

05 June 2026

Australian Energy Regulator
ResetCoord@aer.gov.au

Dear Reset Coordinator,

APA submission to AER Position Paper on South West Pipeline Rule 80 application

APA welcomes the Australian Energy Regulator's (AER) Position Paper and the in-principle support expressed for the proposed South West Pipeline (SWP) compression expansion, and early works for potential future looping projects. APA appreciates AER identifying that our proposal is a timely and appropriate response to emerging gas supply risks in Victoria.

APA is focused on ensuring that investment in the Victorian Transmission System (VTS) is prudent and efficient, and ultimately in the long-term interests of consumers.

In this context, APA considers that the proposed compression-based solution represents the most appropriate course of action. It delivers the required capacity within the necessary timeframe to address forecast peak day supply shortfalls and does so at materially lower cost than alternative options.

While the AER has noted that looping may offer certain technical advantages, those advantages must be considered alongside deliverability, cost and value for money. Given that looping cannot be implemented in time to meet the identified supply risks and would involve significantly higher expenditure, APA considers that compression is the only solution that is prudent and meets the combined requirements of timeliness, efficiency, and reliability in the current circumstances.

APA acknowledges Australian Energy Market Operator's (AEMO's) contribution to the process and the importance of technical input in informing decision making. However, AEMO's analysis is explicitly limited to technical and operational considerations and does not include an assessment of costs or economic outcomes. This is a significant limitation when considering investment decisions under the National Gas Law and Rules, which require a holistic assessment of prudence and efficiency. Technical performance alone cannot determine the optimal investment outcome.

Further, APA does not agree with aspects of AEMO's technical assessment of the expansion options. In relation to concerns about potential compressor stranding, APA considers that these concerns are not supported by evidence. Based on APA's engagement with producers, including in the Otway Basin, and consistent with the demand and supply outlook set out in AEMO's Gas Statement of Opportunities and Victorian Gas Planning Report, APA is not aware of any plausible scenario under which the proposed compression assets would become stranded.

APA notes that AEMO's concerns regarding potential compressor stranding arise from modelling assumptions that assume a large-scale looping solution designed to accommodate substantially higher flows than are currently forecast. As such, this may suggest a reduced role for compression. However, this does not reflect a realistic or efficient investment pathway. Under a more likely staged approach, compression would continue to play an ongoing and valuable role in supporting system flexibility, peak deliverability, and reliability, even as further augmentations are considered.



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APA notes the AER's comments regarding planning and timing and acknowledges the importance of continued coordination across industry participants. However, it is important to recognise that investment decisions in the VTS are being made in a context of significant uncertainty. On the supply side, anticipated developments such as LNG import terminals have not yet reached final investment decision, demonstrating the uncertainty of future sources of supply. On the demand side, peak demand remains volatile and the timing and location of new loads, including gas powered generation, remain uncertain. These factors impact our ability to commit to a larger scale defined expansion pathway.

In this environment, APA considers that maintaining a flexible approach preserves optionality and is both prudent and efficient. A staged investment approach, commencing with compression and supported by early works for potential future expansion, enables the system to respond to changing conditions while avoiding the risks associated with committing to large scale infrastructure ahead of need. While optionality may involve some degree of uncertainty, early works reduce future delivery risk by securing approvals, land access and design progression. This will facilitate timely execution should future augmentation be required. This is an appropriate response to the current market context and is consistent with the long term interests of consumers.

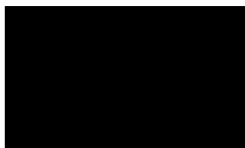
APA remains committed to working constructively with the AER, AEMO, and the Victorian Government to support improved coordination and planning across the sector. APA is working to strengthen engagement and align perspectives with AEMO through a cross-agency forum.

In summary, APA supports the AER's preliminary conclusion that expansion of the SWP is required and that compression is the appropriate near term solution. APA respectfully submits that concerns regarding compressor stranding are not supported by credible evidence and that AEMO's technical assessment does not provide a sufficient basis to prefer looping over compression.

When assessed on a prudent and efficient basis, and taking into account timing, cost, and uncertainty, the proposed compression-led expansion represents the most appropriate pathway forward for the VTS.

We are continuing to assist AER with the assessment of our cost estimates and are available at your convenience to further discuss our prudent and efficient approach for strengthening Victoria's energy security.

Yours sincerely,



General Manager
Economic Regulation & External Policy