

Victorian Transmission System Reference Service Proposal

APA VTS (Operations) Pty Ltd

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1. Introduction

1.1. About the reference service proposal

APA VTS (Operations) Pty Ltd (APA VTS) is revising the Victorian Transmission System (VTS) access arrangement for the five-year period from 1 January 2028 to 31 December 2032 (2028–32 period).¹ This reference service proposal has been prepared as part of the revision to the VTS access arrangement for the 2028–32 period.

APA VTS is the service provider for the VTS, and this reference service proposal has been prepared in accordance with Rule 47A of the National Gas Rules (NGR). A reference service is a standardised service with set terms and tariffs.

The VTS is a declared transmission system, and its operation and the service provided is governed under Part 19 of the NGR. APA VTS is proposing to continue providing the Tariffed Transmission Service as the single reference service.

This reference service proposal is submitted to the Australian Energy Regulator (AER) for approval, 12 months ahead of the submission of the VTS access arrangement proposal which is due by 1 December 2026.

1.2. Stakeholder engagement

APA is committed to embedding quality stakeholder engagement into our business, to ensure our actions reflect the views of the consumers, customers and communities we serve. In line with this commitment, APA VTS is undertaking stakeholder engagement to develop the access arrangement for the 2028–32 period.² Genuine stakeholder engagement will help ensure our submission reflects consumer and stakeholder needs and preferences.

A key part of the engagement plan is the VTS Regulatory Reference Group (RRG) which is comprised of representative VTS stakeholders with whom we meet on a regular basis to develop the access arrangement. On 2 September 2025, APA VTS provided information to the RRG about the reference service and proposal process. We also informed the RRG at previous meetings that, given the legislative arrangements applying in Victoria, there is no scope for changing the VTS reference service, but that we would send them a draft reference service proposal for review.

APA VTS sent the draft reference service proposal to the RRG for information and comments on 1 October 2025. APA VTS did not receive any feedback or concerns on the draft reference service proposal.

2. Regulatory framework

2.1. VTS is fully regulated

The VTS is a scheme pipeline and subject to full regulation under the National Gas Law. This means that the VTS requires an access arrangement approved by the AER, including reference service, tariffs and service terms.

The regulatory framework for fully regulated scheme pipelines, such as the VTS, are set out in Parts 8 and 9 of the NGR. The framework prescribes the regulatory process, information requirements, revenue building block method, and rules for derivation of tariffs.

In addition, Rule 47A places obligations on the service provider to submit a reference service proposal. APA VTS is submitting this reference service proposal in accordance with the requirements in the NGR.

¹ The 2028–32 VTS access arrangement will be the 7th VTS access arrangement (shortened to AA7).

² The APA VTS Victorian Transmission System 2028–32 stakeholder engagement plan can be found in the 'Developing the 2028–32 access arrangement' section of the VTS webpage [Victorian Transmission System \(VTS\)](#).

2.2. Reference service proposal

This reference service proposal addresses the reference service requirements specified in the NGR.

In accordance with Rule 47A, as the service provider, APA VTS must:

1. Identify the pipeline and link to its description online.
2. List all pipeline services that can reasonably be offered, considering:
 - a. Service type (e.g. forward haul, backhaul)
 - b. Priority level
 - c. Receipt/delivery points.
3. Propose at least one reference service, based on:
 - a. Demand and user interest
 - b. Substitutability
 - c. Cost allocation feasibility
 - d. Usefulness for access/dispute resolution
 - e. Regulatory cost.
4. Include user feedback if engagement occurred during proposal development.

APA VTS has prepared the reference service proposal in accordance with Rule 47A requirements and considering the role of the VTS in the declared market arrangements that apply in the Victorian gas market.

3. About the Victorian Transmission System

3.1. Characteristics of the VTS

The VTS is owned by APA Group through its wholly owned subsidiary APA VTS Australia (Operations) Pty Ltd. APA acquired the VTS when it purchased GasNet Australia in December 2006.

The VTS consists of 2,000 km of transmission pipeline that transports natural gas to two million customers in the Melbourne metropolitan area and Victorian regions. The VTS interconnects with NSW at Culcairn via the Victoria–NSW Interconnection, and to South Australia via the SEA Gas Pipeline at Port Campbell.

