

FINAL DECISION

APA Victorian Transmission

System

Gas Transmission Determination

2028 to 2032

Reference service

February 2026

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Executive summary

The Australian Energy Regulator (AER) works to make all Australian energy consumers better off, now and in the future. We regulate energy networks in all jurisdictions except Western Australia. We set the amount of revenue that network businesses can recover from customers for using these networks.

The National Gas Law and Rules (NGL and NGR) provide the regulatory framework governing gas transmission and distribution networks. Our work under this framework is guided by the National Gas Objective (NGO):

The objective of this Law is to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to—

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

APA VTS (Operations) Pty Ltd (APA) provides reticulated natural gas pipeline services in Victoria via the Victorian Transmission System (VTS).

On 27 November 2025 APA submitted to the AER a reference service proposal for its gas transmission pipeline for the 2028–32 access arrangement period. We have assessed the proposal against the requirements set out in the NGR.

We published APA's proposal on the AER's website and called for submissions. We did not receive any submissions.

Our final decision is to approve APA's reference service proposal. We consider the proposal is consistent with the regulatory requirements.

Under the NGR, gas network service providers are required to submit their reference service proposals to the AER 12 months in advance of the submission date for their access arrangement revisions proposal. APA's access arrangement revisions submission date is 1 December 2026, so its reference service proposal submission date was 1 December 2025.

The NGR require us to complete our assessment of a reference service proposal no later than 6 months in advance of the due date for submission of the relevant access arrangement revisions proposal. Therefore, we are required to conclude our assessment no later than 31 May 2026.

1 Background

This section discusses the reference service requirement in the NGR and describes APA's VTS.

1.1 APA's VTS gas transmission network

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 website.

The 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 VTS 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.

1.2 Reference services

In preparing its reference service proposal and in undertaking our assessment, the NGR require APA and ourselves to have regard to the NGR reference service factors:¹

- the actual and likely demand for the pipeline's services and the number of prospective users

¹ NGR, sub-rules 47A(14).

- the extent to which the pipeline service is substitutable with another service
- the feasibility of allocating costs to the pipeline service
- the usefulness of specifying the pipeline service as a reference service in supporting negotiations and dispute resolution
- likely regulatory costs for all parties in specifying the pipeline service as a reference service.

Services we determine meet the reference service factors will be determined to be reference services. Services we determine do not meet the reference service factors will be treated as non-reference services.

Determining a service to be a reference service, as compared to it being a non-reference service, makes a significant difference to how the service is regulated.

Reference services are subject to AER price regulation. That is, we set reference tariffs for reference services. Services we determine to be non-reference services are not subject to price regulation. This means gas networks set their own charges for non-reference services.

There are currently two different models used to allocate and manage pipeline capacity in eastern Australia. These are the market carriage model and the contract carriage model. The main difference being that shippers under a contract carriage model can reserve firm capacity on the pipeline through bilateral contracts, while shippers under the market carriage model cannot.

The VTS operates under market carriage model and the gas transmission is effectively “bundled” with the successful bids in the Declared Wholesale Gas Market (DWGM). In contrast to a contract carriage system, there is neither need nor opportunity for shippers to reserve capacity on the VTS.

This is explained in more detail by the Australian Energy Market Commission (AEMC):²

² AEMC, Stage 1, Final Report East Coast Wholesale Gas Market and Pipeline Frameworks Review, 23 July 2015, Appendix F.

The VTS (sometimes referred to as the DTS) operates under market carriage model. This carriage model provides for open access to the VTS and uses the outcomes from the operation of the Declared Wholesale Gas Market (DWGM) to schedule injections and withdrawals from the VTS. The system operator of the VTS is AEMO rather than the pipeline operator, APA. APA makes the VTS available to AEMO under a Service Envelope Agreement and provides a single reference service: the Tariff Transmission Service. As system operator, AEMO is responsible for scheduling injections and withdrawals and the day-to-day operation of the pipeline.

