

30 October 2025

Australian Energy Market Commission
Level 15, 60 Castlereagh St,
Sydney NSW, 2000

Re: Gas Networks in transition Rule change package GRC0082








APA Group is pleased to lodge this submission in response to the “gas networks in transition” Rule change package.

In summary, APA is of the view that the matters addressed in this Rule change package could have such a profound effect on investment in essential infrastructure that they should rest with Government rather than an appointed administrative body. To this end, APA recommends that the AEMC should decide not to make a Rule pertaining to those aspects of the Rule change package relating to asset valuation and stranding, deferring such decisions to Government.

About APA

APA is a leading ASX listed energy infrastructure business. Consistent with our purpose of securing Australia’s energy future, our diverse portfolio of energy infrastructure delivers energy to customers in every Australian state and territory. For decades we have owned, operated, and maintained some of Australia’s most important energy infrastructure.

Our diverse energy infrastructure portfolio

Gas infrastructure	Contracted power generation	Electricity transmission
 <p>Transmission >15,000 km transmission pipelines</p>	 <p>Renewable energy 342 MW Wind 356 MW Solar 75 MW BESS</p>	 <p>>800 km high-voltage electricity transmission</p>
 <p>Storage 12,000 tonnes LNG 18 PJ gas</p>	 <p>Gas fired 884 MW</p>	 <p>including 290 km deep-sea cable</p>
 <p>Distribution >29,500 km gas mains and pipelines >1.5 million gas customers</p>		

Our 15,000 kilometres of natural gas pipelines connect sources of supply and markets across mainland Australia. We operate and maintain networks connecting 1.5 million Australian homes and businesses to the benefits of natural gas. We also own or have interests in gas storage facilities and gas-powered generation.

We operate and have interests in 692 MW of renewable generation and battery storage infrastructure, while our high voltage electricity transmission assets connect Victoria with South Australia, New South Wales with Queensland, and Tasmania with Victoria.

APA actively supports the transition to a lower carbon future. In August 2025, we published our FY25 Climate Report 2.0, detailing our progress against our Climate Transition Plan. This plan outlines our commitments to support Australia's energy transition and pathway to net zero operations emissions by 2050.

Focus of this submission

Regarding the "Networks in transition" rule change package, APA has been working closely with the Australian Gas and Pipelines Association (APGA) and Energy Networks Australia (ENA). APA supports the more detailed positions and responses to individual consultation questions advanced in those submissions, and confines this submission to a small number of critical conceptual matters relating to those aspects of the Rule change proposal relating to asset valuation and stranding, as discussed below.

Authority and governance

In APA's view, any decision that impacts the value of a private sector business to the benefit of the broader public is a decision that should rest squarely on the shoulders of Government, in its role as Government. Such a decision must be made with a conscious view that the public benefit outweighs the impact on the private sector business and its investors.

Any such decision is not a decision to be made by an appointed body, with a confined perspective imposed by its governing legislation.

A critical aspect of this Rule change proposal package is that a stakeholder group (ECA/JEC) has asked an appointed body (the AEMC) to make changes to the regulatory framework that would allow another appointed body (the AER) to make decisions impacting the value of private sector businesses, to the benefit of members of that stakeholder group.

The purview of both the AEMC and AER is confined to the NGL and NGR, as espoused in the National Gas Objective. Neither body is empowered to consider aspects such as promoting growth in the broader economy or transfers of wealth among sectors of the economy.

A decision that impacts the value of a private sector business, purportedly to the benefit of the broader economy, should be made with the benefit of a view of the broader economy-wide implications of the decision – that is, by a body with a purview above that of the appointed economic regulatory agencies.

In this respect, APA recommends that the AEMC should decide not to make a Rule pertaining to those aspects of the Rule change package relating to asset valuation and stranding, deferring such decisions to Government.

Safeguarding the regulatory compact

There is much discussion in this Rule change package surrounding the "regulatory compact", including its meaning and formality.



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At a higher level, APA considers that the regulatory compact is the “deal” under which Governments attract private capital to public infrastructure. As capital is fluid, it requires a high degree of certainty in order to commit to long term projects such as energy infrastructure (or roads, tunnels, port, airports, NBN, etc). In this context, we are very concerned that the decisions enabled by the proposed Rule change package could apply retrospectively and impact previously invested capital.

