint to APA's potential market power in the future. This is because if APA were to substantially increase prices for the Bulloo Interlink users, prospective users and end users can have a viable option to switch to LNG imports.

AEMO's 2025 GSOO views potential storage projects near southern demand centres as one of the available solutions to address future gas supply risks from 2034 in the southern states. We note that APA's proposed Riverina Storage Pipeline, once operational (tentatively, in 2028), will become one of the largest gas storage facilities in the southern states. This may have an impact on APA's market power in the provision of services on the Bulloo Interlink and on the ECGG. On one hand, it may increase total demand on the Bulloo Interlink as it may be supplied from gas from the northern production centres. On the other hand, it may reduce peak demand on the Bulloo Interlink as it will meet some of the demand at peak times.

Through the consultation process during the SWQP form of regulation review we also asked users whether they used other substitutes for the pipeline services for their business, such as locational gas swaps, AEMO's Day-Ahead Auction or secondary capacity trading, Most

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65 AER, *Final decision - Form of Regulation Review: South West Queensland Pipeline*, December 2024, p 50.

66 Rystad Energy Advisory, *Competitiveness of LNG Imports*, May 2025, pp 3, 12.

SWQP users considered those options as either partial substitutes or complimentary services.

We are seeking your views on the potential substitutes to the use of the services on the Bulloo Interlink and the extent these substitutes could constrain APA's market power.

**Questions**

14. Do shippers currently have viable substitutes (alternatives) that could fully or partially replace the need for pipeline services on the Bulloo Interlink (e.g. alternative pipelines and gas sources, gas swaps, AEMO's Day-Ahead Auction, alternative fuel sources)? Do you consider the availability of these (or new) alternatives will materially change over the next 15 years (e.g., LNG import terminals)?
15. If you think there are full or partial substitutes for the use of the Bulloo Interlink, to what extent do you think they will be able to effectively constrain any market power APA may have in provision of pipeline services on the Bulloo Interlink?

## Substitutes and elasticity of demand for gas

**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)'

The presence of viable substitutes may potentially constrain a service provider's market power. This is because, if the service provider were to substantially increase prices for the pipeline services users, prospective users and end users may be incentivised to find alternative sources of gas, reduce gas usage or use other energy sources (if they are able to do so).

In the SWQP form of regulation review, users reported that their demand for gas is inelastic and likely to remain so for some time.[67] As discussed in Chapter 4, the projected demand for gas in the southern markets will remain relatively stable in the long term, underpinned by the increasing need for gas, specifically, for GPG.

In the case of residential customers and small to medium enterprises, electrification may potentially be a viable substitute for gas.

We are interested to know your views on the potential substitutes to the gas on and the extent these substitutes could constrain APA's market power.

[67] AER, *Final decision - Form of Regulation Review: South West Queensland Pipeline*, December 2024, p 53.

**Question**

16. Are there currently any substitutes (alternatives) for gas (such as electricity, diesel, biomethane, etc.) available that could fully or in combination replace the need to use the Bulloo Interlink? Do you consider any substitutes for gas will emerge in the next 15 years?

## 5.3 Competition to develop the pipeline

We may assess the level of competition to develop the pipeline (formal or informal) between 2 or more unrelated prospective service providers and whether this will, or is likely to, place an effective constraint on the ability of the service provider to exercise market power in the operative period. We will consider whether competition to develop the pipeline in question has resulted in competitive terms and conditions of access being offered to prospective users of the pipeline.

Factors that we may consider in assessing whether the development of the pipeline is occurring under competitive conditions and whether this may constrain the service provider's market power, include:

- the number of prospective service providers seeking to develop the pipeline.
- the credibility of the proposals to develop the pipeline service.
- the extent to which contracts, and agreement of terms and conditions, were reached.
- the areas and customers that each prospective service provider was intending to service.

We are not aware of any current competition to develop the pipeline (formal or informal) for development of the Bulloo Interlink, or a similar pipeline, before the pipeline is built.

