

---

# APGA SUBMISSION: PROPOSED EXTENSION OF AEMO'S ECGS RELIABILITY AND SUPPLY ADEQUACY FUNCTIONS

---

13 February 2026



## Executive summary

The Australian Pipelines and Gas Association (APGA) opposes the proposal to create a permanent long-term tool enabling direct AEMO investment in gas infrastructure, the long-term reliability and supply adequacy tool (“LT RSA tool”).

APGA considers that the proposed LT RSA tool is unnecessary, risks crowding out efficient private investment, and fails to address the primary barrier to gas infrastructure development: unbalanced and increasingly interventionist regulation.

### LT RSA tool is not needed

The LT RSA tool is framed as a backstop against the risk that market-led investment may not proceed in time to address forecast supply shortfalls later this decade. APGA strongly disagrees with the premise that the gas infrastructure sector has failed to respond to market signals.

- Despite sustained policy uncertainty and regulatory intervention, the industry has progressed major pipeline, storage and import infrastructure projects across the east coast. These include recent completions and projects in advanced development stages, demonstrating that, given credible signals and regulatory stability, the market does respond.
- Delays in investment reflect policy and regulatory uncertainty. A permanent intervention via the LT RSA tool risks further disrupting commercial signals, resulting in misallocated capital and inefficient outcomes.
- Other reforms – most notably a national gas reservation mechanism, alongside electricity market reforms that support gas powered generation – contribute significantly to policy certainty and are likely to address both supply adequacy and investment confidence.-powered generation

### The reforms will distort the market and crowd out investment

Although described as a “last resort”, the mere existence of the LT RSA tool would materially alter commercial behaviour. APGA considers there is a substantial risk these powers would become an implicit precondition for pipeline projects reaching FID.

- The consultation’s own cost-benefit analysis acknowledges the risk that government intervention could crowd out private investment and shift commercial risk from investors to consumers.
- The LT RSA tool will influence commercial decisions in several predictable ways:
  - Shippers may delay or weaken foundation contracts in anticipation of AEMO support that could enhance their commercial interests.

- Competing projects could both proceed with AEMO backing, undermining bankability and efficiency.
- Revenue forecasting would become more uncertain, increasing the cost of capital and reducing the likelihood of FID.

### **Unbalanced regulation remains unaddressed**

The most significant deterrent to gas infrastructure investment is unpredictable regulatory intervention. Over the past decade, successive changes to economic regulation, access regimes and contracting frameworks have created a highly unstable investment environment.

- The Form of Regulation Review powers represent a step-change in regulatory risk. Pipelines can now be reclassified as scheme or non-scheme pipelines by the AER without a clear trigger and no independent decision maker, creating material uncertainty over revenue, capital recovery and long-term returns. This has already chilled capital allocation across the interconnected east coast gas market.
- Other interventions, such as the Day Ahead Auction, have further weakened the link between firm contracting and new investment—an issue explicitly recognised by the Gas Market Review (GMR).

Australia’s gas market is already undergoing significant reform. With a domestic gas reservation policy and electricity market reforms likely to reshape supply and demand, APGA sees no justification for implementing permanent investment powers.

**APGA opposes the LT RSA tool and recommends that Governments instead focus on:**

- **Implementing Recommendation 5e of the Gas Market Review, and**
- **Extending this recommendation to encompass other regulatory barriers to investment in the National Gas Law, including reforming the Form of Regulation Review.**

Australia’s reliability and adequacy objectives can be met faster and at lower cost by repairing the investment environment rather than through the proposed LT RSA tool. A potential oversupply to the domestic market under a reservation scheme, coupled with stronger demand signals from electricity market reforms, should restore the conditions under which market-led pipelines are planned, right-sized, and delivered efficiently.

## Introduction

The Australian Pipelines and Gas Association (APGA) represents the owners, operators, designers, constructors and service providers of Australia's pipeline infrastructure. Our members deliver more than 1,500 PJ of natural gas each year for domestic use and over 4,500 PJ for export markets, underpinned by the highest standards of safety, reliability and operational performance. For decades, this infrastructure has been a cornerstone of Australia's economic strength, providing secure, low-cost energy that has supported growth, sustained long-term trade, and enabled our domestic industry to compete globally.

APGA welcomes the opportunity to respond to the Energy and Climate Ministers Council (ECMC)'s consultation on extending the Australian Energy Market Operator (AEMO)'s East Coast Gas System (ECGS) reliability and supply adequacy functions to directly invest in gas infrastructure. APGA's answers to selected consultation questions can be found at Appendix B.

