



28 February 2021

## **Submission: Electricity supply options for the North West Minerals Province Consultation Regulatory Impact Statement (CRIS)**

The Australian Pipelines and Gas Association (APGA) represents the owners, operators, designers, constructors and service providers of Australia's pipeline infrastructure with a focus on high-pressure gas transmission. APGA's members build, own and operate the gas transmission and processing infrastructure connecting natural and renewable gas production around the country to demand centres in cities and elsewhere. Offering a wide range of services to gas users, retailers and producers, APGA members ensure the safe and reliable delivery of 28 per cent of the end-use energy consumed in Australia and are at the forefront of Australia's renewable gas industry, helping achieve net-zero as quickly and affordably as possible.

APGA welcomes the opportunity to contribute to the Queensland Governments' consultation on Electricity supply options for the North West Minerals Province Consultation Regulatory Impact Statement (the **CRIS**).

The NWMP is already connected to Australia's east coast energy system via energy infrastructure with capacity of 2.6GW. The combined energy transport capacity of the Carpentaria Gas Pipeline (CGP, 119TJ/day) and Northern Gas Pipeline (NGP, 106TJ/day) is sufficient to supply enough gas to approximately double Mount Isa's current gas power generation (GPG) capacity at an average transmission cost of \$6.64 per MWh (\$1.85 per GJ)<sup>1,2,3</sup>. This gas pipeline infrastructure does so without relying upon funding from the Queensland government either through taxpayer funding or the transfer of end-of-life debt.

As demonstrated in a recent GPA Engineering report, new electricity transmission infrastructure is more expensive and less reliable than gas pipeline infrastructure in like-for-like scenarios<sup>4</sup>. In its summary of the report, APGA notes that gas infrastructure has a long history of being lower cost and more reliable than electricity infrastructure with lower

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<sup>1</sup> Carpentaria Gas Pipeline website, APA Group 2022

<https://www.apa.com.au/our-services/gas-transmission/east-coast-grid/carpentaria-gas-pipeline/>

<sup>2</sup> Northern Gas Pipeline website, Jemena 2022

<https://jemena.com.au/pipelines/northern-gas-pipeline>

<sup>3</sup> Gas Bulletin Board, Australian Energy Market Operator 2022

<https://aemo.com.au/en/energy-systems/gas/gas-bulletin-board-gbb>

<sup>4</sup> Pipelines vs Powerlines: A Technoeconomic Analysis in the Australian Context, GPA Engineering 2022

[https://www.apga.org.au/sites/default/files/uploaded-content/field\\_f\\_content\\_file/pipelines\\_vs\\_powerlines\\_-\\_a\\_technoeconomic\\_analysis\\_in\\_the\\_australian\\_context.pdf](https://www.apga.org.au/sites/default/files/uploaded-content/field_f_content_file/pipelines_vs_powerlines_-_a_technoeconomic_analysis_in_the_australian_context.pdf)

impacts on local communities<sup>5</sup>. A wholistic view of all energy infrastructure options needs to be considered in seeking low-cost energy outcomes for all Australians.

Existing gas infrastructure is certain to be cheaper than new electricity infrastructure.

The CRIS does not adequately justify its position that Queensland's North West Minerals Province (NWMP) is experiencing a lack of affordable and reliable energy. APGA agrees that energy customers within the NWMP should have access to affordable, reliable energy, but CRIS Option B and C will not achieve this goal. These options will negatively impact the NWMP and Queensland taxpayers by undermining lower cost local energy investments in the region while requiring Queensland taxpayers to provide a \$1.1 to \$1.7 billion subsidy to the proposed infrastructure during operation and incurring \$1 billion debt in 40 years' time.

Infrastructure subsidisation as proposed in Option B, or the consideration of special conditions within an existing regulatory process as proposed in Option C, should only be considered in the presence of suitable justification. Such justification could either include demonstrated market failure or a sufficiently rigorous public interest test. The CRIS does not demonstrate market failure or the outcomes of a sufficiently rigorous public interest test in proposing Option B or C. Further, given the capability of existing infrastructure and local development opportunities, these options will undermine local energy production and transmission developments in the NWMP well into the future.

Beyond the failure to justify the need for change, the suggestion of considering broader economic benefits of a project as proposed in Option C opens to the consideration of the broader economic detriments of a project.

Through subsidising this one instance of energy infrastructure, CRIS Option B and C will distort the energy infrastructure investment environment within the NWMP for decades to come. These options will undermine existing private sector investments in energy infrastructure within the region and irreparably lower the cost floor for energy transmission infrastructure in the region. Not only does this create sovereign risk and the erosion of a competitive market after private entities have invested in good faith, but this will also make it more challenging for additional infrastructure to be built into the future.

Once this artificially low transmission price floor is created, no energy transmission infrastructure within the region will be able to be competitive without similar levels of subsidisation and concession as proposed within Option B and C of the CRIS. Additionally, these options would unfairly disadvantage and distort prospective variable renewable electricity (VRE) development projects within the local NWMP region. These local developments represent better options to reduce the cost and increase the reliability of energy in the NWMP, and will bring greater economic benefits to the local community. Development of local VRE can occur at much lower costs than importing VRE from distant parts of the state while also creating more local jobs energy within the NWMP.

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<sup>5</sup> Pipelines vs Powerlines: a summary, Australian Pipelines and Gas Association 2022  
[https://www.apga.org.au/sites/default/files/uploaded-content/field\\_f\\_content\\_file/pipelines\\_vs\\_powerlines\\_-\\_a\\_summary.pdf](https://www.apga.org.au/sites/default/files/uploaded-content/field_f_content_file/pipelines_vs_powerlines_-_a_summary.pdf)

The NWMP is also perfectly positioned to benefit from an abundance of ramp gas made available through early stages of Beetaloo Basin development across coming years. Accessing Beetaloo ramp gas via existing gas pipeline infrastructure could ensure sufficient additional GPG capacity is available to firm up any additional VRE generation developed in the region.

APGA is only able to generally discuss the above points. Individual businesses engaged in the NWMP will be able to discuss the abundance of opportunities to power the region in more detail. Many of these options will be available at a lower cost than the options proposed within the CRIS, representing more sustainable opportunities for the NWMP. The NWMP does not need to rely upon the residents of Brisbane and broader regions of Queensland to pay for uneconomic electricity infrastructure, and with so many other local energy options available for development in the region, the proposed options would be unlikely to pass a sufficiently rigorous public interest test to justify special treatment.

To discuss any of the above feedback further, please contact me on +61 422 057 856 or [jmccollum@apga.org.au](mailto:jmccollum@apga.org.au).

Yours Sincerely,



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