Greenfields incentive determination: Bulloo Interlink Pipeline

Draft decision

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AUSTRALIAN ENERGY REGULATOR

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Executive summary - Our decision

The Australian Energy Regulator (AER) has made a draft decision to grant a greenfields incentive determination for a 10-year period from when the Bulloo Interlink Pipeline (Bulloo Interlink) is commissioned. Having regard to the effect of regulating Bulloo Interlink as a scheme or non-scheme pipeline in accordance with sections 112(2) and 112(3) of the National Gas Law (NGL), our view is that this draft decision is most likely to promote the achievement of the National Gas Objective (NGO).

The Bulloo Interlink will be a non-scheme pipeline (subject to a lighter form of regulation) upon commissioning. The pipeline will also be exempt from becoming a scheme pipeline (subject to a stronger form of regulation) for the operative period of determination of 10 years. After the 10-year period, the Bulloo Interlink will by default (absent a scheme pipeline determination following a form of regulation review) be a non-scheme pipeline. APA will be required to report prescribed transparency information under Part 10 of the National Gas Rules (NGR) relating to the Bulloo Interlink from the date of commissioning. This information, including actual prices payable, standing offer prices, financial information and other information is intended to assist shippers negotiating access to pipeline services with pipeline owners. We monitor and report on that information as part of our roles under the NGL and NGR.

Market power and the likely impact of scheme or non-scheme regulation

Service providers with market power have the ability to inefficiently increase prices, and/or reduce the quality of service. Therefore, where a service provider has market power and uses it, this is to the detriment of the long-term interests of consumers under the NGO.

We consider that if the Bulloo Interlink is built, APA Group (APA), which will own and operate the pipeline, is likely to have at least some market power as a result of its ownership of the Bulloo Interlink. The ongoing depletion of southern gas fields will continue to increase southern dependence on northern gas supply within the 15-year period for which APA has applied for a greenfields incentive determination.

The extent of APA's market power, over what is the primary current viable pathway to transport covered gas from the northern upstream markets to the southern demand centres in high and predictable volumes, will depend on the timing and competitiveness of the development of alternative sources of gas supply and transportation.

These potential competitive constraints include alternatives such as liquified natural gas (LNG) import terminals in the southern states or development of the Narrabri Gas Project and the Hunter Gas Pipeline (HGP) in New South Wales. If one or both of these alternatives enter the market and are competitive, they could constrain APA's market power. However, both the timing and competitiveness of these potential alternatives remains uncertain. Relatedly, there is no evidence to suggest that the proposed terms and conditions for access to the proposed Bulloo Interlink have been set by formal or informal competitive processes.

Similarly, larger shippers on the Bulloo Interlink are likely to have some countervailing market power. However, noting that these shippers are most likely to be seeking capacity to support gas-powered generation (GPG) or retail operations, they would likely have scope to pass through transportation costs to end users. So, while those large shippers may have some countervailing market power, we consider their incentives may lead them to negotiate for costs that are commensurate with their competitors rather than the lowest overall cost. We have also in the past found that those large shippers' countervailing power is strongest at or before the time of foundation contracting, and relatively less strong later. Over time, once foundational contracts are in place and the Bulloo interlink is fully operational, the degree of the countervailing power tends to diminish.

In that context, we have considered the likely impacts of scheme and non-scheme regulation on the promotion of access, costs likely to be incurred by an efficient pipeline service provider, efficient shippers and likely costs to end users (or consumers of gas). If effective competitive constraints do not emerge, the risk increases that APA could exercise market power on the Bulloo Interlink. The potential impacts of this on end users of gas and electricity, via GPG, could be material. In these circumstances, scheme regulation may help promote access to pipeline services, in particular by restricting inefficiently high prices for end users seeking pipeline services on the Bulloo Interlink. Non-scheme regulation also includes tools that may mitigate market power, such as reporting requirements and an arbitration regime. However, in the course of the South West Queensland Pipeline form of regulation review (SWQP Review) conducted in 2024, we heard from smaller shippers (in particular) that these mechanisms did not materially support negotiations. As a result, similar to our findings of the SWQP Review, we consider scheme regulation is more likely to promote access to pipeline services. Scheme regulation would also bring some additional costs, although, we consider these to be low.

Given the transformational changes occurring in Australia to the role and dynamics of natural gas supply through the energy transition, our view is that precluding scheme regulation for a full 15-year period carries risk of detrimental impact to achievement of the NGO through worsening access to pipeline services.

Impact of the greenfields determination on efficient investment

Holding other things constant, efficient investment in pipelines should enhance the long-term interests of consumers and thus promote achievement of the NGO by putting long-term downward pressure on prices and improving the quality of service and reliability of supply. For this reason, we have weighed the potential impacts of precluding scheme regulation in a circumstance where there may be a risk of the exercise of market power against the impact of a greenfields incentive determination on promoting efficient investment in the pipeline.

The Bulloo Interlink appears to meet a clear and widely accepted market need. There is currently strong demand for pipeline capacity supporting north to south gas flows, and many factors which suggest that demand will persist or increase. The APA-owned and operated South West Queensland Pipeline (SWQP) and Moomba to Sydney Pipeline (MSP) are both substantially contracted and have been operating near nameplate capacity for parts of the year, supporting crucial southern gas flows in winter. As a link between these pipelines, it appears that there would be similarly high demand for access to the Bulloo Interlink. Long-

term southern gas demand is forecast to be relatively steady out to the mid-2040s. Increases in GPG are expected to offset reductions in residential demand. Increases in peak GPG in winter in southern states are also driving the need for investment in additional gas infrastructure.

Stakeholders who engaged in our initial consultation process expressed support for the Bulloo Interlink investment and generally considered that a greenfields incentive determination would aid this investment. Further, we recognise that any increase in certainty would, in principle, reduce the risk premia associated with the investment, and which must be accounted for in tariffs, and so would likely support demand for pipeline services and, in turn, investment. Jointly, these factors support a view that a greenfields incentive determination of some length may contribute to achievement of the NGO. However, in our view it is unclear that they are sufficient to justify a 15-year period.

We recognise that uncertainty about the form of regulation is also not the only factor likely to influence contracting behaviour. In particular, there is evidence that gas supply contracts are being struck for shorter terms, with recent gas supply agreements (GSAs) typically being a year in duration.[1] Shippers have previously told us that they prefer to align supply and transportation contracting where possible. So, while a greenfields incentive determination may support investment, there may still be factors weighing against longer term initial contracting. We note that APA can make use of contractual mechanisms to mitigate against perceived forward uncertainty due to the reference tariff and provide greater certainty for shippers. There are also tools under non-scheme and scheme regulation, such as delaying or accelerating the recovery of capital and contracting on terms other than a reference tariff (for scheme pipelines) to address demand uncertainty and stranding risk.

Overall, our view is that the greenfields incentive determination is likely to support investment in the Bulloo Interlink, and that the Bulloo Interlink appears to meet a market need. However, for the same reasons that the Bulloo Interlink appears to meet a clear market need, we consider there is likely to be strong demand and sufficient supply to support it proceeding without requiring a full 15-year determination.

In considering the appropriate operative term for a greenfields incentive determination, we have had regard to the analysis of APA's confidential financial information on the Bulloo Interlink. Based on our analysis of that financial information, we consider a 10-year operative period provides material support towards APA recovering the capital costs required for initial investment in the Bulloo Interlink.

Finally, as relevant factors under the NGO, we have also considered whether the greenfields incentive determination is likely to have any impacts on security of supply, safety or achievement of Australia's emissions targets. We have concluded that the making or otherwise of a greenfields incentive determination is unlikely to materially influence greenhouse gas emissions outcomes.

[1] ACCC, *September 2025 Gas inquiry Interim report*, October 2025, p 16.

Weighing the factors we must have regard to

Having regard to all of the required considerations under the NGL, we consider a greenfields incentive determination for a 10-year operative period from commissioning of the pipeline offers regulatory certainty to support investment, but retains the possibility for scheme regulation after the expiry of the greenfields incentive determination if:

- the market develops in a way which strengthens APA's market power, and
- our monitoring suggests APA is exercising that market power in a way detrimental to achievement of the NGO and the matters in section 112 of the NGL.

In our view, this best balances the competing impacts of the greenfields incentive determination on efficient investment to support prices, quality of service and reliability of supply in the long-term interests of consumers.

In reaching this view, we have given weight to the potential market benefits of the Bulloo Interlink and the possible impact a greenfields incentive determination may have in supporting them. We have also given weight to the risk that APA may be able to exercise market power, and the resulting impact of precluding scheme regulation for the full 15-year period. Weighing these considerations, we consider that a greenfields incentive determination is likely to support achievement of the NGO, and that a 10-year operative period is sufficient to achieve this outcome while mitigating longer-term risks to consumers.

1 Introduction

The AER is conducting a review into whether to make a greenfields incentive determination (determination) for the Bulloo Interlink. APA Bulloo Interlink Pipeline Pty Ltd (ACN 684 765 142) is wholly owned by APA Group (APA). APA is planning to develop the Bulloo Interlink which will connect the Moomba to Wilton Pipeline (the mainline of the MSP) in New South Wales to the SWQP in Queensland. In this draft decision, we set out the reasons for granting a greenfields incentive determination in respect of the Bulloo Interlink, which is to cover an operative period of 10 years from the date the pipeline is commissioned.

1.1 About greenfields incentive determinations

A greenfields incentive determination is a regulatory decision where 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.[2]

The determination aims to encourage efficient investment in pipeline infrastructure which contributes to achieving the NGO, but these benefits need to be weighed against the potential risks of being exempt from scheme regulation. This decision lapses after 3 years, unless extended by the AER, if the pipeline to which it applies is not commissioned.[3]

If a greenfields incentive 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 the AER decides not to make a greenfields incentive determination, 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 NGL in the future, following a form of regulation review.

1.2 Overview of process

Between 23 May and 9 July 2025, APA submitted to the AER a greenfields incentive determination application (proposal) for its proposed Bulloo Interlink.[4] APA proposed an operative period for the determination of 15 years.

On 7 August 2025, we published a discussion paper to seek initial stakeholder input into our assessment.[5] The Discussion Paper outlined our approach to making a decision on whether to grant a greenfields incentive determination and key issues. We sought submissions by 28 August 2025.

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2 National Gas Law (NGL), s 102(2).

3 NGL, s 105.

4 APA, *Application to the AER for a greenfields incentive determination for the Bulloo Interlink (APA application)*, 9 July 2025.

5 Australian Energy Regulator (AER), *Greenfields incentive determination; Bulloo Interlink Pipeline* Discussion Paper, August 2025 (Discussion Paper).

We received 2 public submissions from APA and the Energy Users' Association of Australia (EUAA). We also conducted confidential meetings with incumbent SWQP and MSP shippers, gas producers and energy users' associations to understand their experience in negotiating access to the gas pipeline services provided on the SWQP/MSP and their perspectives on the determination process. We have also held confidential meetings with representatives of institutional investors.

1.3 The effective date for this determination

Under section 101(e) of the NGL, we must specify an effective date for our determination. For this draft decision, we have set this date at 1 January 2026, after the anticipated date for the final decision in December 2025. If the pipeline is commissioned within 3 years of that date, as anticipated, the 10-year operative period will begin when it is commissioned.[6] If the pipeline is not commissioned by 31 December 2028, our determination will no longer be valid. However, the AER has the discretion to extend the 3-year period on a case-to-case basis.[7]

1.4 Next steps

We invite submissions on this draft decision by 25 November 2025. Following consideration of any issues raised in these submissions, we expect to release a final decision by December 2025, which may be extended by 2 months at the discretion of the AER.[8]

1.4.1 Making a submission

Interested parties are invited to make submissions on the issues raised in this draft decision, and any other matter they consider relevant. We ask that submissions are provided in an electronic format (.doc or other text searchable document) and emailed to GasPipelineExemptions@aer.gov.au.

1.4.2 Confidential submissions

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

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

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6 Under Section 12 of the NGL, a pipeline is commissioned when the pipeline is first used for the haulage of covered gas, on a commercial basis.

7 NGL, s 105(2).

8 NGR, r 26(3).

1.4.3 Contact us

If you have any questions about this draft decision, lodging a submission, issues with confidentiality, or would like to meet with us, please send an email to GasPipelineExemptions@aer.gov.au.

1.5 Structure of the draft decision

The draft decision is structured as follows:

Chapter 2 – Regulatory framework and our approach: Provides an overview of the regulatory framework and how we have approached our decision to make a greenfields incentive determination.

Chapter 3 – Bulloo Interlink and gas supply background: Provides background information about the proposed Bulloo Interlink and gas market trends that are relevant to our decision.

Chapter 4 – Consideration of the form of regulation factors and competition to develop the pipeline: Outlines our consideration of the form of regulation factors and whether and to what extent the form of regulation factors or competition to develop the pipeline pose an effective constraint on the exercise of market power by the service provider.

Chapter 5 – Promotion of access: Provides our assessment of the extent to which each form of regulation will promote access to the services provided by the proposed Bulloo Interlink.

Chapter 6 – Costs of each form of regulation: Outlines our assessment of the direct costs likely to be incurred by an efficient service provider, efficient users and prospective users, and the likely costs to end users under each form of regulation. It also discusses the potential indirect costs of scheme regulation in terms of its impact on investment incentives.

Chapter 7 – Impact of a greenfields incentive determination on efficient investment: Discusses our analysis on whether and to what extent a greenfields incentive determination is necessary to support efficient investment in the proposed Bulloo Interlink.

Chapter 8 – Emissions implications of the decision: Outlines our analysis of material submitted regarding the impact of a greenfields incentive determination on achievement of Australia's emissions objectives

Chapter 9 – Operative period of the greenfields incentive determination: Outlines the reasons why in our view, a 10-year operative period from when the pipeline is commissioned is most likely to contribute to achievement of the NGO.

2 Regulatory framework and our approach

This chapter provides an overview of the regulatory framework for a greenfields incentive determination (the determination) and how we have approached our draft decision. Further detail about the AER's role in making the determination and our approach can be found in our Pipeline Regulatory Determinations and Elections Guide.[9]

2.1 Regulatory framework

2.1.1 Greenfields incentive determinations

A service provider may apply to the AER for a greenfields incentive determination for a 'greenfields pipeline project'.[10] A greenfields pipeline project is a project for the construction of a pipeline that is structurally separate from any existing pipeline or is a major extension to an existing pipeline.[11] An application can only be made prior to the commissioning of the pipeline (see section 2.4 for more detail).

If we decide to make the determination, the pipeline (once commissioned) cannot be made a scheme pipeline for the operative period of the determination (i.e., for the duration of the determination up to 15 years).[12] That is, the relevant pipeline will be a non-scheme pipeline upon commissioning and subject to the lighter form of regulation. It cannot be made a scheme pipeline while the greenfields incentive determination is in place.[13] Sections 100 to 108 of the NGL govern the process for making an application for a greenfields incentive determination and the process we will follow when considering such application. In addition, rules 24 to 27 of the NGR set out the information that an applicant must include in its application and the procedures that the AER must follow.

2.1.2 Regulatory test for greenfields incentive determinations

We have the power to make a greenfields incentive determination under section 100(1) of the NGL. A greenfields incentive determination is an "AER economic regulatory function or power" for the purpose of section 28(1)(a) of the NGL. Therefore, when considering whether to make a greenfields incentive determination we must go about that task in a manner that will or is likely to contribute to the achievement of the NGO.

In deciding whether to make a greenfields incentive determination we must consider the matters set out in sections 112(2) and 112(3) of the NGL.

Sections 112(2) and (3) of the NGL

Section 112(2) of the NGL states that the AER must consider the effect of regulating the pipeline as a scheme pipeline or non-scheme pipeline on:

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9 AER, *Pipeline Regulatory Determinations and Elections Guide: Final Guide*, July 2024 (Regulatory Determinations Guide).

10 NGL, s 100.

11 NGL, s 2.

12 NGL, ss 100(1), 102(2) and 102(3).

13 AER, *Regulatory Determinations Guide*, p 5.

(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 national gas objective; 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;[14] 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.

The effect of a greenfields incentive determination is, for the period of the determination, to exclude the prospect that the pipeline in question may become a scheme pipeline. Therefore, in accordance with section 112(2) of the NGL, the AER must consider the effect of regulating the pipeline as a scheme or non-scheme pipeline, and the likely impact of the two forms of regulation on promoting access to the pipeline services and the likely costs for an efficient service provider, efficient users and prospective users, and end users.

This is a qualitative, and not a quantitative assessment, and we have not attempted to quantify the full value of the benefits and costs under each form of regulation. However, we have considered quantitative data where it is available and relevant to do so.[15]

Promotion of access to pipeline services

The first element of section 112(2) of the NGL requires us to consider the effect that regulating the proposed Bulloo Interlink as a scheme pipeline or a non-scheme pipeline would have on the promotion of access to pipeline services on the proposed Bulloo Interlink.

The promotion of access includes the ability of users and potential users to negotiate access to pipeline services and the price and non-price terms and conditions on which access is provided. These pipeline services should also be available on terms and conditions that reasonably reflect a workably competitive market. Lastly, any market power of the pipeline service provider should be sufficiently constrained to allow the negotiation of reasonable

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[14] For subsection (3)(b)(ii), prospective service providers are unrelated if the service providers—

(a) are not related bodies corporate of each other; and
(b) do not include a related body corporate of the applicant for the greenfields incentive determination.

[15] See also AER, *Regulatory Determinations Guide*, p 24.

terms and conditions of pipeline access between the service provider and the prospective users.

Effect on costs

The relevant costs include the regulatory, administrative, and transaction costs that are likely to be incurred as a result of the pipeline being subject to scheme or non-scheme regulation. As discussed further in section 7.1, we have not considered the potential indirect costs associated with regulation, such as the potential cost of delayed or reduced investment, under this limb of the test. We have instead had regard to these issues through our consideration of the NGO. However, we have discussed both direct and indirect costs in Chapter 7.

National Gas Objective (NGO)

In considering whether to make a greenfields incentive determination, we must make a decision that will or is likely to contribute to the achievement of the NGO. Having regard to the NGO allows us to consider the overarching objectives of the NGL and how each form of regulation may promote these objectives.

Section 23 of the NGL provides definition of the NGO, which is—

> to promote efficient investment in, and efficient operation and use of, covered gas services for the long-term interests of consumers of covered gas with respect to:
>
> a) price, quality, safety, reliability and security of supply of covered 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.

Section 112 of the NGL also directs us to consider the effect that each form of regulation factor will have on the NGO in terms of promoting efficient investment in, and operation and use of, the Bulloo Interlink and other covered gas services (i.e. other pipeline services, the supply of covered gas, or a service ancillary to the supply of covered gas).

In determining what decision will or is likely to contribute to the achievement of the NGO, we will consider the likely impact of a greenfields incentive determination (or the refusal to make one) on a service provider's decision to undertake efficient investment in the development of a pipeline. This is consistent with the fact that a service provider cannot apply for a greenfields incentive determination after the pipeline has already been commissioned.[16]

Form of regulation factors

In applying the regulatory test for a greenfields incentive determination, we must have regard to the form of regulation factors. These factors help us to consider the degree of market

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[16] NGL, s 100(2)(a).

power that a service provider may have in providing service on a pipeline, and the potential constraints on its ability to exercise that market power. This helps us guide our assessment of how effective each form of regulation may be in promoting access to the pipeline services.

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).

Competition to develop the pipeline

Competition to develop the pipeline refers to the existence of competition in the process of developing the specific greenfields pipeline in question (i.e. before it is built). That is in a context where competitive negotiations or a competitive process between prospective pipeline service providers and prospective users at the time of developing the pipeline might serve to effectively constrain the pipeline service provider's market power even after the pipeline is built, and throughout the proposed operative period for the greenfields incentive determination. This might arise, for example, through a tender process (or other auction mechanism), the entry into long-term contracts, or by the pipeline service provider offering standard terms in support of a proposed greenfields price protection application.