**APGA opposes the proposed package of reforms. We consider, on balance, that they are not needed at this time:**

- **Permanent reforms of this nature are not the right solution.** Assuming sufficient supply and demand, the problem of transporting that supply can be answered by the contract carriage market. Ensuring sufficient supply is the basis of the GMR, which appears to have been neither considered nor modelled in designing the LT RSA tool. APGA considers that assuming the reforms recommended in the GMR are implemented on time in 2027, the perceived use case for the LT RSA tool will be largely irrelevant while its potential to distort the investment market will remain.
- **The reforms will distort the market and crowd out investment.** Rather than being a last resort power to unlock critical infrastructure, the existence of the LT RSA tool is likely to lead to it becoming an integral part of FID decisions. Foundational shippers could hold off on committing to infrastructure investments, to either:
  - secure larger infrastructure with a lower unit cost of capacity if AEMO supports volume issues, or
  - agree to shorter, lower risk contract tenors if AEMO support tenor issues.

Competitive dynamics exacerbate this: where two developers propose alternative solutions serving the same need, the prospect that AEMO might enable both, or the less commercial of the two, projects undermines bankability for each and raises the risk of inefficient over-investment for which gas users will have to pay.

- **Unbalanced regulation remains unaddressed.** While the consultation paper does consider barriers to investment, it fails to consider the priority issue for infrastructure investors: the unmitigable risk of regulatory intervention into the commercial arrangements of an asset. This is an unacceptable risk for long-lived investments. The

simpler and lower cost option is to consider refinements to the regulatory regime that will reduce this risk for investors.

APGA opposes the LT RSA tool and recommends that Governments instead focus on:

- Implementing Recommendation 5e of the Gas Market Review, and
- Extending this recommendation to encompass other regulatory barriers to investment in the National Gas Law, including reforming the Form of Regulation Review.

# 1. These reforms are not the right solution

## Given the right signals, the market will respond

The LT RSA tool has been proposed as an ultimate fallback measure to bulwark against the risk that *“the market may not, on its own, be able to proceed with investments in time to address the structural shortfalls that have been forecast to occur by the end of this decade.”* Energy officials have communicated that the gas market has *not* responded to clear signals from governments to invest to address forecast supply shortfalls.

APGA disagrees with this and contends that the gas infrastructure industry has materially responded to market signals to invest, to the limit of its ability to do so under the current regulatory framework and with the prevailing policy uncertainty of the last three or four years. If policy stability is provided there is no reason why the market would not respond, and if regulatory barriers are addressed it is likely the response will be strong.

The gas infrastructure industry has a strong positive history of responding to market signals. Recent pipeline, storage and other infrastructure projects bear this out, *despite* the significant structural barriers to investment imposed by unbalanced regulation (see section 3). The Northern Goldfields Interconnect, Heytesbury Underground Gas Storage Project Stage 1, Sturt Plateau Pipeline, reversal of the Eastern Gas Pipeline, Port Kembla Energy Terminal and the Moomba to Sydney Ethane Pipeline conversion have all recently or are well on their way to completion.

The Hunter Gas Pipeline, East Coast Grid Expansion Project<sup>1</sup>, Heytesbury Underground Gas Storage Project Stage 2, Golden Beach Energy Storage Project, at least three other LNG import terminals, and projects in the Beetaloo Basin are all in various stages of progression. These are the higher profile examples; APGA is also aware of other significant projects in the planning stages across the east coast.

Projects have progressed in spite of significant market disruption and increased risks to investment. Particularly over the last decade, governments have amended economic regulation, pipeline access regimes, transparency regimes, and for gas producers have even imposed a price cap on new domestic wholesale gas contracts. Some jurisdictions have openly considered measures to ban the use of gas in the built environment. All these interventions have contributed to a lower investment appetite. The proposed Reliability and Supply Adequacy Reforms promise still further interventions in the ordinary operation of the gas market.

Existing market interventions may have impacted the timeliness of investments in recent years, but that does not mean that investments will not occur in the near future.

---

<sup>1</sup> This project has now resumed, following the AER’s decision not to change the form of regulation applying to the South West Queensland Pipeline. Section 3 discusses this in more detail.

