



Australian Government



Final Determination

APA's rule 80 application for South West Pipeline

July 2026

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AER reference: AER25011912

Amendment record

Version	Date	Pages
1.0	17 July 2026	31

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1 Executive summary

On 31 October 2025 APA submitted an application to increase capacity on the South West Pipeline (SWP).¹ We published APA’s application and called for stakeholder submissions. On 11 December 2025 we held an online public forum. On 5 March 2026 we received a letter from APA requesting a pause in our assessment process, pending a potential revision to the application by APA. We agreed to suspend the assessment process until 10 April. On 10 April, APA submitted an addendum to its application with higher costs and proposals for early works for further expansion of the SWP (beyond the initial works proposed) and the Brooklyn to Lara pipeline (BLP).² The updated application totals \$243.8 million (\$212.7 million for compression and \$31.1 million for early works).

On 15 May we released a position paper on APA’s application, setting out our view that APA’s proposed expansion of SWP capacity via compression and early works for subsequent further expansion are appropriate. However, at that time we had not yet reached a position on APA’s proposed costs. We again called for stakeholder submissions.

Throughout our assessment process we have met bilaterally with a number of stakeholders while also liaising with APA.

Our final determination reiterates our view that APA’s proposed SWP expansion and early works are prudent and efficient, and specifies costs of \$243.8 million.

APA’s application was made under rule 80 of the National Gas Rules (NGR) which allows scheme pipeline operators to propose new projects during a regulatory period.³ In making this rule 80 determination, we considered whether APA’s proposal is consistent with the new capital expenditure criteria in the NGR. A rule 80 determination is binding on the AER. Accordingly, it provides certainty to APA that the capex for this project will meet the new capex criteria and be added to the capital base. In turn this allows APA to recover the rate of return, depreciation and other costs associated with the proposal through increased tariffs.

In assessing APA’s application, we considered whether capacity expansion on the SWP is needed, whether the proposed projects are a prudent solution to the identified needs of the market, and whether the proposed costs are consistent with efficient delivery and operation of the projects.

APA’s proposal

APA proposed to expand the SWP by adding 2 new compressor stations. This would lift SWP capacity from 523 TJ/day to 615 TJ/day at a cost of \$212.7 million. The expansion is in response to gas supply shortfalls from 2029 onwards identified by AEMO in its Gas

¹ APA, [VTS - Business Case Rule 80- South West Pipeline](#), October 2025.

² APA, [VTS Addendum - Rule 80 - SWP Staged Expansion - FINAL](#), April 2026.

³ NGR r.79.

Statement of Opportunities and the Victorian Gas Planning Report. AEMO found that SWP expansion is needed to address the supply shortfalls.

APA evaluated 3 SWP expansion options:

- compression, which requires installation of 2 new compressor stations at Pirron Yallock (Irrewillipe) and Stonehaven
- partial looping, which involves duplication of 88 km of the pipeline
- full looping, which would duplicate all 144 km of the SWP.

APA is proposing compression on the basis that it can be delivered in time to address projected shortfalls in 2029. APA submitted that looping options cannot be delivered until 2030 at the earliest.

APA’s proposed \$212.7 million comprises \$211.0 million to install compression units and \$1.7 million to build a new compressor footprint at Stonehaven. AEMO has expressed reservations about the security of supply using compression. Compressors can fail, making them less reliable than looping. The compressor pad goes some way to addressing AEMO’s concerns by allowing an additional compressor to be installed quickly if one of the installed compressors fails.

APA also proposed \$31.1 million in early works to accelerate future pipeline capacity expansion by looping the SWP and nearby BLP, taking total proposed costs to \$243.8 million.⁴

SWP expansion is needed

The Victorian Transmission System (VTS) was designed to supply gas from the Gippsland and Otway Basins to Melbourne, and from there to regional centres. The role of the system is now changing as production in the Gippsland Basin declines. Increasingly gas will need to be sourced elsewhere, either using pipelines from Queensland or liquified natural gas (LNG) facilities.

On the demand side, further gas-powered generation is required to firm up electricity supplies in Victoria as coal plants retire. This will drive ongoing high winter peak demand periods, even as gas demand from households and businesses falls.

An effective way of meeting the winter peaks is to expand gas storage facilities at Iona (near Port Campbell) and adding to SWP capacity. Lochard Energy, the owner of Iona, is investing in additional storage capacity with the current development of Heytesbury Underground Gas Storage Stage 1 (HUGS1). The investment will increase maximum daily supplies into

⁴ The proposal is \$211.0 million for compressors, \$1.7 million for compressor pad and \$31.1 million for early works, which with rounding adds up to \$244 million.

Melbourne from 570 TJ/day now to 600 TJ/day in 2027.⁵ Further expansion of up to 900 TJ/day (HUGS2) is being considered.

Currently the SWP can supply 523 TJ/day into Melbourne. APA’s proposed compression-based augmentation project is capable of delivering 615 TJ/day. This will accommodate Iona’s additional storage capacity and is sufficient to meet forecast requirements of around 600 TJ/day in 2029.

An alternative source of supply for those peak days is LNG. Viva Energy and Vopak are proposing LNG facilities in or near Geelong. These options also require pipeline expansion, of either or both the SWP and BLP, to meet forecast supply requirements. In its submission, Vopak noted that its project will not proceed to final investment decision (FID) without a clear commitment to SWP expansion.

The Port Kembla Energy Terminal (PKET) in NSW offers another potential LNG gas source, which would be supplied via the Longford pipeline, east of Melbourne. This could help address supply shortfalls. However, we understand that contracts for supply into Victoria have not been entered into. This stands in contrast to HUGS1 which is being underwritten by contracts with Snowy Hydro.

Stakeholder submissions expressed a range of views on the need for SWP expansion, though most supported expansion. To deliver that capacity expansion, the Australian Energy Market Operator (AEMO), the Victorian Government and other stakeholders expressed a preference for looping on the basis that it is more reliable and more cost effective to further expand in future. However, after discussions with the Victorian Government and AEMO, APA has advised that looping cannot be delivered by 2029 when the expansion is required.

Our final determination approves funding for the compression option. The reasons for our decision are that:

- Compression delivers similar capacity outcomes to looping in a shorter timeframe to meet an identified need. APA’s addendum improves reliability by including a new compressor pad. We also note APA’s view that the proposed compressors are reliable, with proven performance on the South West Queensland Pipeline and the Moomba to Sydney Pipeline.
- The option allows for further expansion (beyond the compression project), with a limited cost penalty compared to looping.

Most importantly, compression can be delivered in time to address projected supply shortfalls. The consequences of not addressing supply shortfalls in 2029 are significant and outweigh disadvantages of compression compared to looping.

The Victorian Government’s June 2026 submission urged APA to deliver the compression project as a matter of urgency. Similarly, in its April 2026 submission, AEMO committed itself to working with APA to mitigate reliability risks associated with compression.

⁵ While the SWP will be expanded to 615TJ/day and Iona is capable of injecting 615 TJ/day, 15TJ/day is injected into the WTS, with the remaining 600 TJ/day injected into the SWP.

As noted in our May 2026 position paper, delays in APA’s planning processes appear to have contributed to the narrowing of options. We encourage APA to work with AEMO and the Victorian Government to ensure that future planning and network investment outcomes are timely so as to maintain secure and reliable system while minimising costs for consumers.

The early works proposed are prudent

The early works proposed by APA support future looping on the SWP and BLP. They pave the way for further capacity expansion beyond the current proposal, supporting additional storage at Iona and/or LNG supplies in the Geelong area.

Our final determination approves funding for the early works proposed.