We do not currently have evidence that the proposed terms and conditions for access to the proposed Bulloo Interlink have been set by a competitive process, or that APA's exercise of market power has been otherwise effectively constrained by competition to develop the Bulloo Interlink.

## 5.4 Other relevant factors

We also 'may have regard to' any other matters we consider relevant for our assessment.[68] These matters must be relevant to the impact that scheme or non-scheme regulation will potentially on the promotion of access or on efficient costs to the service provider, users of the pipeline and end users in line with section 112(2) of the NGL.

[68] NGL, s 112(3)(c).

## Duration of the operative period

In accordance with section 102(2) of the NGL, we have discretion to decide a period of the determination that is less than 15 years from the commissioning of the pipeline (*the operative period*). In determining the appropriate regulatory arrangement for the Bulloo Interlink, the operative period is evaluated with respect to the principles of access promotion and costs. It may be appropriate to provide a shorter operative period if future market conditions would warrant the absence of the possibility of scheme regulation for a shorter period (for example, credible substitutes are available to prospective users of the Bulloo Interlink, but only for a certain period).

Stakeholders are invited to provide views on whether such circumstance may exist and the appropriate operative period for the Bulloo Interlink determination.

## Pipeline description

The NGL requires conformity between the pipeline description in the greenfields application and the pipeline characteristics as constructed.[69] Should the pipeline as constructed materially differ from the pipeline description, the greenfields pipeline incentive will not apply to the pipeline. While there is a limited opportunity to amend a relevant pipeline description before the pipeline is commissioned,[70] it is important that the pipeline description be as accurate as possible in the initial application. This will enable the market power issues with the pipeline project to be properly analysed. APA identified the pipeline description in its application.[71]

**Questions**

17.Are there any other matters that are relevant to our consideration of whether to make a determination?

18. Are you aware of any factors that suggest that, if a determination is made, operative period shorter than 15 years from the commissioning of the pipeline (currently estimated to be in 2028) is in the best interests of consumers?

69 NGL, s 103.

70 NGL, s 104.

71 *APA application*, Table 3-2 pp 14-15.

# Appendix A – Consolidated consultation questions

**Market definition**

1. What are your views on our approach to defining the relevant market for the greenfields incentive determination?

**Key relevant gas market trends**

2. What feedback do you have on the trends discussed in this chapter and how they may impact the potential use of the Bulloo Interlink when it is built and within the 15-year horizon of the proposed determination?

3. What other trends in relevant markets may currently, or in the next 15 years, impact the supply of services and potential use of the Bulloo Interlink?

4. How do you think the Bulloo Interlink may impact the construction of the LNG import terminals that are proposed to serve the east coast gas market?

**Promotion of access and costs**

5. Do you have any comments on the key issues affecting our consideration of the promotion of access and efficient costs for the Bulloo Interlink?

**National Gas Objective**

6. What is the likelihood of the Bulloo Interlink proceeding in the presence or absence of a greenfields incentive determination? How should this inform the AER in deciding whether to make this determination?

7. How might scheme regulation on the Bulloo Interlink to deter efficient investment in pipeline services in the relevant market?

8. Do you think that a shorter than the default 15-year operative period of the determination would better balance investment incentives with market power concerns?

**Barriers to entry**

9. What are your views on barriers to entry for a competitor to provide alternative pipeline services to the Bullo Interlink?

10. Do you expect that the Bulloo Interlink will face competition during the next 15 years, and if so, how might this impact access negotiations?

**Network externalities**

11. Do you have views about if, and how, APA's pipeline network (the ECGG) could influence its ability to exercise market power on the Bulloo Interlink?

12. Does APA's provision of any non-gas services (i.e., electricity, diesel or hydrogen) provide it with an incentive to exercise market power, or otherwise provide services to related businesses on more favourable terms, in the supply of services on the Bulloo Interlink?