## Addressing supply certainty will make a meaningful difference

The original East Coast Gas System (ECGS) Reliability and Supply Adequacy reform package was prompted by a period of considerable global gas instability. Russia's illegal war on Ukraine introduced a significant disruption in global gas supply, with ramifications for domestic supply. At the same time, the domestic gas market has been adjusting to changing demand patterns – simultaneously tight and declining, depending on customer and on geographic and temporal scales. The first stage of Reliability and Supply Adequacy reforms gave AEMO the ability to manage short term reliability risks; Stages 2 and 3 go considerably beyond this with questionable benefit to gas customers.

Traditionally, a tight gas demand market would spur investment in new sources of supply and the pipeline infrastructure to transport it. Gas customers would hold long term contracts to underpin the development of that supply and infrastructure. But uncertainty introduced by insufficiently targeted and over-regulation and a broader policy transition to decrease gas use has resulted in a trend towards shorter term contracting and dampened enthusiasm for that investment.

All of these factors are ultimately spurred by uncertainty in supply. APGA has consistently articulated that addressing the difficulties in investing in new gas supply will make the most impact on gas supply and capacity issues, and that any specific government interventions that lead away from market-led solutions for gas infrastructure should be, at best, temporary.

There are other market interventions in the works which will dramatically alter and, arguably, improve the landscape for gas infrastructure investment. The GMR has recommended the creation of a national gas reservation scheme to reserve between 15-25% of production for domestic supply, which will likely address both domestic shortfall and gas price concerns:

*"This is the way that the government can put the maximum downward pressure on gas [prices] by engineering a slight oversupply of Australian needs."* – The Hon Chris Bowen MP, Minister for Energy<sup>2</sup>

The existence of a reservation scheme in Western Australia has not impeded investment in gas supply and transport in that state and in fact has been recognised as a driver of investment.

The Electricity Services Entry Mechanism proposed by the Nelson Review of the National Electricity Market will also provide strong demand signals and reduce risk for investment in GPG – and the gas pipelines that will supply them. Similarly, South Australia's Firm Energy Reliability Mechanism will directly incentivise investment in GPG. The ECMC is also

---

<sup>2</sup> ABC, 2025, 'Government confirms plans for gas reservation on east coast', <https://www.abc.net.au/news/2025-12-22/government-confirms-gas-reservation-plans/106170082>

currently considering options for a national approach to renewable gases, which represent substantial additional sources of supply.

Despite these proposed reforms, the ECMC has pursued a long-term, permanent intervention and indeed designed it with insufficient consideration to their impact on investment, or whether that intervention will continue to be necessary following the GMR and the Nelson Review.

## 2. The reforms will crowd out investment

The LT RSA tool will result in significant distortion that will very likely influence against market-led solutions. APGA considers that far from a last-resort power, it will instead become de rigueur and a necessary pre-condition for reaching FID on pipeline projects.

ACIL Allen, whose cost benefit analysis provides the modelling background supporting the policy, specifically call out this significant risk as quoted in the consultation paper:

*"ACIL Allen also noted that there were some costs and risks associated with the reform case that were difficult to quantify. **These include the potential for the reform to: 'crowd out' market-led investment if it is not carefully designed to be a last resort tool and used only when market-led support is proving insufficient; and/or result in consumers—rather than investors—bearing the risk if any supported investments turned out to be 'white elephants'.**"*

While the LT RSA tool has been designed as a 'last resort' power, and guardrails included in the draft legislation to ensure this, it is unlikely to be sufficient. The mere existence of these powers will distort the market and influence investors and their counter-parties to press pause on investment decisions, pending the security of government involvement for which gas users must ultimately pay.

There are three ways in which reliance on these powers is likely to become default, and all are due to the commercial realities of investing in pipeline infrastructure: through impacting pipeline capacity, contract tenor, and revenue forecasting.

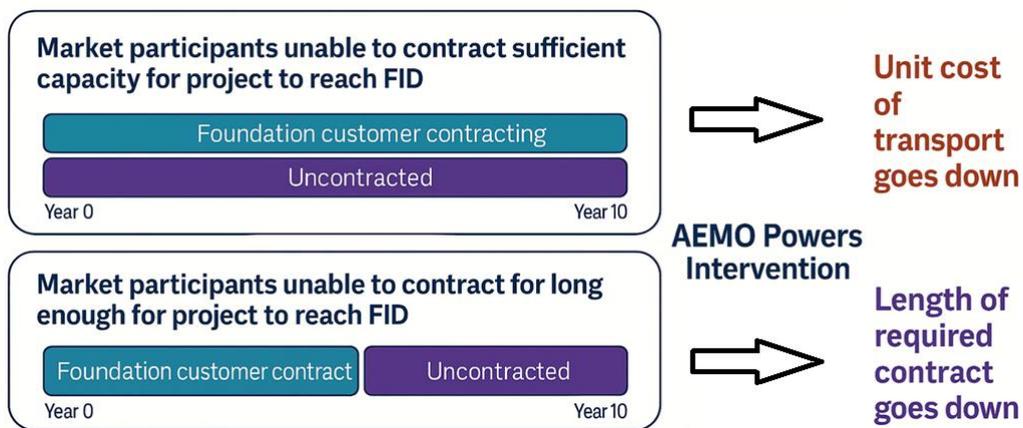
### **Reform impacts on pipeline capacity and contract tenor – impacting shipper incentives to enter foundation contracts**