In contrast to the contract carriage model, which is in place on all other pipelines in Australia and relies on bilateral contracts between the pipeline operator and shippers to allocate capacity, users of the market carriage model cannot reserve capacity on the VTS and cannot therefore trade capacity on a secondary basis. Their access to capacity is instead determined through the DWGM scheduling process.

Another point of distinction between the VTS and other transmission pipelines in eastern Australia is that it is essentially a meshed network, consisting of a large number of injection points and withdrawal points. The services offered by the VTS therefore include both injection and withdrawal services, each of which attracts different charges. Different charges are also applied to domestic (Tariff D) and large business (Tariff V) customers.

1.3 Reference service proposal process

Gas network service providers are required to submit a separate reference service proposal to the AER for assessment 12 months in advance of the submission date for their access arrangement revisions proposal.

The NGR requires us to complete our assessment of a reference service proposal no later than 6 months in advance of the due date for submission of the relevant access arrangement revisions proposal.

APA's access arrangement revisions submission date is 1 December 2026.³ This means APA was required to submit its reference service proposal to the AER by no later than 1 December 2025, which it did. We are required to conclude our assessment and release our decision no later than 31 May 2026.

An access arrangement must be consistent with our reference service proposal decision unless there has been a material change in circumstances.⁴

Our detailed compliance assessment against the relevant elements of the NGR (rule 47A) is set out in section 3 of this decision paper.

³ Access arrangement revisions for the 2028 to 2032 access arrangement period.

⁴ NGR rules 48(1)(b),(c) and (c1).

2 APA’s VTS reference service proposal

This section outlines APA’s reference service proposal including the stakeholder consultation it undertook in developing its proposal.

2.1 APA’s VTS stakeholder consultation

APA is undertaking stakeholder engagement to develop its access arrangement for the 2028–32 period. A key part of the engagement plan is the VTS Regulatory Reference Group (RRG) which is comprised of representative VTS stakeholders with whom APA meet on a regular basis to develop the access arrangement.

On 2 September 2025, APA provided information to its RRG about the reference service and proposal process. They 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 they would send them a draft reference service proposal for review.

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

2.2 APA’s VTS reference service proposal

APA proposes to offer only one reference service, the Tariffed Transmission Service. This is because:

- under the market carriage structure, this is the only service APA is able to offer
- although not typically thought of as a service, it is the mechanism under which APA charges for its services according to a Transmission Payment Deed.⁵

APA submitted that AEMO operates the VTS, including dispatch of compressors or actuation of valves, and that APA cannot control the types or priority of services offered. Therefore, the only services that could be offered by the VTS, would be limited to the physical characteristic of the pipeline system. This also means that there is no scope for APA to provide a storage or park & loan service, haul/backhaul or trading, capacity trading or redirection.

As APA explained in its proposal⁶, it is declared that AEMO’s system functions included the control of the operation and security of the DTS. VTS is the DTS and the service provider for the DTS is APA. In accordance with this, APA must have an agreement (a service envelope agreement) with AEMO for the control, operation, safety, security and reliability of the DTS.

Even though AEMO controls and operates the VTS, it is not a service provider under section 8(2) of the NGL. Since AEMO is only a user of the pipeline under the NGL definition,

⁵ A Transmission Payment Deed is in reference to Rule 327 of the NGR where each Market Participant must ensure that it has in place a valid agreement with the declared transmission system service provider that provides for the payment of transmission charges to the declared transmission system service provider.

⁶ Victorian Transmission System, Reference service proposal, December 2025, pp. 5-6.

shippers access the reference service from APA through AEMO in accordance with the NGL and NGR.

The only relationship between APA and shippers is through the Transmission Payment Deed. Under the terms of a Transmission Payment Deed, shippers agree to pay transmission tariffs directly to APA as owner of the VTS. Tariffs for use of the VTS are known as Transmission Use of System charges.