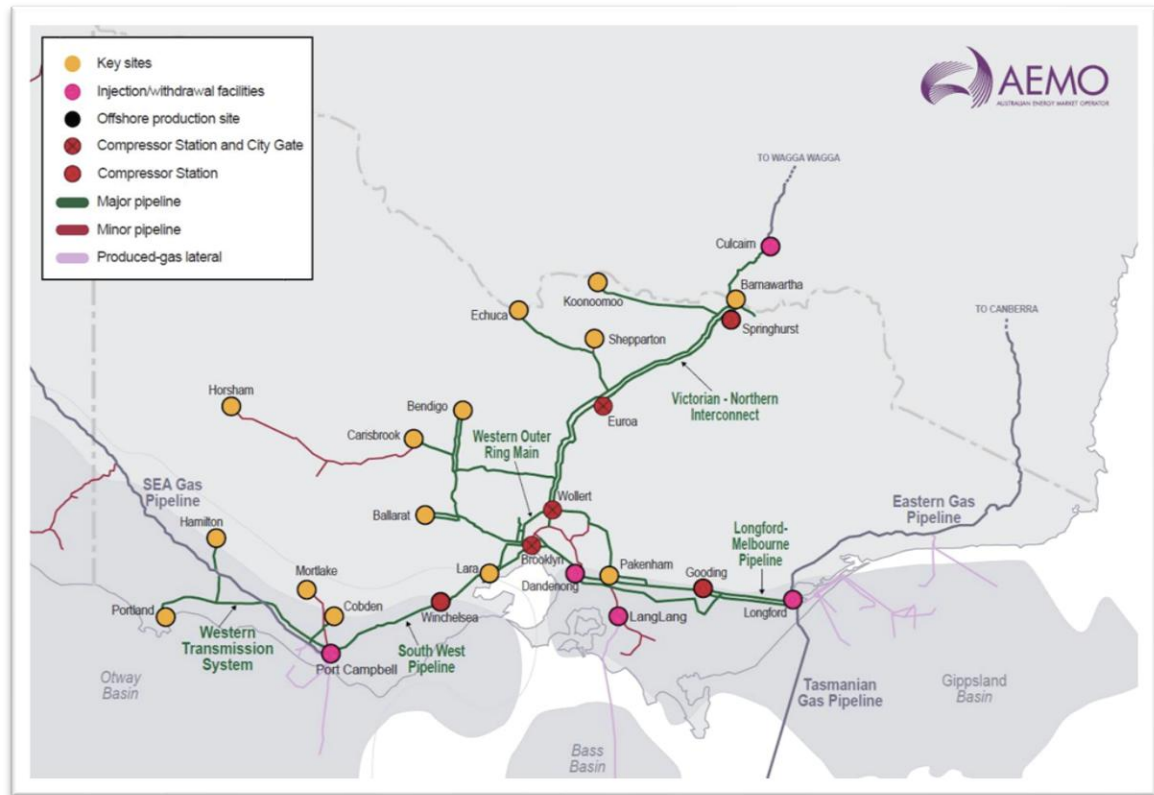
The principal sections of the VTS are:

- Longford–Melbourne pipeline (from Longford to Dandenong and Wollert)
- Western Outer Ring Main (connecting the South West Pipeline at Plumpton to the Longford–Melbourne Pipeline at Wollert)
- South West Pipeline (from Iona to Lara and Brooklyn)
- Victorian Northern Interconnect (from Wollert into New South Wales at Culcairn)
- Western Transmission System (from Iona to Portland).

The VTS is a meshed network. It currently has 11 injection points located within five injection zones and more than 140 withdrawal points. The average annual throughput of the VTS has been about 200 PJ per annum.

A detailed description of the VTS is available on APA's webpage [here](#).

Figure 3-1 AEMO map of Declared Transmission System



Source: AEMO 2025, Victorian Gas Planning Report, page. 31

3.2. Victoria's declared gas market arrangements

The National Gas Law (NGL) and NGR allow for jurisdictions to 'declare' provisions that adopt legislation specified by that jurisdiction for gas systems. The NGL specifies that AEMO has declared system functions under the NGL.

Victoria has a declared wholesale gas market (DWGM) and a declared transmission system (DTS). Pursuant to section 39(1)(b) of the National Gas (Victoria) Act 2008, the Victorian Transmission System is declared to be the DTS.

The VTS and DTS are terms often used interchangeably. The VTS can be considered the physical pipeline system owned and maintained by APA VTS, and the DTS is the pipeline system as operated by AEMO.

AEMO performs the following roles in the Victorian gas market:

- Operates the DTS
- Operates and administers the DWGM
- Maintains system security for the DTS to minimise any threats to system security
- Performs gas transmission planning functions through the publication of the Victorian Gas Planning Report.

3.2.1. Declared Transmission System

APA VTS is the owner and service provider for the DTS in Victoria. Under the NGL, APA VTS must have an agreement with AEMO for the control, operation, safety, security and reliability of the DTS.

APA VTS and AEMO are parties to a 'Service Envelope Agreement' which requires that APA VTS make the VTS capacity available to AEMO. This means providing AEMO with a transmission pipeline service and the entire capacity of the VTS.

The transmission pipeline service is defined as the 'Tariffed Transmission Service'. Under the Service Envelope Agreement, APA VTS states to AEMO the capacity of the VTS to be available to AEMO; or how to calculate the capacity under various conditions.

The Tariffed Transmission Service provided allows AEMO to operate the VTS in accordance with the NGR, the Service Envelope Agreement, and to enter into agreements with VTS users in accordance with Rule 327 of the NGR.

The NGR provisions are clear that AEMO is not liable to pay VTS transmission charges. The NGR says that an access determination may determine the terms of an agreement that provides for the payment of transmission charges to the DTS service provider and, if it does so, an agreement (as discussed above) is taken to exist in the terms fixed by the access determination.