In the first, for a given pipeline which has foundational contract support, AEMO support could theoretically increase the size of that pipeline. This would *decrease* the unit cost of transport for those foundational shippers.

Effectively, gas shippers want AEMO to underwrite additional pipeline capacity so the pipeline can be expanded, allowing them to benefit from lower direct pipeline charges through economies of scale. However, this creates a risk that AEMO procures long-term capacity that the market does not actually need and is unable to sell. Any unrecovered LT RSA net costs would then be passed back to market participants as indirect costs through AEMO fees. In this scenario, gas users end up worse off overall. Although they see lower direct costs, their total cost (direct plus indirect) increases. By focusing only on direct charges, shippers may be responding to distorted price signals caused by AEMO's intervention. This leads to inefficient investment and pipelines being oversized relative to market needs.

In the second, the potential for AEMO support could reduce the amount of time foundational contractors are required to contract, lessening their own demand risk. The

market may only require a short-term solution to address a supply shortfall – for example, additional capacity for the next five years. However, if AEMO underwrites the longer-term component of a project to ensure it proceeds, gas users may benefit in the short term from lower direct tariffs due to the longer asset life. Once the market no longer requires the project, any remaining costs are recovered from customers as indirect costs through AEMO fees. In this scenario, the LT RSA distorts the short-term price signal by masking the true indirect cost of meeting a short-term need. As a result, gas customers are worse off because they incur long-term indirect costs that were not factored into their short-term investment decisions.



These are both significant incentives for prospective facility users to ‘hold out’ for AEMO support when committing to a foundation contract. AEMO’s intervention distorts direct price signals, leading to suboptimal investment decisions once indirect costs are taken into account. If it underwrites capacity that the market does not require, AEMO risks an overbuild of infrastructure. The resulting unrecovered costs would then be recovered from market participants, increasing the overall cost of gas above efficient levels.

It would only take some shippers to change their behaviour to increase the difficulty for market-led infrastructure solutions to come forward. It is foreseeable that some shippers will change behaviour, making a foundation contract commitment conditional on AEMO support for a project, impeding market-led solutions and making it more likely that AEMO intervention is required.

### Reform impacts on revenue forecasting impacting investor ability to reach FID

Rather than incentivising market-led solutions, the power is likely to have the unintended consequence of stymying the ability of the market to drive solutions.

Companies compete to build transport solutions and a key part of any project reaching final investment decision (FID) is understanding the future revenue potential of the asset. For example, Company A may propose Pipeline X while Company B proposes Pipeline Y, both serving the same area and the same potential gas customers.

In this example, Pipeline X has sufficient foundation contracts to proceed to FID. In a normal market, in reaching FID, Company A will make an assessment on the likelihood that Pipeline Y will proceed.

If Pipeline X is built, it diminishes the investment case for Pipeline Y. This informs the future revenue forecasts for Company A in reaching FID on Pipeline X.

Using the proposed LT RSA tool, AEMO could address the diminished investment case for Pipeline Y and cause it to proceed. This invalidates the future revenue forecasts made by Company A for Pipeline X and makes the investment inherently riskier – decreasing the likelihood the project will pass FID.

### 3. Unbalanced regulation remains unaddressed

The gas infrastructure investment market is very sensitive to the risk of intervention – a large volume of which it has had to weather over the last decade. Appendix A provides an overview of Government policy and regulatory interventions since 2016, which has led to what can be charitably described as an unstable regulatory environment. Reforms intended to “simplify” regulation have instead created hesitation around FIDs. It is at this point where APGA considers the balance of the regulation scales have tipped towards overregulation, leading to the situation we face today.

Gas transmission pipelines are long-lived assets, commissioned to service specific foundation customers. Regulators have contended that this arrangement introduces *risk* of use of market power, and from 2016 commenced a cascade of interventions into the economic regulatory framework for pipelines.

