

APA

Australia's energy
infrastructure partner

AEMC Supplier of Last Resort Draft Determination

APA Submission

23 April 2026



Anna Collyer
Chair
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
SYDNEY NSW 2000

23 April 2026

RE: APA Submission to the AEMC's Supplier of Last Resort Mechanism Draft Determination (GRC0077)

Dear Ms Collyer,

Thank you for the opportunity to comment on the AEMC's East Coast Gas System Supplier of Last Resort (SoLR) Draft Determination (Draft Determination).

APA is an ASX listed owner, operator, and developer of energy infrastructure assets across Australia. Through a diverse portfolio of assets, we provide energy to customers in every state and territory. As one of Australia's leading energy infrastructure companies, we are keenly interested in policy processes that impact future gas supply and infrastructure development.

Gas infrastructure operators have a strong track record of delivering the necessary infrastructure to ensure customers have sufficient gas in the locations they need it. Market Participants already work with AEMO to resolve issues and resolve potential gas shortfalls across the East Coast Gas System (ECGS). The proposed domestic reservation policy, announced in December 2025 as part of the Commonwealth Government's Gas Market Review, has improved investment signals for gas infrastructure investment.

Our submission below provides views on various aspects of the proposed SoLR framework. First and foremost, it is essential that the SoLR framework supports market solutions and avoids 'crowding out' private sector investment.

We look forward to continuing our engagement with the AEMC about these important reforms. If you have any questions about our submission, please contact John Skinner on 0435 898 022 or john.skinner2@apa.com.au.

Regards,



Natalie Lindsay
General Manager, Regulation and External Policy

1. Submission

Key Points







- Under the contract carriage model, short and long-term contracts support the operation of the market and the efficient expansion of transmission pipelines and other infrastructure.
- Market participants already work with AEMO to resolve issues and potential shortfalls across the East Coast Gas Market. It is essential that the SoLR framework is a 'last resort' and avoids 'crowding out' the private sector.
- AEMO should be required to demonstrate that it has considered all other options before tendering or activating SoLR service contracts.
- A considerable amount of change is happening across the gas market. A longer implementation period is needed to ensure a smooth commencement of the Reliability and Supply Adequacy Rule Changes.

1.1. APA as a partner of choice in Australia's energy transition

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.

Figure 1: APA's portfolio

Our diverse energy infrastructure portfolio

Gas infrastructure	Contracted power generation	Electricity transmission
 Transmission >15,000 km transmission pipelines	 Renewable energy 342 MW Wind 356 MW Solar 75 MW BESS	 >800 km high-voltage electricity transmission
 Storage 12,000 tonnes LNG 18 PJ gas	 Gas fired 884 MW	 including 290 km deep-sea cable

Our 15,000 kilometres of gas transmission pipelines connect sources of supply and markets across mainland Australia. We also own or have interests in gas storage facilities and gas-powered generation (GPG).

We operate and have interests in 773 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 2025 Climate Transition Plan. The refreshed plan outlines our

commitments to support Australia's energy transition and pathway to net zero operations emissions by 2050.

With our extensive portfolio of assets and expertise across gas, electricity and renewables, APA is well-placed to support the energy transition towards net zero.

1.2. Bilateral contracting has driven efficient investment

Private sector investment has underpinned Australia's gas market. Gas infrastructure operators have a strong track record of delivering the necessary infrastructure to ensure customers have sufficient gas in the locations they need it.

An advantage of pipeline infrastructure is that it can be readily expanded via compression, and later looping, with the use of existing easements and other supporting pipeline infrastructure. This is generally more cost effective than building a new pipeline and has far less delivery and investment risk.

This means that the incremental expansion of the East Coast Gas Grid (ECGG) and Victorian Transmission System is the most efficient solution to transport more gas from northern supply sources to southern markets.

Under a contract carriage model, short and long-term bilateral contracts with market participants support the operation of the market and the efficient expansion of transmission pipelines and other infrastructure. AEMO's Gas Statement of Opportunities (GSOO) plays an important role in identifying gas shortfalls and acting as an investment signalling mechanism.

Final Investment Decisions (FID) on major new or expanded gas developments are very challenging to progress without confidence that the policy and regulatory environment is stable, consistent and supportive of long-term investment. The announcement of a domestic reservation scheme in December 2025 has helped improve the investment environment for long term gas infrastructure by supporting the supply of sufficient quantities of gas to justify new infrastructure investment.

In February 2026, we announced progression of Stage 3 of our ECGG Expansion Plan, which is expected to add approximately 30% additional transport capacity and address projected southern market gas shortfalls from 2028.