The Victorian regime adopts the market carriage model for the provision of access to Victoria's DTS, as discussed below in section 3.2.2.

3.2.2. Declared Wholesale Gas Market

Victoria has a declared wholesale gas market known as the Victorian DWGM.³ The DWGM is the market that enables competitive and dynamic trading of gas injections and withdrawals from the DTS/VTS. AEMO operates the Victorian DWGM.⁴

The Victorian DWGM uses a gross pool with an open access (known as market carriage) approach to access the transmission pipeline.⁵

4. Reference service proposal – Tariffed Transmission Service

APA VTS proposes a single reference service for the VTS, namely the Tariffed Transmission Service, consistent with the current operational framework.

- Under this service, APA VTS makes DTS available to the AEMO pursuant to section 91BE(2) of the NGL, for operation in accordance with the Service Envelope Agreement, as required under section 91BA(1)(b) of the NGL.
- APA VTS will impose charges for the use of the DTS under this reference service. These charges will be levied in accordance with the payment deed provisions set out in the AER approved access arrangement for the 2028–32 period.

5. Reference service proposal assessment

5.1. Reference service factors

When deciding whether a pipeline service should be classified as a reference service, the AER must consider the reference service factors.⁶ In summary, the reference service factors are:

- Demand and prospective users – How many people currently use or are expected to use the service, and how many potential users there are.

³ Pursuant to section 43 of the National Gas (Victoria) Act 2008, the wholesale gas market that operates in Victoria is declared to be the Declared Wholesale Gas Market (DWGM).

⁴ Further information is published by AEMO in the Declared Wholesale Gas Market (DWGM) Technical Guide, 1 July 2024, and can be found here [DWGM Technical Guide](#).

⁵ The Victorian DWGM is similar to the wholesale trading on the National Electricity Market (NEM).

⁶ The reference service factors are listed under Rule 47A(15) of the NGR.

- Substitutable – Whether there are other similar pipeline services that could be used instead.
- Cost allocation – Whether it is feasible to assign costs specifically to this service.
- Support for negotiations and dispute resolution – Whether having this service as a reference helps users:
 - Compare and negotiate access to other services.
 - Use the reference price as a guide for other service prices.
 - Use the reference terms and conditions as a guide for other service agreements.
- Regulatory cost – How much time, effort, and cost it would take for everyone involved (including the AER, service providers, and users) to set up and manage this reference service.

5.2. Reference service justification – Tariffed Transmission Service

Under the DWGM arrangements applicable to the VTS, APA VTS is legally and operationally limited to offering a single pipeline service: the Tariffed Transmission Service.

This service is expressly defined in the Service Envelope Agreement between APA VTS and the AEMO. Pursuant to section 91BE(2) of the NGL, APA VTS makes the DTS available to AEMO, which operates the system in accordance with section 91BA(1)(b) of the NGL.

Given that AEMO controls system operations – including compressor dispatch and capacity flows – APA VTS does not have operational discretion over service types or priorities. Consequently, APA VTS is unable to offer other services such as storage, park and loan, forward haul, or backhaul. Furthermore, the nature of the DWGM and its market carriage model precludes APA VTS from providing services related to trading, capacity trading, or redirection.

Accordingly, the Tariffed Transmission Service represents the only service APA VTS can reasonably and lawfully provide. This service functions not as a traditional pipeline service, but as the contractual mechanism through which APA VTS provides transmission capacity to AEMO.

APA VTS levies tariffs on users in accordance with the Transmission Payment Deed, as referenced in Rule 327 of the NGR.

5.3. Assessment of the reference service against the reference service factors

Pursuant to Rule 47A(13), the AER must have regards to reference service factors in deciding whether or not a pipeline should be specified as a reference service.

In the case of VTS, the reference service factors in Rule 47A(15) and as outlined section 5.2 above, do not influence the reference service that APA VTS can reasonably provide to AEMO under the Service Envelope Agreement. The VTS can only provide the Tariffed Transmission Service to AEMO.

As such, the reference service factors will not influence the provision of the proposed reference service. Therefore, APA VTS has only provided a high-level assessment of each of the factors.

In brief:

- The actual and forecast demand for the Tariffed Transmission Service is about 200PJ per annum
- The Tariffed Transmission Service is not substitutable with another pipeline service
- All VTS costs are allocated to the Tariffed Transmission Service
- The Tariffed Transmission Service is the only service provided by APA VTS therefore its usefulness in supporting access negotiations and dispute resolution is not relevant
- The regulatory cost in specifying the Tariffed Transmission Service as a reference service is not applicable given that the VTS can only provide the Tariffed Transmission Service to AEMO under the Service Envelope Agreement.

Glossary

Term	Definition
2028–32 period	The regulatory period from 1 January 2028 to 31 December 2032
AA7	Seventh access arrangement
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
APA VTS	APA VTS (Operations) Pty Ltd
DTS	Declared Transmission System
DWGM	Victorian Declared Wholesale Gas Market
NGL	National Gas Law
NGR	National Gas Rules
RRG	Regulatory Reference Group
VTS	Victorian Transmission System