The consultation paper identifies market power as a key barrier to investment, “stemming from ineffective competition between projects and affecting the willingness (or ability) of market participants to contract for the duration/volume required to support the investment”. APGA disagrees that the risk of market power is a significant factor in these decisions: if producers don’t offer long term supply contracts at competitive prices, customers won’t lock in long term contracts on pipelines. Uncertain gas demand driven by policies to reduce gas use is also a clear disincentive to enter into long term contracts.

Instead, reforms aimed to reduce perceived market power have actually increased risks for investment. The most impactful reform has been the introduction of the Form of Regulation Review power for the AER.

#### **Form of Regulation Review powers changed the risk profile for investment**

Prior to 2023, changes to the form of regulation applying to pipeline, or “coverage”, were subject to a robust decision-making framework and required ministerial determination. This ensured that decisions with broad public interest implications were not left solely to regulators who would also then be responsible for applying the form of regulation they determined.

Amendments to the National Gas Law fundamentally altered this approach and gave the AER the power to self-initiate a Form of Regulation Reviews (FoRR) for any non-scheme pipeline at any time. These can be initiated without a complaint, ministerial referral, or requirement to demonstrate material concern.

This is a clear departure from the prior framework. What was ultimately legislated also represented a departure from the original policy intent of Energy Ministers, which was to provide a mechanism for the “*relevant regulator (AER/ERA) to more actively monitor the*

*behaviour of service providers and to refer pipelines for a form of regulation assessment (review) if it suspects market power is being exercised.”<sup>3</sup>*

Such open-ended discretion is unusual in Australian regulatory practice. In other sectors, statutory safeguards typically require an evidentiary trigger or ministerial accountability when regulatory form is changed. By contrast, FoRRs can now be launched and determined by the AER alone, creating an ongoing cloud of uncertainty for all non-scheme pipelines.

For greenfield and brownfield transmission projects, which already carry significant commercial risk and often require capacity to be built ahead of demand, the prospect of mid-project regulatory change adds major uncertainty. The practical effect is a material increase in the risks faced by investors, decreasing the attractiveness of pipeline investment relative to other opportunities due to:

- Risk premium: Investors must assume that a non-scheme pipeline may be reclassified mid-life, constraining revenues. This elevates both the cost of debt and the equity risk premium.
- Capital recovery risk: When a pipeline is reclassified, the AER needs to establish an opening Regulatory Asset Base (RAB). There can be significant uncertainty over how the AER may do this, meaning historical expenditure incurred is exposed to the risk of being excluded from the RAB, creating further uncertainty.
- Institutional delay: Reclassification triggers a full access arrangement process that can take up to 24 months. During that time, no return on new investment is guaranteed.
- Customer incentives: This could also deter customers into entering into long term contracts, if there is a possibility they could benefit from a potential change in regulation in the future.

Investors must price in the possibility that economic regulation could be changed at any time, with flow-on impacts for other projects. Hence, these risks can render otherwise viable investments uncommercial, and/or additional costs are ultimately borne by consumers through higher transmission tariffs and wholesale market prices.

### **Chilling impact of over regulation is well understood as a real risk**

Excessive infrastructure access regulation can have a chilling effect on investment when uncertainty over pricing, cost recovery, and regulatory intervention discourages infrastructure owners from expanding or upgrading essential assets. While access regimes aim to promote competition and protect users, overly prescriptive or unstable regulation

---

<sup>3</sup> Energy Ministers, 2021, *Options to improve gas pipeline regulation - Regulation Impact Statement for Decision*, <https://oia.pmc.gov.au/sites/default/files/posts/2021/09/Pipeline%20Decision%20Regulation%20Impact%20Statement.pdf>

can deter capital intensive, long-lived investments, leading to underinvestment and weaker long-term outcomes for consumers.

This is well understood and recognised in the literature and practice. Given the extensive increase in ability of the regulator to intervene in a pipeline's commercial arrangements through the FoRR, which deviate far from the established Australian practice set out in Part IIIA of the *Competition and Consumer Act 2010*, it is entirely appropriate to consider it likely the current FoRR arrangements are excessive and negatively affect investor behaviour.

### **Form of Regulation Review of the South West Queensland Pipeline**

In March 2024, the Australian Energy Regulator initiated a Form of Regulation Review on the South West Queensland Pipeline (SWQP). This review was not in response to any complaint or evidence of market failure, but rather as the first in a program of reviews.

