

Gas pipeline classification decision – Kurri Kurri Lateral Pipeline

Draft decision

March 2025

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Glossary

Term	Definition
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
APA	APA Transmission Pty Ltd
DCCEEW	NSW Department of Climate Change, Energy, the Environment and Water
GBB	Gas Bulletin Board
KKLP	Kurri Kurri Lateral Pipeline
MPa	Megapascal
NCC	National Competition Council
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
STTM	Short-Term Trading Market

1. Summary

The Australian Energy Regulator's (AER) draft decision is to classify the Kurri Kurri Lateral Pipeline (KKLP) as a transmission pipeline. This classification takes effect from the date of publication of our final decision.¹

The KKLP consists of a 21 kilometre (km) gas pipeline, which will connect the Hunter Power Project in Kurri Kurri, New South Wales to the existing Sydney to Newcastle Pipeline near Newcastle. It is capable of bi-directional flow. The KKLP also includes a 24 km larger diameter serpentine pipeline that will function as a storage reservoir to provide gas to the Hunter Power Project at peak times. The service provider, APA Transmission Pty Ltd, expects the KKLP to be commissioned in the first quarter of 2025.

As the KKLP's pipeline licence does not state its classification, APA must apply to the AER for it to be classified as a transmission or distribution pipeline. APA submitted its application on 6 December 2024, seeking a classification for the KKLP as a transmission pipeline.

Having regard to the pipeline classification criterion, the pipeline characteristics set out in section 13 of the National Gas Law (NGL) and the National Gas Objective (NGO), we consider that the KKLP's characteristics are consistent with those of a transmission pipeline and that its primary function is to convey gas to a market. We also consider the NGO is best promoted through consistent regulatory treatment of pipelines and that a transmission classification will promote the NGO by allowing registration to the Gas Bulletin Board (GBB) and the Short-Term Trading Market (STTM). This will benefit consumers by facilitating improved decision-making and greater gas market transparency.

In coming to this draft decision, we have consulted with the New South Wales (NSW) Minister for Energy, the NSW Department of Climate Change, Energy, Environment and Water (DCCEEW), the Australian Energy Market Operator (AEMO) and the Australian Energy Market Commission (AEMC) in accordance with rule 29F of the National Gas Rules (NGR).

1.1. Next steps

Stakeholders are invited to provide written submissions in response to this draft decision until 5pm AEST on 15 April 2025. Following consideration of any issues raised in submissions, we will make a final decision by 13 May 2025.²

We ask that submissions are provided in an electronic format (.doc or other text-searchable document) and emailed to AERGasReform@aer.gov.au. The AER prefers that submissions are public and published on our website. This facilitates an informed, transparent, and robust consultation process. However, we will accept confidential submissions in some circumstances. If you wish to make a confidential submission, we ask that you contact us before making the submission to discuss whether we can treat your submission, or portions of it, as confidential. In doing so, we ask that you clearly identify the information that is the

¹ National Gas Law (NGL), s 120(b).

² National Gas Rules (NGR), rr 9(2)(d) and 29F(1).

subject of the confidentiality claim and provide a non-confidential version of the submission in a form suitable for publication if possible.