AEMO advises that the rate of drop off in Gippsland Basin supplies means that further investment needs to be undertaken now to avoid supply shortages in the early 2030s. Even with the proposed SWP expansion, peak day shortfalls could occur as soon as 2030, and total Victorian gas supply shortfalls could occur from 2031.⁶ There are several supply options, including additional supplies from Queensland supplemented by additional storage, and LNG facilities in the Geelong area, Port Kembla or South Australia. The supply solution will be determined by market participants.

Given the impact of supply failures and the tight timeframes for further pipeline capacity expansion, our position is that it is prudent to undertake early works.

APA’s costings

We assess that that APA’s proposed \$243.8 million is efficient.

In making our assessment we requested further information from APA, undertook benchmarking, and engaged a consultant, EnergyQuest, to provide its view on the proposed efficiency of the costs.

We relied on benchmarking and our consultant’s view in making the assessment that APA’s proposed cost of \$212.7 million for the compression option is efficient.

We consider that APA’s proposed \$16.0 million for the SWP partial looping early works and \$15.1 million for the BLP duplication early works are efficient.

Our Rule 80 Determination

Our Rule 80 Determination is that APA’s proposed SWP expansion and early works are an appropriate way of addressing projected Victorian gas supply shortfalls in 2029. We specify a capex amount of \$243.8 million to undertake the proposed projects. This includes

⁶ AEMO, [2026 Gas Statement of Opportunities](#), March 2026, see Table 2, p. 14.

\$212.7 million for the compression option, \$16.0 million for the SWP looping early works, and \$15.1 million for the BLP looping duplication early works.

The Rule 80 Determination provides that the specified capex meets the new capex criteria and will be added to APA’s capital base if incurred. If the incurred costs are higher than projected, the AER will assess the prudence of the overspend as part of the next access arrangement process. Cost over-runs that are not deemed to be prudent will not be rolled into the asset base.

APA is not constrained or required to incur the expenditure included in this determination. If APA undertakes an alternative project, such as looping, APA may include the incurred capex in its next access arrangement proposal. In this scenario we would assess whether the incurred capex meets the new capex criteria as part of the access arrangement process.

2 Background

2.1 About the Victorian Transmission System

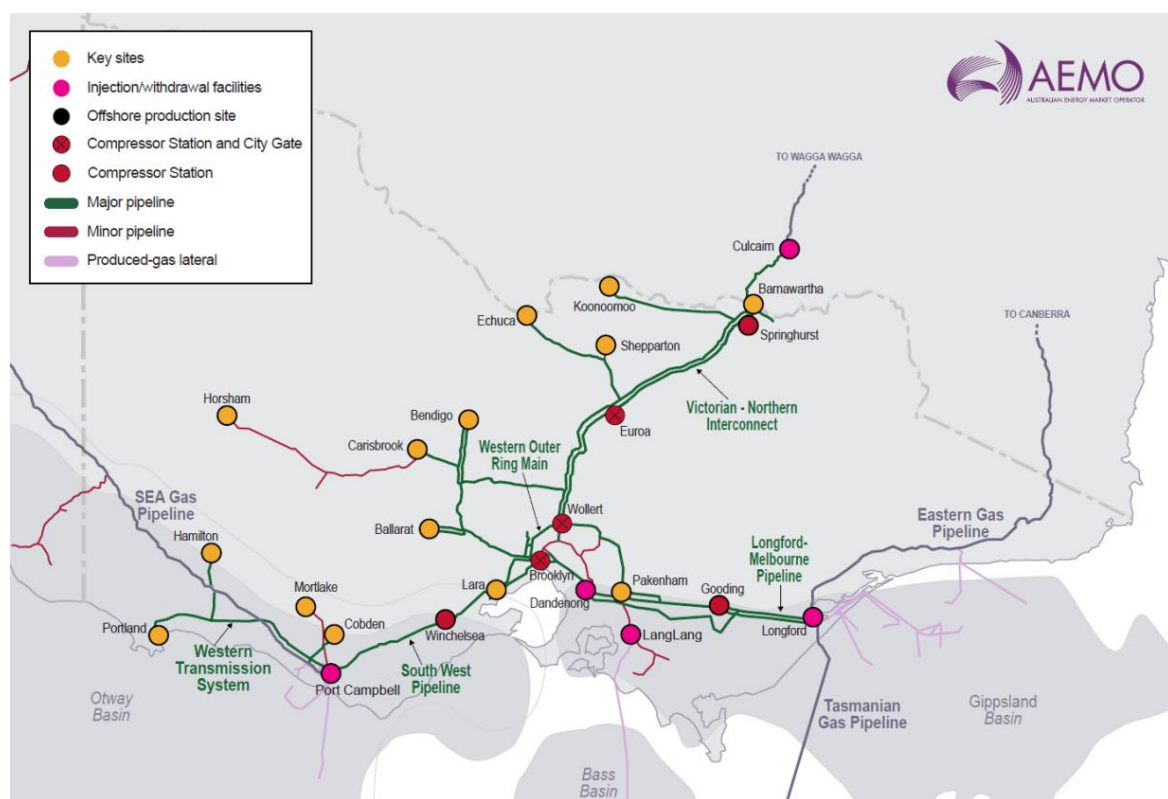
The Victorian Transmission System (VTS) provides gas transmission services in Victoria. The system is owned by APA but as a scheme gas pipeline it is subject to full economic regulation by us, the Australian Energy Regulator (AER). The VTS is operated by the Australian Energy Market Operator (AEMO) under arrangements specific to Victoria.

The VTS transports gas to Victorian distribution networks and provides direct connections to gas fired power generators and large industrial users. It connects gas sources in the Gippsland and Otway Basins to Melbourne and regional centres. The VTS also provides connections to the Moomba to Sydney and Eastern Gas pipelines allowing gas to be supplied from Queensland. The VTS is shown in Figure 1.

In future the VTS has capacity to transport gas from LNG facilities, including the recently completed Port Kembla Energy Terminal (PKET) owned by Squadron Energy, and proposed LNG facilities in or near Geelong.

The SWP forms part of the VTS. It links the Melbourne gas network to gas processing plants and the Iona underground gas storage facility at Port Campbell in western Victoria. The SWP is primarily used to transport gas from production facilities and the Iona Under Ground Storage (UGS) at Port Campbell to Melbourne, and to support refilling the UGS from Gippsland and Queensland supplies.

Figure 1 The Victorian Transmission System



Source: AEMO, [Victorian Gas Planning Report Update](#), Fig.19, March 2026, p. 32.

2.2 Rule 80

The National Gas Law (NGL) and NGR establish the framework for regulating gas transmission and distribution networks. The NGR require APA to apply to us every 5 years for a ruling on network charges, in the form of an access arrangement. In December 2022 we finalised the access arrangement that currently applies to APA. It covers the period 1 January 2023 to 31 December 2027.

Circumstances may change during a regulatory period. In this case, updated gas demand and supply forecasts have led APA to propose expansion of capacity on the SWP. Rule 80 of the NGR encourages gas service providers to undertake additional capital expenditure when the need is identified rather than wait until the next regulatory period. It does this by allowing the service provider to propose new projects during a regulatory period, and for the AER to determine that the proposal meets the new capital expenditure criteria in the NGR. The capital expenditure criteria focus on the prudence and efficiency of the proposal. A determination by us that the proposal will meet the new capital expenditure criteria provides certainty that the expenditure can be rolled into the capital base, and that rate of return, depreciation and other costs associated with the project can be recovered through increased tariffs.

2.3 Assessment process

On 31 October 2025 APA submitted a NGR r.80 application for us to determine that its proposed investment to expand SWP capacity will meet the new capital expenditure criteria in the NGR. We then held a public forum and invited stakeholder submissions. In January 2026 we received 10 written submissions. We also held bilateral meetings with several stakeholders.

On 10 April 2026, in response to submissions, APA resubmitted its r.80 application with amendments.