In May 2024, APA Group paused its proposed East Coast Gas Grid Expansion, a five-stage project that would lift north-south capacity by ~24% and included augmentation to the SWQP. APA cautioned at the time that an adverse outcome "delayed critical projects that would otherwise strengthen the East Coast Gas Grid" and could "stymie investment and drive up end-user costs."

The AER ultimately decided not to change the form of regulation applying to the SWQP – "at this time". It conceded in its final decision that while it considered investment impact on the SWQP itself to be transitory and that it was unlikely that uncertainty created by the scheme regulation process would significantly impact pipeline investment, "it could have broader implications for the east coast gas market at this time."<sup>4</sup>

Initiating a review without cause creates a prolonged period of uncertainty over the commercial framework for the asset. For capital intensive infrastructure, where payback periods extend over decades, even temporary uncertainty can cause multiyear delays to capacity growth. In this instance, the FoRR not only delayed the East Coast Gas Grid Expansion but also warned the market that any non-scheme pipeline could face the same treatment, dampening the investment signals for broader investment across the interconnected East Coast Gas System.

### **Overregulation results in an unbalanced market**

Over the last decade, pipeline owners and operators have felt the squeeze of increasing regulation. Some has been intended to improve perceived information asymmetries. Others

---

<sup>4</sup> AER, 2024, *Final Decision – South West Queensland Pipeline form of regulation review*, <https://www.aer.gov.au/system/files/2024-12/AER%20-%20Final%20decision%20for%20SWQP%20form%20of%20regulation%20review%20-%206%20December%202024.pdf>

may have been appropriate at the time but should be revisited to consider if they are still fit for purpose in a changing investment landscape.

These interventions have had at best uneven impact. The Day Ahead Auction, for example, was introduced in 2019 to address what regulators considered to be an inefficient allocation of pipeline capacity. The auction provides access to unutilised contracted capacity, facilitated by AEMO, with a reserve price of zero. On some days, transport customers can access services for free – naturally creating a free rider problem in the gas transport market, as it creates a strong disincentive for some gas customers to contract all, or even most, of their requirements.

The GMR considered the disruption to the link between firm gas transport contracts and new pipeline development sufficiently critical to address in a recommendation.

*Recommendation 5: To complement a domestic gas reservation scheme, the Government could also: e. Assess the merits of amending the National Gas Law (NGL) framework to: i. extend regulatory exemptions available to greenfield gas pipeline to brownfield projects which expand capacity to incentivise developments; and ii. enable greenfield and brownfield projects to seek an exemption from the Day Ahead Auction to incentivise foundation customer contracting.*

It is also worth considering what the GMR had to say regarding supporting new sources of gas supply and increased production:

*“Finding F: To avoid or mitigate forecast shortfalls and meet demand during the economy wide transition to net zero, new sources of gas supply and increased production are needed along with electrification and other strategies that reduce demand. **Commonwealth and state and territory legislative and regulatory barriers to investment in new gas supply and infrastructure projects must be addressed to support this.** This also requires an effectively functioning market with continued investment, supported by a robust and streamlined regulatory framework that delivers adequate, accessible and reliable gas supply to the domestic market.”*

APGA has consistently articulated to regulators that overregulation risks impeding investment. This is being borne out by sharp and meaningful declines in the long-term contracting that would underpin that investment.

The consultation paper fails to recognise any contribution of overregulation, including the FoRR, to market uncertainty. Instead, it blames market power as a key barrier to investment, “affecting the willingness (or ability) of market participants to contract for the duration/volume required to support the investment”.

The implementation of the highly interventionist FoRR power has provided the AER unprecedented ability to address infrastructure owner market power. Given this, it seems highly unlikely infrastructure market power remains a real barrier to the investment.

## Conclusion

In the not-too-distant future, a domestic gas reservation policy may secure a domestic gas oversupply, and mechanisms like the ESEM will prompt significant additional gas demand. Given these interventions, APGA fails to see why LT RSA tool is necessary – *assuming* that governments move to remove existing barriers to pipeline investment.

Gas pipeline proponents generally respond to the strong market signal to connect supply and demand, with the market selecting the most efficient and right-sized project. Assuming healthy investing and supportive permitting environments, gas transmission pipelines can be delivered in months to years, rather than half a decade or more it can take to deliver similar electricity transmission projects.

But with progressive regulatory interventions, the current investing environment is *not* healthy. These interventions have added regulatory risk, with questionable benefits for the gas customers from whom the costs of that risk must be recovered.