Australia is a small economy, in global terms. This means that it is reliant on private sector investment to meet the public infrastructure needs of its citizens. Changes to the “deal” under which private capital is attracted to Australian public infrastructure (particularly changes made after capital has been sunk) increases the risk profile of Australian infrastructure investment relative to its global alternatives.

In short, perceived instability in the regulatory compact will make it more difficult for the Australian government, in its role as Government, to attract private capital to public infrastructure.

Importantly, this difficulty would not be confined to gas network investment – it would be felt by all infrastructure sectors relying on private sector investment. This would ultimately result in higher infrastructure costs, impacting infrastructure investment, and the costs of providing infrastructure services to businesses and residents. This will inevitably impact the wealth of the broader economy.

Again, any decision that impacts the ability of Governments to attract private capital to public infrastructure should be made by Government, with a clear view of the impacts on the broader economy.

In this respect, APA considers that the AEMC should decide not to make a Rule pertaining to those aspects of the Rule change package relating to asset valuation and stranding, deferring such decisions to Government.

Foreclosing the NGL revenue and pricing principles

The Rule change proposals contemplate that discrete sections of a gas network would become underutilised such that they should be earmarked for decommissioning and subject to the proposed redundant capital provisions. That is, the proponents envision *physical* asset stranding.

While we acknowledge there is scope for gas network consumption and connection numbers to fall in the transition to a lower carbon economy, we struggle to imagine that any such reduction could be confined to, or focused on, particular geographical areas.

Rather, we envision that gas networks may be subject to a degree of *economic* asset stranding, whereby ongoing safety-related investment is still required, but the utilisation of the broader network may be inadequate to generate returns sufficient to attract new expansion-related capital. In this respect, the economic force affecting the business is not so much a barrier to entry as a barrier to exit.

This distinction between physical and economic asset stranding is important in the context of the ECA/JEC proposal to carve value out of the regulatory capital base when an asset is *forecast* to become redundant in the future.

The NGL revenue and pricing principles in s24(2) provides that (emphasis added):

24—Revenue and pricing principles relating to scheme pipelines

(2) *A scheme pipeline service provider should be provided with a reasonable opportunity to recover at least the efficient costs the service provider incurs in—*

(a) providing reference services; and

(b) complying with a regulatory obligation or requirement or making a regulatory payment.

The efficient costs include a reasonable return on and of the service provider’s regulator-approved invested capital.



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Where an asset's value is carved out of the capital base under the proposed redundant capital provisions, the service provider is then deprived of *any* opportunity to recover the service provider's efficient costs. In short, the proposed redundant capital provisions foreclose that "reasonable opportunity".

We recognise that a regulatory framework is not designed to protect the business from broad movements in the market or changes in customer sentiment. It may well be the outcome of a transition to a lower carbon economy is that the network businesses are not *able* to earn a reasonable return on and of their invested capital – but the network businesses must not be *denied* the opportunity to earn a return on and of their invested capital.

In our view, should the AEMC make a rule along the lines of what has been proposed, that rule would violate s24(2) of the NGL. APA considers that the AEMC is not empowered to make such a rule.

In this respect, we draw the AEMC's attention to its 2020 [Rule drafting philosophy](#), in which it notes:

1.3 Making Rules that are consistent with the legal context

The Rules made by the AEMC under the national energy laws are a form of subordinate legislation.

Subordinate legislation must be within the power conferred by the principal legislation and must be consistent with that legislation. Specifically, the Rules made by the AEMC must be consistent with the national energy law under which they are made. The Rule should be appropriate to, and enhance the operation of, that legislative scheme. Inconsistencies or a conflict between a Rule and the relevant national energy law will create uncertainty in how the Rule is to be applied and may ultimately render the Rule (or part of it) invalid.

In this respect, APA considers that the AEMC should decide not to make a Rule pertaining to those aspects of the Rule change package relating to asset valuation and stranding.

In summary, APA is of the view that the matters addressed in this Rule change package could have such a profound effect on investment in essential infrastructure that they should rest with Government rather than an appointed administrative body.

To this end, APA recommends that the AEMC should decide not to make a Rule pertaining to those aspects of the Rule change package relating to asset valuation and stranding, deferring such decisions to Government.

As always, we would be pleased to discuss this submission at your convenience. Please contact Scott Young on (02) 9275 0031 or scott.young@apa.com.au in the first instance.

Yours sincerely,

Natalie Lindsay

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