On 15 May we released a position paper and received a number of submissions in response. Submissions were from gas market participants (retailers, producers and operators of gas storage facilities), LNG proponents, energy users, AEMO and the Victorian Government. Our full assessment process timeline is set out in Table 1.

Table 1 Timetable for AER assessment of APA’s r.80 application

Milestone	Date
APA r.80 application received	31 October 2025
Public forum	11 December 2025
Stakeholder submissions close on APA’s r.80 application	19 January 2026
AER position paper	15 May 2026
Submissions close on AER position paper	5 June 2026
Final determination	July 2026

3 South West Pipeline expansion

3.1 APA proposal

APA proposes to expand the SWP by adding 2 new compressor stations. This would lift SWP capacity from 523 TJ/day to 615 TJ/day at a cost of \$211.0 million. In support of its proposal APA submitted:

Victoria is facing imminent gas supply shortfalls, particularly during peak winter demand periods, due to declining production from the traditional Bass Strait gas fields. This risk has been identified in AEMO’s Gas Statement of Opportunities and the Victorian Gas Planning Report (VGPR).

While the Bass Strait fields are in decline, there is firm gas available in Port Campbell, to the west of Melbourne, both from producers in the Otway basin, and from the Iona gas storage facility. However, the South West Pipeline (SWP), which transports gas from Port Campbell to Melbourne, currently lacks the capacity to deliver all of this available gas. This constraint presents a significant risk of gas shortfalls on the coldest days of the year or during periods of high gas-powered electricity generation demand.

To address this, APA is proposing an expansion of the SWP to unlock existing in-state gas supply and enhance system reliability. The expansion will enable timely access to firm gas already available within Victoria, ensuring security of supply from Winter 2028 onwards.⁷

APA submitted that it evaluated 3 SWP expansion options:

- compression, which requires installation of 2 new compressor stations at Pirron Yallock and Stonehaven
- partial looping, which involves duplication of 88 km of the pipeline
- full looping, to duplicate all 144 km of the SWP.

AEMO’s 2026 Gas Statement of Opportunities⁸ projects gas supply shortfalls in Victoria from 2029 onwards in the absence of SWP expansion. APA is proposing the compression option on the basis that it can be delivered by 2029, in time to address shortfalls projected by AEMO. APA submit that looping cannot be delivered until 2030 at the earliest, leaving supply shortfalls in 2029.

To address security of supply concerns associated with the use of compression, APA is proposing to build a new compressor pad at Stonehaven at a cost of \$1.7 million. The pad allows a compressor to quickly be installed if one of the installed compressors fails and cannot be repaired quickly.

⁷ APA, [VTS - Rule 80 Application SWP expansion](#), updated 14 November 2025, p. 3.

⁸ AEMO, [2026 Gas Statement of Opportunities](#), March 2026.

APA is also proposing early looping works to accelerate future pipeline capacity expansion at a cost of \$31.1 million (\$15.1 million for early works on the BLP, \$16.0 million for early works on SWP looping). The early looping works aim to bring forward timing of further pipeline expansion through early preparation for regulatory approval processes and early landowner and community engagement.

The total cost of APA’s proposal is \$243.8 million.

3.2 Submissions

In response to our May 2026 position paper, in June 2026 we received written submissions from:⁹

- current gas suppliers (Amplitude, Lochard)
- potential LNG suppliers (Vopack, Viva Energy, Squadron Energy, AG&P LNG (the AG&P submission is confidential))
- gas pipeline operators (APA, Jemena, WAG Pipeline Joint Venture)
- consumer representatives (the EUAA and Mark Grenning)
- the Victorian Government.

Most of the above submissions supplemented submissions made by the same stakeholders in January 2026 in response to APA’s initial proposal. AEMO, Red/Lumo Energy and Amplitude provided submissions in January, but not in response to our position paper.

Consistent with the submissions received in January, most submissions received in June support expanding SWP capacity as an effective means of addressing forecast gas supply shortfalls. Until recently most of Victoria’s gas demand was met by supplies from the Gippsland Basin but these supplies are falling rapidly as the gas fields are depleted. Submissions from AEMO, APA, the EUAA, Lochard Energy, Mark Grenning, Red/Lumo Energy, the Victorian Government, Viva Energy and Vopak all support the proposed pipeline expansion on the basis that the additional capacity combined with additional storage capacity at Iona UGS is an effective way of addressing supply shortfalls. As noted by AEMO:

.. firm gas storage capacity will be increasingly important to manage gas supply and demand, and there needs to be sufficient pipeline capacity to enable this flexible gas supply. The Iona UGS facility is currently the only operating deep gas storage facility in the southern states, with the Golden Beach storage project remaining uncertain and not expected to reach FID until at least mid-2026. However, deep storage facilities like Iona UGS need to have sufficient pipeline capacity available to support peak day and flexible GPG demand.¹⁰

There were 2 submissions, from Squadron Energy and Jemena, that expressed reservations about SWP expansion. Both submissions noted that PKET can meet at least some of the

⁹ Stakeholder submissions are available for viewing on the AER webpage for this project: [Initiation | Australian Energy Regulator \(AER\)](#)

¹⁰ AEMO, [South West Pipelines Expansion Options Assessment Report](#), February 2026, p. 17.

forecast potential supply shortfalls. The LNG facility at PKET allows supply of gas into Victoria via the EGP and Longford pipeline. Squadron Energy’s submission stated:

APA’s application is premised on the assertion that peak-day gas shortfalls are imminent from winter 2028 and that no credible or deliverable alternatives exist within the required timeframe. Their assertion depends on excluding PKET from the alternatives set.

Once PKET is correctly recognised as built, with an FSRU secured, and available to supply gas, APA’s claim that accelerated SWP expansion is the only viable solution materially weakens. The system is not facing a binary choice between immediate regulated pipeline expansion and supply shortfall.¹¹

The first round of submissions (in January) had mixed views on whether compression or looping was preferable. AEMO, the Victorian Government and Vopak preferred looping to compression.

Now, all submissions supporting SWP expansion also support compression on the basis that it is the only option that can be delivered in time to address supply shortfalls projected for 2029. Mark Grenning, Viva, and the Victorian Government expressed concern about APA’s planning process. Had the planning process started earlier, looping would have been an option. Mark Grenning submitted:

AEMO notes in its submission to the AER on the revised rule 80 application: “APA also requested that the AER expedite its final decision on a revised APA proposal that has AEMO’s support given the long lead times associated with gas augmentation and expansion.”

Unfortunately this sentiment did not seem to be driving AEMO’s planning up to the time of APA’s original application. The opportunity for a national discussion on what is the best future supply option for Victoria consumers – APA’s East Coast Grid expansion or imported LNG; compression or looping – has been lost and the AER has to effectively ‘make the best of a constrained situation’ in considering APA’s application.¹²

We agree with Mark Grenning’s assessment that planning delays have limited the options available, and that the result is probably sub-optimal.

Submissions also expressed mixed views about the early works proposals. Lochard Energy, the Victorian Government, and Viva support early works on looping for both the SWP and the BLP. Vopak supports early works on the BLP. Squadron Energy and Jemena do not support the early works proposal. Jemena submits that early works undermines competition, while Squadron submits that early works funding should be included in the speculative capital expenditure mechanism (and therefore only paid for by consumers if the project goes ahead).

¹¹ Squadron Energy, [Submission on APA’s rule 80 application](#), January 2026, p. 3.

¹² Mark Grenning, [Submission on APA’s rule 80 application](#), 5 June 2026, p. 1.

A summary of submissions is provided in Table 2.