3 AER assessment

Our final decision is to approve APA’s reference service proposal. We consider the proposal is consistent with NGR rule. 47A.

This section sets out our assessment of APA’s reference service proposal, including consideration of the stakeholder consultation we undertook.

3.1 AER stakeholder consultation

We published APA’s reference service proposal on the AER website on 1 December 2025. We called for written submissions by no later than 23 December 2025. To alert stakeholders to this process we issued an alert to AER website subscribers.

In response, we received no submissions.

3.2 AER assessment of APA’s VTS reference service proposal

To assess APA’s reference service proposal we considered the extent to which it conforms to each regulatory requirement set out in the NGR rule 47A. Our detailed assessment is set out in Table 3-1.

Table 3-1 Summary of NGR rule 47A reference service requirements

NGR rule 47A requirement	Compliance assessment
(1) A service provider in respect of a full regulation pipeline must, whenever required to do so under subrule (3), submit to the AER a reference service proposal in respect of a forthcoming full access arrangement proposal that:	
(a) identifies the pipeline and includes a reference to a website at which a description of the pipeline can be inspected;	Compliant. See section 3 of APA’s reference service proposal.
(b) sets out a list of all the pipeline services that the service provider can reasonably provide on the pipeline and a description of those pipeline services having regard to the characteristics in subrule (2);	Compliant. See section 4 and section 5.2 of APA’s reference service proposal.
(c) from the list referred to in subrule (1)(b), identifies at least one of those pipeline services that the service provider proposes to specify as reference services having regard to the reference service factors including any supporting information required by the AER; and	Compliant. See section 5 of APA’s reference service proposal.

(d) if the service provider has engaged with pipeline users and end users in developing its reference service proposal, describes any feedback received from those users about which pipeline services should be specified as reference services.

Compliant. See section 1.2 of APA’s reference service proposal.

(2) A pipeline service is to be treated as distinct from another pipeline service having regard to the characteristics of different pipeline services, including:

(a) the service type (for example, forward haul, backhaul, connection, park and loan);

(b) the priority of the service relative to other pipeline services of the same type; and

(c) the receipt and delivery points.

APA VTS's reference service proposal explains that in terms of the services that could be offered by the VTS, these are limited to the physical characteristic of the pipeline system. APA cannot control the types or priority of services offered as AEMO operates the DTS. See section 4.

(14) In deciding whether or not a pipeline service should be specified as a reference service, the AER must have regard to the reference service factors.

We have had regard to the reference service factors in assessing APA's reference service proposal.

(15) The reference service factors are:

(a) actual and forecast demand for the pipeline service and the number of prospective users of the service;

Not applicable because the service is required to be provided under section 91BE(2) of the NGL: the provision of the system to AEMO to operate in accordance with the Service Envelope Agreement. See section 5 of APA's reference service proposal.

(b) the extent to which the pipeline service is substitutable with another pipeline service to be specified as a reference service;

Not applicable – as above.

(c) the feasibility of allocating costs to the pipeline service;

Not applicable – as above.

(d) the usefulness of specifying the pipeline service as a reference service in supporting access negotiations and dispute resolution for other pipeline services, such that:

Not applicable – as above.

(i) reference services serve as a point of reference from which pipeline services that are not reference services can be assessed by a user or prospective user for the purpose of negotiating access to those other pipeline services;

Not applicable – as above.

(ii) a reference tariff serves as a benchmark for the price of pipeline services that are not reference services; and

Not applicable – as above.

(iii) reference service terms and conditions serve as a benchmark for the terms and conditions of pipeline services that are not reference services;

Not applicable – as above.

(e) the likely regulatory cost for all parties (including the AER, users, prospective users and the service provider) in specifying the pipeline service as a reference service.

Not applicable – as above.

Glossary

Term	Definition
AER	Australian Energy Regulator
APA	APA VTS (Operations) Pty Ltd
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
VTS	Victorian Transmission System
