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AEMO Draft 2026 Integrated System Plan

APA Submission

13 February 2026

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Daniel Westerman
Chief Executive Officer
Australian Energy Market Operator

13 February 2026

RE: APA submission to the draft 2026 Integrated System Plan

Dear Mr Westerman,

Thank you for the opportunity to comment on the draft 2026 Integrated System Plan (Draft ISP).

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 well as an extensive network of natural gas pipelines, we own or have interests in gas storage and generation facilities, electricity transmission networks, and 773 MW of renewable generation and battery storage infrastructure.

As outlined in the Draft ISP, gas powered generation (GPG) will play a key role in the energy transition. This is demonstrated in South Australia where the system continues to rely on GPG to maintain voltage control and system strength during periods of high wind and solar output. Recent events in both South Australia and Victoria also show that GPG provides the fast, long-duration, dispatchable backup needed during renewable droughts or unexpected coal failures.

The Draft ISP shows a steadily increasing need for GPG capacity through to 2050, yet materially under-forecasts the need for near-term GPG generation compared with both historical consumption and previous ISPs. Under-forecasting GPG risks weakening the investment signals needed to deliver the 12 GW of new capacity identified in the ISP.

As outlined in our submission below, we consider that Appendix 10 to the Draft ISP overstates the attractiveness of the chosen option to inform gas development projections. This is because its "low-cost" assessment relies on modelling which omitted major cost components of LNG import terminals and therefore materially understates their true cost. Given the Commonwealth's clear policy shift towards prioritising domestic gas supply, the incremental expansion of existing gas infrastructure remains the most efficient way to ensure low cost domestic gas is delivered to customers.

If you have any questions about our submission, please contact John Skinner, Senior Manager Policy on john.skinner2@apa.com.au

Regards,

Natalie Lindsay

General Manager Economic Regulation and External Policy

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1. Submission

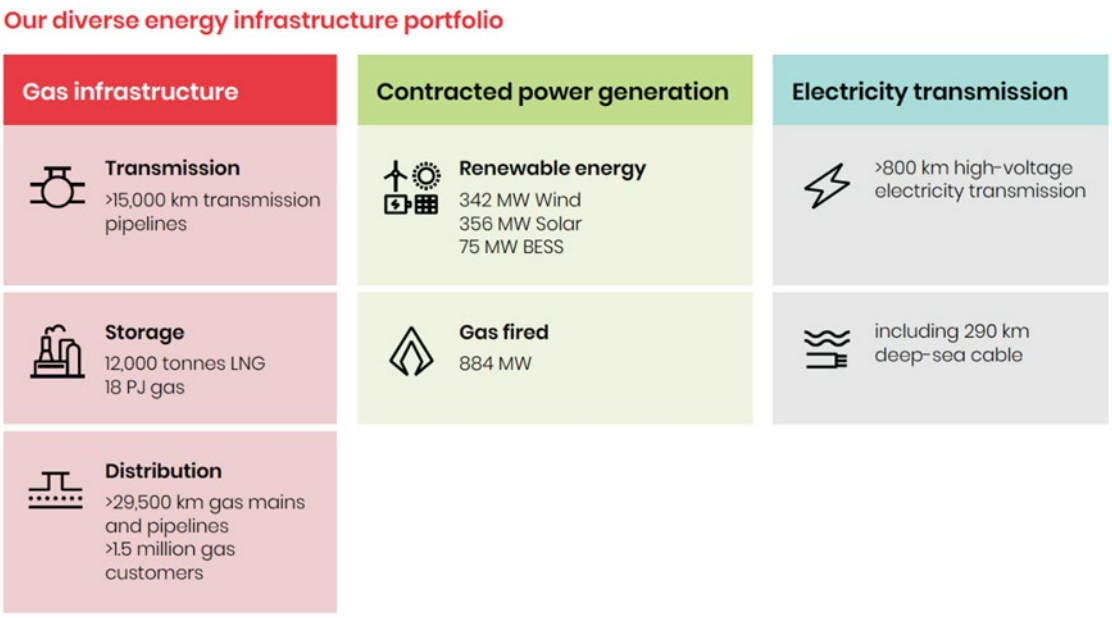
Key Points

- GPG remains a critical pillar of system security; recent events in South Australia and Victoria demonstrate its essential role in maintaining the reliability and security of the electricity system.
- The Draft ISP has materially under-forecast the need for near-term GPG generation compared with both historical consumption and previous ISP's. Under-forecasting GPG risks weakening the investment signals needed to deliver the new capacity required.
- The Draft ISP's preferred gas development option (as outlined in Appendix 10) understates the true cost of LNG import terminals.
- Given the Commonwealth's clear policy shift towards prioritising domestic gas supply, the incremental expansion of existing gas infrastructure remains the most efficient way to ensure low cost domestic gas is delivered to customers.