Table 2 Summary of submissions from stakeholders

Stakeholder	Key points
APA	Welcomes AER in-principle support for SWP compression and early works for looping. Compression is the only investment option that is prudent, timely, efficient and reliable in the circumstances. Notes AEMO’s analysis (in its January submission) is only technical and does not address cost or economic outcomes. Does not agree with AEMO’s assessment that there is risk of compressor stranding. Notes AER comments about timely planning and acknowledges the importance of coordination across industry participants. However, there is significant uncertainty on both the supply and demand sides, limiting APA’s ability to commit to a larger scale defined expansion pathway. A flexible approach, preserving optionality, is preferable. APA is assisting the AER with its cost assessment.
EUAA	Supports compression for SWP as the only timely investment option to manage winter peak shortfalls from 2029 onwards. Supports looping as preferable investment, but opposes cost recovery from all customers for investments to benefit single participants. LNG import terminal operators should cover any costs to connect them to the market.
Jemena	Notes that PKET onshore infrastructure is complete and that there is sufficient time for customers to sign up prior to winter 2029. Early works investment for SWP looping may be unnecessary if significant volumes are contracted through PKET. Jemena could invest in more compression at Wilton, using spare capacity in the Longford to Melbourne Pipeline, facilitating more supply from Qld and NT. EGP reversal could facilitate Golden Beach storage. Pipeline augmentation options should be assessed on a broad system-wide basis. Permitting APA to recover the cost of early works for SWP looping risks undermining competition.
Lochard Energy	Supports AER positions to approve SWP compression-based expansion and early works for looping SWP and BLP. Urges prompt commencement of compression works so that Iona expansion to 615TJ/day can access the market from 2027. Expressed concern about the AER position paper stating “if an LNG facility proceeds within the Geelong area, further looping on the SWP may not be required”. The AER’s r.80 assessment is a discreet task, not a broader policy assessment of potential alternative investment development options.
Mark Grenning	Supports compression for SWP. Criticises APA and AEMO for the timing of VTS planning, which has left the AER with few options. Supports the position paper call for APA to work with AEMO

	and the Victorian Government to ensure future planning and investment are timely. Notes that early works for looping may not be productive as looping both SWP and BLP may not be needed. Comments that this is the result of poor planning. Comments that the accuracy of APA’s cost estimates is troubling, and that the AER position paper seems to have misinterpreted APA’s submitted costings.
Squadron Energy	AER should only approve SWP compression if satisfied it is prudent, efficient and necessary. AER should not approve early works investment for looping. APA should be using the NGR speculative capex mechanism. Port Kembla Energy Terminal (PKET – the Port Kembla LNG import terminal) is expected to be operational from winter 2028. SWP expansion is unnecessary because PKET can meet Victoria’s needs and SWP expansion would expose customers to risk. The AER is applying inconsistent standards in that SWP expansion is being supported despite injection projects not reaching FID, while PKET supply potential is discounted because it hasn’t signed contracts.
Victorian Government	Supports SWP expansion and early works for SWP and the BLP. Recommends the early works assessments be expanded to cover the full length of both pipelines. Indicates an expectation that APA will address any reliability issues relating to its compression solution for the SWP. Notes that further expansions can be achieved by looping and that pipeline works have long lead times. Comments it is critical that assessments begin as soon as possible and notes an expectation that APA works closely with AEMO as system operator on next-stage design of the SWP and BLP.
Viva Energy	Supports early works for looping the SWP and BLP. Notes that it is unfortunate that a single feasible option for immediate SWP expansion has been provided to the AER. APA should assess improvements in its planning processes so that future VTS investment options are developed and proposed with sufficient lead time for evaluation and feedback. Calls on AER to provide APA with early works funding to convert the Westernport-Altona-Geelong (WAG) oil pipeline to gas. Calls on APA to reevaluate whether any further early works on the VTS are required to facilitate an LNG import terminal at Geelong. Notes that while an LNG import terminal at Geelong would back off supply from further west, that should not preclude such a project.
Vopak	Supports compression project for SWP and BLP early works for looping. While APA’s Addendum is a meaningful improvement on its initial r.80 application, APA has not demonstrated that BLP looping will provide sufficient capacity for a Geelong LNG import terminal. Also notes that APA’s investment threshold, that injection sources reach FID, creates a circular dependency – injection projects need confirmation of sufficient pipeline capacity.

	Argues that APA has not set out an enforceable commitment for timely BLP expansion. AER final determination should provide clear expectations on BLP expansion delivery, timing and future progression.
WAG Pipeline Joint Venture	Asks the AER to have regard to WAG conversion as a supply option, noting it may change the optimal timing and sequencing of projects, including APA’s SWP compression proposal. Limited testing of the WAG for gas demonstrates the pipeline is suitable for gas. Requests system modelling be undertaken of converted WAG’s potential to meet supply needs. Looping of the BLP would be challenging and may require an Environmental Effects Statement (EES), similar to the Western Outer Ring Main (WORM) and SWP looping projects. Estimates cost of WAG early works at around \$10 million. WAG could be delivered faster than looping.

4 AER Assessment

This chapter describes our assessment of APA’s proposal, drawing on input from stakeholder submissions and AEMO’s 2026 Gas Statement of Opportunities. Our assessment focuses on 4 questions:

- Does SWP capacity need to be expanded?
- Which expansion option best meets the National Gas Objective (NGO)?
- Are the early works proposed prudent?
- Do the proposed costs represent efficient and prudent practices?

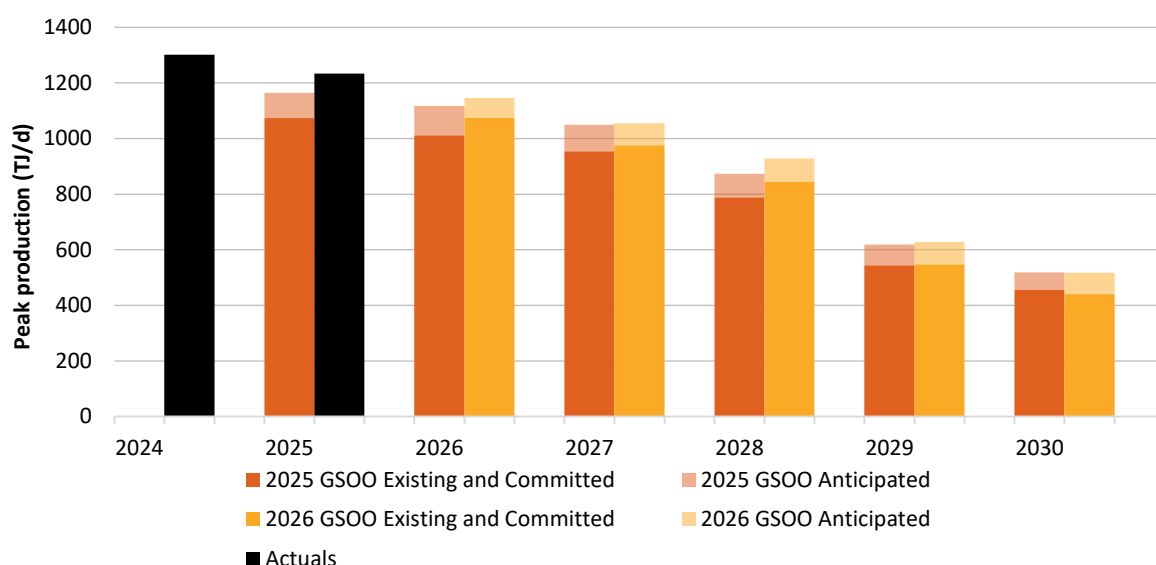
4.1 Does SWP capacity need to be expanded?

Our assessment is that expansion of the SWP is required as a matter of urgency. This view is informed by APA, AEMO, the Victorian Government and consumer and industry views. Most submissions support SWP expansion.

The VTS was designed to supply gas from the Gippsland and Otway Basins to Melbourne, and from there to regional centres. The role of the system is now changing as production in the Gippsland Basin declines. Figure 2 shows AEMO’s forecasts of gas supply from southern gas fields. It shows that maximum daily production in 2029 will only be around 50% of actual production in 2026.