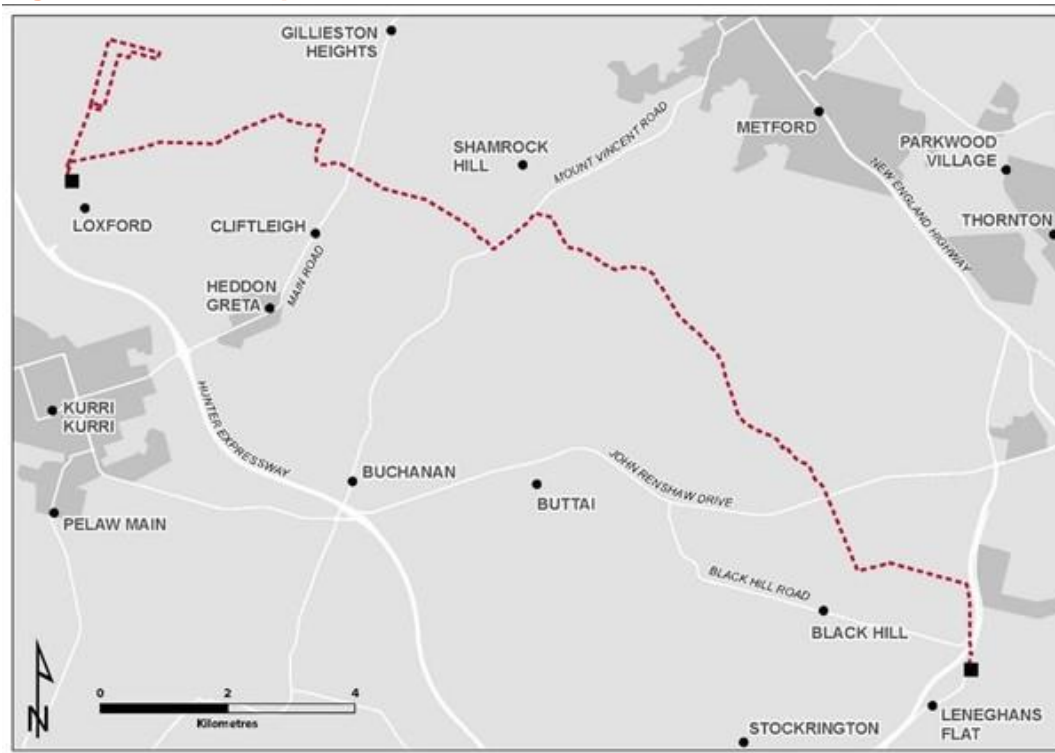
2. Application

On 6 December 2024, APA Transmission Pty Ltd (APA), a wholly-owned entity of APA Group, submitted a pipeline classification application for the KKLP to the AER under section 117 of the NGL.³ APA sought a classification for the KKLP as a transmission pipeline.⁴

As the KKLP's licence does not state whether it is a transmission or distribution pipeline, APA must apply to the AER for the pipeline to be classified as a distribution pipeline or transmission pipeline.⁵ The application must be made in accordance with rule 29D of the NGR.

The KKLP is a buried gas pipeline and storage pipeline which will connect the Hunter Power Project at Kurri Kurri in New South Wales to the existing Sydney to Newcastle Pipeline near Newcastle. The completion of the KKLP is targeted for the first quarter of 2025. Figure 1 below shows a map of the KKLP.

Figure 1 – KKLP map



Source: APA's classification application.

³ APA, *Application to the AER for classification of the Kurri Kurri Lateral Pipeline*, 6 December 2024 (APA application).

⁴ APA application, p 2.

⁵ NGL, s 117.

3. Regulatory framework for a classification decision

3.1. What is a pipeline classification?

All scheme and non-scheme pipelines must be classified as either a distribution or transmission pipeline. The primary function of a distribution pipeline is to reticulate gas within a market. The primary function of a transmission pipeline is to convey gas to a market.⁶

In most cases, the pipeline licensing authority will classify the pipeline. However, if a newly commissioned pipeline is not classified as a distribution or transmission pipeline under a licence or authorisation granted under jurisdictional gas legislation, the service provider must apply to the AER for a pipeline classification. This must occur within 20 business days after the commissioning of the pipeline.⁷

In general, transmission and distribution pipelines are subject to similar obligations under the NGL and NGR, but there are some differences. For example, there are different requirements in relation to the types of information that a service provider must publish under Part 10 of the NGR. There are also obligations on service providers of distribution pipelines under Part 12A (gas connections of retail customers) and Part 21 (retail support obligations between distributors and retailers) of the NGR.⁸

Transmission pipelines are also required to report information on the GBB and for the STTM, a wholesale gas market operated by AEMO.