Other relevant factors

We also 'may have regard to' any other matters we consider relevant for our assessment. 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. Specific examples of other factors that are relevant for our decision include, for example:

- Consideration of a period of the determination of less than 15 years, after having regard to section 112 of the NGL.[17]

[17] NGL, s 101(2).

- The requirement for conformity between the pipeline description in the greenfields incentive determination application and the pipeline characteristics as constructed.[18]

2.1.3 The two 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, as highlighted in Table 2.1 below.

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

	Scheme obligations	Non-scheme obligations
Access[19]	Scheme and non-scheme pipelines are required to provide third party access to pipeline services.	
Regulation of prices and non-price terms and conditions[20]	Service providers must submit an access arrangement to the AER for its approval of the price and non-price terms and conditions of access to reference services.	The prices and non-price terms and conditions of access to services are not regulated.
Information disclosure[21]	Both scheme and non-scheme pipelines must publish the following information: • service and access information: this includes information about the pipeline (e.g. its nameplate rating and delivery points), a description of services provided and service usage and availability information • standing terms: for scheme pipelines the applicable access arrangement, and for non-scheme pipelines 'standard' price and non-price terms and how standing prices are calculated • historic financial and demand information • actual prices payable information.	
Dispute resolution[22]	Access disputes are resolved by the AER.	Access disputes are resolved through commercial arbitration.
	Small shipper disputes: Small shippers (i.e. a small user or prospective user) can elect to have an access dispute resolved by a mediator rather than an arbitrator.	
Competitive safeguards and prohibitions[23]	Scheme and non-scheme pipelines are subject to the same competitive safeguard prohibitions and safeguards, which include: • prohibitions on preventing or hindering access, and bundling • interconnection and new capacity requirements • ring-fencing and associate contract provisions.	

18 NGL, s 103.

19 NGL, s 133.

20 NGL, Ch 3, Pt 5.

21 NGR, Pt 10.

22 NGR, Pt 12.

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

We note that a number of the above non-scheme obligations and measures were introduced as improvements to the non-scheme framework in early 2023, intended to improve the ability of shippers to negotiate with service providers. These include:

- the improved information disclosure obligations, including a requirement for service providers to publish information on the actual prices paid by all shippers
- an improved negotiation framework that service providers must comply with, and
- the introduction of a mediation option for small shippers.[24]

2.2 Our approach to the regulatory test

2.2.1 Stakeholder views

APA's submission notes that the Bulloo Interlink will be a non-scheme pipeline independent of whether the AER accepts APA's application for a greenfields incentive. It states that the greenfields incentive determination only ensures that the AER does not conduct a form of regulation review and decide to make a scheme pipeline determination for the 15-year period.

2.2.2 Our views

The nature of a greenfields incentive determination requires the AER to balance a range of considerations specified in the legislation and to form a view on which decision balances those factors in a way most likely to achieve the NGO.

Because a greenfields incentive determination relates to a pipeline that is yet to be built, we have limited definitive information, such as current prices or current contracting levels, to enable us to consider the effect of scheme regulation. Given this uncertainty, our analysis has been informed by our assessments of many of the same factors we had regard to in our recent form of regulation review for the SWQP Review. We recognise that, if built, the Bulloo Interlink will be a distinct pipeline, underpinned by its own foundation contracts with shippers. However, there are many similar characteristics between the 2 pipelines, which in our view indicates that our analysis and findings from the SWQP Review are informative for this decision. In particular, the Bulloo Interlink and SWQP:

- will be built and operated by the same owner (APA Group)
- will physically connect with each other
- will both serve the north-south gas transmission route and thus perform similar functions, providing transportation to similar southern markets
- will be unlikely to have any dedicated contracting and rather will serve primarily, if not exclusively, within multi-asset service agreements alongside the MSP.

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[24] The term 'small shipper' is defined as a user or prospective user for whom the total daily pipeline capacity right provided, or sought to be provided, under one or more contracts with the same service provider is not more than the lower of 5 TJ/day or 20% of the pipeline's nameplate rating, but does not include a corporation with a market capitalisation > $500 m, or a related body corporate of that corporation (see, NGL, s 8AB).

As a result, the Bulloo Interlink and SWQP will likely have a very similar profile of shippers seeking the pipeline capacity. In our assessment below, we outline where we have been informed by the analysis from the SWQP Review as a relevant consideration for our assessment, and where our views have been informed by the distinct characteristics or circumstances of the Bulloo Interlink. [25]

In addition, given the transformational changes occurring in Australia in relation to the role and dynamics of natural gas supply through the energy transition, a 15-year horizon will inevitably create ranges of uncertainty. Many of the factors on which we have based our assessment may also vary, in some cases significantly, depending on how the market develops. This includes, but is not limited to, factors such as:

- the pace of decline in southern production
- whether LNG import terminals enter the market and are competitively priced, or
- whether possible alternative supply routes emerge, such as development of the Narrabri gas field in New South Wales and a pipeline route such as the HGP to supply that gas to the southern markets.

As a result, we have attempted to recognise in our analysis the ranges of possible outcomes, their likelihood and their impact on our overall assessment.

The effect of a greenfields incentive determination on investment in the Bulloo Interlink

A greenfields incentive determination may incentivise or support commissioning of a pipeline. We have had regard to this possibility in weighing which decision on balance best promotes the NGO.[26] This also includes considering the potential for the exercise of market power is a greenfields incentive determination is made, and the impact this may have of the achievement of the NGO. In that scenario, we can consider whether a greenfields incentive determination for a period of less than 15 years may better contribute to achievement of the NGO.

2.3 The relevant markets

2.3.1 Stakeholder views

Referring to the AER's discussion of the relevant markets in the Discussion Paper,[27] APA submits that 'APA agrees with the AER that the relevant market for the purposes of this determination is the supply of gas to southern markets or demand centres'.[28]

Further, under the form of regulation factor 'Barriers to entry' (which is set out in section 16(a) of the NGL), APA states that APA 'agrees with the AER that the relevant market for the purposes of this application to be the supply of gas to southern markets – that is, a

25 NGL, s 112(3)(c).

26 NGL, ss 28(1)(a), 112(2) and 112(3).

27 See *AER Discussion Paper*, pp 14-15.

28 *APA submission*, p 3.

competitor could provide an alternative *to* pipeline services provided by the Bulloo Interlink, rather than alternative pipeline services'.[29]

Finally, under the form of regulation factor 'Substitutes and elasticity of demand for pipeline services' (which is set out in section 16(e) of the NGL), APA states that 'the relevant market for the purposes of this application is the supply of gas to southern markets – that is, a competitor could provide an alternative *to* the pipeline services provided by the Bulloo Interlink, rather than alternative pipeline services'.[30]

2.3.2 Our views

We consider the above statements in APA's submission do not properly reflect our views on markets as set out in the Discussion Paper.

As stated on page 14 of the Discussion Paper, in considering whether to make a greenfields incentive determination, the AER must 'consider *multiple* markets in accordance with the relevant provisions set out in sections 112(2) and 112(3) of the NGL', during the period of the determination (up to 15 years).[31]

The form of regulation factors set out in sections 16(a),16(b), 16(d) and 16(e) of the NGL specifically 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*. For the purposes of this determination, we considered the market for pipeline services that transport gas to the same demand centres that would be served or partially served by the Bulloo Interlink. Two forms of regulation factors, namely those set out in sections 16(c) and 16(f) of the NGL, relate to *broader markets*. These are:

- section 16(c), which discusses network externalities (that is, interdependencies) between covered gas services and *any other service in any other market*. We therefore identified and considered any interdependencies that may exist between pipeline services on the proposed Bulloo Interlink and any *other service provided by APA*, and
- section 16(f), which discusses *any substitutes* and elasticity of demand *in a market for electricity or gas*. We considered that the relevant market is for the supply of gas to the demand centres in the southern states. We also note that 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).

In addition, as required under section 112(3)(b)(ii) of the NGL, we must 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. This means that a relevant market for this limb of the test is *the market for pipeline services*. In having regard to this limb of the test, we considered whether and the extent to which there

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29 *APA submission*, p 7.

30 *APA submission*, p 9.

31 *AER Discussion Paper*, p 14.

was evidence of the competition between prospective service providers to develop the Bulloo Interlink before it is built, including alternative routes or proposals. Our assessment is in section 4.7. This provision did not require us to look at the potential development of future pipelines competing with the Bulloo Interlink after it has been commissioned (and we considered these pipelines when considering the form of regulation factors, e.g. the HGP, in section 4.5).

2.4 Application assessment and other relevant factors

There are a number of requirements that an application for a greenfields incentive determination must meet under section 100(2) of the NGL, including:

- the application cannot be made after the pipeline is commissioned
- whether an application for a greenfields incentive determination meets the requirements set out in the NGR (specifically, in rules 24 and 25 of the NGR)
- a greenfields incentive determination application must be accompanied by the application fee as set out in the National Gas Regulations.[32]

Our assessment of the application

We are satisfied that APA's application for a greenfields incentive determination for the Bulloo Interlink meets the requirements of section 100(2) of the NGL. The required information has been provided (including the information specified in rules of the NGR) and the application fee has been paid.

The Bulloo Interlink pipeline description can be found in APA's proposal on pages 14-15. If the pipeline, as constructed, materially differs from the pipeline described, the greenfields incentive determination does not apply to the pipeline.[33]

We also 'may have regard to' any other matters we consider relevant for our assessment.[34] These matters must be relevant to the impact that scheme or non-scheme regulation will potentially have 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. These are discussed below.

Greenfields pipeline project

Pursuant to rule 25(1)(b) of the NGR, an application for a greenfields incentive determination is required to include a statement of the basis on which the project for the construction of the pipeline is to be regarded as a greenfields pipeline project.

A 'greenfields pipeline project' is a project for the construction of—

(a) a pipeline that is to be structurally separate from any existing pipeline; or

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32 NGL, s 100(2)(f). As of 23 May 2025, the application fee for a greenfields incentive determination was $7500 (see Schedule 5 of National Gas (South Australia) Regulations).

33 NGL, s 102.

34 NGL, s 112(3)(c).

(b) a major extension to an existing pipeline.[35]

APA submits that, based on the characteristics of the Bulloo Interlink and the National Competition Council's (NCC's) previous decisions,[36] the Bulloo Interlink meets the definition of a 'greenfields pipeline project' because it is structurally separate from existing pipelines. Further, while the Bulloo Interlink will increase the capacity on both the SWQP and the MSP, it will be structurally separate from both the SWQP and the MSP and is capable of independent flow. APA also notes that if the AER considers the Bulloo Interlink to be an 'extension' of any pipeline, it is clearly a 'major' extension. In either circumstance, APA considers that the Bulloo Interlink is a 'greenfields pipeline project' for the purposes of its application.[37]

The terms 'structurally separate' or 'major extension' are not defined in either the NGL or the NGR. In this regard, previous NCC decisions could provide some clarification on whether the characteristics of a new pipeline are more consistent with those of a structurally separate pipeline or a major extension of an existing pipeline.

We generally agree with the rationale provided in table 3.3 of APA's application,[38] which shows characteristics that suggest structural separation of the Bulloo Interlink from existing pipelines.

We are therefore satisfied that, for the purposes of this determination, the Bulloo Interlink is a greenfields pipeline project because it satisfies limb (a) of the definition in Section 2 of the NGL.

35 NGL, s 2.

36 The National Competition Council (NCC) previously issued recommendations for 15-year no-coverage determinations for new gas pipelines.

37 *APA application*, pp 15-16.

38 *APA application*, pp 15-16.

3 Bulloo Interlink and gas supply background

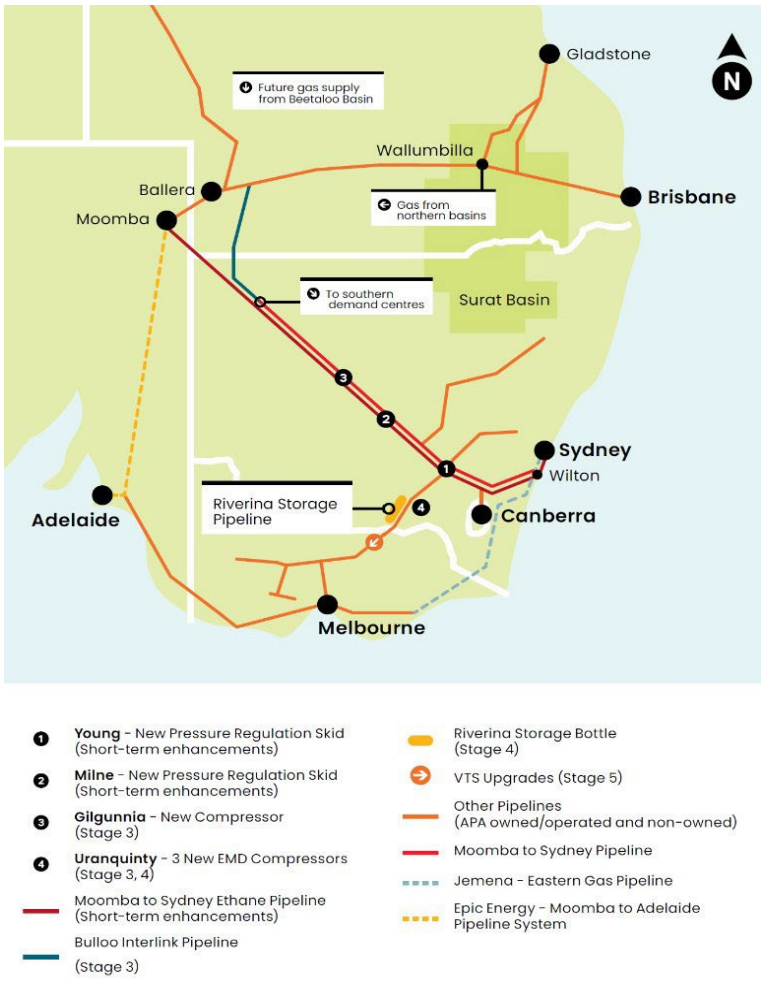
This chapter provides background information on the Bulloo Interlink, including the proposed pipeline, capacity information, and on broader gas supply and demand trends.

3.1 The Bulloo Interlink

The Bulloo Interlink is a proposed 28-inch pipeline approximately 335 km in length 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 Beet aloo in the Northern Territory.[39]

Figure 3.1 shows the Bulloo Interlink in the context of APA's interconnected East Coast Gas Grid (ECGG) and the broader gas pipeline network. Pipelines not owned by APA are indicated in dotted lines.

Figure 3.1 – Proposed Bulloo Interlink and the ECGG[40]



39 *APA application*, p 1.

40 *APA application*, p 12.

The Bulloo Interlink is part of Stage 3 of APA's ECGG Plan, announced in February 2025.[41] 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:[42]

- 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.[43] APA's application states that "a greenfields incentive determination will provide the regulatory certainty needed for the APA Board to make this determination".[44] It follows 2 other near-term projects that have already reached the FID stage.[45] These projects will add new north-to-south gas transport capacity in 2025 and 2026.[46] 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.[47]

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

APA submits that 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 (MAS) in conjunction with other APA pipelines. APA states the estimated 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

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

42 *APA application*, p 12.

43 *APA application*, p 1.

44 *APA application*, p 1.

45 Moomba to Sydney Ethane Pipeline (MSEP) 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.

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

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

pipeline services and increased capacity being available for supply; ultimately putting downward pressure on prices for end users.[48]

3.2 Gas supply and demand trends

A forward-looking analysis of market trends suggests there is a clear and strong requirement to transport additional gas supply from the existing and emerging northern supply fields to markets in southern states (which the proposed Bulloo Interlink intends to serve). This is reflected in findings from the Australian Energy Market Operator's 2025 Gas Statement of Opportunities (AEMO 2025 GSOO), AEMO 2024 Integrated System Plan (AEMO 2024 ISP), ACCC Gas Inquiry reports, as well as the Federal Government's Future Gas Strategy (and Gas Strategy Analytical Report). We acknowledge that there might be other pipeline development projects, including the HGP to supply that gas to the southern markets. However, these projects remain subject to various uncertainties regarding timing and delivery. As such, their potential contribution to address the gas supply bottleneck affecting the southern markets cannot be assured at this stage.

A high-level overview of these trends is set out below.

Gas Supply Adequacy

Supply adequacy is dependent on the availability of the firm gas contracts that can deliver covered gas when needed. The ACCC's June 2025 Gas Inquiry reports that southern states continue to face the prospect of continued shortfalls to 2027, driven by a lack of forecast supply. Based on internal estimates obtained from gas producers, and demand forecasts under the "Step Change" scenario from AEMO's 2025 GSOO, the ACCC projects a deficit of 31 PJ in 2027, worsening to 265 PJ by 2034 if new supply in southern states is not made available.[49]

Gas Demand

Forecasting from the AEMO GSOO, AEMO's Integrated System Plan (ISP) and reporting from the ACCC Gas Inquiry show stable long-term demand for gas, with growing peak gas demand driven by GPG. This is due to GPG's role in providing reliable firming generation when coal plants retire and/or renewable generation is unable to meet demand.

Increased GPG demand is forecast to be a significant driver of peak daily shortfalls (peak daily demand being above available supply).[50] AEMO forecasts reinforces the important role GPG is expected to play from 2028 in providing reliable generation during periods of lower renewable generation, and indicate that the need for additional pipeline investment and

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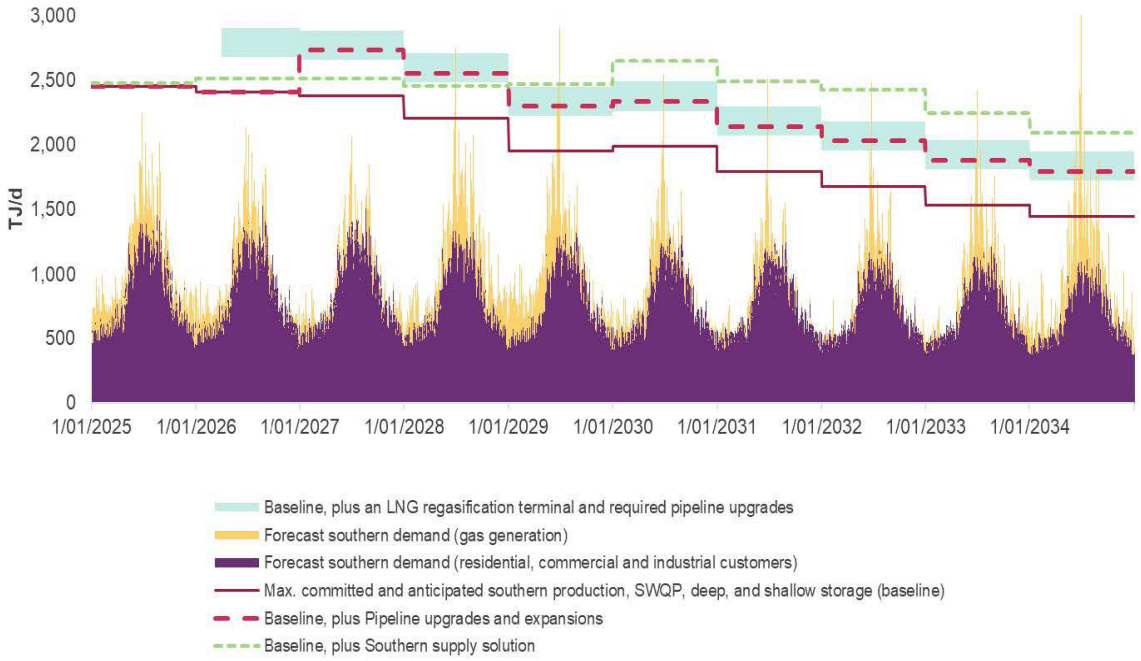
48 *APA application,* p 2.