Gas demand in Victoria is falling as households and businesses switch from gas to electricity, but the reduction is gradual compared to the drop off in southern gas field supplies. Increasingly gas will need to be sourced elsewhere, either piped gas from Queensland or LNG facilities.

Figure 2 Actual and forecast maximum daily production capacity from southern gas fields



Source: AEMO, [2026 Gas Statement of Opportunities](#), March 2026, Figure 3, p. 8.

Investments by APA in Queensland will allow more gas to be piped to New South Wales (via the Moomba to Sydney pipeline) and from there to Victoria via the Victoria – Northern Interconnector and the Eastern Gas Pipeline. However, without supplies from PKET, further investment in the VTS is required to meet winter peaks. AEMO forecasts stable winter peak demand, with falling gas demand from households and businesses offset by increases in winter demand from gas powered generation. Closure of coal plants (Yallourn and Eraring) will drive the increase in gas powered generation. With declining supply from the Gippsland Basin, AEMO is forecasting shortfalls on peak demand days from 2029 onwards.

An effective way of meeting the new winter peaks is to expand the SWP. The pipeline connects Melbourne to gas storage facilities at Iona near Port Campbell. Expansion allows more gas to be supplied from the storage facilities on peak demand days. The Iona storage facility is filled when gas demand is low. Gas is then released to supply gas generators in and around Melbourne during peak periods.

Lochard Energy, the owner of Iona, is investing in additional storage capacity to help meet the expected peaks. The additional capacity is being underwritten by contracts with Snowy Hydro.

As noted by Lochard Energy in its submission, Iona capacity is being expanded from 570 TJ/day now to 615 TJ/day in 2027. APA’s proposal will accommodate the increase by increasing capacity from 523 TJ/day into Melbourne now to around 600 TJ/day and address the projected 2029 supply shortfall.

PKET offers a possible alternative to SWP expansion. It offers the potential for LNG to be delivered to Port Kembla and then to Victoria via the EGP and Longford pipelines. However, we understand that no contracts for supply into Victoria have been entered into yet.¹³ By contrast, expansion of Iona is backed by a long-term contract with Snowy Hydro. Snowy Hydro has entered the contract to meet its gas-powered generation requirements. The contracted requirements cannot be met with existing SWP pipeline capacity. This expansion is justified by the existing demand requirement as set in the NGR.¹⁴

4.2 Which expansion option best meets the NGO?

Our final determination is to approve APA’s proposed compression option on the basis that it will be effective in increasing capacity and can be delivered in time to address supply shortfalls projected for 2029.

There are 2 options for expanding SWP capacity, additional compressors or duplication of an 88 km section of the SWP. AEMO completed a review of expansion options early this year,¹⁵ comparing the merits of looping relative to compression. While the 2 options deliver similar increases in capacity, AEMO considered the 88 km looping option preferable because of:

- Reliability – Compressors can fail and take time to be repaired.

¹³ AEMO, [2026 Gas Statement of Opportunities](#), March 2026, see Table 2, p. 14.

¹⁴ Rule 79 sets out criteria for confirming capital expenditure. One of the criteria is that the capital expenditure must be justified. It is justified if the expenditure is necessary to meet existing demand (see rule 79(2)(c)(iv)).

¹⁵ AEMO, [Submission on APA’s rule 80 application](#), February 2026.

- Expandability – The 88 km of looping can be supplemented by further looping to substantially increase capacity in future. By contrast the compression option is less cost effective as further expansion may result in redundancy of one of the compressors.
- Peak gas supply – Looping increases linepack providing more flexibility to meet peak gas powered generation demands at short notice.

AEMO’s report concluded:¹⁶

AEMO’s preference, based on its technical and operational assessment, is the alternative option of constructing 88 km of looping and modifying the existing Winchelsea CS, which will also increase SWP capacity to 615 TJ/d. AEMO’s understanding is that the SWP easement allows for the installation of a second pipeline.

This looping option overcomes the operational limitations presented by APA’s preferred Stage 1 option, particularly with the addition of a Geelong LNG regasification terminal, however AEMO’s assessment is not an economic evaluation. For any further SWP capacity expansion or to facilitate an LNG regasification terminal, looping is the only option for increasing capacity beyond APA’s Stage 1 expansion project.

While these first stage expansion options provide the same capacity increase, the operational outcomes are different for future SWP expansions. While Lochard Energy has committed to expanding the capacity of the Iona UGS facility to 615 TJ/d, Lochard Energy has advised that its plan to increase the capacity of the facility by another 70 TJ/d to 685 TJ/d is being held back by insufficient SWP capacity.

In response to submissions APA held a workshop on 25 February 2026 with AEMO and the Victorian Government to discuss the 2 options. There was a consensus that looping is preferable but questions about timing were raised. APA asked us to suspend our assessment while the parties worked through the timing options. Following consultation with AEMO and the Victorian Government, APA concluded that looping cannot be completed until 2030.

APA maintains its preference for compression on the basis that it is the only option that can address projected supply shortfalls in 2029. APA submits that there is a risk of gas supply shortfalls from 2029 onwards unless the compression option is approved. APA also submits that constructing a new compressor pad at Stonehaven reduces risks associated with compression compared to looping. The pad allows a compressor to quickly be installed if one of the installed compressors fails and cannot be repaired quickly.

Our final determination approves APA’s proposed compression option.

¹⁶ AEMO, [Submission on APA’s rule 80 application](#), February 2026, p. 4-5.

4.3 Are the early works proposed prudent?

While expansion of the SWP addresses projected supply shortfalls in 2029, further measures will be required to secure supply from the early 2030s.

APA, drawing on advice from AEMO, submitted that the rate of drop off in Gippsland Basin supplies means that early action needs to be taken. APA proposes \$31.1 million in early works expenditure to prepare for looping the SWP and the interconnected BLP in the future. The early works expenditure is for high-level design, and environmental and cultural heritage assessments under Commonwealth and State legislation. APA proposed \$15.1 million for early works for looping of the BLP and \$16.0 million for early works for looping the SWP.

Our assessment is that the early works proposed are a prudent way of managing the risk of supply shortfalls. Gippsland Basin gas supplies will continue to fall sharply through the early 2030s. At the same time AEMO is forecasting a requirement for new gas powered generation in Victoria in response to coal generator closures. AEMO projects that this combination will result in supply shortfalls as soon as 2030 even with the SWP expansion project proposed by APA.

There are 3 main options for maintaining supply in Victoria beyond 2029:

- Supply of Queensland gas via APA’s pipeline system into Victoria, through the Victorian Northern Interconnector and/or EGP.
- Supply of LNG into the Geelong area. This gas would feed into the Lara to Brooklyn pipeline. Expansion of this pipeline may be required to meet peak demands.
- Supply of LNG from PKET. This option requires no immediate pipeline investment.

Further expansion of SWP is likely required to accommodate the first of these options. Relying on Queensland gas would require additional storage to meet winter peak demand days. This could be achieved through further expansion of Iona with supporting expansion of SWP capacity. Further expansion of Iona storage from 615 TJ/day to 900 TJ/day is being considered by Lochard Energy.

The LNG facilities proposed by Viva Energy (located in the Geelong area) would supply gas to Lara, and from there into the rest of Victoria via the BLP. If the LNG projects go ahead, additional capacity from Lara to Brooklyn will probably be needed.

Supply of LNG from PKET could meet peak demands beyond 2029 with further investment in southward EGP capacity and use of storage facilities in Victoria, either at Iona or Golden Beach. The implications for VTS investments are not clear and depend on which storage facilities would be used.