The proposed reforms represent a fundamental shift in how investment decisions may be made and influenced, in what would likely be the most consequential redesign of Australia's gas market architecture since the 1990s. The mere existence of the proposed framework will disincentivise long-term, foundational contracts for new gas infrastructure, given the expanded scope for future intervention.

APGA opposes the LT RSA tool and recommends that Governments instead focus on:

- Implementing Recommendation 5e of the Gas Market Review, and
- Extending this recommendation to encompass other regulatory barriers to investment in the National Gas Law, including reforming the Form of Regulation Review.

## Appendix A: Pipeline reforms 2016-2026

2016	<p><i>April/May</i> - <b>ACCC East Coast Gas Inquiry</b> and <b>AEMC East Coast Review</b> recommended significant reforms.</p> <p><i>August</i> - Federal Government announced Gas Market Reform Package.</p>
2017	<p><i>May</i></p> <ul style="list-style-type: none"> <li>• <b>COAG EC requests AEMC review</b> the scope of economic regulation applied to covered gas pipelines</li> <li>• COAG EC commences consultation on the operation and administration of the Capacity Trading Platform(s) and Day-Ahead Auction</li> </ul> <p><i>August</i></p> <ul style="list-style-type: none"> <li>• <b>Part 23 of the NGR</b> introduced to create a new category of "non-scheme" pipelines, alongside full regulation and light regulation. This also set out a mandatory code of conduct for commercial arbitration for non-scheme pipelines.</li> <li>• <b>Pipeline Information Disclosure</b> reforms also require operators to publish more information about their capacity, usage, and pricing.</li> </ul>
2018	<p><i>February</i> - AEMC commences consultation into the scope of economic regulation applied to covered pipelines.</p> <p><i>July</i> – <b>AEMC publishes Final Report recommending changes to the economic regulation framework for full and light regulation pipelines.</b></p>
2019	<p><i>March</i> – <b>Day Ahead Auction</b> and <b>Capacity Trading</b> platforms introduced.</p> <p><i>August</i> – Government consults on RIS for a package of reforms for transparency in the eastern and northern Australian gas markets.</p>
2020	<p><i>March</i> – Energy Ministers endorsed a Decision RIS on gas market transparency options</p> <p><i>November</i> – Government consults on RIS for package of reforms of pipeline regulation.</p>
2021	<p><i>May</i> - Energy Ministers endorsed a Decision RIS on a package of reforms of gas pipeline regulation.</p> <p><i>September</i> – Government consults on draft legislation to give effect to the Decision RIS on options to amend gas pipeline regulation.</p>
2022	<p><i>March</i> - <b>Energy Ministers agreed to a final package of gas pipeline regulatory amendments.</b></p> <p><i>August</i> - Energy Ministers directed Officials to progress East Coast Gas Reliability and Supply Adequacy (ECGS RSA) reforms.</p>
2023	<p><i>March</i></p> <ul style="list-style-type: none"> <li>• <b>Pipeline regulation amendments commenced</b>, reducing to full ("scheme") and light ("non-scheme") regulation, and giving the AER the power to undertake "Form of Regulation Reviews".</li> <li>• <b>Greenfields Incentive and Price Protections</b> commenced.</li> <li>• <b>Pipeline Information Disclosure</b> obligations commenced, requiring pipeline operators to disclose and report on pipeline services and standing terms; service availability and service usage; a user access guide; historical financial</li> </ul>

	<p>and demand information and the cost allocation methodology employed by the service provider; and actual prices paid by shippers.</p> <p><i>April - ECGS Reliability and Supply Adequacy Reforms - Stage 1 commences</i>, expanding powers for AEMO to monitor supply shortfalls and assess risks through new mandatory reporting obligations for industry participants; and issue binding directions to participants to manage supply adequacy.</p> <p><i>June – Government consults on proposed ECGS RSA package of reforms.</i></p> <p><i>December – Energy Ministers agree to final ECGS RSA package of reforms.</i></p>
2024	<p><i>February - AER initiates Form of Regulation Review program</i> of two reviews per year, and commences <b>Review of the South West Queensland Pipeline</b>.</p> <p><i>May – APA informs the market it has paused the East Coast Gas System Expansion project pending the outcome of the FoRR of the SWQP.</i></p> <p><i>June – AEMC commences consultation on a Rule Change Request to better integrate gas into the ISP.</i></p> <p><i>November - AER initiates gas wholesale market monitoring and reporting</i> powers to track spot prices, participant behaviour and bilateral contracts.</p> <p><i>December – AEMC publishes Final Determination to better integrate gas into the ISP.</i></p>
2025	<p><i>March - AEMC commences consultation on a Notice of Closure framework</i> as part of the ECGS RSA Stage 2 reform package.</p> <p><i>April - AEMC commences consultation on a Projected Assessment of Supply Adequacy framework</i> as part of the ECGS RSA Stage 2 reform package.</p> <p><i>June</i></p> <ul style="list-style-type: none"> <li>• Government commences consultation on the <b>Gas Market Review</b>.</li> <li>• AEMC consults on a Draft Determination on a Notice of Closure.</li> </ul> <p><i>July – AEMC consults on a Draft Determination on the PASA. Final Determination to be made in July 2026.</i></p> <p><i>August – AEMC commences consultation on a Directions Paper to progress the development of a reliability standard and related reliability tools</i> as part of the ECGS RSA Stage 2 reform package. A Draft Determination to be made in February 2026.</p> <p><i>September</i></p> <ul style="list-style-type: none"> <li>• AEMC commences consultation on a Supplier of Last Resort Mechanism as part of the ECGS RSA Stage 2 reform package.</li> <li>• AEMC publishes a Final Determination for a Notice of Closure.</li> </ul>