49 The 2025 GSOO projects that there is enough expected gas to meet peak day demand in the southern states in 2025 and 2026, with peak day shortfalls occurring from 2028. However, AEMO's projections assume total system capacity based on the use of all storage facilities, pipeline capacity and gas not committed for export. The ACCC Gas Inquiry Report supply adequacy estimates are based on supply information given from producers and considers in more detail LNG producers' export projections and the availability of uncontracted gas.

50 AEMO, *2025 Gas Statement of Opportunities*, March 2025, pp 6, 90 (2025 GSOO).

sources of gas is likely to be driven by future expectations of peak GPG demand.[51] This is shown in Figure 3.2 below.

Figure 3.2 – Forecast southern daily adequacy of the future gas supply options, between 2025 and 2035



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

Extreme weather conditions or unexpected market events may also increase GPG demand. We note that while GPG demand is variable and uncertain, this volatility reinforces the system's reliance on GPG and can drive demand for GPG plants and associated infrastructure including gas transportation. This is since, based on trends examined in AEMO's 2025 GSOO, shippers and pipeline operators must plan for peak GPG demand, and uncertainties associated with renewable generation increases the need for GPG capacity.

Gas Supply

In addition to forecast demand, the tight supply-demand balance in the east coast and southern states is driven by the following market and regulatory trends affecting the wholesale supply of gas to domestic markets:

- **Overbuild of LNG export capacity**: There is excess LNG export facility capacity in Gladstone, Queensland compared to that required under long-term LNG contracts. This has tied domestic gas to international LNG market and prices, allowing domestic supply in particular market circumstances to be exported on a spot or short-term basis in response to higher international price signals and global demand.[52]
- **Concentration of domestic gas reserves**: Most domestic gas is held by Queensland LNG producers and their associates, and is earmarked for export as

[51] "Peak pricing events" are periods where there is insufficient generation to meet forecast demand in that period. In these periods, spot prices can reach the market price cap of $20,300 per megawatt hour (MWh).

[52] Simshauser and Gilmore, *Solving for 'y': demand shocks from Australia's gas turbine fleet*, March 2024.

LNG.[53] This, along with large levels of undeveloped reserves in discovered resources, may contribute to "gas hoarding" behaviour, preventing additional supply from reaching the domestic market.[54]

- **Reduced investment in existing reserves**: There is a current lack of investment in current gas reserves, due to what producers and shippers have described to the ACCC as regulatory uncertainty following the announcement and introduction of the Gas Market Code.[55]
- **Delays in regulatory and environmental approvals**: Potentially, slow regulatory planning and environmental approvals processes for gas developments may also be contributing to delays in bringing additional supply to the domestic market.[56]

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 developments 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 4 LNG import terminals in Australia's east coast at different stages of development.[57] Most of these LNG projects will serve the same demand centres as the proposed Bulloo Interlink (i.e., Victorian and NSW markets). If the Bulloo Interlink is built it could impact forecast demand for services on some or all of these LNG import terminals. 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.

53 ACCC, *June 2025 Gas Inquiry Interim report*, June 2025, p 43.

54 Department of Industry Science and Resources, *Future Gas Strategy Analytical Report*, Australian Government, May 2024, p 76 (Future Gas Strategy Analytical Report).

55 ACCC, Gas Market Inquiry Report 2025, p 55; *Future Gas Strategy Analytical Report*, May 2024, p 76.

56 *Future Gas Strategy Analytical Report*, May 2024, p 76.

57 ACCC, *December 2024 Gas inquiry Interim report*, December 2024, p 110.

4 Consideration of the form of regulation factors

Under Section 112(3)(b)(i) of the NGL, we must have regard to the form of regulation factors. These factors inform our assessment of whether APA is likely to have market power and the extent to which this is likely to be constrained by other factors. We have considered the likely development of these factors over the 15-year greenfields incentive period as proposed by APA. In Chapters 5 and 6, we consider, alongside this assessment of market power, the impact of precluding scheme regulation upon the promotion of access and costs to an efficient pipeline service provider, efficient prospective users and end users (consumers of gas).

In summary, we have found that it is likely that APA will have the ability to exercise market power in the provision of pipeline services on the Bulloo Interlink when the pipeline is commissioned. Holding other factors constant, this market power will increase as southern gas production decreases and southern gas demand is increasingly dependent on gas transported from Queensland.

Whether or not this market power eventuates also depends substantially on potential competitive constraints such as LNG import terminals or the development of alternative gas supply and transportation to the southern states. These remain uncertain in terms of both timing and competitiveness. If the Narrabri gas project and the HGP are developed in a timely manner and are price competitive, or LNG import terminals enter the market and are competitive, they could constrain potential market power on the Bulloo Interlink. If they do not, we consider the risks of market power may be high over a 15-year horizon during which a full greenfields incentive determination would preclude scheme regulation, especially if coal generation exits the National Electricity Market (NEM) as currently scheduled and the importance of GPG increases as forecast.

Form of regulation factors

The form of regulation factors are intended to inform our assessment of the effect that each form of regulation factor will have on access to pipeline services by requiring us to consider:

- the extent to which a service provider has market power in the provision of pipeline services on the relevant pipeline as a result of barriers to entry and/or network externalities (i.e. interdependencies) between pipeline and other gas and non-gas services provided by the service provider.
- the extent of any constraints on the service provider's ability to exercise market power, such as the countervailing market power held by users or prospective users of the pipeline and/or the availability of substitutes for both the pipeline services and the supply of gas.

4.1 Barriers to entry

Form of regulation factor (a)

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

Form of regulation factor (a) asks us to consider the future and extent of barriers to entering the "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 material capital costs for a new entrant but already sunk for the incumbent), 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.

4.1.1 Stakeholder views

APA

In its application, APA submitted that it does not have a "barriers to entry" advantage and that another service provider could equally build an alternative pipeline. It further states that it is constrained by the various options (e.g., LNG import terminals, AEMO's Day Ahead Auction) available to its customers to meet their demand for gas.[58]

In its submission to the Discussion Paper, APA acknowledged that all infrastructure projects related to supply of gas face barriers to entry and require significant capital and regulatory hurdles.[59] In saying that, APA stated that these barriers to entry are not significant hurdles as multiple infrastructure projects to supply gas to the southern markets have been proposed (some of these have achieved significant progress – e.g. Port Kembla Import Terminal is slated to begin operations in 2027).[60]

APA stated that the Bulloo Interlink faces a barrier these other projects do not. That is, that it may become a scheme pipeline which changes the risk/return ratio for the investors.

EUAA

In its submission, Energy Users Association of Australia considered there are significant barriers to entry to compete with the Bulloo Interlink, especially short-term.[61]

4.1.2 Our views

We consider the barriers to entry to the market in which the Bulloo Interlink will compete are high and there is a relatively low threat of new entry (the relevant market here being the

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58 *APA application*, pp 22-23.

59 *APA Submission*.

60 ABC, *Port Kembla Energy Terminal delayed until 2027 amid shifting gas demand*, 26 May 2025, accessed 18 September 2025.

61 EUAA, *Submission on discussion paper for the Bulloo Interlink*, 28 August 2025, p 2 (EUAA submission).

"market for pipeline services"). We consider this is likely to provide APA with market power in the provision of services on the Bulloo Interlink.

The following factors contribute to the high barriers to entry:

- **Large capital costs:** There are significant costs associated with developing pipelines, such as the Bulloo Interlink (estimated to cost $670 million), which acts as a barrier to entry. APA owns the other key pipelines for north to south gas transportation and so is linking existing pipelines where a competitor would likely need to traverse a longer distance. This increases the capital costs required to develop a competing pipeline.
- **Obtaining regulatory approvals:** There are several regulatory approvals (e.g. environmental approval, pipeline licences, infrastructure approval) that a prospective entrant would need to obtain to develop a new pipeline. These approval processes can act as a further barrier to entry, particularly when a pipeline is proposed to traverse multiple jurisdictions such as the Bulloo Interlink, by increasing costs, delays, and uncertainty. For example, the Bulloo Interlink traversing Queensland to New South Wales must obtain separate pipeline licenses for both states and may also require Commonwealth environmental approval).[62]
- **Access to finance:** APA Group is a large, diversified business, with long-term revenue streams across several businesses and assets. APA's economies of scale and scope allows it to raise finance at a group level backed by the stable cash flows from its wider business, giving it access to cheaper and more liquid forms of finance evidenced by its reported debt issuance and term funding sources.[63] This provides APA with greater flexibility, speed and risk tolerance when pursuing new developments.[64] By contrast, smaller entrants may be restricted to more limited (and illiquid) forms of finance, often requiring firm revenue commitments or higher expected returns before raising capital, creating strategic barriers to entry.[65] In its FY2025 results presentation, APA noted that its strong balance sheet enables it to fund its $2.1 billion organic growth pipeline from "existing capacity" (i.e. cash-flows and available debt headroom).[66]
- **Access to land and easements:** The processes to negotiate access to the land required for a pipeline easement can also act as a barrier to entry, as these processes can be costly, time consuming, and may not always be successful. They can, for example, require extensive community consultation and negotiations with

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62 Pipelines Act 1967 (NSW); Petroleum and Gas (Production and Safety) Act 2004 (QLD).

63 APA, *Debt investors information*, 31 December 2024, accessed 29 September 2025; APA, *APA successfully completes $1.75 billion syndicated loan extension*, 25 June 2025, accessed 29 September 2025.

64 For example, APA is able to "build ahead of demand" and incur sunk costs before long-term revenue eventuates, supported by the cash-flows of its wider business.

65 Such as equity, mezzanine or project finance. These forms of finance may involve more extensive due diligence, be less available, or be subject to strict financial performance requirements (e.g. return targets) or debt serviceability conditions.

66 APA – Speech by CEO/ CFO, *FY 25 Results presentation*, 20 August 2025, p 5, accessed 29 September 2025.

each landowner along the pipeline route to purchase the land or create an easement.[67]

- **Uncertainty around future of gas:** The uncertainty surrounding the long-term future demand for gas in the east coast may also act as a barrier to entry as it could have the potential to make it more difficult for an operator to contract sufficient volume to underwrite the development of new pipelines.[68]
- **Wholesale gas supply**: As discussed in section 3.2, the supply of wholesale gas is currently tight. This may contribute to the barriers to entry, as available long-term supply of wholesale gas is necessary to facilitate gas pipeline investment.
- **Network externalities**: APA's operation of the Bulloo Interlink as part of a network of transmission pipelines (the ECGG) and its sale of multi-asset services across multiple pipelines may also act as a barrier to entry for competitors. This is because new entrants would not just be competing with APA for the provision of pipeline services between any points on the Bulloo Interlink, but for the provision of pipeline services between any points in APA's ECGG.

4.2 Network externalities – covered gas services

Form of regulation factor (b)

'the presence and extent of any network externalities (that is, interdependencies) between a covered gas service provided by a service provider and any other covered gas service provided by the service provider'

Form of regulation factor (b) requires us to consider whether there are any network externalities (or interdependencies) between the covered services APA provides on the Bulloo Interlink (i.e. pipeline services) and any other covered gas services it provides.[69]

The purpose of this factor is to identify the presence and extent of any network externalities (or interdependencies), between covered gas services and any other covered gas service provided by APA, that could give rise to market power and efficient investment.

Providing other covered gas services, such as other pipeline, compression, or storage services, can contribute to a service provider's market power in supplying services on a pipeline in several ways. This includes by providing it with a competitive advantage and/or increasing barriers to entry.

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67 This has been reflected in significant community opposition to the construction of the HGP. For example, some farmers and landholders have raised concerns over threats to farming and livelihoods, impact on water resources, and environment and safety risks associated with flooding and bushfires.

68 AEMO, *2025 GSOO*, 20 March 2025; AER, *Regulating gas pipelines under uncertainty – Information paper*, 15 November 2021, pp 3-26.

69 Covered gas service is defined in section 2 of the NGL as a pipeline service, the supply of covered gas, or a service ancillary to the supply of covered gas. Further, network externalities under the form of regulation factors does not have the usual 'economic meaning' of how the benefit an agent derives from a good or service changes as the number of other agents consuming the same kind of good or services changes.

While strong network externalities (or interdependencies) can promote efficient investment by amplifying the benefits such as unlocking more gas production, they may also diminish shippers' ability to exercise countervailing market power. With significant information asymmetry, this can lead to imbalances in bargaining power and eventually reduce the overall investment efficiency.

4.2.1 Stakeholder views

APA is the only stakeholder to lodge a submission on this form of regulation factor. It submits that the Bulloo Interlink will still be able to be bypassed by users either through gas swap arrangements or alternative supply sources. In addition to this, APA considers that ring fencing provisions, and the AER's compliance monitoring of them, provide an effective barrier to any exercise of market power, and contends that the current multi-asset services and contracts with users on the connected pipelines will not be directly impacted. That is, the gas transportation route (and whether it includes the Bulloo Interlink) will not affect the current tariffs paid by users of the SWQP and MSP.

4.2.2 Our views

We consider that APA's supply of other covered gas services provides APA with a competitive advantage in the supply of services on the Bulloo Interlink.

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, reducing users' countervailing power 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 include multi-asset services utilising these and potentially other pipelines owned by APA.

In our review of the SWQP, we found that the benefits of scale and scope from operating the ECGG contributes to APA's market power in the supply of services on the SWQP by providing APA with a competitive advantage and increasing the barriers to entry for potential competitors. We consider development of the Bulloo Interlink would strengthen these comparative advantages through the increase in capacity they support.

In November 2023, APA highlighted the benefits of its East Coast Grid by stating:

> '[APA's] Uniquely integrated portfolio of assets that enables the flexible, reliable and efficient delivery of services… APA's assets are geographically diverse and many of them, particularly those comprising its East Coast Grid, can operate as interconnected infrastructure or point-to-point assets, with major pipelines having the ability to flow gas bidirectionally. APA's integrated East Coast Grid spans thousands of kilometres of pipeline length and provides the capability to transport gas seamlessly from multiple gas production facilities to gas users across four Australian states and the ACT… Bi-directional and multi-asset services across APA's interconnected East Coast Grid have enabled it to be a "one-stop" shop for many energy producers and users... Many of the flexible services that are available as a result of APA's continued investment in and augmentation of the East Coast

> Grid are now incorporated into multi-asset and multi-service contracts of varying lengths'.[70]

Operating the Bulloo Interlink in conjunction with several other pipelines within the ECGG allows APA to offer multiple services across its network, making these agreements more attractive to shippers by generally charging less for these services than what it would cost to separately contract each service, and allowing transport through multiple pipelines to be offered through one contract than having to contract separately for each pipeline.[71] While this lowers transaction costs (makes contracting easier) for shippers, this also contributes to APA's market power. As more shippers contract under these agreements, it can increase shippers' reliance, leading to greater dependence on the Bulloo Interlink. The agreements may weaken users' countervailing power on any individual segment of the pipeline system by bundling access to the Bulloo Interlink with access to other pipelines within the ECGG. Finally, we do not consider that because the Bulloo Interlink can be characterised as a 'point-to-point' pipeline that interdependencies between APA's other covered gas services are not relevant as illustrated by the above points.

Implications of network externalities for a greenfields incentive determination

We note that the use of 'multi-asset agreements' - which transport gas between multiple pipelines in a single agreement - can potentially reduce the impact of scheme regulation on APA's pipelines if we were to make a greenfields incentive determination. This is due to APA's common ownership of the majority of pipelines on the east coast.

As we noted in the Discussion Paper, APA's network externalities could contribute to APA's market power if a greenfields incentive determination were granted for the full 15-year operative period. For example, if services on the Bulloo Interlink are typically offered as a part of a multi-asset agreement that includes a scheme pipeline, it is possible that APA could respond to the application of a reference tariff on the scheme pipeline by increasing prices on the Bulloo Interlink to offset any associated revenue reductions.

We however note that multi-asset agreements and services on APA pipelines already include scheme and non-scheme pipelines, and prices on scheme pipelines can diverge from the reference tariff as parties are free to contract on terms which differ from an access arrangement. The potential for this behaviour therefore currently exists without a greenfields incentive determination. The potential for using market power in this way can be mitigated by the emergence of competition or other competitive constraints in the future, or by reducing the operative period of the determination.

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70 APA, *ASX Announcement: Lodgement of Offering Circular for Hybrid Capital Securities*, 6 November 2023, accessed 6 October 2025.

71 For example, in August 2024, APA's published price for the multi-asset service between Wallumbilla and Wilton was $2.4822 (including compression). In contrast, the published prices for the individual services totalled $2.9469 (i.e. transportation between Wallumbilla and Moomba was $1.5942 (including compression) and Moomba to Wilton was $1.3527), which is around 19% higher than the multi-asset service price. APA, APA tariffs and terms, APA website, accessed 3 October 2025.

4.3 Network externalities – other services

Form of regulation factor (c)

'the presence and extent of any network externalities (that is, interdependencies) between a covered gas service provided by a service provider and any other service provided by the service provider in any other market'

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

Like 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 was also an electricity generator, it may affect the service provider's incentives to transport gas for competing generators and/or to otherwise confer an advantage on its own generator.

4.3.1 Stakeholder views

APA is the only stakeholder to make a detailed submission on this form of regulation factor. APA contends that the following provisions are intended to constrain a pipeline's ability to exercise market power in respect of this factor.

- s 133 of the NGL (Preventing or hindering access),
- s 147 of the NGL (Service provider must not enter into or give effect to associate contracts that have anti-competitive effect), and
- s 148 of the NGL (Service provider must not enter into or give effect to associate contracts inconsistent with competitive parity rule).

In addition to these provisions, APA states that the requirement for the SWQP and MSP to comply with interconnection principles (s 136 of the NGL) removes any barriers for another service provider to effectively bypass either or both pipelines. APA considers that these ring fencing provisions, and the AER's compliance monitoring of them, provide an effective barrier against exercise of market power.

4.3.2 Our views

We consider that APA's supply of other services would be unlikely to contribute to market power in the supply of services on the Bulloo Interlink.

Ring fencing provisions, interconnection principles and prescribed transparency information, alongside the AER's compliance monitoring of these things, can limit APA's ability to exercise market power. We consider these provisions can be regarded as useful supplements to a greenfields incentive determination, reinforcing safeguards for shippers while providing revenue certainty for efficient investment.

APA owns and/or operates several assets that are used to provide services in other markets, such as electricity generation and transmission services.[72] We note that most of these services are not provided in the same geographical location as the Bulloo Interlink. We consider that the ring-fencing and associate contract provisions can effectively prevent APA from taking advantage of market power in these markets.

4.4 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'

Form of regulation factor (d) requires us to consider the extent to which the countervailing market power possessed by a user or prospective user (referred to as 'users' below) may mitigate APA's market power in the supply of services on the Bulloo Interlink.

The greater the countervailing power of users, the more likely it is that those users will be able to protect themselves from exercises of market power by the service provider and to negotiate more economically efficient prices and conditions of access, reducing the need for intensive regulatory intervention.