At this point APA and AEMO do not know which supply option will prevail. This will be determined by market participants. Our determination accommodates funding for the early works. In making this decision we recognise that there may be some redundancy in the early works undertaken. For example, if an LNG facility proceeds in the Geelong area, further looping on the SWP may not be required, and if PKET prevails expansion of the Brooklyn to Lara capacity is unlikely to be required. However, given the impact of supply failures and the tight timeframes for further pipeline capacity expansion, it is prudent to undertake early works irrespective.

We expect that APA will submit its 2028–32 VTS access arrangement proposal to us on 1 December 2026. We will release our final decision on that proposal in December 2027. The determination process will allow further consideration of the early works proposed here. This determination covers funding for early works over the current access arrangement period. Further expenditure is expected to be proposed in the next access arrangement period, which commences on 1 January 2028.

4.4 Do the proposed costs represent efficient and prudent practices?

APA proposed \$243.8 million of expenditure (see Table 3) for the 3 projects included in its rule 80 application. In making its decision to choose the compression project, it also considered the option of partial looping, the costs of which we reviewed.

Table 3 Cost breakdown of projects (\$m, June 2026)

Component	Compression	Looping	Early works – SWP	Early works - BLP
Project management	9.1	12.3	1.0	0.8
Access & Approvals	3.5	83.6	13.6	12.9
Engineering (Design)	9.2	3.3	0.5	0.5
Procurement	84.9	45.4	0.0	0.0
Construction	88.4	169.4	0.2	0.2
Commissioning	7.5	1.3	0.0	0.0
Overheads	10.1	15.7	0.7	0.7
Total	212.7	331.0	16.0	15.1

Source: APA, Email ‘Re: AER Follow Up Request for Updated Cost Information’, received 7 July 2026.

In response to an application by a service provider, we may make a determination, under rule 80, that the proposed expenditure will meet the new capital expenditure criteria and specify a capex amount. Before making the determination, we assess the service provider’s proposal, including the project costs, to determine whether the new capital expenditure criteria are met.¹⁷ On the basis that the expenditure is incurred as proposed, it is conforming capex that is added to the capital base at the next access arrangement review.¹⁸

In accordance with the new capex criteria, the capital expenditure must be such as would be incurred by a prudent service provider acting efficiently, in accordance with accepted good

¹⁷ NGR r.80(1)

¹⁸ NGR r.77(2)(b)

industry practice, to achieve the lowest sustainable cost of providing services in a manner consistent with the achievement of the NGO.¹⁹

In assessing efficiency of the proposed capex, we have reviewed the proposed amount of expenditure and the timeframe over which the capex is forecast to be incurred.

We have considered the timeframe on the basis that it is prudent to undertake capex incrementally in response to evolving market conditions. SWP capacity expansion is required now, but there is still some uncertainty about whether and when further SWP expansion and BLP duplication will be required. This depends on investment decisions by market participants such as LNG proponents.

We have reviewed the proposed capex amounts against our available reference points to determine the efficient amount that should be set out in this determination, including:

- market tested capex specific to the project (e.g. quotes for equipment)
- cost benchmarks (e.g. comparison of similar project costs)
- the AER’s consultant EnergyQuest’s view of the efficiency of the proposed capex.

We note that the estimates provided by APA have a wide cost accuracy range. APA states that this reflects the early stage of development of the proposed projects. APA states that the compression project is at a concept feasibility and evaluation stage, with a cost accuracy range between -20% to +100% and -15% to +50%.²⁰ It states that it is unable to gain greater accuracy for this project due to the availability of rate data and clarity around plant sizing.²¹ The pipeline looping option has an estimated accuracy range of -20% to +100%.²² APA attributes the reduced accuracy to the potential for latent terrain conditions, construction obstacles, and variability in land access requirements and biodiversity offsets, which have not yet been assessed.²³ It stated that it expects the cost estimate and project schedule accuracy will be significantly improved on progressing Front-End Engineering Design (FEED) for both projects, but particularly for the partial looping option.²⁴

APA’s preferred option, the compression project, an alternative option considered by APA, the partial looping project, and the SWP early works and the BLP early works are each considered in turn below.

4.4.1 Compression project

The proposed compression project consists of the construction of a greenfield compressor station at each of Stonehaven and Irrewillipe, and modification of the Winchelsea compressor so that it operates in parallel rather than its current in series configuration. This

¹⁹ NGR r.79(1)(a)

²⁰ This range reflects that the estimate is somewhere between a class 4 and 5 estimate with a reduced lower bound.

²¹ APA, [VTS - Business Case Rule 80- South West Pipeline](#), 17 October 2025, p. 17; APA, *Response to IR1*, received 18 May 2026, p. 17.

²² APA, *Response to EnergyQuest IR1: Cost efficiency clarification - Confidential*, received 17 June 2026, pp. 1-2. We note that in the Business Case (p.18) the cost range is quoted as -30% to +50%.

²³ APA, [VTS - Business Case Rule 80- South West Pipeline](#), 17 October 2025, p. 18.

²⁴ APA, [VTS - Business Case Rule 80- South West Pipeline](#), 17 October 2025, p. 18.

project is expected to result in a 92 TJ/day increase in capacity to 615 TJ/day. The 2 compressors are to be in operation prior to winter 2029. The proposed project cost is \$212.7 million (see Table 4).

We note that after 12 months of operation the reliability performance of the single Stonehaven compressor will be reviewed. If a second compressor at Stonehaven is required, APA has estimated that this would cost \$82 million to install.²⁵

Table 4: APA proposed expenditure profile of Compression project^(a) (\$m, June 2026)

Component	2026	2027	2028	2029	Total
Project management	1.4	2.7	3.5	1.5	9.1
Access & approvals	2.4	0.6	0.3	0.2	3.5
Engineering (Design)	5.4	3.8	0	0	9.2
Procurement	21.3	42.5	21.1	0	84.9
Construction	0	8.8	53	26.5	88.4
Commissioning	0	0	1.5	6	7.5
Overheads	1.7	3	3.9	1.6	10.1
Total	32.2	61.4	83.3	35.8	212.7

Source: APA, *Email ‘Re: AER Follow Up Request for Updated Cost Information’*, received 7 July 2026.

Note: (a) The project delivery was delayed by a year to 2029 in APA’s Addendum. This is the updated expenditure profile.

The scope of works included in the proposed compression project consists of:

- Access and approvals – Land was purchased at Irrewillipe (\$2.1 million) in 2025 for the compression station.²⁶ APA has indicated that the required approvals include: Pipeline Licence Alteration, Cultural Heritage Management Plan, Environment Protection Act (EP Act) Development Licence and Operating Licence (to be determined from detailed emissions assessment). APA stated that “it is unlikely that an EES will be required.”²⁷
- FEED/Engineering – The compression stations are based on APA’s standard design that it has rolled out for the Moomba to Sydney Pipeline and South West Queensland Pipeline.

²⁵ APA, *Response to IR 2, Question 7*, 25 June 2026, p. 6.

²⁶ APA already holds the land at Stonehaven for a single unit compressor station. APA, [VTS - Business Case Rule 80- South West Pipeline](#), 17 October 2025, p. 4.

²⁷ APA, [VTS - Business Case Rule 80- South West Pipeline](#), 17 October 2025, p. 10.

- Procurement – The major equipment consists of 2 Solar Mars100 (11.86MW) compressors and compressor sets, aftercoolers, valves, and control systems.
- Construction - construction of the compressor pads (including a second pad at Stonehaven in case a back-up compressor is required (\$1.7 million in 2028)), compressor station build and electrical and gas tie-ins, and modification of the Winchelsea compressor from series to parallel operation (APA has described these costs as less than \$0.1 million).²⁸

4.4.1.1 Market tested cost components

APA provided a quote, dated 22 February 2026, for the 2 Solar Mars100 (11.86MW) compressors and compressor sets.

4.4.1.2 Benchmarking

APA stated that the residual procurement costs and other costs were built up from similar projects, including the recently completed compression stations on the Moomba to Sydney Pipeline and the South West Queensland Pipeline. These costs are shown in Table 5 along with the proposed costs for the SWP expansion.

