



8 April 2024

Australian Energy Regulator  
GPO Box 3131  
Canberra ACT 2601

Submitted by email: [PipelineFOR@aer.gov.au](mailto:PipelineFOR@aer.gov.au)

### **Form of Regulation Review (South West Queensland Pipeline) – Discussion Paper**

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the Australian Energy Regulator's (AER) Form of Regulation Review Discussion Paper for the South West Queensland Pipeline (SWQP).

Origin agrees it is prudent to consider whether the form of regulation applied to pipelines remains fit for purpose, and notes the AER's intention to conduct a program of self-initiated form of regulation reviews over several years to facilitate this assessment, commencing with the SWQP. Generally, there should be a preference for applying the lighter *non-scheme* form of regulation to pipelines unless there is a demonstrated market failure. At this time, we have not identified any material concerns relating to access or pricing of services on the SWQP that would warrant such a change.

A key benefit of the non-scheme pipeline classification is that it is designed to support commercially negotiated outcomes, rather than rely on more prescriptive regulatory determination processes. This was a key reason for introducing the non-scheme pipeline classification in 2017. Dr Vertigan's review of pipeline regulation commissioned by the COAG Energy Council found that addressing information asymmetries between pipeline service providers / users and establishing a credible threat of arbitration would incentivise pipeline operators to provide services on competitive terms and avoid the high costs usually associated with full regulation.<sup>1</sup>

Additional reforms were also implemented in March 2023 to strengthen the efficacy of the non-scheme framework. Pipeline disclosure requirements were enhanced to further support user price discovery, which included requiring service providers to publish individual prices paid by shippers (including key terms and conditions).<sup>2</sup> Further, potential barriers to small users pursuing arbitration were removed to strengthen the credibility of the framework being used by those parties.<sup>3</sup> It would be prudent to provide sufficient time for these reforms to take effect, and consider the outcomes of any access negotiations, prior to determining a higher form of regulation is required.

As part of the review, the AER has also noted it will assess the degree to which any substitutes for transporting gas on the pipeline are available and the extent to which they could limit the service providers ability to exercise any market power. We consider gas swaps to be a viable and practical solution to procuring physical transport on the SWQP to notionally deliver gas to the southern states from Wallumbilla. As noted in the Consultation Paper, there are also four LNG import terminals at various

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<sup>1</sup> Dr Michael Vertigan AC, 'Examination of the current test for the regulation of gas pipelines', 14 December 2016, pg. 3-4.

<sup>2</sup> Department of Climate Change, Energy, the Environment and Water (DCCEEW), 'Information Paper: Improving gas pipeline regulation', pg. 5

<sup>3</sup> Ibid, pg. 6.

stages of planning on the east coast and should any of these projects proceed, they would compete with the SWQP for transport services to the southern states.

If you wish to discuss any aspect of this submission further, please contact Shaun Cole at [REDACTED] or on [REDACTED].

Yours Sincerely,

A handwritten signature in cursive script that reads "S Cole".

Shaun Cole  
Group Manager, Regulatory Policy