In general, users are more likely to have countervailing market power where:

- the users are large or concentrated (i.e. there are only a few pipeline users), are well-resourced and can credibly threaten to bypass the pipeline by building their own pipeline, or securing an alternative source of supply (e.g. by procuring gas from Victoria rather than Queensland), or
- the cost and demand circumstances of the service provider is such that it would be adversely affected if a user, or group of users, ceased to use the service (e.g. resulting in full or partial stranding of certain assets).[73]

4.4.1 Stakeholder views

4.4.1.1 APA views

APA submits that 'APA believes the users identified (in Table 4.1) are sufficiently large and concentrated to hold significant countervailing market power. These users can credibly bypass the Bulloo Interlink as they usually have a range of options for servicing their portfolio, including supply arrangements from multiple gas basins, swap arrangements and capacity on different pipelines. The availability of these alternatives means that these shippers have significant countervailing power in negotiating new transportation arrangements.' APA further states that the Bulloo Interlink, as a new pipeline with limited contracted capacity, increases the credible countervailing market power of users, and the bargaining power from these users has increased in recent years due to the prescribed

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72 For instance, APA owns and operates electricity transmission assets (Basslink, Murraylink, Directlink) and electricity generation assets (5 GPGs, 2 solar farms and one wind farm).

73 Expert Panel on Energy Access Pricing, *Expert Report to the Ministerial Council on Energy*, April 2006, p 49.

transparency information publishing obligations from service providers under Part 10 of the NGR.[74]

4.4.1.2 Other stakeholder views

During the stakeholder engagements on the Bulloo Interlink Discussion Paper, stakeholders submitted that users of the Bulloo Interlink will not necessarily be able to effectively limit APA's market power. However, some users might hold countervailing market power if, for example, new supply from other locations became available, some shippers have a lot of options in negotiations within the portfolio and their position in the market is comfortable. However, they indicated they cannot discuss any specific negotiations. Other shippers can comfortably negotiate with APA and have not raised any concerns in relation to its bargaining power in negotiations.

There are no currently contracted shippers for the Bulloo Interlink to engage with about their direct experience of negotiating for access on that pipeline. However, since the Bulloo Interlink will connect APA's SWQP and MSP and services provided on the Bulloo Interlink will include multi-asset services utilising these and potentially other pipelines owned by APA, we expect there will be overlap in shippers using both the SWQP and Bulloo Interlink. As a result, we have also had regard in this determination to the views of shippers as raised in the SWQP review.[75]

During consultation for the SWQP form of regulation review, several shippers considered that there was limited room for negotiations with APA outside of standard terms and conditions (as discussed further in section 5 below). Some shippers also considered that certain terms and conditions in contracts for the SWQP favoured APA. However, we did hear from some shippers that they don't have issues in negotiating access on the SWQP.[76]

Further, as discussed below, some small shippers said it would be difficult for them to underwrite the construction of a new pipeline or that this was usually done by the large incumbent shippers.[76] Additionally, as noted in section 4.5 below, many considered there were limited and/or only partial substitutes and alternative sources of supply to services on the Bulloo Interlink.

4.4.2 Our views

The number of users using both the MSP and SWQP concurrently can vary, but as of 30 September 2025, there were 24 users (see Table 4.1). 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.

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74 *APA submission*, p 9.

75 NGL, s 112(3)(c).

76 AER, *SWQP Review Final Decision*, 6 December 2024, p 40.

Table 4.1 – 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, Strategic Gas Market Trading and PetroChina.
Commercial and industrial user	Brickworks, Dyno Noble Limited (previously known as Incitec Pivot), Mount Isa Mines, OneSteel Manufacturing, Visy Pulp & Paper and Orica.
GPG	Pelican Point Power.
LNG exporter	APLNG and GLNG.
Other	Eastern Energy Supply.[77]

Source: AEMO, GBB Shippers, AEMO website, 2025, accessed 30 September 2025.

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. We expect this would similarly be true for the Bulloo Interlink. However, importantly, those shippers also have likely material scope to pass through costs via GPG or retail gas markets.

The supply shortfalls and investment need for the Bulloo Interlink is largely driven by expectations of increased GPG driving peak gas demand (see chapter 3), which will typically generate electricity during "peak pricing events" in the NEM (that is, where there is insufficient generation to meet demand in that period). This has implications for the countervailing power of shippers. It is likely they would seek to deploy countervailing market power mainly to achieve comparable terms to their competitors, rather than achieving the lowest efficient transportation costs. If so, this has flow-on implications for end users of both gas and electricity.

We have assessed the *expected* level of countervailing market power held by shippers by considering a) their current ability to threaten bypass of the Bulloo Interlink, b) user incentives and c) APA's reliance on those shippers.

Threat of bypass or securing an alternative source of supply to the Bulloo Interlink

APA submits that these users can credibly bypass the Bulloo Interlink, including supply arrangements from multiple gas basins, swap arrangements and capacity on different pipelines.

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

Having regard to the likely role of the Bulloo Interlink as the dominant link in north-to-south gas transport to support the delivery of gas-powered generation capacity, certain large users may have credible bypass opportunities that provide a degree of countervailing market power and constrain APA from the exercise of market power. However, in our view there are high barriers to entry to the market in which the Bulloo Interlink competes (section 4.1). Given these barriers, only the largest shippers would plausibly have the size and resources necessary to underwrite a new pipeline that allows them to bypass the Bulloo Interlink, and even then the high costs involved in doing so suggest it would be unlikely.

Further, there are currently only partial substitutes for services on the Bulloo Interlink and for gas meaning there are limited alternative supply options for shippers. In particular, for users transporting gas south via the Bulloo Interlink, there are currently no credible bypass options. However, if substitutes emerge in the future, bypass options could increase. These issues are discussed in more detail in section 4.5 below.

User incentives to exercise countervailing power

While the Bulloo Interlink will serve a diverse range of users with different demand profiles, sizes and negotiating positions, the key driver of investment in this pipeline development is the expected rise in peak gas demand driven by GPG to support an increasingly renewables-led system.

GPG is typically dispatched during “peak pricing events” in the NEM spot market – periods when available generation is insufficient to meet forecast demand. During such events, GPG units often bid at high prices (up to the market price cap of $20,300/MWh as of 1 July 2025).[78] Further, they will generally set the spot price that electricity consumers pay in that period. This price setting mechanism is an intentional feature of the NEM’s design, embedding scarcity pricing signals that guide investment and operational decisions, with costs ultimately passed through to consumers.

To the extent GPG demand is the primary driver of long-term need for pipeline capacity, the primary objective of shippers is securing firm pipeline capacity to ensure gas availability when required to respond to scarcity events. As long as GPG owners can transport gas at comparable rates to their competitors, they are unlikely to be disadvantaged in dispatch. As a result, these shippers may be more focussed on ensuring they achieve a comparable or lower price relative to their competitors rather than the lowest efficient price for end users. This dynamic is particularly relevant to the Bulloo Interlink, which is expected to become a critical connection as southern states increasingly depend on northern gas supply.

Since GPG demand is a primary driver of long-term gas transportation capacity requirements, this weighs materially on our overall view on the strength of shippers’ incentives to exercise countervailing market power even where it exists.

Some capacity to pass-through costs is also likely to exist in retail markets. While long-term residential gas demand is forecast to decrease, this will not be immediate.

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78 AEMC, *AEMC updates market price cap for 2025-26*, 27 February 2025, accessed 3 October 2025.

APA's reliance on shippers

We have also considered whether any shippers have countervailing market power because APA is reliant upon them acquiring capacity on the Bulloo Interlink. There are no shippers currently contracted on the Bulloo Interlink. However, there is likely to be substantial overlap with shippers on the SWQP, and western-haul services on the SWQP are likely to contribute materially to the demand for capacity on the Bulloo Interlink for southern gas flows to the MSP. We have therefore had regard to our findings on this factor in the SWQP form of regulation review.[79]

The SWQP acts as a key connection to the Bulloo Interlink by providing gas services through multi-asset (transport) service arrangements. Of contracted capacity on the SWQP, the significant majority is contracted by a small number of large shippers.

Currently, we estimate that any decision not to use the Bulloo Interlink by any one of the smaller likely shippers is unlikely to have a material financial impact on APA. [redacted] However, the circumstances could evolve with increased gas production in the northern gas fields and as demand for GPG increases.

Consistent with the position expressed in the SWQP Review, we consider it is likely that APA is reliant upon the larger shippers to some extent which likely gives them a degree of countervailing market power. [redacted] If one of the large shippers decides not to use the SWQP, and subsequently the Bulloo Interlink, it may expose APA to greater adverse financial consequences. Therefore, it is likely these shippers may have a degree countervailing power when negotiating with APA.

Importantly, any countervailing market power that shippers hold is likely to be strongest at or prior to the commissioning of the Bulloo Interlink. At this stage, shippers will have alternative options while APA has a stronger incentive to secure long term foundational contracts, which makes APA rely on shippers to a larger degree. Over time, once foundational contracts are in place, sunk costs have been incurred and the Bulloo interlink is fully operational, the degree of the countervailing power tends to diminish. This may lead to a shift in bargaining power toward APA, given the Bulloo Interlink's role as a link between the SWQP and MSP.

The extent to which this countervailing power will significantly constrain APA is not clear. [redacted] Given the current lack of bypass and alternative supply options as discussed above, these larger shippers likely must use the Bulloo Interlink and would not be able to meet their demand in the southern states if they did not. Further, if they decided to decrease their use of the Bulloo Interlink, it is likely that other shippers, most likely retailers, would contract to use any newly available capacity. This is because transport from

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

Queensland to the southern states would still be needed to meet gas customer demand during the winter months.

For these reasons, the large shippers may hold some countervailing power that likely constrains APA *to some* extent in bargaining with these shippers. However, we expect their incentives to do so may primarily be directed at achieving equivalent rates to their competitors, rather than the lowest efficient rates.

Impact of gas pipeline reforms on countervailing market power

In the gas pipeline monitoring and transparency report 2025, we found that shippers consider the new gas pipeline information introduced under the gas pipeline reforms useful to some extent, but still remains limited and asymmetrical. Issues with accessibility make it difficult for shippers to aggregate information and compare prices and non-price terms across services. As such, shippers found the information currently does not provide them with countervailing bargaining power, particularly in cases where service providers adopt a 'take it or leave it' approach.[80]

The gas pipeline reforms have improved the information available to shippers, and in doing so may have improved to some extent shippers' bargaining power. However, bargaining power and countervailing market power are not interchangeable, and refer to different concepts. Countervailing power is the ability of shippers to credibly threaten to bypass the pipeline or otherwise expose the pipeline to adverse financial consequences (e.g. partial or full asset stranding) by ceasing to use the pipeline. This has not changed as a result of the gas pipeline reforms.

4.5 Substitutes for a pipeline service

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'

Form of regulation factor (e) requires us to consider the presence and extent of any substitutes, and the elasticity of demand, in a "market for a pipeline services" in which a service provider i.e., APA provides that service.

The availability of substitutes and the elasticity of demand are closely linked because the greater the number of viable substitutes that users can switch to in response to an increase in a service provider's prices, the more elastic demand is likely to be, and the more constrained a service provider's market power will be. Conversely, where there are no viable substitutes for users to switch to, demand is likely to be relatively inelastic and a service provider is likely to be in a better position to exercise market power.

In applying this form of regulation factor, we have considered the extent of potential substitutes and elasticity of demand for services to be provided on the Bulloo Interlink. In doing so, we have considered all services which will allow gas to be transported between points that can be served by the Bulloo Interlink alone or in combination with other pipelines.

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[80] AER, *Gas pipeline monitoring and transparency report 2025, 26 March 2025.*

This has ensured we have had regard to a wide range of potential substitutes, which are discussed below.

In considering these potential substitutes, we have also considered whether they are viable substitutes that users could switch to in response to a service provider's exercise of market power. In doing so, we have, where relevant, considered the comparability, availability, reliability, and price of these potential substitutes, as well as any costs that may be associated with switching.

4.5.1 Stakeholder views

APA

APA stated that the relevant market to be considered in assessing substitutes for services on the Bulloo Interlink is the supply of gas to the southern markets. Considering this as the market, there are various substitutes (e.g., LNG import terminals, AEMO's Day Ahead Auction and Capacity Trading Platform, gas storage facilities) that in conjunction, provide competition to pipeline services on the Bulloo Interlink, therefore acting as a real constraint on APA's ability to exercise market power.[81]

EUAA

In its submission to the Discussion Paper, the EUAA stated that the current limited availability of substitutes is likely to diminish over the 15 years APA is seeking a determination for the Bulloo Interlink. The EUAA further stated that this can be attributed to LNG import terminals being very unlikely and their pricing being volatile, new sources of southern supply not keeping up falling supply from current sources and shippers likely to seek services on the Bulloo Interlink not having enough incentive to use their limited market power to achieve better price outcomes.[82]

Other stakeholder views

We heard conflicting views from other stakeholders on the extent of substitutes acting as a constraint on APA's market power.

In our discussions with stakeholders (barring LNG import terminals), we did not hear any views from other stakeholders on the viability of other substitutes as substitutes to services on the Bulloo Interlink. Therefore, the focus of our discussions was on LNG import terminals as being possible viable substitutes to pipeline services on the Bulloo Interlink.

Stakeholders were split on where LNG import terminals could be a viable substitute. Some considered they would not be viable substitutes due to the volatility around their associated

81 *APA application*, p 25; *APA submission*, pp 9,10.

82 *EUAA submission*. These shippers are not end users and are likely able to pass these costs down. This results in these shippers not being incentivised enough to negotiate strongly with APA. See AER, *SWQP Review Final Decision*, 6 December 2024, p 73.

price.[83] Others did not hold this concern.[84] One stakeholder also noted that the potential for higher greenhouse gas emissions associated with LNG import terminals may potentially affect their substitutability.[85]

4.5.2 Our views

We consider there may currently be some alternative services that can be used to supply gas to locations proposed to be served by the Bulloo Interlink, either alone or in combination with other pipeline services. However, for most prospective users on the Bulloo Interlink, these are either partial substitutes or complementary services. Therefore, most users won't be able to switch to alternative services completely in response to an increase in the price or decrease in the quality of services on the Bulloo Interlink.

Further, most proposed users on the Bulloo Interlink do not have an alternative to using gas. As a result, we consider that the demand for services on the Bulloo Interlink is currently relatively inelastic and likely contributes to APA's ability to exercise market power.

However, it is possible that the demand for services on the Bulloo Interlink could become more elastic in the future if the HGP is constructed and/or one or more LNG import terminals are commissioned in the south. If this were to occur and users considered these to be price competitive and effective substitutes for the services provided on the Bulloo Interlink, this could pose a more effective constraint on APA's market power.

4.5.2.1 Alternative existing gas sources and pipelines

The first potential substitute for the delivery of gas to locations served by the Bulloo Interlink (either alone or in combination with other pipelines) is supply using alternative pipelines. We do not consider that this is an effective substitute to transport gas on the Bulloo Interlink for many users.

After its commissioning, the Bulloo Interlink may be the only pipeline that will connect SWQP (east of Ballera) to the MSP in the south.[86] It will transport gas from northern basins such as the Surat and Bowen basins in Queensland and the Beetaloo in the Northern Territory, amongst others.[87] This means that there are no pipelines that will be able to serve as a substitute for the Bulloo Interlink for users in southern states that wish to transport gas south from Queensland or the Northern Territory. Further, most users cannot solely rely on supply from the south given the decline in southern gas production, which will worsen in the future unless new sources of supply become available. The importance of the Bulloo Interlink (as

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83 [redacted]

84 [redacted]

85 [redacted]

86 APA has informed us 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. See *AER Discussion Paper*, p 32.

87 *APA application*, p 1.

part of the ECGG) and its resulting increase on capacity to transport gas to meet demand in the southern states is therefore likely to increase.[88]

Although it may be possible for some shippers to transport gas from basins outside of Queensland/Northern Territory using alternative pipelines, this is likely to only meet some of these users' supply needs due to limited gas available. As an example, users can use the Eastern Gas Pipeline to transport gas from the Gippsland basin in Victoria to the major gas markets in New South Wales and surrounding regions.

4.5.2.2 Locational gas swaps

Locational gas swaps are another potential substitute for transporting gas on the Bulloo Interlink. These involve bilateral agreements between parties to exchange gas between locations, which may reduce the need to use a gas pipeline to transport gas between locations.[89]

APA submits that that shippers' gas needs can be facilitated partly through spot trading of gas and secondary trading of transportation capacity.[90] In the SWQP Form of Regulation Review, several shippers stated that gas swaps are an alternative to transport on the SWQP. Some also noted that swaps are often available at lower prices than firm transportation services on the SWQP.[91]

On the other hand, in the SWQP Form of Regulation Review, we also found that short-term locational gas swaps can only be a partial substitute for firm transportation services.[92] Further, it its submission to the Discussion Paper, the EUAA submitted that its commercial and industrial (C&I) members, representing Australia's manufacturing industry, require price certainty under term contracts to be able to sustain their current operations and make investment decisions.[93]

Our thinking on this has not changed from the SWQP Form of Regulation review. We consider locational gas swaps are a weak substitute for services on the Bulloo Interlink and are likely to provide a very limited constraint on APA's market power in the supply of services on the Bulloo Interlink due to several limitations namely due to shippers requiring term contracts and the viability of gas swaps on the Bulloo Interlink as the market trends change.

- to use a swap to bypass the Bulloo Interlink, a shipper must be able to find a counterparty that has the required volume of gas at the right location and time and is willing to receive the relevant volume of gas at an alternative location. This makes the swap going ahead unlikely and can take time to arrange, which makes swaps weak substitutes to pipeline services on the Bulloo Interlink.

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88 AEMO, *2025 GSOO*, 20 March 2025, p 84.

89 For example, a shipper with gas at Ballera that needs gas in Sydney could bypass the SWQP/ Bulloo Interlink and the MSP if it can find another party that requires the same volume of gas in Sydney and that can supply the shipper with an equivalent quantity of gas at Ballera.

90 *APA submission*, p 10.

91 AER, *SWQP Review Final Decision*, 6 December 2024, p 46.

92 AER, *SWQP Review Final Decision*, 6 December 2024, p 111.

93 *EUAA submission*, pp 5-6.

- it will be difficult to arrange swaps bypassing the Bulloo Interlink on which gas is proposed to flow in one direction only.[94]
- declining production in the south means that swaps are likely to become less frequent in the future.

4.5.2.3 Potential future substitutes

LNG import terminals

We consider that, LNG import terminals, if developed and priced competitively with pipeline services on the Bulloo Interlink, may pose an effective 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.

LNG Import terminals' impact on supply gaps

AEMO's 2025 GSOO states that forecast supply gaps would be delayed until at least 2033 if any of the proposed LNG import terminals were to come online.[95]

Of the proposed terminals, the Port Kembla Energy terminal is the most progressed, but it has been delayed until at least mid-2027.[96] On commissioning, the Port Kembla Energy Terminal will be able to deliver gas to major markets in New South Wales and surrounding regions through the Eastern Gas Pipeline (the Port Kembla Energy Terminal is connected to Jemena's Eastern Gas Pipeline via a 12-km lateral pipeline).[97]

In conjunction with the commissioning of the Port Kembla Energy Terminal, upgrades to the Eastern Gas Pipeline will be able to further address gas shortages until 2044.[98]

LNG Import terminals' substitutability to services on the Bulloo Interlink

It is difficult to gauge the extent to which LNG import terminals may be able to reduce demand for pipeline services on the Bulloo Interlink due to the volatility of the pricing and supply of gas delivered via these terminals.

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94 *APA application*, p 27. In the analysis, we note that the Bulloo Interlink connects the SWQP to the MSP (both APA pipelines) which aids to APA's market power.

95 AEMO, *2025 GSOO*, March 2025, p 87 Table 12. This includes the Port Kembla Energy Terminal, Outer Harbour Terminal, Geelong Terminal and the Victorian Energy Terminal.

96 ABC, *Port Kembla Energy Terminal delayed until 2027 amid shifting gas demand*, 26 May 2025, accessed 29 September 2025.

97 As part of its plan to deliver new gas into the market, Jemena intends to make the Eastern Gas Pipeline bidirectional to transport gas from the Port Kembla Energy Terminal to key markets in New South Wales and Victoria. This is expected to be completed by March 2026. See Jemena, *LNG regasification – delivering new gas on time and on price*, 8 May 2025, accessed 1 October 2025.