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 15,000 kilometres of natural gas pipelines connect sources of supply and markets

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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 (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 released our 2025 Climate Transition Plan (CTP), building on progress made since APA's inaugural CTP released in 2022.[1] This 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. GPG remains a critical, strategic component of the NEM

GPG is expected to play a key role in navigating an orderly and secure energy transition, as well as helping Australia meet its net zero ambition targets.

This is already being played out in South Australia, which closed its last coal power station in 2016. As recent experience has shown, periods of low wind and solar availability require significant volumes of long duration dispatchable resources to be available to support the reliability and security of the system.

Despite the introduction of synchronous condensers in South Australia, GPG remains critical in ensuring sufficient electricity supply, including system strength and long duration firming, and during periods of low wind and solar generation.

In 2025 AEMO often issued directions to the largest gas-powered generators in South Australia, despite wind and solar producing around 100% of South Australia's generating needs. AEMO intervened in the market to maintain the power system in a secure operating state and ensure that there was sufficient voltage control in the market.[2]

GPG also provides critical backup to renewables and aging coal power generation. On 9 June 2025, Yallourn Power Station in Victoria went offline after a collapse of an air duct. This coincided with temperatures in Victoria dropping to 0 degrees Celsius, and low output from wind across southern states. GPG ramped up quickly, providing much needed backup when coal unexpectedly went offline. As was reported widely, this confluence of events resulted in Victoria using 13% of forecasted gas use for the year in three days.[3]

Following the event, AEMO's Executive General Manager of Operations Michael Gatt said:

[1] APA releases 2025 Climate Transition Plan
[2] AEMO, Market notices, 126735, 126747, 126782, 126810, 126839
[3] Victoria uses 13pc of entire year's gas budget in just three days

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"Recent conditions in Victoria highlight the role gas plays in the National Electricity Market as the ultimate reliability backstop when ageing power station unavailability coincides with low renewable output."[4]

1.3. The ISP should better reflect GPG's important role in the transition

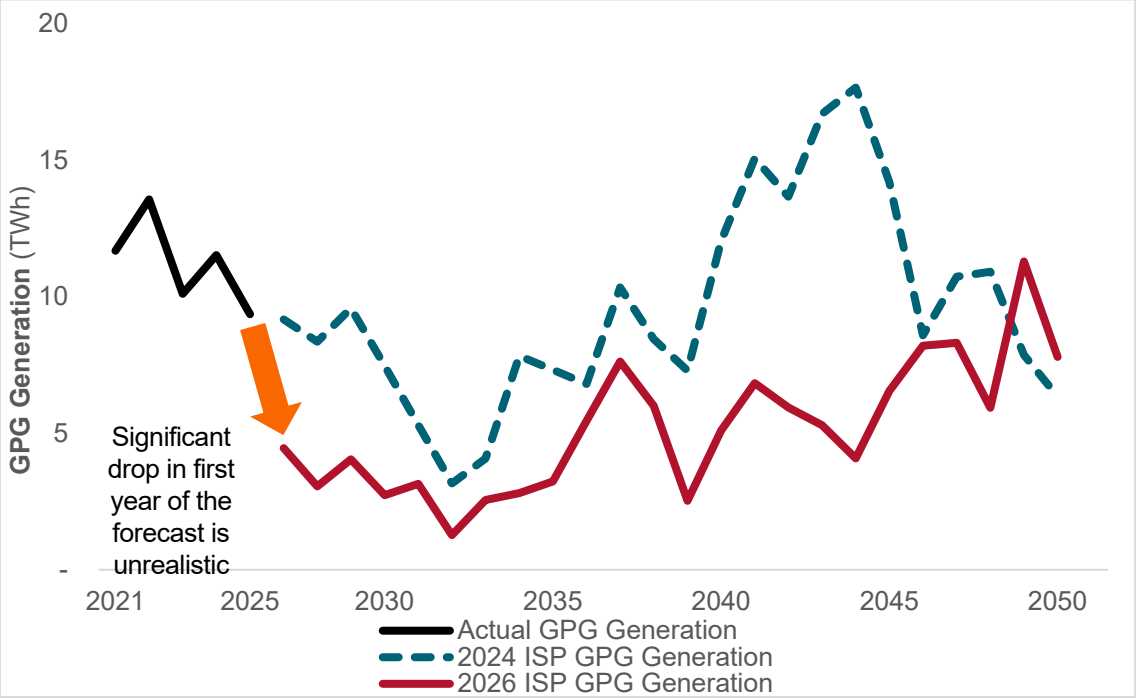
Greater accuracy in forecasting GPG in the ISP is essential, given how important gas is, and will continue to be, through Australia's energy transition.

