

AER seeking views on how the South West Queensland Pipeline is regulated

The Australian Energy Regulator (AER) is reviewing the way the South West Queensland Pipeline (SWQP) is regulated. In the review we will consider whether:

- the SWQP should remain subject to a lighter level of regulation as it currently is, or
- if it should change to be subject to a stronger form of regulation. If we decide the SWQP should be made subject to a stronger form of regulation, users of the pipeline would be able to acquire reference services on the pipeline at prices, and other terms and conditions, approved by the AER.

Why do we need to ensure there is an appropriate level of regulation for pipelines?

Ensuring that the level of regulation of pipelines, including the SWQP, is appropriate is important to users of pipelines services, and end consumers. If pipelines are over-regulated or under-regulated, it can create inefficient outcomes. For example,

- under-regulation may mean that pipeline service providers are able to exercise market power, and charge inefficiently high prices, or set unreasonable terms and conditions of access to pipeline services.
- over-regulation can unnecessarily increase regulatory costs and may result in worse outcomes than lighter regulation would.

Have your say

We are interested to hear from stakeholders, including users, prospective users, and user and consumer groups about your views on the review, and whether you think the regulation of the SWQP should change.

We encourage stakeholders to read our [Discussion Paper](#) for the review, which contains a full list of questions for stakeholders which we are seeking views on.

Submissions are due by **27 March 2024**. However, the AER may consider submissions it receives after this consultation period has ended. If you wish to make a submission but are unable to do so by 27 March 2024, please contact us to discuss further options.

We understand that some stakeholders may wish to provide their views on a confidential basis. If you prefer to provide your views via a call with representatives from the AER team or in a confidential submission, please email PipelineFOR@aer.gov.au to discuss further.

The factsheet below summarises:

- [what the review is looking at in more detail](#)
- [what changing the regulation of the SWQP would mean](#)
- [what we will consider in our review](#)
- [key issues we are seeking your views on.](#)

What we are doing

The SWQP is a transmission pipeline owned and operated by APA Group, which is currently regulated as a non-scheme pipeline (which means it is subject to a lighter form of regulation).

In this review, we are considering whether the SWQP should become a scheme pipeline. This would mean it would be subject to 'full regulation'. We may also decide that there should be no change in the way the SWQP is regulated, and it would continue to be more lightly regulated.

We are reviewing the SWQP because of its importance to the east coast gas market, and as it will likely become more important in the future. Access to the SWQP is currently essential to transport gas between Queensland and the southern states and territories (ACT, NSW, SA, Tas, Vic) and from the Northern Territory to the east coast gas market. Ensuring that the form of regulation applying to the SWQP remains appropriate is therefore important for promoting the efficient operation of gas markets.

We have not yet formed any views on whether the form of regulation of the SWQP should change. Information we receive from stakeholders, such as yourself, will be important in helping to inform our decision making.

What it would mean if the SWQP becomes a scheme pipeline

Gas pipelines can be fully regulated (scheme pipelines) or more lightly regulated (non-scheme pipelines). Many of the regulatory obligations that apply to scheme and non-scheme pipelines are the same. Both types of pipelines must publish information about the pipeline services offered, and the historical demand, actual prices payable, and cost and revenues associated with those pipeline services.

However, there are additional obligations that apply to scheme pipelines. Under full regulation, service providers of scheme pipelines must submit an access arrangement proposal to the AER. An access arrangement sets out the terms and conditions, including prices, that a user can rely on to access a reference service. The AER assesses and approves these prices and non-price terms. This helps to ensure that pipeline users, and ultimately consumers pay no more than necessary for safe and reliable gas services. Incentives are also provided to service providers to reduce costs, improve service quality and undertake efficient investments.

Reference services must be offered to all shippers on the terms and conditions in the approved access arrangement. Shippers are not obligated to accept this offer, and are still able to negotiate for services that differ to the reference services as they do for non-scheme pipelines.

Approving an access arrangement is a multi-stage public consultation process which involves considering:

- what the reference services for the pipeline should be
- the prices for those reference services (reference tariffs)
- non-price terms and conditions of those reference services.

Access arrangements are reviewed periodically (generally every five years).

There are several scheme transmission pipelines in the east coast gas market that are fully regulated. This includes the Roma Brisbane Pipeline and Amadeus Gas Pipeline, which are owned by APA Group. The access arrangement for the Roma Brisbane Pipeline sets out the reference services (Firm Service Eastbound and Firm Service Westbound) and the reference tariff for the services (both \$0.6373/GJ of Firm MDQ). Further details can be found on the APA website ([Roma Brisbane Pipeline](#), [Amadeus Gas Pipeline](#)).¹

What we will consider in our review

In determining whether to change the level of regulation of the SWQP, we must apply the form of regulation test as set out in section 112 of the National Gas Law. This requires us to assess how effective each form of regulation will be in promoting access to pipeline services, the likely costs of each form of regulation, as well as other considerations.²

We will consider:

- the degree of market power APA may hold in relation to the SWQP³
- how changing the level of regulation might impact achieving the National Gas Objective
- the likely impact of scheme and non-scheme regulation on promoting access to pipeline services
- the costs incurred by APA and users, and likely to be incurred by end-users, under each form of regulation
- how each form of regulation will affect pipeline investment.

What we want to know from you

We are seeking your views on a range of issues that will help us decide whether the level of regulation of the SWQP is appropriate, or whether it should change. In particular, we value your views about:

- negotiating for pipeline access on the SWQP, including whether users consider they can engage in genuine negotiations and whether they are satisfied with the price and non-price terms and conditions of access to the SWQP

¹ See also, [Roma Brisbane Pipeline access arrangement](#) and [Amadeus Gas Pipeline access arrangement](#) on the AER website.

² We must also consider the form of regulation factors and the National Gas Objective but may also have regard to any other matters we consider relevant.

³ The form of regulation factors are barriers to entry, how the SWQP's market power is affected by any other services it provides, countervailing market power of pipeline users, and the availability of substitutes and elasticity of demand for pipeline services and gas.

- what information users consider in negotiations, including information published by APA, and how useful it is in negotiating reasonable terms and conditions
- differences in negotiating and accessing services on the SWQP and other pipelines
- whether there are any viable alternatives to using the SWQP
- whether there are substitutes for gas in your business
- whether APA offering other services affects how services are provided or used on the SWQP
- users views on dispute resolution and whether they would ever consider raising an access dispute
- trends in the gas market that may impact your use of the SWQP
- whether fully regulating the SWQP would change how users can access SWQP pipeline services, or the price and non-price terms you would receive
- any other issues you consider important for the AER in deciding whether the form of regulation applying to the SWQP should change or not.

A full list of questions for stakeholders can be found in the [Discussion Paper](#), which we consider important to our assessment.