98 K Morrison (Institute of Energy Economics and Financial Analysis, June 2025), *Delaying eastern Australia's gas crunch*, June 2025, p 11.

ACCC's historical LNG netback price series has demonstrated significant fluctuations in recent years.[99] The EUAA also does not see how spot and oil linked international prices will be able to provide the required level of certainty of gas prices.[100]

There are reports which evaluate potential pricing and competitiveness of LNG import terminals:

- on one hand, 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.[101] In its submission, the EUAA raised concerns on the pricing range and the analysis behind provided in Rystad Energy's report. The EUAA further questioned what might pricing of gas supplied via LNG import terminals look like under term contracts and the related pricing volatility over the next 10-15 years.[102]
- on the other hand, a report by Frontier Economics (commissioned by APA) states that relying on imported LNG would drive gas prices higher for both residential and industrial customers in the southern states. The report stated significant impacts for industrial customers (annual increases of between 14–25% if they were reliant on imported LNG gas during winter).[103]

We consider that southern shippers are unlikely to be able to completely bypass services on the Bulloo Interlink, with material volumes of gas likely to still be supplied from Queensland or the Northern Territory via the Bulloo Interlink.

Despite this, it is still possible that if an LNG import terminal is developed in the south, it may be able to pose a constraint on APA's market power. Whether or not it does pose such a constraint will, as most stakeholders observed, depend on the relative cost of supplying gas into the southern states via the Bulloo Interlink or via an LNG import terminal.

Alternative pipelines

Hunter Gas Pipeline (HGP)

We consider that, if developed, the HGP could be a potential substitute for many shippers of the Bulloo Interlink transporting gas from the Narrabri project and Wallumbilla Gas Hub to the southern demand markets in NSW.

Santos currently holds the rights to build the HGP, but the development of this pipeline is contingent on Santos making a decision to proceed with the development of its gas fields in Narrabri in north-west New South Wales (most recent news suggests financial sign off can

99 ACCC Gas inquiry 2017-30, *LNG netback price series*, 1 October 2025, accessed 13 October 2025.

100 *EUAA submission*, pp 5-6.

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

102 *EUAA submission*, pp 5,6.

103 Frontier Economics, *LNG Imports on End User Prices*, March 2024.

come early as 2026).[104] Recently, the Premiers of both New South Wales and South Australia have voiced their support for the Narrabri project.[105]

However, it is uncertain whether the development of this HGP alongside the Narrabri project will proceed, and the extent to which services would be available to shippers other than Santos if it proceeds. Santos has also continued facing multiple legal challenges over the Narrabri project.[106]

In addition to these challenges, the construction of the HGP is contingent on other regulatory and other approvals. In June 2025, Santos received a 'no controlled action' reaffirmation decision from the Department of Climate Change, Energy, the Environment and Water.[107]

This approval is a necessary step for Santos building the HGP but uncertainty around the construction of the HGP still looms amidst ongoing community opposition in conjunction with legal challenges to the Narrabri project.[108]

Whether the HGP can be considered a substitute for services on the Bulloo Interlink will depend on whether it is built to service Santos' needs only, or if it will have some spare capacity. This is because while Santos would be required to provide third-party access to the HGP, it is only required to do so to the extent there is capacity available. If Santos builds a pipeline with capacity to only meet its own requirements, then there will be limited ability for other shippers to use the HGP.

However, if there is sufficient spare capacity and the HGP prices are competitive, then those shippers that need to transport gas from the Narrabri project and Wallumbilla Gas Hub to the southern demand markets in New South Wales could view the HGP as an effective substitute for the Bulloo Interlink, which may be able to pose a constraint on the price APA can charge these users.

Moomba to Adelaide Pipeline System

By mid-2030s, the Moomba to Adelaide Pipeline System in South Australia may be able to provide an alternative route to the Bulloo Interlink/MSP for additional supply into Victoria due to projected decline in South Australia's gas demand (with approximately 50% of the

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104 E Johnston (The Australian), *Narrabri's 'time has come'*, 25 September 2025 [Accessed 1 October 2025]. The HGP was first proposed in 2008 but it is yet to be developed. Santos acquired HGP Pty Ltd in August 2022.

105 T Jash and D Morse (ABC), *Traditional owners slam state premiers for 'disgraceful' call to push ahead with Santos gas project*, 26 September 2025, accessed 1 October 2025.

106 R Cropp (AFR), *Santos' $3.6b Narrabri gas project hit with fresh legal headache*, 25 June 2025 [Accessed 1 October 2025]; Lewis Jackson and Ayushman Ojha (Reuters), *Santos hit with fresh legal blow over $2.4 billion Narrabri gas project*, 7 March 2024, accessed 1 October 2025.

107 This reaffirmation was of the department's December 2008 decision. A 'controlled action' refers to construction work on a project that is thought to have a measurable impact on the environment and biodiversity of the area. If something is found to be a controlled action, a company must show how it plans to avoid and mitigate impacts. See DCCEEW (FOI document), *Request for reconsideration of not a controlled action decision: Queensland Hunter Gas Pipeline*, 13 June 2025.

108 Renew Economy, *Santos gets federal green tick for 833 km gas pipeline as legal challenges mount*, 24 June 2025, accessed 1 October 2025.

pipeline's capacity becoming available).[109] This would free up commodity availability from South Australia.

In conjunction, the HGP (if commissioned) and the Moomba to Adelaide Pipeline System may provide alterative pipeline routes to APA's Bulloo Interlink to transport gas to southern demand centres, thereby being effective substitutes to services on the Bulloo Interlink.

4.6 Substitutes 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)'

Form of regulation factor (f) requires us to consider the extent to which there may be substitutes for gas in the markets that are served by the Bulloo Interlink, and the elasticity of demand for gas in these markets.

Generally, the presence of viable substitutes for gas in the markets served by a pipeline can constrain a service provider's market power in supplying services on a pipeline. This is because users will be able to switch to alternatives if the service provider attempts to exercise its market power. As for form of regulation factor (e), the elasticity of demand for gas will be closely linked to the availability of substitutes for gas. In general, the fewer the viable substitutes for gas, the less elastic demand will be.

4.6.1 Stakeholder views

APA

In its submission to the Discussion Paper, APA stated that projected demand for gas in the southern markets will remain relatively stable in the long term and this is largely underpinned by the increasing need for gas for GPG. It further stated that there are no substitutes for gas usage by C&I customers in the short-term. However, it expected increasing rates of electrification by residential and small to medium enterprise customers to reduce gas demand in addition to state government policies.[110]

EUAA

In its submission, the EUAA stated that increasing rates of electrification by residential customers will reduce gas demand and may act as a competitive constraint on APA's market power. However, this falling gas demand is likely to be replaced by C&I customers and GPG demand.[111]

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109 K Morrison (Institute of Energy Economics and Financial Analysis, June 2025), *Delaying eastern Australia's gas crunch*, June 2025, p 9.

110 *APA submission*, p 10.

111 *EUAA submission*, p 3.

4.6.2 Our views

We consider that gas substitutes are unlikely to pose a constraint on APA's market power in the supply of pipeline services on the Bulloo Interlink. Most shippers' likely to use the Bulloo Interlink are going to be same as the current users of the SWQP and MSP. For most of these shippers, demand for gas is inelastic and likely to remain so for some time because there are no viable substitutes at this time. We consider our assessment of this factor in the SWQP Review remains relevant for this draft decision.[112]

Table 4.1 - Substitutability of gas and other products

Types of gas users	Substitutability of gas to other products
C&I	In the SWQP Form of Regulation review, many C&I users stated that electrification, and other alternatives such as coal are not viable substitutes for them. Reason provided were that costs to transition to other fuels are prohibitive, and electrification is unable to produce the high heat required for certain operations.[113] Our view on this has not changed. Based on the above, we do not consider that there are currently substitute services for gas for most C&I users, as electrification and alternative fuels not currently able to meet these users' needs.
GPG	AEMO's 2025 GSOO states that demand for GPG is likely to increase as gas is used as a fuel to increase output to firm available supply of electricity. [114] As a result, we do not consider that there are viable substitutes for gas for GPGs.
LNG exporters	We consider that no substitutes are available as the nature of their business involves the supply of liquefied natural gas.
Gas producers	We consider that no substitutes are available as the nature of their business involves the supply of natural gas.
Retailers	We consider that no substitutes are available as the nature of their business involves the supply of gas. However, we note that the use of the Bulloo Interlink by retailers will be heavily influenced by the actions of residential and small to medium enterprise customers. This is discussed further below.

In the case of residential customers and small to medium enterprises that are supplied by retailers, electrification is more likely to be a viable substitute. AEMO, for instance, is forecasting that gas consumption by these end users will decline until 2035 and that there will be more significant switching to electricity over the medium to longer-term as the economy transitions to meet net zero emissions goals.[115]

112 NGL, s 112(3)(c).

113 AER, *SWQP Review Final Decision*, 6 December 2024, p 53.

114 AEMO, *2025 GSOO*, March 2025, p 23 Figure 9.

115 AEMO, *2025 GSOO*, March 2025, p 5.

Recent policy initiatives, such as Victoria's ban on new residential gas connections and the ACT's ban on new gas connections, are also likely to stimulate electrification by these customers.[116]

It is clear the demand for residential gas will decline, and that the decline is expected to accelerate, how quickly consumers will switch away from gas is still uncertain. The Australian Government's 2024 Future Gas Strategy notes that there is a high degree of uncertainty about the timeframe over which this group of end users will switch away from gas (particularly given the costs of replacing appliances), with gas still expected to be used by residential customers for many years.[117]

Therefore, while electrification represents a more viable substitute for this group of end users, we do not consider their potential to switch away from gas will materially constrain APA's market power in the supply of services on the Bulloo Interlink.

4.7 Competition to develop the pipeline

As discussed in section 2.1.2, we must have regard to extent to which formal or informal competition to develop the Bulloo Interlink between 2 or more unrelated prospective service providers will, or is likely to, place an effective constraint on the ability APA to exercise market power in respect to services provided on the Bulloo Interlink during the period of the greenfields incentive determination.

Evidence of a competitive process could allow the AER to more easily determine if there are effective constraints to the market power of the pipeline, and that efficient investment is likely to occur.[118]

Competition between prospective service providers could occur on the basis of either different pipeline routes or an expansion of an existing pipeline and the development of a new pipeline. This can take a variety of forms and processes (for example, formal tenders, other auctions or negotiations of access). The competitive negotiations between prospective pipeline users and a pipeline service provider might arise, for example, through the entry into long-term gas transportation agreements with pipeline users or by the pipeline service provider offering standing terms and conditions in support of a proposed application for a greenfields price protection determination.[119] However, this should ultimately evidence a competitive tension that is reflected in the terms of any contract(s) underwriting the pipeline.

As indicated in our Discussion Paper, in assessing whether the construction of the Bulloo Interlink is occurring under competitive conditions and whether this may constrain APA's market power, we have considered several factors. These are:

- the number of prospective service providers seeking to develop the pipeline

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116 Victoria State Government, *Victoria's Gas Substitution Roadmap* [Accessed 2 October 2025]; ACT Government, *Preventing new gas network connections* [Accessed 2 October 2025].

117 Australian Government, Department of Industry, Science and Resources, *Future Gas Strategy*, May 2024, p 42.

118 That is, investment that is commensurate with the risks genuinely faced by the pipeline.

119 See NGL, s 110(1). Note: a greenfields price protection determination is a separate determination and is not a part of this greenfields incentive determination.

- 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.

APA has not provided any evidence of a competitive process or the results of any such process. Moreover, APA submitted that it is still in the process of seeking establishing contracts with shippers for capacity on the Bulloo Interlink.[120]

Therefore, we do not currently have evidence to suggest that the proposed terms and conditions for access to the proposed Bulloo Interlink have been set by a competitive process, nor that APA's potential to exercise of market power has been otherwise effectively constrained by competition to develop the Bulloo Interlink.

As discussed in section 4.5, we consider there a number of potential substitutes that may compete with the Bulloo Interlink, such as the HGP and LNG import terminals. However, it is unclear how these potential substitutes have influenced competitive dynamics in the market, and whether they materially limit APA's ability to exercise that power.

120 *APA application*, p 1; *APA submission*, p 2.

5 Promotion of access

Under section 112(2)(a) of the NGL, we are required to consider the effect of regulating the pipeline to which the greenfields incentive determination would apply as a scheme pipeline or non-scheme pipeline on the promotion of access.

We must consider how access to the pipeline services on the Bulloo Interlink would be affected under 2 scenarios: namely, where, in the absence of a greenfields incentive determination, the pipeline was made a scheme pipeline during a certain point as opposed to it being a non-scheme pipeline.

In doing so, we have had regard to the NGO, to the form of regulation factors set out in section 16 of the NGL and to the extent to which the form of regulation factors or competition to develop the Bulloo Interlink pose an effective constraint on the exercise of APA's market power on the Bulloo Interlink for the period of the determination.

In many respects our analysis of the promotion of access draws on our findings from the SWQP Review.

In the course of the SWQP Review, we found that APA likely has market power in the supply of pipeline services on the SWQP and is able to exercise that market power to some extent. However, we also considered there are currently some constraints on its ability to do so in negotiations with larger shippers, and that the emergence of substitutes could constrain APA's market power further in the future.

Similarly, we have found that it is likely that APA will have market power in the provision of services on the Bulloo Interlink during the operative period, with similarly limited constraints on market power related to the negotiating position of large shippers and the emergence of potential future substitutes (see sections 4.1-4.6).

However, some of the circumstances of the Bulloo Interlink differ from those of the SWQP:

- The SWQP Review was an examination of the form of regulation at a point in time. However, a greenfields incentive determination application requires a long-term assessment. Depending on whether competitive constraints emerge and how competitive they are, there is a risk that APA's market power could increase significantly (in particular by setting inefficiently high prices and terms of access).
- Establishing the opening capital base is the most complex variable for estimating the impact of scheme regulation. For a newly built pipeline such as the Bulloo Interlink, the opening capital base should be far less complex to determine, and the outcomes would be more predictable once the pipeline construction costs are known.
- Unlike the SWQP, no capacity is currently contracted on the Bulloo Interlink. However, both the SWQP and MSP appear to be substantially contracted, and the Bulloo Interlink, as a conduit between these 2 pipelines, is also likely to see significant demand for contracting. If it does so, it may limit the scope of scheme regulation to improve access to pipeline services on the Bulloo Interlink, but it could also suggest the determination is unnecessary to support contracting and hence investment.

- Our analysis of the competition to develop the Bulloo Interlink has not identified any evidence of competitive process or any competitive tension suggesting that the proposed terms and conditions for access to the proposed Bulloo Interlink have been set by a competitive process (see section 4.7).

5.1 Access under non-scheme regulation

5.1.1 Stakeholder views

APA

APA submits that the determination will have little or no impact on access to pipeline services on the ECGG. APA also submits the Bulloo Interlink services will not be sought by customers on a standalone basis, therefore APA does not anticipate a separate charge for the Bulloo Interlink. Further, given the competitive environment, APA does not expect any change (in real terms) to the tariffs faced by its customers for ECGG services.[121] The gas transportation services between Wallumbilla and Wilton or Culcairn, using the Bulloo Interlink, will be provided to both new and existing shippers at the current posted rates, if the determination is made.[122] However, should the determination be granted by the AER for less than 15 years from commissioning of the Bulloo Interlink, APA submits this would increase the risks to both APA and its potential customers as all contractual arrangements (and pricing) would need to be considered under a backdrop of this shortened operative period.[123]

EUAA

The EUAA supported the greenfields incentive determination in principle, however, it also expressed concerns related to the potential ability of APA to exercise market power. The EUAA argues that it is unclear from APA's statement what 'providing services at current posted rates' and 'tariffs expected to be unchanged in real terms' implies. [124] The EUAA queries whether this will only apply to the existing pipeline users on the ECGG for the terms of their existing contracts. Alternatively, whether it will apply over the entire 15-year exemption period to both existing and prospective pipeline users.

Further, the EUAA recommends that the AER consider setting conditions regarding future pricing as part of its approval of the greenfields incentive determination application to limit consumers' risks from the exercise of market power.

5.1.2 Our views

We consider that access to pipeline services on the proposed Bulloo Interlink under non-scheme regulation has the potential to not be as effective as we would expect in a workably competitive market. Based on our analysis in Chapter 4, there are indicators suggesting that APA may have market power in provision of services on the Bulloo Interlink. We consider

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121 APA indicates that both the MSP and other parts of the ECGG will continue facing strong competition from alternative pipelines (EGP for supply into Sydney), alternative supply basins (such as those in Victoria), gas swaps, the DAA and combination of them, new entry from LNG import terminals and countervailing power of large shippers).

122 *APA application*, pp 21-22.

123 *APA submission*, p 10.

124 *EUAA submission*, p 4.

non-scheme regulation may be less effective than scheme regulation in its ability to promote access. This is because of the extent to which the form of regulation factors or competition to develop the Bulloo Interlink will or are likely to pose an effective constraint on the exercise of that market power.

However, there are also factors that suggest that non-scheme regulation could still promote access to the proposed Bulloo Interlink to some extent, and that it may become more effective in the future. These are:

- Large shippers will likely have a certain degree of countervailing market power when negotiating new gas transportation arrangements, especially in the early years. We understand that large and sophisticated shippers on APA's ECGG have a diversified portfolio of assets and are well informed, which allows them (at least, in theory) to credibly threaten to bypass the proposed Bulloo Interlink by sponsoring a competing pipeline (LNG import terminals) or switching to alternative options. These shippers require to transport gas from Queensland to the southern states, and from the southern states into Queensland and onto LNG export terminals. However, the volume of capacity these shippers purchase likely means that APA is also reliant, to some extent, on these shippers to maintain its revenue on the ECGG. There are also currently available partial alternatives (substitutes) to service their diversified portfolios, including in combination, such as swap arrangements or AEMO's DAA.[125]
- Emerging substitutes, such as LNG import terminals or the HGP could pose some competitive constraint on APA's marker power. However, there is substantial uncertainty about the timing and impact of emerging substitutes, such as LNG import terminals.

We understand that as large shippers may have a degree of countervailing power, they may be able to obtain improved terms and conditions of access when they renegotiate contracts with APA (specifically, on the SWQP and MSP) and negotiate access to the proposed Bulloo Interlink. However, these large shippers typically operate either or both gas retail and GPG assets and therefore have at least some scopes to pass through transportation costs to end users. As noted in section 4.4, we observe that GPG demand is a key driver of investment in the Bulloo Interlink. GPG is typically dispatched during periods in the NEM spot market when competition is limited and prices are high. As long as GPG owners can transport gas at comparable rates to their competitors, they are unlikely to be disadvantaged in dispatch. As a result, these shippers may be more focussed on ensuring they achieve a competitive price relative to their competitors rather than the lowest efficient price for end users.

In addition, we note that a number of additional measures were introduced into the non-scheme regulatory framework in early 2023, and the recent improvements to the non-scheme regime, which are intended to improve the ability of shippers to negotiate with service providers. These include:

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125 The Eastern Gas Pipeline (EGP) owned by Jemena, may be seen as serving as a potential alternative route for some of the shippers to bring gas from Victoria to NSW. The EGP has recently become bidirectional and has been connected to the PKET in Port Kembla (NSW) to be able to transport LNG gas to Sydney and Victoria markets.

- the improved information disclosure obligations, including a requirement for service providers to publish information on the actual prices paid by all shippers
- an improved negotiation framework that service providers must comply with the introduction of a mediation option for small shippers.