Since the 2022 ISP, GPG has been recognised as playing an even greater role during the transition:

- In 2022, AEMO flagged that without coal-fired generation, the NEM would require 10GW of GPG by 2050 for peak loads and firming
- In the 2024 ISP, AEMO has since revised its forecasts with the NEM expected to require 16.2GW of GPG by 2050
- In the draft 2026 ISP, AEMO has again revised its forecasts, with the NEM now expected to require 15GW of GPG by 2050.

However, the GPG consumption forecasts in the draft 2026 ISP sit well below both previous ISPs and actual generation levels. As shown in Figure 1, between 2021 and 2025, GPG consumption has not fallen below 9TWh per year, yet AEMO's 2026 forecast drops to just 4.5TWh, despite installed capacity remaining unchanged.

Figure 2 GPG Generation actual and forecasted consumption[5]



[4] Ibid
[5] 'Actual GPG Generation' is historical GPG generation from years 2021 through 2025
'2024 ISP GPG Generation' is AEMO forecasted GPG generation through 2050 in the 2024 ISP Step Change Scenario
'2026 ISP GPG Generation' is AEMO forecasted GPG generation through 2050 in the 2026 draft ISP Step Change Scenario

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This suggests that limitations on the *Step Change Scenario* are leading to under-forecast GPG consumption for the near term, which would in turn lead to total GPG required in the NEM by 2050 to be under-forecast.

Given around 9GW of the existing 12GW of GPG capacity already in the system is also expected to retire, the energy system will need **at least** 12GW of new GPG to come online to support the transition.

However, in the 2025 Electricity Statement of Opportunities (ESOO), AEMO only classify one project providing 750MW dispatchable GPG as expected to come online, the Hunter Power Station open cycle gas turbine (OCGT).[6] After the release of the ESOO, in December 2025, APA announced an agreement to partner with CS Energy to develop the 400MW proposed Brigalow Peaking Power Plant, expected to be operational by 2028.[7]

Even if this 1.15GW of GPG is delivered, there is still substantial investment needed to meet the GPG investment required for the transition.

1.4. Ensuring reliability in energy supply means maintaining investment in the gas sector

1.4.1. We need to increase investment in GPG

Facilitating the transition will require clearer investment signals for GPG and stronger support for the industries and operators delivering new capacity. The operating profile of GPG is very uncertain. Many factors influence the utilisation of a GPG facility, including the cost of gas, unpredictable weather patterns, coal power generation outages and delay in building electricity assets.

As increasing volumes of renewable energy come online, the pressure on thermal power station operators is expected to increase. The completion of the NSW to South Australia interconnector (Project Energy Connect) and other interconnectors, which will increase the amount of energy that can be imported between jurisdictions, will compound the problem.

While governments have taken steps to incentivise the introduction of new renewable generation projects, historically GPG has not been incentivised through similar mechanisms.

In November 2024, the Australian Government announced a review of the National Electricity Market wholesale market settings (NEM Review) by an independent expert panel led by Professor Tim Nelson.

We support the outcomes of the NEM Review, which were published in December 2025. Central to the recommendations of the NEM Review is the formation of a new Electricity Services Entry Mechanism (ESEM) which aims to provide long-term investment signals

[6] AEMO, *2025 Electricity Statement of Opportunities*, pg 7
[7] APA signs agreement to partner with CS Energy to develop and own the proposed Brigalow Peaking Power Plant

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using the derivatives market.[8] The proposed ESEM will support generation that can run for over 8.5 hours of continuous dispatch, positioning GPG as a strong option.