## Appendix B: Consultation Questions

DCCEEW question	APGA response
<b>Potential investment barriers facing the ECGS</b>	
<p>1. Is the market likely to respond to the projected supply shortfalls identified by both AEMO and the ACCC? If you consider the market is unlikely to respond, why do you think that is?</p>	<p>Pipeline infrastructure providers are, currently, making significant investments that will materially improve the capacity of the east coast gas system. Given this experience to date, there is no reason to expect that gas infrastructure providers would fail respond to future market signals to invest, especially in an environment where other barriers (investment in supply) are addressed through other means.</p> <p>However, the ability of the gas infrastructure industry to do so in a timely fashion will depend on the regulatory barriers which undermine the commerciality of investment, especially when it comes to pipeline infrastructure.</p> <p>APGA has consistently recommended regulatory reform, including to the Form of Regulation Review power, to lift these barriers.</p>
<p>2. Do you agree with the list of investment related barriers identified in section 2.2? Are there other barriers that you think may be impeding market-led supply-side investments in the ECGS? What do you consider is the main barrier(s) to supply-side investment?</p>	<p>The list of investment related barriers inappropriately identifies market power, and fails to identify regulatory barriers to investment that have been imposed by government, such as the Form of Regulation Review.</p> <p>The latter is a significantly more influential barrier to investment in gas pipeline infrastructure than is proponent market power, as explained in our substantive submission.</p>
<p>3. Do you think the market will be able to overcome these barriers to investment in time to address the structural shortfalls that are projected by the end of the decade, or do you think additional measures or policy reforms are required to support investment in the immediate term? If you think additional measures or reforms are required, please outline what you think is required and why.</p>	<p>Assuming the domestic gas reservation policy recommended in the GMR is implemented in 2027 as planned, as noted in Q1 there is no reason to expect that the gas infrastructure market would not respond and that the implementation of the proposed powers would be necessary.</p> <p>It is also worth noting that while the gas reservation policy is intended to be in place by 2027, the LT RSA tool would not be able to be activated before 2028. Realistically, any solutions that could be procured using the LT RSA tool would not be seen before 2030. While there may be challenges</p>

	for investment in the intervening period, the tool presents no solution to this.
<b>Potential design of the LT RSA tool</b>	
4. Do you think that AEMO's powers should be extended to include the proposed LT RSA tool described in Chapter 3? (a) If you answered "no" to the question above, are there alternative options ECMC could consider to facilitate market-led investment in time to address the projected supply shortfalls?	<p>No. APGA does not consider any long term, permanent investment tool, such as the proposed LT RSA, to be necessary. The ECMC can facilitate market-led investment in transport infrastructure by</p> <ul style="list-style-type: none"> <li>- Incentivising supply investment through the measures identified in the GMR</li> <li>- Providing additional demand signals through measures such as the ESEM</li> <li>- Removing regulatory barriers to investment in pipeline infrastructure, such as the Form of Regulation Review in its current form.</li> </ul>
<b>Potential extension of the GSOO</b>	
32. Do you think the GSOO should be extended as described in section 4.1? Please explain your response.	No. There have already been significant recent expansions to the GSOO and to AEMO's other gas forecasting tools (such as the Gas Infrastructure Options Report for the ISP). APGA does not consider that there is sufficient need to augment the GSOO such that it is used as the basis for an LT RSA function.