We asked APA to provide the costs of other recent compressor station construction projects to broaden the comparison. This covers Wollert U6 and Winchelsea U2. The costs of the projects (not including the procurement cost of compressors) are also shown in Table 5.

Table 5 Benchmarking of compression station project total capex costs

Project Characteristics	Wollert U6	Winchelsea U2	ECG Stage 2 (MSP, SWQP)	SWP Expansion
Project type	Brownfield Expansion (add unit)	Brownfield Expansion (add unit)	Greenfield (multi stage expansion)	Greenfield (multi stage expansion)
Compression unit(s) (MW output power)	Centaur 50 (4.57 MW)	Taurus 60 (5.74 MW)	Mars 100 (11.86 MW) x 2	Mars 100 (11.86 MW) x 2
Timing	Commenced 2018, installed in 2021-2022	Commenced 2022, commissioned in 2024	Commenced 2022, installed 2023/2024	Commencing in 2026, installed in 2029
Project management	4.6	2.5	4.3	9.1
Access & approvals	0	1.0	0.8	3.5
Engineering (Design)	6.8	4.8	5.5	9.2
Procurement	10.7	21.2	56.3	84.9
Construction	21.4	22.3	68.2	88.4
Commissioning	2.0	1.8	8.9	7.5

²⁸ APA, [VTS - Business Case Rule 80- South West Pipeline](#), 17 October 2025, p. 13, 17.

Project Characteristics	Wollert U6	Winchelsea U2	ECG Stage 2 (MSP, SWQP)	SWP Expansion
Total (\$nominal)	45.5	53.6	144.0	202.6
Total (\$real June 2026) ²⁹	59.8	63.1	169.6	202.6
\$million/MW power	12.5	10.5	7.2	8.5

Source: APA, *Response to IR1*, received 18 May 2026, p. 15; Solar Turbines Gas Compressor Packages <https://www.solarturbines.com/en_US/products/gas-compressor-packages.html>, accessed 12 June 2026; APA, *Email ‘Re: AER Follow Up Request for Updated Cost Information’*, received 7 July 2026.

In justifying the higher SWP cost compared to the cost of the Moomba to Sydney Pipeline or the South West Queensland Pipeline compression facilities, APA stated that they are “being delivered in a higher-cost market environment”.³⁰

We engaged EnergyQuest as a consultant to review the proposed compression project costs. It concluded that the estimation method was reasonable, given the stage of the project. It assessed that the proposed costs were reasonable, given the estimate range and the price escalation being observed across the energy sector.³¹

Taking into account EnergyQuest’s opinion we consider that the proposed costs for the compression option are efficient and have included capex of \$212.7 million in our determination for the compression option.

We note EnergyQuest’s observations that once detailed estimates are developed, the compression option is likely to resolve upward. This is because compression construction components have not yet undergone market testing, and supplier, contractor and fuel cost pressure continue to present material upside risk.³² If the incurred costs are higher than what has been included in this determination, we will assess the prudence of the overspend as part of the next access arrangement process. Cost over-runs that are not deemed to be prudent will not be rolled into the asset base

4.4.2 Partial looping project

As an alternative option to the compression project, APA considered the construction of 88 km of looping (duplicating the existing SWP section) within the existing pipeline easement.³³ This also requires modification of the existing Winchelsea compressor station. APA identified a project cost of \$331.0 million and a delivery timeframe of winter 2030.³⁴ APA provided an updated expenditure profile (see Table 6) to reflect APA’s Addendum, which reflects the year delay in delivering the project.³⁵

²⁹ RBA, *Statement on Monetary Policy*, May 2026, p. 4. June 2026 CPI forecast as base.

³⁰ APA, *Response to IR1*, received 18 May 2026, p. 15.

³¹ EnergyQuest, *Review of Cost Efficiency for the APA South West Pipeline Expansion*, June 2026, pp. 8-9.

³² EnergyQuest, *Review of Cost Efficiency for the APA South West Pipeline Expansion*, p. 15.

³³ The 88 km consists of Irrewillipe to Winchelsea – 39 km and Winchelsea to Stonehaven – 49 km.

³⁴ APA, *VTS Addendum - Rule 80 - SWP Staged Expansion - FINAL*, 10 April 2026, p. 3.

³⁵ APA, *Email ‘Re: AER Follow Up Request for Updated Cost Information’*, received 7 July 2026.

Table 6 Expenditure profile of Partial looping project^(a)

Component	2026	2027	2028	2029	2030	Total
Project management	1.2	2.3	2.9	4	1.9	12.3
Land & Approvals	26.8	26.8	20	10	0	83.6
Engineering (Design)	2	1.3	0	0	0	3.3
Procurement	0	11.4	22.7	11.3	0	45.4
Construction	0	0	0	129	40.4	169.4
Commissioning	0	0	0	0	1.3	1.3
Overheads	1.5	2.1	3.1	6.3	2.7	15.7
Total	31.5	43.9	48.7	160.6	46.3	331.0

Source: APA, Email ‘Re: AER Follow Up Request for Updated Cost Information’, received 7 July 2026.

Note: (a) The project delivery was delayed by a year to 2030 in APA’s Addendum. This is the updated expenditure profile.

4.4.2.1 Benchmarks

In its business case, APA stated:³⁶

Pipeline looping procurement costs are based on recent actuals (\$/tonne³⁷), while construction rates have been rationalised using benchmarks from the WORM project. Approvals costs assume similar agency interactions and fee structures as those experienced on WORM. Land access effort has been inferred from land registry data, indicating a high number of stakeholders and potentially lengthy engagement processes. Project Management, Construction Management, Engineering Design, and Commissioning costs are based on typical manning levels and durations aligned with the defined scope of work.

The SWP 88 km looping project, at a total cost of \$331.0 million for 88 km of pipeline, is estimated to cost \$3.8 million/km. The further SWP looping expansion after completion of compression (\$200 million for 55 km of pipeline) is estimated to cost \$3.6 million/km, and the BLP duplication (\$180 million for 45 km of pipeline) is estimated to cost \$4.0 million/km.³⁸

We requested information to show how APA had derived the SWP looping costs from the WORM project along with reasons for differences in \$/km costs. APA did not provide this information.³⁹

Given the lack of data from APA, we turned to publicly available information on 4 recently constructed pipelines. The data shows costs at a total project level and includes:

³⁶ APA, [VTS - Business Case Rule 80- South West Pipeline](#), October 2025, p. 18.

³⁷ Refers to \$/tonne of steel for pipe.

³⁸ APA, [VTS Regulatory Reference Group Meeting 7](#), 3 June 2026, p. 29.

³⁹ APA, [Response to Information Request 2](#), received 25 June 2026, pp. 7-8.

- WORM (commissioned 2023) – \$293 million⁴⁰ for 51 km of pipeline - \$5.7 million/km (or \$505 million for 88 km of pipeline).
- Bulloo Interlink (expected 2028 commissioning) - \$800 million for 342 km of pipeline - \$2.3 million/km (or \$206 million for 88 km of pipeline).
- Northern Goldfields (commissioned 1 July 2023) - \$460 million for 579 km - \$0.79 million/km (or \$70 million for 88 km of pipeline).
- Sturt Plateau Pipeline (expected mid-2026 commissioning) - \$70 million for 37 km of pipeline - \$1.9 million/km (or \$166 million for 88 km of pipeline).

The lower construction cost for the Western Australian pipelines most likely reflects the different soil type, being sand rather than clay and rock. We would expect \$/km SWP looping costs to be lower than the WORM, where the cost reflects the extended build period, contractor variations for horizontal directional drilling, changes in the EES and offset requirements, and other cost and time over-runs.⁴¹

EnergyQuest found, based on a class 5 estimate, that the cost estimate is efficient.⁴² Its conclusion was qualified because of the absence of market testing and limited engineering definition. We did not conduct a more detailed assessment because looping is not APA’s proposed project for its rule 80 application.