However, as discussed in section 4.4.2, small shippers in particular have previously told the AER that these new obligations have not materially supported negotiations.

The AER currently publishes a range of information that may assist shippers. This includes the AER's:

- Pipeline Access Dispute Guide: which covers the pathways to resolve an access dispute relating to scheme and non-scheme pipelines, including through mediation and arbitration, and explains the process to raise and resolve an access dispute.
- Pipeline Information Disclosure Guidelines: these specify the financial and operational information that a pipeline service provider must publish under Part 10 of the NGR in order to help to improve transparency and bargaining power for current and prospective gas pipeline users.
- Pipeline Regulatory Determinations and Elections Guide: which sets out the operation of the scheme and non-scheme regulatory frameworks and how the level of regulation of a pipeline can change.

The is also considering some new possible measures to improve this information, including templates for actual pipeline prices, which will make it easier for shippers to assess price terms offered by service providers in negotiations.

Based on our findings from the SWQP Review, we understand that larger and better resourced shippers do find the information published under non-scheme regulation useful in their negotiations with pipeline operators (including with APA), for example, by helping to establish a reference point in negotiations.[126]

We also understand that shippers may not have yet had a need to negotiate or renegotiate with APA for the SWQP or MSP services since the introduction of these measures, due to being part way through their current contract terms. As a result, shippers may not have had the opportunity to utilise the new information that is now available, or will soon be available, or to consider using the arbitration or mediation dispute resolution mechanisms (for small shippers). However, from 2028, it appears there will be a significant amount of uncontracted capacity on both the SWQP and MSP which aligns with the expected commissioning of the Bulloo Interlink, so the new measures may assist shippers with their negotiations of access.[127]

5.2 Access under scheme regulation

The key difference between scheme and non-scheme regulation is that the AER would approve the price and non-price terms and conditions for reference service(s). The reference

126 AER, *SWQP Review Final Decision*, p 60.

127 AER, *SWQP Review Final Decision*, p 26. For the MSP and SWQP uncontracted capacity outlook, see also AEMO, *36-month outlook of uncontracted capacity*, accessed 22 September 2025.

service(s) must be made available to all shippers, however, shippers may choose to negotiate non-reference service(s) and form contracts on terms other than the reference service.

In the course of the SWQP Review, we found that scheme regulation would likely lead to improved terms and conditions of access to the SWQP.[128] Our analysis suggested that the prices for the services provided by the SWQP could be lower under scheme regulation. The AER-approved reference price(s) would be cost reflective for a reference service(s) and would likely flow through to lower prices for shippers, and lead to better access to services on the SWQP. If this was to occur, prices for capacity that would become available for contracting from 2028 onwards would be lower, and could enable more efficient use of, and investment in, gas infrastructure. In addition, we found that non-price terms and conditions may improve under scheme regulation, thereby improving access to the pipeline services. The AER approves both price and non-price terms of access for an access arrangement, which may help address some of the concerns raised by stakeholders regarding non-price terms of access.[129]

However, we also found that while scheme regulation could help address such pricing issues through the AER setting a more cost reflective price for a reference service, the extent to which it could improve access to the pipeline services on the SWQP was uncertain and might be limited for several reasons. These included:[130]

- Uncertainty around the extent to which actual prices paid would decrease under scheme regulation compared to the non-scheme regulation. This is because the methodology used to set the opening capital base for an *old* pipeline under scheme regulation, such as the SWQP, would likely lead to less predictable and more debateable results.[131]
- While scheme regulation allows shippers to access reference services at a reference price through an AER-approved access arrangement, pipeline users can agree to different price and non-price terms and conditions if they wish. When negotiating terms and conditions for non-reference services, the presence of reference tariff may anchor the pricing for non-reference services, thereby helping shippers to negotiate and access lower prices.[132] This can result in actual prices paid differing from the reference tariff. However, in the course of the SWQP Review, we found that for its current scheme pipelines, APA tends to charge more than the reference prices as most shippers have not adopted the reference services (which may reflect different non-price terms).[133]

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128 AER, *SWQP Review Final Decision*, p 63.

129 AER, *SWQP Review Final Decision*, p 65.

130 AER, *SWQP Review Final Decision*, p 65-66.

131 Under the previous National Third Party Access Code for Natural Gas Pipelines (the Gas Code), the AER could use a range of methodologies to determine the opening capital base, such as 'depreciated actual cost' (DAC), 'depreciated optimized replacement cost' (DORC) or other well recognized asset valuation methodology, such as 'depreciated book value method' (DBVM) or 'recovered capital method' (RCM).

132 AER, *SWQP Review Final Decision*, p 66.

133 AER, *SWQP Review Final Decision*, p 66.

- The scale of benefits of scheme regulation would likely be limited for some years because most of the capacity on the SWQP was reserved under long-term contracts with existing (including foundation) shippers. This means that access for a large portion of the contracted capacity was unlikely to change until the existing contracts would start to roll off. As large shippers may have a degree of countervailing power, they may be able to obtain improved terms and conditions of access when they do eventually renegotiate contracts (or as they negotiate variations to their current contracts).[134]

Taken together, the above factors indicate that the overall extent of benefits to actual prices paid and the non-price terms and conditions under scheme regulation on the SWQP were uncertain.

Consistent with our findings from the SWQP Review, we consider that, in general, the approved price and non-price terms and conditions for reference service(s) under scheme regulation may form the basis for more informed and balanced negotiations for non-reference service(s). This is particularly the case for a new pipeline in the absence of observed 'competition for the market' to supply the foundation shippers under long-term agreements.

Since the proposed Bulloo Interlink is expected to be commissioned after the commencement of the current NGR, the initial capital base must be determined in accordance with the building block methodology set out for scheme pipelines under Part 9 of the NGR. For pipelines built after the commencement of the NGL and NGR on 1 July 2008, the AER uses 'depreciated actual cost' (DAC) as a default valuation methodology.[135]

Compared to uncertainty with setting the opening capital base for a previously established pipeline (such as the SWQP) under the previous Gas Code, due to several possible valuation methodologies, for a newly built pipeline, there is much more certainty with valuation of the initial capital base, meaning scheme regulation may be more effective if warranted.

If potential competitive constraints such as LNG import terminals or the Narrabri gas field and HGP do not enter the market, we consider there is even greater potential for market power to result in inefficiently high prices on the Bulloo Interlink than what we observed in the SWQP Review. Most capacity on the SWQP was already reserved under long-term contracts for another few years, and changing the form of regulation would have limited benefit. In the case of the Bulloo Interlink, however, all capacity is available for contracting by the time of commissioning. This, combined with the relatively greater predictability of scheme regulation on prices for a newly built pipeline, contributes to our view that scheme regulation is likely to promote access to the Bulloo Interlink.

Despite the potential benefits, there are also additional costs (direct and indirect) to scheme regulation. These are discussed in sections 6.1 and 6.2 of the draft decision.

Further, consistent with our findings from the SWQP Review, it is not clear to what extent non-price terms and conditions would improve under scheme regulation. While non-price terms and conditions have not been a focus for scheme regulation access arrangements in

134 AER, *SWQP Review Final Decision*, p 66.

135 NGR, r 77(1)(b).

the past, as discussed above, we heard from some shippers that they had experienced issues in relation to non-price terms and conditions in negotiations with APA.[136] The extent to which these issues might be addressed by scheme regulation may depend in part on the level of engagement the AER receives from shippers as part of the consultation on the terms and conditions for the reference service(s).

Overall, we consider that precluding scheme regulation for 15 years through a greenfields incentive determination carries a risk of detrimental consequences for access to pipeline services on the Bulloo Interlink, and, as a result, is unlikely to promote the NGO. In our view, the effect of scheme regulation compared to non-scheme depends on the future market developments and the degree of market power APA may hold. If competitive constraints on the Bulloo Interlink do not enter the market or are not priced competitively, we consider scheme regulation is more likely than non-scheme regulation to promote access to pipeline services on the Bulloo Interlink.

136 AER, *SWQP Review Final Decision*, pp 4, 56, 60.

6 Cost of each form of regulation

Under section 112(2)(a) of the NGL, we are required to consider likely costs that would be incurred under either scheme or non-scheme regulation by:

- an efficient service provider
- efficient users or efficient prospective users of pipeline services, and
- end users (or consumers of gas).

In doing so, we have considered the regulatory, transaction and administrative costs associated with each form of regulation. These are the types of costs that are likely to be incurred by an efficient service provider and efficient users or prospective users, and is consistent with the approach taken by the NCC when making form of regulation determinations.[137]

Overall, we consider that the direct costs associated with scheme regulation are likely to be higher than they are under non-scheme regulation, but the difference is relatively small.

As part of our broader consideration of the NGO, we have also considered the potential indirect costs associated with scheme and non-scheme regulation (although we have not attempted to fully quantify such costs). In particular, we have considered the indirect costs that may be associated with delayed, foregone or reduced investment.

6.1 Direct costs

6.1.1 Stakeholder views

APA submits that a greenfields incentive determination will have little if any impact on the *direct costs* faced by pipeline users. APA does not expect any change (in real terms) to the costs faced by its customers for accessing the grid.

Further, APA has estimated that it would face additional annualised costs of approximately $400,000 under scheme regulation. This is an estimated cost of preparing for each an access arrangement under scheme regulation, totalling $2 million for every 5 years. The ongoing cost of managing and reporting scheme compared to non-scheme pipelines is expected to be similar.[138]

6.1.2 Our views

We consider that direct regulatory, transaction and administrative costs that an efficient service provider, efficient users and prospective users and end users are likely to incur under scheme regulation are likely to be higher than those under non-scheme regulation. However, the difference between these costs is relatively small.

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137 National Competition Council, *Gas Guide: A guide to the functions and powers of the National Competition Council under the National Gas Law*, October 2013, p 81.

138 *APA application*, pp 18, 29.

6.1.2.1 Costs to an efficient service provider under scheme and non-scheme regulation

For an efficient service provider, many of the obligations in the NGL/NGR under scheme and non-scheme regulation are the same or very similar. We therefore expect that many of the costs to an efficient service provider under scheme and non-scheme regulation should also be the same or similar. This includes the costs of complying with the information disclosure requirements under Part 10, Chapter 4 of the NGR and the access and negotiation provisions in Part 11 of the NGR.

However, there are additional obligations under scheme regulation, such as the access arrangement requirements set out in Parts 8 and 9 of the NGR and associated obligations. Specific direct costs related an access arrangement (and more broadly to scheme regulation) include:

- developing a reference service proposal (including costs incurred by a service provider to consult with customers prior to submission of an access arrangement)
- developing first and subsequent access arrangements (including costs of consultation with customers as an input for the first access arrangement prior to its submission). It is likely that in the first access arrangement period, an efficient service provider will incur higher costs than it will in subsequent periods, as a result of having to develop the opening capital base and other key inputs to the access arrangement.[139]
- developing subsequent access arrangements (including costs of consultation with customers, if necessary)
- preparing annual price variations for submission to the AER
- costs of compliance with general and scheme-specific disclosure obligations in the NGL/NGR
- costs of negotiating and entering into contracts with users
- costs of regulatory arbitration if it arises.

This means that direct costs associated with scheme regulation will likely be higher for an efficient service provider under scheme regulation than they would be non-scheme regulation. However, we note that the difference between the scheme and non-scheme costs, particularly following the initial access arrangement period, is relatively small.

6.1.2.2 Costs to efficient users and prospective users under scheme and non-scheme regulation

Compared to an efficient service provider, for an efficient user, or prospective user, there are fewer direct regulatory costs, but they will likely incur transaction and administrative costs

[139] In the course of the SWQP Review, we assessed that cost estimates to develop the first access arrangement would likely fall within $735,000 to $1,035,00 on an annualized basis for the first 5 years. For subsequent access arrangements, estimated costs would likely to be within $490,000 to $690,000. For comparison, for non-scheme regulation, annual direct costs would amount to $490,000 per annum. See AER, *SWQP Review Final Decision*, p 70.

under both forms of regulation. We have not been able to quantify the costs that efficient users or prospective users are likely to incur.

Under scheme regulation, users and prospective pipeline users will likely incur lower direct costs than under non-scheme regulation, although the difference is relatively small. This is because, under scheme regulation, users and prospective users can rely on AER approved reference prices and access arrangement as the starting point for negotiations with a service provider. Conversely, under non-scheme regulation, the direct costs will likely be higher on both:

- an individual user basis, as users individually have to determine a reasonable price and other terms and conditions of access before negotiating with a service provider
- an aggregate basis, as both the SWQP and MSP have a large number of users and prospective users, and access to the Bulloo Interlink is expected to be sought in conjunction with these pipelines to supply services connecting northern supply hubs to southern demand centres (e.g. services connecting Wallumbilla to Sydney and Melbourne), rather than on a stand-alone basis.[140]

Specific cost drivers to pipeline users under scheme regulation will likely include:

- voluntary participation in access arrangement approval process
- transaction costs of negotiating and entering into contracts with a service provider (these are expected to be lower than under non-scheme due to the AER approved reference services)
- participating in regulatory arbitration in the event of an access dispute triggered by pipeline user(s).

Specific cost drivers to pipeline users under non-scheme regulation will likely include:

- transaction costs of negotiating and entering into contracts with a service provider, including costs of determining a reasonable price and non-price terms and conditions
- participating in commercial arbitration in the event of an access dispute triggered by pipeline user(s).

6.1.2.3 Costs to end users under scheme and non-scheme regulation

In addition to considering the costs likely to be incurred by an efficient service provider and efficient pipeline users and prospective users, we have considered the likely costs for end users. In some cases, the end users will also be the pipeline users (e.g., when the pipeline user is a C&I gas consumer)[141], while in other cases they will not (e.g., when the pipeline user is a retailer, gentailer, gas producer or other type of intermediary).

While end users will not incur any costs directly under either form of regulation, they are likely to still be impacted because the service provider and pipeline users are likely to pass through the costs they incur to end users in the form of higher prices. In its submission for

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140 *APA application*, p 3.

141 In the course of the SWQP Review, the EUAA submitted that some of its members buy through retailers on the basis of a delivered price and therefore leave it to the retailers to negotiate transport. See, EUAA, *Submission for the SWQP Review*, p 2.

the SWQP Review, APA, for instance, stated that it would factor in any regulatory costs into the calculation of reference prices. At the same time, APA also stated that under non-scheme regulation its ability to pass the cost changes through are limited by the terms of individual agreements with shippers. This forms part of the contractually agreed framework for sharing of risks between APA and its customers.[142]

Therefore, it is likely that the costs to these users will be higher under scheme than non-scheme regulation, although the difference is unlikely to be material.

6.2 Indirect costs

We have considered the impact that this decision may have on investment incentives. While this is not strictly a cost that would be 'incurred' by an efficient service provider or user, we have considered these indirect costs when having regard to the NGO.

6.2.1 Stakeholder views on investment incentives

In its application, APA stated that the threat of scheme regulation capping potential upside returns creates material disincentive for investment.[143] In its submission to the Discussion Paper, APA stated that indirect costs will be significant if the Bulloo Interlink cannot proceed.[144]

Specifically, APA submitted that scheme regulation will disincentivise investment and/or result in delayed investment decisions because of:

- the potential truncation of investment returns
- the way in which stranding risk and uncertainty can be managed under scheme regulation
- the uncertainty surrounding the AER's approach to regulating in an 'uncertain' market environment

Other stakeholders (including the EUAA) generally agreed with APA's argument that the threat of scheme regulation may disincentivise investment.[145]

6.2.2 Our views

We recognise there may be indirect costs associated with delayed or foregone efficient investment due to the threat of scheme regulation. In our view those costs are unlikely to be material. They likely also depend on the extent to which there remains further investment to be made on the Bulloo Interlink when the potential threat of scheme regulation resumes after a greenfields incentive determination operative period. If most or all of the investment is complete when the threat of scheme regulation resumes, the indirect costs of that threat are even more likely to be low.

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142 *APA submission*, p 36.

143 *APA application*, p 17.

144 *APA submission*, p 5.

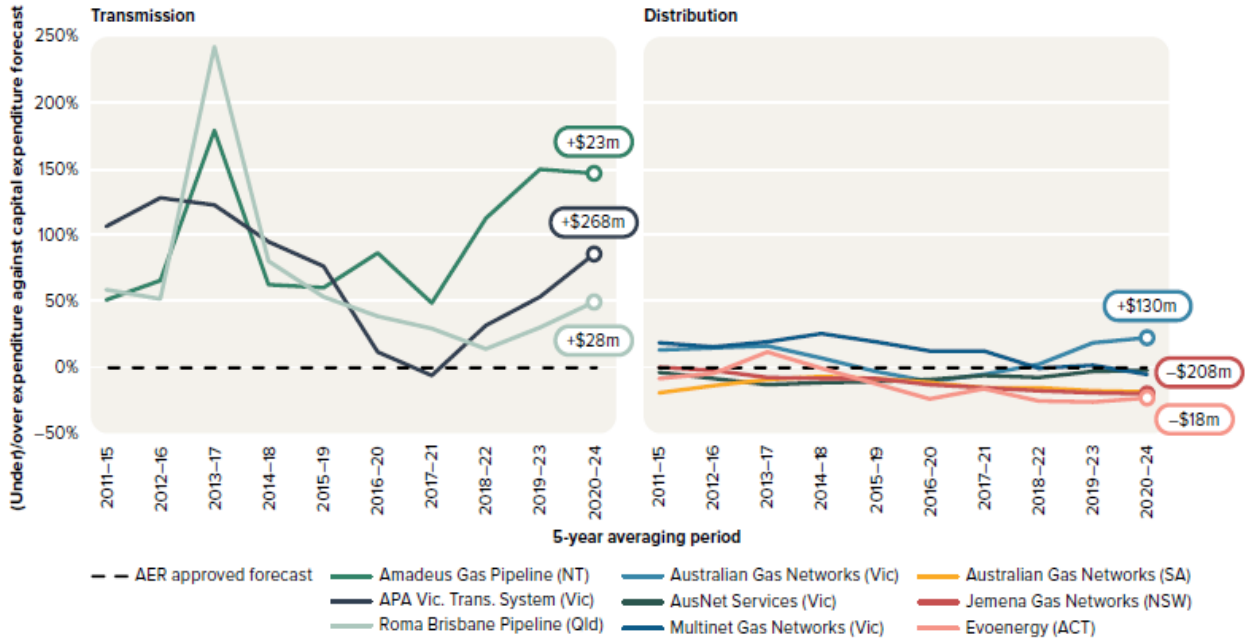
145 *EUAA submission* [redacted]

In the following section we set out our findings on the impact of scheme regulation on investment and potential indirect costs that might arise. Chapter 7 outlines our analysis of the extent to which the greenfields incentive determination itself supports investment in the Bulloo Interlink.

In summary, we consider that there are a number of measures in the regulatory framework which mean incentives for *efficient* investment should be preserved under scheme regulation.[146]

Further, we observe that APA has almost always spent capex materially above AER forecasts for its 3 scheme transmission pipelines since 2011 (this includes the Amadeus Gas Pipeline, Victorian Transmission System and the Roma Brisbane Pipeline). In our view, this would be unlikely if investors perceived material risk to investing or underwriting capex, or if incentives to invest were otherwise harmed, under scheme regulation.

Figure 7.1 – Capital expenditure compared with AER approved forecasts for scheme pipelines, 2011-2024



Note: The size and the scale of the forecast and actual capital expenditure differs for each transmission and distribution pipeline service provider.
Source: AER modelling; annual reporting RIN responses.

AER, *State of the Energy Market*, 26 August 2025, p 218 Figure 5.15.

146 "Efficient investment" in the context of natural monopoly infrastructure is investment which meets genuine current and future service needs, and is priced so that it best balances "productive efficiency" (providing services at lowest cost), "allocative efficiency" (encouraging the best use of existing capacity), and "dynamic efficiency" (preserving incentives to undertake new investment). See: AEMC, *How the national energy objectives shape our decisions*, August 2024, p 4.