A transmission pipeline classification may facilitate flexibility for a pipeline to expand in the future to meet changing market needs. For example, services provided by transmission pipelines can evolve or easily change if users require additional capacity or if there is a requirement to facilitate additional transportation arrangements such as third-party access.

In comparison, distribution pipelines have slightly lower levels of regulatory and administrative burdens than transmission pipelines. They are not required to report GBB and STTM information to AEMO and the services offered on these pipelines are generally standard services: injecting gas into a pipeline, conveying gas to supply points and withdrawing gas from a pipeline.

Whether a pipeline is classified as a transmission or distribution pipeline does not impact the form of regulation that applies to a pipeline (i.e. whether it is a scheme or non-scheme pipeline).

⁶ NGL, s 13(1).

⁷ NGL, ss 117(1) and 117(2).

⁸ NGR, Parts 12A and 21.

3.2. Assessment approach for classification applications

When making a classification decision under the NGL, we must have regard to:⁹

- the NGO, and
- the pipeline classification criterion.

The NGO is to promote efficient investment in, and efficient operation and use of, covered gas services for the long-term interests of consumers of covered gas with respect to—

- (a) price, quality, safety, reliability and security of supply of covered gas; and
- (b) the achievement of targets set by a participating jurisdiction—
 - (i) for reducing Australia's greenhouse gas emissions; or
 - (ii) that are likely to contribute to reducing Australia's greenhouse gas emissions.¹⁰

In this draft classification decision, we have had regard to the NGO by considering how the classification is likely to affect the efficiency of pipeline access, the operation of gas markets, the rights of third parties and the achievement of relevant emissions reduction targets.

The pipeline classification criterion requires us to consider whether the primary function of a pipeline is to:

- reticulate gas within a market—which is the primary function of a distribution pipeline, or
- convey gas to a market—which is the primary function of a transmission pipeline.¹¹

In considering the primary function of the pipeline, we must also consider the general characteristics of the pipeline. These are set out in Table 1 on the following page.¹²

⁹ NGL, s 119(1).

¹⁰ NGL, s 23.

¹¹ NGL, s 13(1).

¹² AER, *Pipeline Regulatory Determinations and Elections Guide: Final Guide*, July 2024, p 37 (Regulatory Determinations Guide). See also, NGL, ss 13(2)(c) to 13(2)(h).

Table 1 – Characteristics of distribution and transmission pipelines

Criterion	Distribution Pipelines	Transmission Pipelines
Pipeline diameter	<ul style="list-style-type: none"> Smaller diameter than transmission pipelines 	<ul style="list-style-type: none"> Greater in diameter than distribution pipelines (from around 150 mm and more)
Pipeline pressure	<ul style="list-style-type: none"> Lower pressure 	<ul style="list-style-type: none"> Higher pressure to optimise shipping capacity
Area served	<ul style="list-style-type: none"> Operates in a network, delivering gas from points along transmission pipelines to industrial customers, and from gate stations to customers in cities and towns 	<ul style="list-style-type: none"> Operates in one or more separate markets Gas is usually transported over long distances from processing or storage facilities to domestic markets
Pipeline configuration	<ul style="list-style-type: none"> Usually has more injection points Generally dendritic in nature 	<ul style="list-style-type: none"> Usually has less injection points Injection points are discrete and serve a smaller area Generally linear in nature

In addition to the general characteristics set out in Table 1, we must also have regard to the characteristics and classification of old scheme pipelines,¹³ the characteristics of pipelines classified under the NGL or specified in the NGR and the type of pipeline licence or authorisation held by the pipeline.¹⁴

¹³ That is, scheme pipelines under the *Gas Pipelines Access (South Australia) Act 1997*.

¹⁴ NGL, ss 13(2)(a), 13(2)(b) and 13(2)(i).