This determination responds to the compression proposal, approving the project and specifying the capex amount that meets the capital expenditure criteria in rule 79 of the NGR. However, APA is not constrained or required to incur this expenditure to deliver the project. If APA undertakes looping (or some other alternative to the proposed project), APA may include the incurred capex in its next access arrangement proposal. In this scenario we would assess whether the incurred capex meets the new capex criteria as part of the access arrangement process.

4.4.3 Further expansion of SWP – Early Works

The proposed further SWP expansion project consists of looping around the Stonehaven and Irrewillipe compression stations. This would result in a 90 TJ/day increase in capacity to 705 TJ/day. The project has an expected delivery timeframe of winter 2030 or later. This timeframe is dependent on timing of further storage expansion at Iona. Storage, along with demand conditions, underpins the additional SWP capacity requirement.

The proposed \$16.0 million is for works in 2026 and 2027 only. Further costs are to be included and assessed in the VTS 2028-32 access arrangement.

The proposed early works for further expansion of the SWP include:

- Application for Pipeline Licence under the Pipelines Act 2005 (Vic) to allow for the construction and operation of the SWP expansion. This includes preparation of an

⁴⁰ APA, [VTS Regulatory Reference Group Meeting 4](#), 18 November 2025.

⁴¹ APA, [VTS Regulatory Reference Group Meeting 4](#), 18 November 2025.

⁴² EnergyQuest, *Review of Cost Efficiency for the APA South West Pipeline Expansion*, June 2026, p. 15.

Environmental Management Plan which demonstrates how the impacts of the project will be managed.

- APA referral to the Minister for Planning to assess whether an EES is required under Victorian legislation⁴³, although APA stated that it does not believe that an EES will be triggered.
- APA referral to the Commonwealth Minister for environmental impacts under Environmental Protection and Biodiversity Conservation (EPBC) Act.
- Working with landowners in the proposed pipeline corridor. APA will negotiate landholder agreements (to provide APA access to carry out ecology, cultural heritage and other investigations to enable the preferred pipeline route to be confirmed) for temporary construction leases or easements for the 150 impacted property holders.⁴⁴

Most of the \$16.0 million expenditure proposed is for land access and approvals. This consists of initial costs of desktop reviews of impacts, environmental and heritage survey work, offsets and landholder payments. APA advised that the WORM rates were the basis for its SWP early works estimates.

Our review of the cost proposals focused on 2 issues.

The first is proposed APA expenditures for securing biodiversity offsets. APA intends to secure options to purchase offsets, particularly for rare species, and to purchase offsets being traded via the Native Vegetation Credit Register. We asked APA to set out the timing of its expected expenditure on biodiversity offsets.

APA submitted that to meet its delivery timelines it needs to start securing options from the second half of 2027. We consider that under the time constraints for delivery it is efficient to secure these biodiversity options in the second half of 2027.

We also sought further information from APA on its assumption about the number of landholders, which underpins land access costs. While we consider there is a level of ambiguity in how the number of landholders was arrived at, we are unable to determine a better estimate. On this basis, we have accepted APA’s proposed number of landholders.

EnergyQuest reviewed the proposed early works costs, concluding that they are a reasonable estimate of costs.⁴⁵

Based on our review and the advice of our consultant, we have included APA’s proposed amount of \$16.0 million in our capex estimate for SWP early works.

4.4.4 Duplication of BLP – Early Works

The proposed duplication of the BLP consists of 45 km of looping from Lara to Rockbank, tying into the WORM. It is designed to reduce the backing out of Port Campbell supply injection into the SWP if a Geelong LNG regasification terminal is simultaneously injecting into the SWP. The project has an expected delivery timeframe of winter 2030 or later. This

⁴³ Environmental Effects Act 1978 (Vic).

⁴⁴ APA, *Email ‘Re: AER & APA SWP compression - follow up’*, received 29 April 2026.

⁴⁵ EnergyQuest, *Review of Cost Efficiency for the APA South West Pipeline Expansion*, June 2026, p. 4.

project and timeframe are subject to a Geelong LNG terminal project reaching FID. The expected project cost is approximately \$180 million.

As with early works for further expansion of the SWP, the proposed costs are only for works in 2026 and 2027. Further costs are to be included and assessed in the VTS 2028-32 access arrangement.

There is a 20-metre easement for between two thirds and three quarters of the existing BLP. An EES is expected to be required. The proposed expenditure assumes that the approvals are not completed until August 2028 and the EES is expected to be 50% complete in January 2028. Landholder negotiations are estimated to commence in June 2027 and extend to July 2028. Construction is not due to commence until February 2029.⁴⁶

The scope of early BLP works includes the desktop assessment of impacts of the BLP duplication, the development and submission of Commonwealth EPBC Act requirements, the Victorian EES and simultaneous Pipeline Licencing approvals. This includes undertaking significant environmental and heritage survey work. Landholder private land access agreements and temporary construction options also need to be negotiated for the approximately 100 impacted landholders.

APA advised that the WORM rates were the basis for its BLP early works estimates.

Our review focused on biodiversity. On biodiversity costs we tested whether expenditure would be required in 2026 and 2027 given that only 50% of the EES is expected to be complete in January 2028. APA provided information to support its claim that it needs to start acquiring options for the purchase of biodiversity offsets in the second half of 2027 in order to meet the project’s delivery timeframe.

EnergyQuest reviewed the proposed BLP early works costs, concluding that they are a reasonable estimate of costs.⁴⁷

On the basis of our review and the advice of our consultant, we have included APA’s proposed \$15.1 million in our capex estimate for BLP early works.

⁴⁶ APA, [*VTS Addendum - Rule 80 - SWP Staged Expansion - FINAL*](#), 10 April 2026, Diagrams 2-3, pp. 8-9.

⁴⁷ EnergyQuest, *Review of Cost Efficiency for the APA South West Pipeline Expansion*, June 2026, p. 4.

5 Final Determination

Our Rule 80 Determination is that APA’s proposed SWP expansion and early works are an appropriate way of addressing projected Victorian gas supply shortfalls in 2029. The determination specifies a capex amount of \$243.8 million to undertake the proposed projects. This includes \$212.7 million for the compression option, \$16.0 million for the SWP looping early works, and \$15.1 million for the BLP looping duplication early works.

The Rule 80 Determination provides that the specified capex meets the new capex criteria and will be added to APA’s capital base if incurred. However, APA is not constrained or required to incur this expenditure to deliver the project. If APA undertakes an alternative project, such as looping, APA may include the incurred capex in its next access arrangement proposal. In this scenario we would assess whether the incurred capex meets the new capex criteria as part of the access arrangement process.

Table 7 **Projects and costs covered by this r.80 application**

Project	Costs proposed
SWP compression	\$212.7 million
Early works SWP looping	\$16.0 million
Early works BLP	\$15.1 million
Total	\$243.8 million

Glossary

Term	Definition
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
APA	APA VTS (Operations) Pty Ltd
BLP	Brooklyn to Lara Pipeline
Capex	Capital expenditure
EES	Environmental Effects Statement
EP Act	Environment Protection Act
EPBC	Environmental Protection and Biodiversity Conservation
EUAA	Energy Users’ Association of Australia
FEED	Front-End Engineering Design
FID	Final investment decision
LNG	Liquefied natural gas
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
PKET	Port Kembla Energy Terminal
RBA	Reserve Bank of Australia
SWP	South West Pipeline
UGS	Underground Gas Storage
VGPR	Victorian Gas Planning Report
VTS	Victorian Transmission System
WAG	Westernport-Altona-Geelong pipeline
WORM	Western Outer Ring Main