This trend may be explained by the features of scheme regulation framework, which allows parties to contract on terms that differ from the reference tariff, which cannot be altered by future access arrangements.[147]

We consider that the scheme regulation may pose some risk of delayed or foregone efficient investment due to uncertainty created by the scheme regulatory process. One of the drivers of this issue in the SWQP Review was the uncertainty over how the opening capital base would be determined an asset that had been built so long ago. However, the opening capital base for a newly built pipeline such as the Bulloo Interlink should be far less complex to determine than would have been the case for SWQP, and the outcomes would be more predictable once the construction costs of the pipeline are known. Any uncertainty around the initial capital base, in any case, is likely to be transitory and relatively short-term.

Truncation of investment returns

APA submits that, without a greenfields incentive determination, the potential for scheme regulation will expose APA to the risk of regulatory truncation (where APA is exposed to downside demand risk, but is limited in its ability to capture upside returns), which is likely to deter or delay investment.[148] APA submits that, given the 'uncertainty' of the market environment, Bulloo Interlink poses significantly higher risk and uncertainty compared to past investments.

We consider that there are a number of reasons why the 'truncation problem' is unlikely to create disincentives for investment in the Bulloo Interlink if the AER ever determines that it should be a scheme pipeline.

Firstly, we do not consider that scheme regulation would appropriate or truncate the returns of any contracts that are in effect, including the foundations contracts which may underwrite the Bulloo Interlink. This is because terms and conditions in pre-existing contracts are protected under the NGL, meaning the returns expected under these contracts would be locked in.

Secondly, we consider that setting a reference price under scheme regulation is unlikely to lead to a truncation of returns. This is since there are a number of ways this can be addressed under scheme regulation, such as the following:

- **Delaying the recovery of capital**: In setting access arrangements, the AER can delay the recovery of capital when demand is initially low but expected to grow over time. This can protect service providers from demand risk. This can be done by reducing the depreciation allowance initially and allowing a greater amount of capital to be recovered as demand increases.
- **Accelerating the recovery of capital:** This tool can be used to deal with stranding risk associated with investment. This can be done by increasing the depreciation allowance from what would otherwise apply under straight line depreciation.[149] The

147 NGL, ss 114-115.

148 *APA application*, p 19.

149 This approach is available under the framework established in the NGR. See NGR, r 89 and AER, *Regulating pipelines under uncertainty*, November 2021.

AER has recently used accelerated depreciation to address stranding risk in a number of distribution pipeline resets.[150]

- **Contracting on terms different to the reference service:** Under scheme regulation, parties can contract on price and non-price terms and conditions that differ from those approved by the AER. These agreements are protected under the NGL and cannot be overridden by an access arrangement. While potentially constrained under scheme regulation, this does not eliminate APA's ability to earn unregulated revenue commensurate with the risks faced, as they would under non-scheme regulation.[151]

Thirdly, there is little evidence to suggest that the risk of regulatory truncation under scheme regulation would inhibit investment. As mentioned, APA seems to have spent capex materially above AER forecasts (and allowances) for its scheme pipelines. It does not appear that concerns about regulatory truncation have prevented investment in scheme pipelines in the past. Rather, we observe that there has been continued investment in scheme pipelines, including those owned by APA.[152]

In response to APA's concerns that scheme regulation is likely to deter or delay investment, we note that the difficulties raised in the mid-2000s, which APA and the cited Incenta report refer to in its application, concerned periods of demand uncertainty when gas demand was immature or undeveloped. However, as we canvass in section 3.2 and section 7.3 of this determination, demand for the Bulloo Interlink is not immature or uncertain but is underpinned by a structural need for increased GPG to support an increasingly renewables-led electricity system. Further, and as noted in this decision, any uncertainty with respect to GPG (due to uncertainty of renewable generation patterns) will *increase* peak demand for GPG which drives contracting and investment activity on the Bulloo Interlink. This is due to a need for sufficient GPG peaking generation to support the electricity system during periods of lower renewable generation. As mentioned, this can be unpredictable and driven by unforeseeable changes in weather and other events.

Uncertainty and stranding risk

APA also submits that scheme regulation is likely to deter or significantly delay efficient investment where there is long-term demand uncertainty.

We consider that the tools available to deal with stranding risk and demand uncertainty are very similar under scheme and non-scheme regulation, and the form of regulation applying to the Bulloo Interlink should not significantly impact APA's ability to manage these risks. These

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150 For example: See AER, *AusNet Gas Services, 2023-28 final decision - attachment 4*, June 2023; See AER, *Multinet Gas Network 2023-28 final decision - attachment 4*, June 2023.

151 Section 115 of the NGL provides that, subject to sections 83C and 135, nothing in the scheme regulation framework is to be taken as preventing service providers from entering into agreements with users on terms that are different from an access arrangement. NGL s 114 provides that an access arrangement must not deprive a person of a pre-existing contractual right.

152 For example, APA has invested $150 million to expand the Goldfields Gas Pipeline in 2012 and invested in the Roma to Brisbane Pipeline Lytton Lateral ($9.05 million, in July 2010) and RBP8 ($80.2 million, in August 2012) expansions. See: APA (ASX Release), *APA Goldfields Gas Pipeline – further capacity expansions supporting customer growth*, 23 January 2012; Wilson Cook & Co, *Review of Expenditure Forecasts for Roma-Brisbane Gas Pipeline Access Arrangements for FYS 2013-17*, p 4.

tools include accelerating the recovery of capital, and contracting on terms different to the reference service, as well as:

- **Entering into long-term contracts:** The principal way for APA to manage demand uncertainty and stranding risk is to 'shift demand risk' to shippers through the use of long-term contracts under which shippers agree to pay for a specified volume of capacity over a period of time, irrespective of whether they use it or not. A service provider is able to do so under both scheme and non-scheme regulation.
- **Writing off the investment:** APA can also write off some of the investment under both scheme and non-scheme regulation. While this is unlikely to be a preferred way to deal with stranding risk, the mechanisms and reasons for doing so are the same under scheme and non-scheme regulation.

In response to APA's submission in its greenfields application that a lighter form of regulation will allow APA to take the risks associated with any demand uncertainty and have a longer term view of the required return, we observe that pipelines subject to scheme and non-scheme pipeline are exposed to largely the same risks, and the tools to deal with them are very similar. [153]

These tools include accelerating or delaying depreciation, entering into long-term contracts, and contracting on different terms (including terms aligned with the genuine risks faced by the pipeline and which may require a higher return as a result) and are available under non-scheme and scheme regulation. We also note that scheme regulation framework imposes a voluntary and non-binding reference tariff, which must be offered to shippers but does not have to be accepted by them. Under this framework, APA is able to contract on terms which differ to the reference tariff for scheme pipelines. Finally, the risk of scheme regulation and the imposition of a voluntary reference tariff can be managed contractually, such as through a Most Favoured Nation (MFN) clause, automatic adjustment or other contractual mechanism in response to a scheme determination or access arrangement.[154]

Delays to the East Coast Gas Grid (ECGG) Expansion Plan

In its application, APA notes its decision to suspend Stage 3A of the ECGG due to the SWQP Form of Regulation Review. APA submits that it was only prepared to commit to further investment after it "received confirmation from the AER that it would not be making a scheme pipeline determination for the SWQP".[155] While we acknowledge that a form of regulation review and scheme determination may result in delays, which are relatively short-term, the Bulloo Interlink will be a non-scheme pipeline regardless of whether we decide to make a greenfields incentive determination or not.

We also observe, as we did in the SWQP Review, that it has been possible for a pipeline to be subject to a form of regulation change since the introduction of the original Gas Code in 1997.[156] It does not appear that the threat of regulation change has resulted in systematic

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153 *APA application*, p 26; AER, *SWQP Review Final Decision*, pp 69, 76.

154 A most favoured nation clause essentially provides that if the service provider contracts with another user on terms and conditions more favourable than in the relevant contract, the user who is a party to that contract must be offered the same terms and conditions of access.

155 *APA application*, p 20.

156 AER, *SWQP Review Final Decision: Explanatory Note*, p 6.

issues in pipeline investment over this time (i.e. due to concerns about the potential truncation of returns). We emphasise, as we did in the SWQP Review, that it is also important to note that a service provider of a pipeline under scheme regulation is allowed to recover, and earn a reasonable rate of return, all prudent and efficient costs in accordance with Part 9 of the NGR and the NGO. Further, as we have noted in the final decision of the SWQP Review, any uncertainty a form of regulation review (or determination) creates is transitory and short-term, and we consider that there are several mechanisms in the regulatory framework for scheme pipelines which mitigates this and supports ongoing investment, by providing APA with the flexibility to make investments in a timely manner.[157]

The gas pipeline reforms in place since 2023 have allowed for the AER to initiate form of regulation reviews, but we observe that APA has continued to invest, and taken steps to invest, in gas transmission pipelines since this time. For instance, APA:

- signed a gas transport agreement underwriting an expansion of the Reedy Creek to Wallumbilla Pipeline and Wallumbilla Hub in July 2024.[158]
- made a FID in late 2023 to develop the Kurri Kurri Lateral pipeline in NSW.[159]
- signed a non-binding design and development agreement in August 2024 to build a pipeline connecting to CS Energy's proposed Brigalow Peaking Power Plant in Queensland.[160]

While these examples are not precisely comparable to the Bulloo Interlink in scale or market impact, we observe that this continued investment suggests that the threat of regulation change does not seem to have resulted in systemic issues in pipeline investment, including under recent market conditions.

Indirect costs when demand is uncertain

Scheme and non-scheme pipelines are subject to largely the same risks, and the tools to deal with these under both forms of regulation are very similar. However, we note these tools in principle may be less effective where demand is immature or highly uncertain, or where a pipeline is only able to recover large sunk costs through short-term contracts.

For example, the AER can delay the recovery of capital for a scheme pipeline that is subject to immature demand, and which will eventually allow the pipeline to recover its costs (including a return on capital) by increasing prices in later years. However, the returns under a reference tariff may not reflect the returns needed to account for the demand uncertainty in those early years. Similarly, a pipeline unable to sign long-term contracts can still contract to earn a higher rate of return to the reference tariff that reflects the pipeline assuming demand risk usually assigned to shippers, but this may be inhibited under scheme regulation if the overall rate of return does not reflect the demand risk assumed. We also note provisions in

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157 AER, *SWQP Review Final Decision*, p 73.

158 APA, *APA group signs gas transport agreement for Senex Energy's Surat basin expansion*, 11 July 2024, accessed 10 September 2024.

159 APA, *Final investment decision on Kurri Kurri lateral pipeline*, 7 November 2023, accessed 10 September 2024.

160 APA, *APA signs design and development agreement to deliver twin pipelines for CS Energy*, 22 August 2024, accessed 10 September 2024.

the NGL which grandfather existing contracts may be less effective if the pipeline can only sign short-term contracts.

This does not mean there is automatically a strong basis for a full 15-year determination. However, it is something we have regard to in considering the risks a new pipeline may face in its ability to earn a return that's commensurate with the demand risks and uncertainty risks, and the period over which these risks may be highest.

7 Impact of a greenfields incentive determination on efficient investment

Having regard to the NGO, we have considered the extent to which a greenfields incentive determination will promote efficient investment in the proposed Bulloo Interlink and other covered gas services (i.e. other pipeline services, the supply of covered gas, or a service ancillary to the supply of covered gas).

In general, where a service provider can exercise market power, either by restricting access to services or engaging in monopoly pricing, it will lead to inefficient outcomes. This is a key reason for regulating monopoly infrastructure. In that regard, we note that the NGO is not promoted when there is *any* investment, it is promoted only when investment is efficient.[161] Where there is the potential that market power is being exercised, removing the ability to do so should promote efficient investment and operation of pipelines.

7.1 How we have approached efficient investment

Efficient investment will occur where the returns on investment reflect efficient costs and are commensurate with the risks genuinely faced by the pipeline. As such, a key consideration in assessing whether a greenfields incentive determination would promote the NGO is the extent to which a determination would facilitate efficient investment and increase the likelihood of it occurring.

While this is difficult to test in practice, it is important to recognise that pipelines under scheme and non-scheme regulation face largely the same risks (such as stranding risk and demand uncertainty), and that the tools to deal with these risks under both forms of regulation are very similar.[162] Where the scale and nature of the risks confronting the pipeline are such that efficient investment is not likely to occur, this may weigh in favour of granting a greenfields incentive determination. For example, if demand was immature and uncertain.

Practically, we have considered whether a greenfields incentive determination will support efficient investment in two parts:

- whether the proposed investment appears to address a genuine service need; and
- to the extent the investment appears efficient, the extent to which a greenfields determination promotes the pipeline investment to proceed.

Overall, we find that:

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161 "Efficient investment" in the context of natural monopoly infrastructure is investment which meets genuine current and future service needs, and is priced so that it best balances "productive efficiency" (providing services at lowest cost), "allocative efficiency" (encouraging the best use of existing capacity), and "dynamic efficiency" (preserving incentives to undertake new investment). See: AEMC, *How the national energy objectives shape our decisions*, August 2024, p 4.

162 The tools to deal with demand risk and uncertainty under both forms of regulation are to defer or accelerate depreciation (either through the access arrangement, or through altering prices), forming long-term contracts, contracting on different terms (including terms other the reference tariff if a scheme pipeline), or to write-off the asset.

- APA has not provided evidence of a competitive process to develop the Bulloo Interlink, which would allow the AER to be better satisfied that efficient investment would occur
- however, the investment appears to meet a market need
- APA's submissions to this process and the input we have received from stakeholders suggest that a greenfields incentive determination would support investment. However, in our view, none of the information provided shows the investment would not take place without a full 15-year greenfields incentive determination
- whether or not a greenfields incentive determination is granted, there are strong factors supporting investment, including:
    - a strong long-term demand outlook for transportation services with GPG as a key enabler of renewables uptake in the NEM
    - clear policy commitment to ensuring sufficient gas supply to meet domestic demand
    - other material investments which have recently taken place without greenfields incentive determination support
- gas supply risks are inhibiting long-term GSAs and therefore long-term gas transportation agreements (GTAs, being typically aligned with GSA length), but are caused by market and regulatory trends which a greenfields incentive determination is unlikely to address

In light of the above, the features of scheme regulation allow APA to manage demand uncertainty, and that the threat of scheme regulation appears unlikely to systematically inhibit investment in the Bulloo Interlink to the extent that a full 15-year greenfields incentive determination is required to promote the NGO.

7.2 Whether the Bulloo Interlink appears to meet a market need

Stakeholder views

APA submits that there is a need for the Bulloo Interlink and expects that significant investment will be required across the ECGG to support increased GPG and a transition to a renewables-led system. Citing AEMO's 2025 GSOO, APA submits that additional gas supplies will be needed in southern states to meet forecast demand, and believes these shortfalls are best addressed by increased supply from northern gas fields, such as the Surat, Bowen and Beetaloo basins in Queensland and the Northern Territory.[163]

The EUAA considers that there is increased reliance on north-south pipeline and southern storage capacity, citing the peak day and supply gaps supply adequacy shortfalls reported in 2025 GSOO such as the risk of future peak day shortfalls and structural supply gaps in southern states. While noting that LNG import terminals or increased pipeline investment were potential investment, the EUAA rejected LNG import terminals in favour of increased

163 *APA submission*, p 2; *APA application*, p 26.

pipeline investment, due to the high international-linked prices posed by LNG import terminals and its impact on C&I customers.

Other stakeholders indicated that they supported the investment and generally saw that there was a market need to bring supply into southern states.

Our views

Based on our analysis of market trends discussed earlier in this decision, we consider that the Bulloo Interlink appears to meet a perceived market need. While we are unable to compare the competitiveness of the proposed Bulloo Interlink to alternative gas transportation options, we observe that:

- southern gas demand depends substantially on northern gas supply, particularly over winter, and this need is likely to increase as southern gas production diminishes and coal generation exits the NEM
- the Bulloo Interlink as proposed appears to materially increase the capacity for North-South gas flows
- the expected increase in demand is to address a structural need for increased GPG to support an increasingly renewables-led system during periods of lower renewable generation
- AEMO has highlighted gas transportation constraints as a risk to the capacity of GPG.

7.3 The extent to which a greenfields incentive determination may promote efficient investment

Efficient pipeline investments are those which reflect efficient costs and returns commensurate with the risks genuinely faced by the pipeline. We have approached our assessment of the extent to which a determination would support efficient investment by:

- examining the demand and supply trends that are relevant to the Bulloo Interlink, and assessing whether the nature and sources of uncertainty and risk for gas demand and supply would support granting a greenfields incentive determination for *efficient* investment to occur; and
- considering stakeholder views on whether a greenfields incentive determination is necessary to facilitate efficient investment, and the reasons why.

As mentioned, scheme and non-scheme pipelines are exposed to the same risks and their respective frameworks already contain tools to deal with demand uncertainty and stranding risk. Factors that would support granting a determination where the pipeline is exposed to risks significant enough that the possibility of scheme regulation is likely to preclude the investment proceeding on returns commensurate with the risks genuinely held by the pipeline.

As such, factors which we have considered include:

- **Exposure to significant risk and uncertainty**: whether the service provider faces risks that are significant enough to pose a genuine possibility that pipeline demand will fall short of what is needed to recover the sunk cost of the investment.

- **Impact of scheme regulation on investment incentives:** whether, given the scale of these risks, scheme regulation would make it impossible to proceed with the investment - even after considering the tools available under scheme regulation to manage demand uncertainty and stranding risk (such as contracting on terms different to the reference tariff, or deferring or accelerating depreciation).
- **Ability to manage regulatory risk contractually**: whether the impact scheme regulation would have in light of these risks is unavoidable and cannot be managed contractually or through commercial arrangements (such as through Most Favoured Nation clauses, an automatic adjustment or other contractual mechanism that would be triggered in response to a scheme determination or access arrangement).[164]

Stakeholder views on whether a determination is necessary

In its application, APA considered that granting a greenfields incentive determination was necessary to support efficient investment.[165]

The EUAA supported a greenfields incentive determination "in principle" and to the extent necessary to facilitate investment in the Bulloo Interlink.[166] While the EUAA did not directly comment on whether granting a greenfields incentive determination would result in efficient investment, they did submit views caveating their support due to concerns about the exercise of market power. [167] For example:

- the EUAA noted it had "residual concerns about the potential ability of APA to exercise market power at some stage of the 15 year exemption period", and did not consider the constraints on market power to be "significant or sustainable over the 15 years".[168]
- the EUAA recommended that "the AER consider whether it can set any conditions on future pricing as part of its approval on the application to limit consumer risk from the exercise of market power".[169]

We also held meetings with a number of stakeholders, which presented several diverse views. One stakeholder generally supported granting a greenfields incentive determination, stating they did not have any concerns with granting one and citing the benefits of developing the Bulloo Interlink, as well as noting the regulatory uncertainty around gas supply.[170] Another stakeholder did not directly comment on granting a determination or the Bulloo Interlink, but commented that more certainty over the first 10 to 15 years was required for a net zero target by 2050.[171] One stakeholder considered the need for the Bulloo Interlink would be 15 years, and that a greenfields incentive determination would improve APA's

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164 A most favoured nation clause essentially provides that if the service provider contracts with another user on terms and conditions more favourable than in the relevant contract, the user who is a party to that contract must be offered the same terms and conditions of access.

165 *APA application*, pp 2,19-20, 26.

166 *EUAA Submission*, p 2.

167 *EUAA Submission*, pp 2-4.

168 *EUAA Submission*, p 2.