4. Assessment of classification application for the KKLP

4.1. Pipeline characteristics

The KKLP comprises the following main components and supporting infrastructure:¹⁵

- a buried, steel, medium diameter (approximately 14 inches or 35 cm), medium pressure (up to 6.9 megapascals or MPa) 21 km pipeline, which will provide gas supply from the existing Sydney to Newcastle Pipeline (Plumpton to Hexham Northern Trunk) to the Hunter Power Project
- a compressor station at the end of the transmission pipeline to boost gas pressure to the Hunter Power Project's required inlet pressure
- a buried, steel, large diameter (approximately 42 inches or 107 cm), high pressure storage (up to 15.3 MPa) 24 km pipeline downstream of the compressor station, which will hold up to 70 terajoules of gas ready to supply the Hunter Power Project.

The compressor station and storage pipeline will provide sufficient gas volumes and pressure to meet the supply requirements of Snowy Hydro's Hunter Power Project.

The Hunter Power Project is a 750 megawatt gas-fired power station, which will be located at the former Hydro Aluminium smelter site at Kurri Kurri.¹⁶ The KKLP will have a single large user, Snowy Hydro Limited.¹⁷ APA notes that it will not serve many small customers, which would be expected of a distribution pipeline.¹⁸

APA notes that the KKLP's primary purpose will be to supply power to the Hunter Power Project.¹⁹ However, it can also inject gas into the Jemena distribution system, which is more characteristic of conveying gas to a market instead reticulating gas within a market.²⁰ APA further notes that the larger diameter and higher pressure characteristics of the KKLP's storage and transmission pipeline components are more consistent with the characteristics of a transmission pipeline than a distribution pipeline.²¹

The KKLP has a statutory Category 2 exemption under Part 10 of the NGR, by virtue of it being a single user pipeline, until 23 August 2029.²² This means it is exempt from publishing financial information, historical demand information and a cost allocation methodology under rule 101D of Part 10 of the NGR.

¹⁵ APA application, p 3.

¹⁶ APA, [Kurri Kurri Lateral Pipeline project](#), APA website, 2025, accessed 24 February 2025.

¹⁷ APA, [Kurri Kurri Lateral Pipeline project](#), APA website, 2025, accessed 24 February 2025.

¹⁸ APA application, p 4.

¹⁹ APA application, p 2.

²⁰ APA application, p 2.

²¹ APA application, p 3.

²² AER, [Letter to APA about the Part 10 exemption for the KKLP](#), 23 August 2024.

4.2. Our assessment

4.2.1 Reasons for decision

Pipeline classification criterion under section 13 of the NGL

Having regard to the pipeline classification criterion and the pipeline characteristics set out in section 13 of the NGL, we consider that the KKLP's characteristics are consistent with the characteristics of a transmission pipeline and that its primary function is to convey gas to a market.

Table 2 below outlines APA's views²³ and our assessment against the classification criterion and pipeline characteristics that are relevant to this classification decision.

In 2010, the National Competition Council (NCC) provided guidance that the words 'without limiting section 13(1)' in section 13(2) of the NGL indicates that the primary function test is the main basis for classification. The factors in section 13(2) are informative, but not determinative, for the classification test.²⁴

DCCEEW notes that the KKLP is licenced under the *Pipelines Act 1967* (NSW), which places it as a transmission pipeline.²⁵ However, because the KKLP's pipeline classification is not stated in its pipeline licence APA must apply to the AER to make a classification decision under the NGL.

