

AER POSITION PAPER: APA RULE 80 APPLICATION FOR SOUTH WEST PIPELINE

5 JUNE 2026

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our members are the engine room of the Australian economy, producing many of the products that households and business use every day including bricks, glass, steel, aluminium, paper, food and beverages. Combined, our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

EUAA members are focused on making products that meet their own customers' requirements where energy is just one input to the process albeit a critical one. Their expectation is that the energy industry continues to provide energy services that are fit for purpose and consistent with the National Energy Objectives (NEO) so that our members can continue to provide a fit for purpose product for their customers.

DISCUSSION

The EUAA welcomes the opportunity to comment on the Australian Energy Regulator (AER) **Position Paper on APA's Rule 80 application for the South West Pipeline** (SWP). Our members recognise the importance of timely and efficient investment in the Victorian Transmission System (VTS) to manage emerging supply risks.

Our feedback focuses on three core priorities, centering on support for near-term capacity uplift through compression as an immediate priority, followed by looping as a secondary priority, which could be further supported by our third priority which is gas pipeline augmentation to assist in facilitating indigenous gas resources.

However, the EUAA does not support regulated expenditure that primarily benefits a single participant, which in this case is represented through the proposed LNG import terminal. If an import terminal requires additional pipeline capacity to operate, that investment should be funded by the proponent through its own commercial arrangements, and not recovered from the broader consumer base. This is consistent with the approach applied to other network augmentations, where generators or individual users are expected to fund the infrastructure required to support their own operations.

The Position Paper notes that:

- Vopak's project is contingent on SWP expansion
- Viva's project would inject at Lara and may require Brooklyn–Lara augmentation
- PKET could supply Victoria via the EGP without immediate VTS augmentation

These are commercial projects whose proponents should fund the infrastructure required to enable their operation. Regulated consumers should not bear the cost or risk of enabling LNG import terminals, particularly

where these terminals may compete with domestic supply or operate intermittently. We therefore do not support early works or augmentation justified primarily on the basis of facilitating LNG import projects. Any such costs should be recovered directly from the beneficiaries under a user-pays model.

PRIORITY 1: SUPPORT TIMELY SWP CAPACITY EXPANSION

We support the AER's position that additional SWP capacity is required to manage forecast winter peak shortfalls from 2029 onwards. Compression is the only option deliverable within the required timeframe, and we therefore support APA proceeding with the compression-based augmentation, subject to the AER's detailed assessment of prudent and efficient costs.

The Position Paper notes that *"compression is the only SWP expansion option that can be delivered by 2029"* and that delays in APA's planning processes have contributed to the current constraint. Notwithstanding these concerns, we agree that the immediate priority is ensuring sufficient capacity during peak periods.

PRIORITY 2: PREFERENCE FOR LOOPING AS THE LONG-TERM SOLUTION

While compression is necessary in the short term, we consider that looping is a robust, and reliable long-term augmentation option. We note that the Position Paper sets out AEMO's preference for looping over compression, particularly where this could be a more cost-effective solution as further expansion of the pipeline may mean that the compressors become redundant in the future. This is particularly relevant where compression is considered as stage one of a multiple stage project.

We understand AEMO's position and agree that looping offers a greater long-term configuration. However, the risk of unaddressed shortfalls in 2029 carries material consequences for consumers and the broader energy system. For this reason, we consider that timely delivery of additional capacity should take precedence, with looping to follow as part of a staged expansion pathway.

The AER's summary of AEMO's technical assessment highlights that looping provides:

- higher reliability, avoiding compressor failure risks
- greater expandability, enabling future capacity increases without asset redundancy
- improved linepack, supporting rapid response to GPG peaks

The Position Paper notes that *"there was a consensus that looping is technically preferable"* at the February workshop. In this context, it will be important that APA's future planning ensures the compression project does not limit or complicate the ability to deliver looping in later stages. This will help avoid a situation where consumers are locked into a long-term configuration that is less efficient or more costly than the looping option identified as preferable by AEMO.

PRIORITY 3: SUPPORT AUGMENTATION THAT ENABLES INDIGENOUS SUPPLY AND STORAGE

The EUAA supports pipeline investment that facilitates indigenous gas resources such as increased utilisation of Cooper Basin, northern gas transported south, and expanded Iona storage capacity.

These investments directly support domestic supply resilience and reduce reliance on higher-cost or higher-risk alternatives. In principle, we would support early works that genuinely accelerate future looping or augmentation where these works are tied to indigenous supply pathways.

However, early works must be tested for prudence and efficiency, given the Position Paper's acknowledgement that *"some of the early works spending may prove to be unnecessary"*, particularly where the market is able to resolve supply shortfalls.

CONCLUDING REMARKS

The EUAA appreciates the opportunity to provide feedback on the AER's Position Paper. Our members support timely and efficient investment that addresses emerging supply risks, preserves long-term optionality, and delivers clear benefits to the broader consumer base. In our view, near-term compression, longer-term looping, and augmentation that enables indigenous supply represent the most prudent pathway for maintaining system security while managing costs for consumers. We look forward to continued engagement with the AER and stakeholders as this process progresses.

Do not hesitate to be in contact with EUAA Network Regulation Manager Shelby Macfarlane-Hill, should you have any questions.



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