169 EUAA Submission, p 2.

170 [redacted]

171 [redacted]

bargaining position.[172] Another stakeholder considered, in terms of whether a shorter operative period would be suitable and without commenting on the Bulloo Interlink, that perhaps a pipeline could proceed without a determination if government were to underwrite the pipeline or an initial contract.[173] EUAA considered that being granted the determination, "while necessary, is unlikely to be sufficient that the Bulloo Interlink is built".[174]

Other stakeholders did not express a preference, or supported the investment but not did not comment directly on whether a greenfields incentive determination was necessary for the investment to proceed or to result in efficient investment.

Our Views

Stakeholders generally supported the Bulloo Interlink and the investment, but this is not the same as support for granting a greenfields incentive determination.

While the EUAA supported the investment and granting a greenfields incentive determination, the EUAA also acknowledged the risks and potential consequences of APA's likely market power.[207] In response to comments made in the EUAA's submission, the AER is not able to set any conditions on future pricing as part of granting a greenfields incentive determination.[208] The AER is similarly not able to "set conditions on future pricing" under scheme regulation. Attaching such conditions to a greenfields incentive determination would result in a stronger form of regulation than scheme regulation.[209]

It is important to note that scheme regulation involves imposing a *voluntary* reference tariff, which must be offered to shippers but does not have to be accepted by them. Under the scheme regulatory framework, shippers are free to contract on price and non-price terms other than the reference tariff, and we note there is evidence of contracting activity on price and non-price terms that diverge from reference tariffs on scheme pipelines.[210] The NGL protects the rights of shippers to form contracts on terms that are different to the reference tariff and protects those contracts from being altered by future access arrangements.[211]

7.3.1 Demand Uncertainty

Demand uncertainty can affect the ability of a pipeline investor to recover sunk costs and earn a return commensurate with the risks of the investment. If demand is uncertain, there is a higher risk that the pipeline will be underutilised, leading to stranded assets or unrecovered capital. Both scheme and non-scheme regulation contain tools to deal with demand uncertainty and stranding risk. This section examines the nature and sources of demand uncertainty faced by the Bulloo Interlink.

Stakeholder Views

APA expects significant investment will be required to transport gas from northern supply from Queensland to the southern states, driven by GPG forecasts and declining supply from southern basins, citing AEMO forecasts from the 2025 GSOO, as well as reporting from the

172 [redacted]

173 [redacted]

174 EUAA Submission, p 4.

ACCC.[175] APA states that "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".[176] APA reiterates that it considers GPG demand is likely to drive the need for new investment, including projects like the Bulloo Interlink, in its submission to the Discussion Paper.[177]

While APA considers that there is a clear need for additional investment that is supported by forecasting in AEMO's 2025 GSOO, APA also submits that the "long-term demand outlook" is highly uncertain, which is partly due to "customers opting for shorter term contracts, reflecting broader uncertainty around gas supply and demand dynamics".[178] APA states that this is reflected in a shift to shorter-term gas supply contracting, which APA states is typically 2 to 3 years.[179] APA also states that the "pace and shape of the energy market transition" poses uncertainty, as this is affected by the need for new GPG capacity, changes in industrial demand and electrification rates.[180]

In meetings held with stakeholders, most stakeholders did not provide any views specifically on demand uncertainty, aside from some stakeholders stating that they considered the Bulloo Interlink was a necessary investment. One stakeholder said that they agreed with the trends in AEMO's 2025 GSOO and that this broadly aligned with their internal modelling, as well as referring to the GSOO findings that more gas will be needed in the next 10 years for peaking GPG. Another stakeholder referenced the 2025 GSOO and that it indicated that there was a clear need for an investment like the Bulloo Interlink.[181]

Our Views

Our analysis of the findings from AEMO's 2025 GSOO and ACCC reporting suggests that long-term demand for the Bulloo Interlink is likely to be primarily driven by expectations of *peak* gas demand, as the Bulloo Interlink is intended to address shortfalls owing to expected increases in GPG demand.

While APA submits that the timing and nature of demand is uncertain, we consider that the projections reported in the 2025 GSOO, 2024 ISP and the ACCC show that future demand for southern transport from Queensland is not subject to significant demand uncertainty. Rather, future demand is underpinned by a clear structural need for gas to flow south to meet supply shortfalls, and increased GPG to provide reliable generation to support system security and adequate electricity supply in the southern states during periods of lower renewable generation, particularly in winter. Further, modelling results from market participants canvassed in Simshauser and Gilmore,[182] as well as stakeholder comments and submissions agreeing with the findings in the AEMO 2025 GSOO and the need for the Bulloo Interlink, indicates that this is a general consensus among stakeholders.

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175 *APA application*, pp 1-3,5.

176 *APA application*, pp 1-3,5.

177 *APA application*, pp 8-9.

178 *APA application*, p 18.

179 *APA application*, p 18.

180 *APA application*, p 18.

181 [redacted]

182 Simshauser and Gilmore, *Solving for 'y': demand shocks from Australia's gas turbine fleet*, March 2024.

In our view, this suggests there is likely to be strong demand for services on the Bulloo Interlink, and that there isn't sufficient evidence of demand uncertainty or other findings which can demonstrate that investment will be deterred without a 15-year greenfields incentive determination.

APA will likely be able to invest in the Bulloo Interlink as a non-scheme pipeline (that is, with the potential threat of scheme regulation). That is, the possibility of scheme regulation does not clearly preclude the investment from occurring.

In particular, we observe that:

- the SWQP and MSP already operate near or at their maximum capacity transporting gas south over peak winter periods
- southern gas production is declining, with Longford production capacity expected to reduce
- demand in southern states is forecast to be steady, with reductions in residential demand offset by increasing GPG demand.

As a result, we consider it is likely that currently high demand for North-South gas transportation capacity will persist if not grow over the application period.

7.3.2 Supply Uncertainty

In considering whether a greenfields incentive determination would promote efficient investment, we have also considered the nature and sources of supply uncertainty and whether and how a determination would address any uncertainty for the supply of wholesale gas. This is because shippers typically prefer that GTAs are aligned with GSAs to facilitate the long-term contracts underwriting a pipeline development.

Stakeholder Views

While APA considers that will be a clear need for investment in transport gas from Queensland into southern states, APA also submits that long-term demand is "uncertain" which is partly due to "broader uncertainty around gas supply and demand".[183] APA submits this is leading customers to contract for shorter terms and sizing transport commitments only to their known portfolio needs, and creating "considerable uncertainty around the long-term demand outlook".

In its submission to the Discussion Paper, APA states that it sees "a trend of increasing GPG" as having a significant impact on supply options as well as gas demand.[184] APA considers that a greenfields incentive determination "does not resolve all potential risks" and only ensures "there is no prospect of scheme regulation being imposed for at least 15 years after the investment has been made", but that removing this is a "positive step" and "provides some regulatory certainty" for APA.

Notably, APA refers to the availability of wholesale gas supply as a factor preventing long-term investment and creating an uncertain long term demand outlooks. In its submission to the Discussion Paper, APA considers that:

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183 *APA application*, p 18.

184 *APA submission*, p 4.

- the issue of customers not committing to long term contracts can be resolved with the Commonwealth Government Market Review.[185] We note this review is intended to increase domestic gas supply in the east coast.[186]
- "government guarantor mechanisms may be necessary", especially in the "short-term where long-term domestic supply arrangements may not have eventuated". APA considers this would help "alleviate the revenue uncertainty associated with long-term investment".[187]

The EUAA considers that the lack of parties willing to enter into long-term contracts is preventing the Bulloo Interlink from being built, and that a greenfields incentive determination is "necessary" but also "insufficient" to ensure that the Bulloo Interlink is built. [188] The EUAA submits that "the market has failed to supply gas on competitive terms and conditions despite well-meaning government intervention on many years, most recently with the Heads of Agreement and Mandatory Code".[189] The EUAA references its submission to the Federal Government's Gas Market Review, emphasising its support for the Federal Government to underwrite new and expanded pipeline infrastructure, including the Bulloo Interlink (as part of APA's East Coast Gas Grid Expansion Plan).[190]

We also held meetings with several stakeholders. Some stakeholders noted there was regulatory uncertainty with supply, stating that regulation and policy uncertainty was inhibiting long-term contracts[191] One stakeholder said this uncertainty was a reason for shippers not signing up to long-term gas supply contracts.[192] Another stakeholder noted that there was an issue with getting wholesale gas supply, and - without commenting on the Bulloo Interlink specifically - that they were more open that they had previously been on whether it was possible for APA to develop pipelines without long-term contracts with shippers. Notably, this stakeholder also commented that they considered scheme regulation to be a low risk.[193]

Our views

A key consideration in determining whether to make a greenfields incentive determination is what risks the determination is meant to address, and how that affects incentives for efficient investment.

We consider that gas supply uncertainty can be relevant where it relates to demand uncertainty for the pipeline. For example, if demand for gas from a greenfield gas development was immature and uncertain, and this in turn meant pipeline gas flows and therefore demand for

185 *APA submission*, p 2.

186 Department of Industry, Science and Resources, *The Australian Government is reviewing gas market regulation*, 30 June 2025, accessed 30 September 2025.

187 *APA submission*, p 2.

188 *EUAA submission*, p 4.

189 *EUAA submission*, p 1.

190 *EUAA submission*, pp 1-2

191 [redacted]

192 [redacted]

193 [redacted]

services on a pipeline connecting the development to the transmission pipeline network or end users was uncertain.

As mentioned, we consider that there is sufficient evidence indicating a need to facilitate increased gas flowing into southern states, and observe that this view is expressed by APA and stakeholders. However, APA's application and submission to the Discussion Paper suggests that they consider it is *uncertainty of gas supply* that is inhibiting the long-term contracts that could underwrite the Bulloo Interlink. This is also supported by the EUAA's submission, in submitting that "APA needs long term transport contracts".[194]

While an inability to sign long-term GSAs would inhibit signing a GTA, it is unclear how a greenfields incentive determination would resolve the supply uncertainty inhibiting this. As set out in Chapter 3, there are sufficient current and prospective gas reserves in Queensland. The tight supply-demand balance in the East Coast, as reported by the ACCC, the Gas Strategy Analytical Report and other sources, is driven by an overbuild of LNG export facilities linking domestic gas to overseas markets, most domestic gas being held by LNG producers and their associates and earmarked for export, and an investment pause in the development of current and prospective gas reserves.

Nonetheless, in our view there is clear and well-demonstrated policy commitment to encouraging sufficient domestic supply. In particular, we observe several clear policy commitments by Federal and State Governments to ensure sufficient supply to meet domestic demand for gas in the southern states. These commitments are intended to ensure that there is sufficient gas to meet gas supply shortfalls, and include:

- Ministerial exemptions under the ACCC Gas Market Code
- entering into new Heads of Agreement (HoA) with LNG producers
- extending the term of the Australian Domestic Gas Security Mechanism (ADGSM)
- the Commonwealth Government's Gas Market Review
- jurisdictional emergency powers that can be triggered if a gas supply emergency or disruption occurs
- AEMO's extended powers, granted in August 2022, to monitor for and respond to threats to the reliability or adequacy of supply to the market, including using directions and/or trading functions as a last resort.[195]

We also observe that State Governments have proposed measures to increase wholesale gas supply, such as:[196]

- financial support and the release of new acreage
- the Queensland Government's Australian Market Supply Condition, which may be attached to petroleum leases to require gas produced from that lease to be sold to domestic customers (or a subset of domestic customers, such as manufacturers); and

194 *EUAA submission*, p 4.

195 AEMO, *East Coast Gas Reforms*, accessed 1 October 2025].

196 ACCC, *June 2025 Gas Inquiry interim report*, June 2025, p 86.

- the Victorian Government's restriction on producers selling gas from offshore acreage released since 2018 to LNG producers unless they have taken all reasonable steps to supply it to domestic consumers on reasonable terms.

Additionally, we note that there is ongoing monitoring by the ACCC, AEMO and relevant jurisdictional authorities to help ensure that emerging gas supply risks are identified early, and appropriate mechanism deployed to preserve gas security for the domestic market. These new measures should mean that there will be sufficient gas to meet expected gas supply needs as coal plants retire and the electricity system in NSW and Victoria becomes increasingly more reliant on variable renewable energy generation.

Finally, we observe APA has recently invested in the Sturt Plateau Pipeline (SPP), which:

- connects developments in the Beetaloo gas field (in the Northern Territory) to the Amadeus Gas Pipeline and
- is underpinned by a GTA of approximately 16 years length between APA and Tamboran Resources, whose length is aligned with the length of a GSA between Tamboran Resources and the Northern Territory Government (comprising an initial term of 9 years, and an option for a further 6.5 years).[197]

While the SPP is smaller than the proposed Bulloo Interlink, it secured a long-term GTA of about 16 years without a greenfields incentive determination. This occurred despite the SPP having apparently higher gas supply risk than the Bulloo Interlink, as the SPP links to single coal seam gas development while the Bulloo Interlink can be supplied by any current or potential Queensland gas developments. So, while not precisely comparable to the Bulloo Interlink in scale or market impact, this suggests that there are circumstances where market conditions can facilitate investment without a greenfields incentive determination if sufficient long-term gas supply is available.

Overall, these findings suggest that a greenfields incentive determination will not solve issues with gas supply, which is inhibiting longer-term GSAs and therefore transportation agreements. Our analysis of market trends suggest that this is due to other factors unrelated to the form of regulation (or potential forms of regulation) of the Bulloo Interlink.

7.3.3 Pipeline investments to bring in additional supply have continued to occur under non-scheme and scheme regulation

We also observe that a number of recent pipeline investments to bring in additional gas supply to domestic markets have proceeded without seeking a greenfields incentive determination. These include projects connecting recent gas developments to meet increased gas demand.

These investments suggest, given demand trends, that the supply uncertainty and potential for scheme regulation is not preventing investment on pipelines serving materially similar or the same markets as the Bulloo Interlink. We note in particular that:

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197 Tambo ran Resources (ASX release), *APA signs project agreements for the development of the Sturt Plateau Pipeline in the Northern Territory*, 17 December 2024.

- these investments proceeded despite the reported pauses in gas investment and production in late 2022 due to uncertainty ahead of the introduction of the ACCC's Gas Market Code
- APA states in its application that expansions to the SWQP and MSP occurred shortly after the AER's decision to not grant a scheme pipeline determination for the SWQP. However, the SWQP remains a non-scheme pipeline and the AER has the power to initiate another form of regulation review in the future. The AER noted in its final decision that "given our findings on current terms and conditions, we would like to see greater downward pressure on prices…if we see prices on the SWQP increase without reasonable justification, this could justify further review of the form of regulation in the future".[198]

198 AER, *SWQP Review Final Decision*, p 80.

8 Emissions implications of the decision

National Gas Objective

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

a. price, quality, safety, reliability and security of supply of covered 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 reduction Australia's greenhouse gas emissions. (emphasis added)

8.1.1 Stakeholder views

APA submits that a greenfields incentive determination will promote achievement of the NGO through, amongst other things, "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."[199]

Elsewhere, it indicates that stages 1-4 of its ECGG expansion program will "eliminate the need for high-cost, higher-emissions LNG terminals".[200]

[redacted]

Specifically:

[redacted]

8.1.2 Our views

We have had regard in making our decision to the extent to which granting a greenfields incentive determination will contribute to the achievement of targets set by participating

199 *APA application*, p 26.

200 *APA application*, p 5.

jurisdictions which are for or likely to contribute to reducing Australia's greenhouse gas emissions.

Overall, emissions impacts of the pipeline itself do not materially inform our views on whether or not a greenfields incentive determination is most likely to achieve the NGO, because:

- it is likely that the pipeline, if built, will support GPG which in turn provides firming capacity for renewable sources of electricity. The avoided emissions under this outcome are relevant to consideration of pipeline impacts, but difficult to forecast directly. Nonetheless, the 2024 Integrated System Plan recognises the requirement for substantial GPG capacity as a strategic reserve to support system reliability and security during times of peak demand or low renewables output.[201]

- the decision to make or not make a greenfields incentive determination may have an impact on whether the Bulloo Interlink will provide gas pipeline services, but it is not a determination between whether to build a pipeline or LNG import terminals. We recognise that investment in one source of transportation might impact the competitiveness of the other, but the magnitude of impact is not clear. For example, it may be that both the Bulloo Interlink and LNG import terminals proceed. It may equally be that neither proceeds. As a result, whether gas pipelines or import terminals have greater emissions impacts has not weighed materially on our decision.

[201] AEMO, *2024 Integrated System Plan* (2024 ISP), June 2024, pp 70–71.

9 Operative period of the greenfields incentive determination

Section 101(2) of the NGL

"The AER may, in having regard to the matters mentioned in section 112, decide a period during which a greenfields incentive determination is to continue in operation that is less than 15 years."

9.1.1 Stakeholder views

In its submission on the Discussion Paper, APA submitted that should the AER make the determination for less than 15 years from the commissioning of the Bulloo Interlink, 'this would increase the risks to APA and its potential customers as all contractual arrangements (and pricing) would need to be considered under a backdrop if this shortened operative period'. However, elsewhere in its application APA submitted that the greenfields incentive determination will have little (if any) impact on access to pipeline services or the direct costs faced by pipeline users.[202]

9.1.2 Our views

Based on our analysis of the matters required to be considered under section 112 of the NGL, our view is that a determination period of less than 15 years is most likely to achieve the NGO.

In particular, we consider a 10-year determination period which applies from when the pipeline is commissioned will:

- provide increased certainty to support contracting, in turn supporting efficient investment and its capacity to lower prices and/or improve reliability of supply for users of natural gas
- do so in a way which balances the potential risk of material market power and its potential consequences for achievement of the NGO in increasing prices or reducing quality of service. Specifically, the shorter operative period in our view will reinstate the possibility of scheme regulation in a timeframe to serve as a constraint on market power if the market does not develop such that other competitive constraints emerge.

In this section, we set out our analysis which informs our view on an appropriate operative period for the determination. Much of this analysis relates to confidential information provided by APA relating to financial projections for the project. Our view based on this analysis is that a 10-year period provides material support towards APA recovering the capital costs required for investment in the Bulloo Interlink, while protecting against the risk of APA having market power and the possible implications on the long-term interests of users, we consider this shorter operative period is most likely to promote achievement of the NGO.

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202 *APA application*, p 3.

[redacted]

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[redacted]

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[redacted]

To inform our thinking for this decision, we engaged with representatives from 4 industry investors to discuss investment impacts of a greenfields incentive determination. The investors all had distinct individual perspectives on the risks associated with the Bulloo Interlink and the impact of the potential for scheme investment. All were broadly supportive of some amount of investment certainty from a greenfields incentive determination. There was a range of perspectives on the contribution to overall risk of uncertainty about the form of regulation, to what level of support was necessary. Recognising that these views came from a non-comprehensive sample of investors and indicated a breadth of perspectives, they did not materially inform our analysis of an appropriate term of determination. Further, they do not persuade us that a longer-term determination is more likely to support efficient investment.

Glossary

Term	Definition
ACCC	Australian Competition and Consumer Commission
AEMO	Australian Energy Market Regulator
AER	Australian Energy Regulator
C&I	commercial and industrial
decision	The AER's decision to make or not to make a greenfields incentive determination
determination	Greenfields Incentive Determination
ECGG	APA's East Coast Gas Grid
FID	final investment decision
gentailer	a vertically integrated generation and retail business
GPG	gas-powered generation
GSA	gas supply agreement
GTA	gas transportation agreement
HGP	Hunter Gas Pipeline
LNG	liquified natural gas
MSP	Moomba Sydney Pipeline
NCC	National Competition Council
NEM	National Electricity Market
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
PJ	petajoule
SPP	Sturt Plateau Pipeline
SWQP	South West Queensland Pipeline
TJ/day	terajoules per day