A formal, industry-led contract design process is now underway which will define the suite of fungible, tradeable contracts required for the ESEM. The outcome of this process will be critical as it will directly shape how participants enter, manage risk and transact through the ESEM.

1.4.2. Developing new gas supply is critical for energy security

Both AEMO and the Australian Competition and Consumer Commission (ACCC) have flagged that the East Coast Gas Market (ECGM) is at risk of gas shortfalls this decade.[9] This puts at risk the vital role gas will play in 'unlocking' renewables for a secure energy transition. AEMO has also pointed to an overall reduction in system resilience which will add further pressure to the gas markets.[10]

Gas is essential for thousands of commercial and industrial users and is critical to our economy. Industry uses around 90% of total Australian gas consumption, and many of the end users don't have a viable alternative to gas. Brick manufacturers, for example, rely on gas to provide the intense heat required to make bricks. Gas is also used to make fertilisers for our food and ensure the safe operation of our hospitals and hospitality venues.

To support long-term investment in new manufacturing capability, gas consumers need confidence that they can secure affordable and reliable long term gas supplies. The Commonwealth Government's Gas Market Review, which released its findings in December 2025, provides an opportunity to create a well-functioning gas market that incentivises the supply of reasonably priced, long-term domestic gas contracts, underpinned by a stable regulatory framework.

1.4.3. The incremental expansion of existing infrastructure remains the most efficient solution to ensure gas gets to where it is needed

> *This section addresses Question 5. Do the gas development projections reflect an appropriate level of investment to support the gas sector, including gas-powered generation in the NEM?*

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.

To date, the incremental expansion of existing infrastructure has been the most efficient, timely and lowest cost solution to ensure that gas is delivered when and where it is needed. Gas retailers coordinate with producers to ensure they secure gas supplies and

[8] *National Electricity Market wholesale market settings review*, pg 226
[9] AEMO, *2025 Gas Statement of Opportunities,* pg. 4; ACCC, *Gas Inquiry 2017-30, Interim update on east coast gas market,* December 2024
[10] AEMO, *2025 Gas Statement of Opportunities*, pg. 77

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with pipeline operators to ensure they can transport gas from gas fields to their end customers.

Table 3 in the Gas Development Projections (GDP) Appendix 10 of the Draft ISP provides an overview of the infrastructure and supply forecast in each gas development projection for the *Step Change scenario*. Whilst we acknowledge that all three projections adapt to similar levels of gas availability for GPG by 2037, we do not agree that option 3 should be used to inform the gas limits for the optimal development pathway for electricity. Appendix 10 states that Option 3 has a relatively low build cost referencing the capital costs of gas infrastructure options calculated in the 2025 Gas Infrastructure Options Report (2025 GIOR).[11]

As outlined in our submission to the 2025 GIOR, the exclusion of a series of costs for LNG import facilities (despite these costs being a relatively large portion of the cost base) skewed the analysis contained in the GIOR. These excluded costs included:

- Charter cost of Floating Storage Regasification Unit (FSRU facilities), ranging from $80k to $120k USD per day (more than AUD $55m per annum)
- Personnel to run facilities;
- Licensing
- Port fees
- Energy requirements for facilities and;
- Gas handling costs (i.e. nitrogen balancing)

It is essential that these costs are taken into consideration when considering gas infrastructure expenditure. This will help the ISP achieve its objective of designing the lowest cost, secure and reliable energy system capable of meeting any emissions trajectory determined by policy makers at an acceptable level of risk.

The Commonwealth Gas Market Review makes clear that future policy settings will prioritise securing competitively priced domestic gas for Australian users, including through a proposed domestic reservation scheme and reforms aimed at reducing exposure to international LNG price volatility.[12]

> …the east coast LNG export industry has become linked to international markets, exposing domestic consumers to volatility in international LNG prices...[13]

[11] *Draft 2026 ISP Appendix A10. Gas Development Projections*, pg 14
[12] Gas Market Review final report, pg 7
[13] Ibid

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A key pillar of this reform is the establishment of a domestic gas reservation scheme, to commence in 2027, likely to require domestic demand to be met before any exports are approved.[14] The case for LNG import terminals would seem to work against this policy trajectory, which would deepen the linkages between international and domestic price and introduce significant additional cost.

[14] Gas Market Review Final Report