When Stage 3 is completed, we will have added more than 50% capacity to the ECGG over the past 5 years, having already increased capacity by approximately 25% via Stages 1 and 2.¹

The Stage 3 expansion includes:

- FID on Stage 3A (ECGG 3A), with investment of \$260 million to increase north to south capacity, supplying essential Australian gas to southern markets for winter 2028; and
- \$220 million investment for Stage 3B (ECGG 3B) to enable continued early works and procurement of long lead items for the Bulloo Interlink, including purchase of 342km of line pipe and further pre-FID works to deliver additional capacity beyond winter 2028. FID will be subject to certain considerations, including policy and

¹ APA announced stages 1 and 2 of the ECGG expansion in May 2021, and these two compression projects were completed in mid 2023 and mid 2024 respectively. Stage 3A has reached FID, Stage 3B remains subject to final board approval.

regulatory settings, progress with the Federal Government's Gas Market Review and final Board approval.²

The staged ECGG expansion plan is designed to minimise costs for customers by anticipating demand with a fit for purpose and responsive solution. The success of this approach is evidenced by strong contracting for earlier pipeline expansions already delivered.

Analysis undertaken by APA provides confidence that domestic gas delivered from northern supply sources can be delivered into southern markets at a cost, inclusive of transport, materially below the cost of imported LNG.

1.3. The SoLR framework must support market solutions

In the National Electricity Market (NEM), AEMO uses Lack of Reserve conditions to communicate the extent of threats to the electricity market. As outlined in our recent submission to the Enhancing Reliability and Supply Adequacy rule change (GRC0076) we agree that a threat signalling mechanism for the ECGS will support the objective assessment of risk and send market signals about potential supply shortfalls. A tiered threat signalling mechanism, developed in consultation with industry, will provide a familiar framework.

Market participants already work with AEMO to resolve issues and potential shortfalls across the ECGS. APA's East Coast Gas Grid has significant line pack that already helps resolve reliability issues. For example:

- In mid-July 2021, following an unexpected outage at Longford, the flexibility provided by the ECGG enabled more gas to move from the north to the south. Due to their ability to compress and store gas, pipelines are ideally placed to help with energy supplies either during extreme weather or in the event of supply failure. This was shown to be the case following the supply disruption at Longford.

By accessing compressed gas on pipelines around Victoria, APA was able to support gas shippers in getting the necessary gas into the Victorian Transmission System, thereby overcoming the shortfall from Longford.

The Australian Financial Review reported that APA performed a "very important and understated role" in making gas available to the Victorian market.³ The threat to system security was subsequently cancelled by AEMO.

- On 13 February 2024, severe storms impacted 12,000km of powerlines across Victoria, causing outages that impacted more than 500,000 homes and businesses. The storm led to the tripping of Loy Yang A power station, requiring multiple GPG units across Victoria to come online. Dandenong LNG vapourised 270 tonnes (out of a total capacity of 12,400 tonnes) of LNG into the Declared Wholesale Gas Market (DWGM) to support GPG, which equates to approximately 15 TJ of gas, providing reliable energy supplies to Victorian customers.

² [APA to deliver pipeline capacity needed to solve projected east coast gas shortfalls](#), 19 February 2026

³ [Australian Financial Review, Longford disruption ups pressure on east coast gas as prices spike](#), 19 July 2021, p17

It is essential that the SoLR framework is a 'last resort' and avoids 'crowding out' the private sector. If AEMO, rather than the market, becomes responsible for directing market outcomes, the risk of customers bearing inefficient costs increases dramatically. Customers may deliberately under-contract if they think that AEMO will intervene to fix any shortfalls.

As demonstrated, the market is already well-equipped to respond to emerging supply-demand imbalances across the short term. It is important that the SoLR framework does not displace or weaken these existing responses, particularly where commercial incentives and operational flexibility are already delivering reliable outcomes.

In the medium to long term, market-led solutions will remain the most efficient way to manage tightening conditions, depending heavily on the location and volume of future supply. As southern production declines, stable policy signals are essential to support timely investment in transport and storage. The issue is not a lack of infrastructure or willingness to invest. As outlined in Section 1.2, APA has recently announced a ~\$500m expansion of its ECGG to help address projected southern market gas shortfalls. Gas infrastructure operators like APA have a strong track record of delivering the necessary infrastructure to ensure customers have sufficient gas in the locations they need it.

When designing a SoLR mechanism for the east coast gas market, it is important that the market fundamentals that have underpinned investment are maintained. This means that existing contracts between pipelines, shippers and producers should not be impacted, and the process through which parties negotiate under the contract carriage framework must be maintained.