**Countervailing market power**

13. To what extent do you think users have countervailing market power (including bargaining power) in negotiating access to the Bulloo Interlink? Is this countervailing power limited to only certain classes of users?

**Substitutes and elasticity of demand for pipeline services**

14. Do shippers currently have viable substitutes (alternatives) that could fully or partially replace the need for pipeline services on the Bulloo Interlink (e.g. alternative pipelines and gas sources, gas swaps, AEMO's Day-Ahead Auction, alternative fuel sources)? Do you consider the availability of these (or new) alternatives will materially change over the next 15 years (e.g., LNG import terminals)?

15. If you think there are full or partial substitutes for the use of the Bulloo Interlink, to what extent do you think they will be able to effectively constrain any market power APA may have in provision of pipeline services on the Bulloo Interlink?

**Substitutes and elasticity of demand for gas**

16. Are there currently any available substitutes (alternatives) for gas (such as electricity, diesel, biomethane, etc.) that could fully or partially replace the need to use the Bulloo Interlink? Do you consider any substitutes for gas will emerge in the next 15 years?

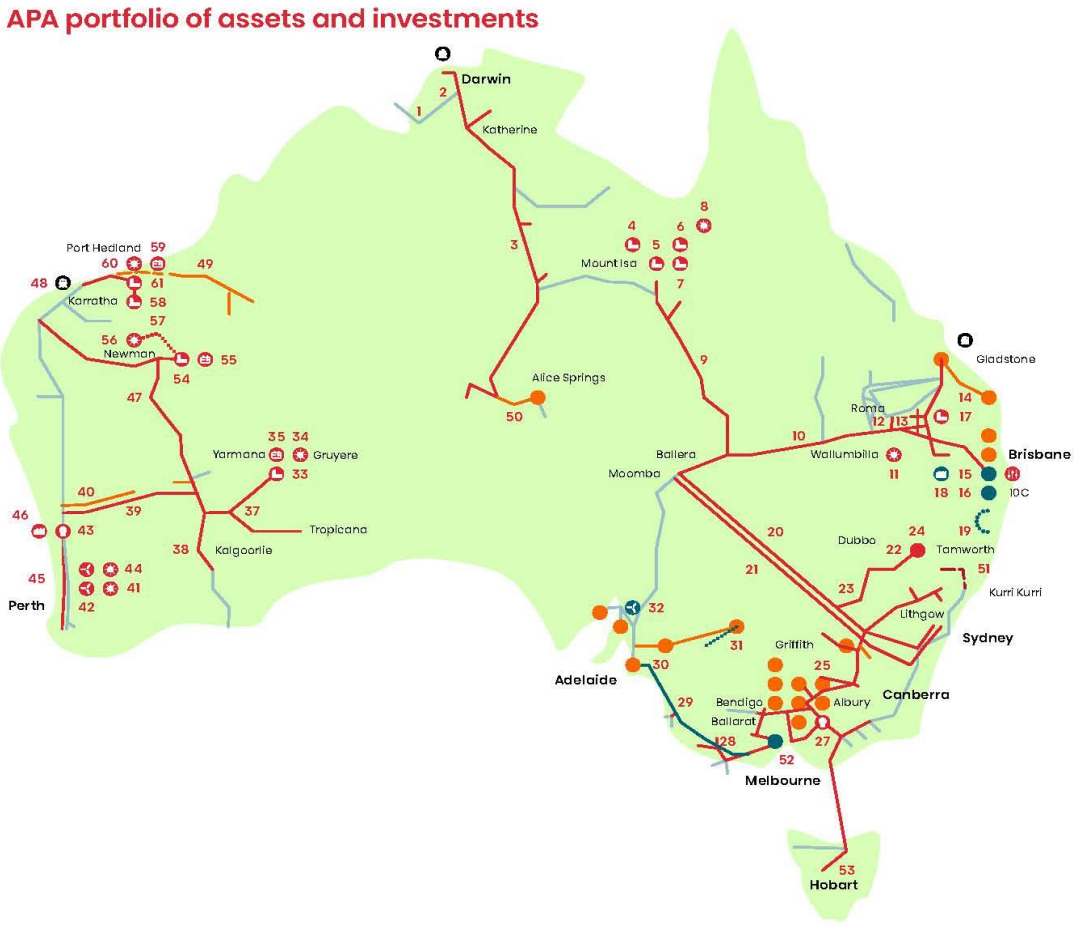
**Other relevant factors**

17. Are there any other matters that are relevant to our consideration of whether to make a determination?

18. Are you aware of any factors that suggest that, if a determination is made, an operative period shorter than 15 years from the commissioning of the pipeline (currently estimated to be in 2028) is in the best interests of consumers?

# Appendix B – APA's assets and services

This appendix lists many of the gas and non-gas services APA provides to users in Australia.




**Pipeline**

3 Amadeus Gas Pipeline (inc laterals)
13 Berwyndale Wallumbilla Pipeline
1 Bonaparte Gas Pipeline
9 Carpentaria Gas Pipeline (inc laterals)
22 Central Ranges Pipelines
23 Central West Pipeline