1.4. Amendments to the SoLR framework to support market fundamentals

We have reviewed the draft rules which accompany the Draft Determination. We consider that amendments are required to ensure that the SoLR is genuinely 'last resort' and supports market led solutions:

- 1. Consulting with industry through the Gas Supply Adequacy and Reliability Committee (GSAR):** draft rule 699H specifies that AEMO must consider whether other functions are available before tendering or activating SoLR service contracts. We support the inclusion of a rule requiring AEMO to consider other options and market mechanisms before operating the SoLR. However, we consider that greater detail should be provided.

Recommendation: draft rule 699H requires greater detail on the options that AEMO must consider prior to operating the SoLR. In particular, we consider that AEMO be required to convene a GSAR conference (following the process in rule 692) to consult with industry about whether there is or is not an actual or potential risk or threat and share information. This should be mandated in draft rule 699H. Requiring AEMO to convene a GSAR conference will provide industry with greater confidence in AEMO's exercise of the SoLR.

- 2. Information on AEMO acting as SoLR:** draft rule 699I states that 'As soon as practicable after *stating* [emphasis added] that it intends to tender for SoLR service contracts under rule 696B(1), AEMO must... conduct a tender process...' This

drafting assumes that AEMO has stated publicly it intends to tender for SoLR service contracts.

The drafting of rule 699I does not align with draft subrules 696B(1) and 696B(2) which both use the word 'may'. Under the current drafting, it is possible that AEMO tenders for SoLR contracts **without** having published a notice under draft rule 696B stating that it intends to go to tender.

Recommendation: to provide industry with greater certainty about the activation of the SoLR and alert industry prior to this occurring, AEMO **must** be required to publish a market notice prior to:

- tendering for SoLR service contracts
- activating SoLR service contracts

To achieve this, draft subrules 696B(1) and 696B(2) must be amended to say that AEMO **must**, rather than AEMO **may** publish a notice.

- 3. Requiring AEMO to demonstrate that it has considered all other options:** draft rule 699H specifies that AEMO must *consider* whether other functions are available before tendering or activating SoLR service contracts. Requiring AEMO to *consider*, with no additional obligation, does not impose any meaningful guardrails on this obligation.

Recommendation: to ensure that 699H imposes a meaningful obligation on AEMO, we recommend that the obligation imposed in draft subrule 696B(3) be replicated in subrules 696B(1) and 696B(2). i.e. in any notice to inform the market that it intends to tender or activate a SoLR contract, AEMO must positively demonstrate that its other functions would not be available, or would be insufficient, to address any threat.

1.5. SoLR would co-exist with Dandenong LNG

We agree that the SoLR mechanism and the interim Dandenong LNG arrangements can co-exist and there is no need for the Draft Determination to address any interactions between the two mechanisms.

The Victorian Energy Minister's 2025 rule change highlighted the unique and critical system security role the Dandenong LNG storage facility plays in the Victorian gas system.⁴ This role is pronounced given Dandenong LNG's strategic location between Victoria's main supply source and its main demand centre in Melbourne. Gas powered generation is expected to play an increasingly prominent role in Victoria's energy mix, meaning that the reliable operation of Dandenong LNG is critical.⁵

The liquefaction service at Dandenong LNG is provided by BOC's liquefaction plant, which is located adjacent to Dandenong LNG. BOC's liquefaction plant has experienced significant reliability issues over the last few years that have extended timeframes for liquefaction. Work is ongoing to support the investment necessary to improve the reliability of BOC's liquefaction plant.

⁴ Victorian Energy Minister, *Extension of the DWGM Dandenong LNG Interim Storage Arrangements Rule Change*, 2 April 2025

⁵ *Ibid*, p5

Regulatory certainty is essential to support investment in new gas infrastructure, including gas storage. Amending the Dandenong LNG interim arrangements at this stage would create further uncertainty for all parties, including customers, involved in the provision of storage services at Dandenong LNG.

1.6. Thorough and considered stakeholder consultation is essential

We agree with concerns outlined in the Draft Determination that the design of the tiered threat signalling system will be very important to ensure it provides the market with the information and time it needs to resolve potential shortfalls.

The draft rule would require the SoLR mechanism to be in place by 1 April 2027. The Draft Determination states this will provide sufficient time for AEMO to undertake preparatory actions and make any necessary changes to relevant procedures to underpin AEMO's operational implementation.

AEMO will need to undertake a rigorous consultation process, in consultation with industry, on the required changes to the East Coast Gas Procedures. When considering the SoLR mechanism alongside the other rule changes in this package⁶ we do not agree that the implementation timeline outlined in the draft determination is sufficient to ensure AEMO and market participants can comply efficiently with the rule.

We support an implementation timeline of 18 months to allow for thorough and considered consultation, testing and implementation of the Reliability and Supply Adequacy rule change processes.

⁶ Enhancing Reliability and Supply Adequacy and Projected Assessment of System Adequacy rule changes