37 Eastern Goldfields Pipeline
47 Goldfields Gas Pipeline (GGP)
38 Kalgoorlie Kambalda Pipeline
40 Mid West Pipeline
20 Moomba Sydney Pipeline (inc laterals) (MSP)
21 Moomba Sydney Ethane Pipeline
28 Mortlake Gas Pipeline
39 Northern Goldfields Interconnect
45 Parmelia Gas Pipeline (PGP)
48 Pilbara Pipeline System
12 Reedy Creek Wallumbilla Pipeline
15 Roma Brisbane Pipeline (inc Peat lateral)
30 SEA Gas Pipeline
29 SESA Pipeline
10 South West Queensland Pipeline (SWQP)
49 Telfer/Nifty Gas Pipelines and lateral
25 Victorian Transmission System (VTS)
14 Wallumbilla Gladstone Pipeline (inc laterals)
2 Wickham Point Pipeline
36 Yamarna Gas Pipeline
51 Kurri Kurri Lateral Pipeline (KKLP)*
52 Western Outer Ring Main (WORM)

**Gas Processing and Storage**

27 Dandenong
18 Kogan North
46 Mondarra

**Gas Distribution**

16 Allgas Gas Network
50 Australian Gas Networks
24 Tamworth Gas Network

**Electricity Transmission**

19 Directlink
31 Murraylink
53 Basslink
57 Pilbara – HV Transmission Lines

**Generation**

17 Daandine (30 MW)
6 Diamantina (242 MW)
33 Gruyere (47 MW)
7 Leichhardt (60 MW)
5 Thomson (22 MW)
4 X41 (41 MW)
54 Newman (232 MW)
58 Port Hedland (126 MW)
61 Boodarie (84 MW)
35 Gruyere Battery Station (4.4 MW/4.4 MWh)
55 Newman Battery (35 MW / 11.4 MWh)
59 Port Hedland Battery* (35 MW / 34.1 MWh)

* Under construction.

**Solar Farm**

43 Badgingarra (19 MW)
11 Darling Downs (108 MW)
41 Emu Downs (20 MW)
34 Gruyere (13.2 MW)
8 Dugald River (88 MW)
56 Chichester (60 MW)
60 Port Hedland* (47 MW)

**Wind**

44 Badgingarra (130 MW)
42 Emu Downs (80 MW)
32 North Brown Hill (132 MW)

**Key**

APA Group asset
APA Group distribution network asset
APA Group investment
Investment distribution network
Electricity transmission
APA Group managed asset (not owned)
Managed distribution network
Other natural gas pipelines
Under construction
Wind farm
Solar farm
LNG plant
Battery storage
Gas storage facility
Gas processing plant
Gas power station
Integrated Operations Centre

Source: APA, *Annual Report 2024*, p 13.