Table 2 – The AER's assessment against the pipeline classification criterion

NGL section 13 criterion	APA's views	Summary of the AER's assessment
Section 13(1) <i>The pipeline classification criterion</i>	The KKLP's primary purpose is to supply the Hunter Power Project. However, the KKLP is also capable of injecting gas into the Jemena distribution system. Therefore, its primary function is more akin to conveying gas to a market than reticulating gas within a market.	We consider that the KKLP's primary function is to convey gas to a market because it will transport gas to the Hunter Power Project or to the Jemena distribution system in a linear configuration. This is consistent with a transmission pipeline.
Section 13(2) <i>Without limiting section 13(1), in determining the primary function of the pipeline, regard must also be had to whether the characteristics of the pipeline are those of a transmission pipeline or distribution pipeline, having regard to:</i>		
Section 13(2)(a): <i>the characteristics and classification of,</i>	As this is a new pipeline, it has never been classified as an old	We identified one classification decision made under the former Gas Code, which was referred to in the NCC's Eastern Gas Pipeline (EGP) coverage

²³ As outlined in APA's application.

²⁴ NCC, [Coverage, revocation and classification of pipelines guide](#), February 2010. The NGL was introduced in 2008.

²⁵ DCCEEW, *Submission to the AER on the AER's draft classification decision for the KKLP*, 18 February 2025.

NGL section 13 criterion	APA's views	Summary of the AER's assessment
<i>as the case requires, an old scheme transmission pipeline or an old scheme distribution pipeline</i>	scheme transmission or an old scheme distribution pipeline.	<p>decision.²⁶ Any classification decisions made under the former Gas Code were made with a substantively similar classification criterion as the current pipeline classification criterion under section 13 of the NGL.</p> <p>The EGP, a transmission pipeline, operates between 3 MPa and 16.55 MPa and has a diameter ranging from 209 mm to 457 mm. The KKLP's transmission and storage pipelines have respective diameters of 355 mm and 1065 mm and operating pressures of 6.9 MPa and 15.3 MPa, respectively.</p> <p>Based on these observations, we consider that the KKLP's characteristics align with the characteristics and classification of old scheme transmission pipelines.</p>
Section 13(2)(b): <i>the characteristics of, as the case requires, a transmission pipeline or a distribution pipeline classified under the NGL</i>	<p>APA outlined the definitions of a distribution pipeline transmission pipeline under the NGL.²⁷</p> <p>APA noted that the NGL definitions were unhelpful to its application as its pipeline licence does not classify the KKLP as a transmission or distribution pipeline and because the AER has not yet made a decision on classification.</p>	<p>We have considered the characteristics of current distribution and transmission pipelines and had regard to the 2009 NCC reclassification decision of Jemena's Northern Trunk and Southern Trunk pipelines.²⁸</p> <p>We consider that the KKLP's characteristics are more closely aligned with pipelines that are classified as transmission pipelines in terms of its diameter, operating pressure, number of points, service area and its configuration.</p> <p>The KKLP operates at higher pressures and in a linear configuration. It has a wider diameter, one injection point and serves a small area with one large industrial customer. These are all characteristics consistent with a transmission pipeline.</p>

²⁶ NCC, [Final Recommendation, Application for Coverage of Eastern Gas Pipeline \(Longford to Sydney\)](#), June 2000.

²⁷ NGL, s 2.

²⁸ We have identified only one classification or reclassification decision made under the current NGL, which was the NCC's Jemena 2009 reclassification decision.

NGL section 13 criterion	APA's views	Summary of the AER's assessment
Section 13(2)(c): <i>the characteristics and classification of pipelines specified in the NGR (if any)</i>	The NGR do not provide any characteristics which assist in pipeline classification.	The NGR do not provide such specifications.
Section 13(2)(d): <i>the diameter of the pipeline</i>	<p>The KKLP consists of a medium 14 inch diameter transmission pipeline, which is approximately 21 km in length.</p> <p>It also comprises a large 42 inch diameter storage pipeline, which is approximately 24 km long. This is located downstream of the compressor station.</p> <p>APA considers these diameter characteristics to be more consistent with a transmission pipeline than a distribution pipeline.</p>	Transmission pipelines generally have larger diameters (from around 150 mm and above) than distribution pipelines (less than 100 mm). The respective diameters of the KKLP's transmission pipeline (14 inches or 355 mm) and storage pipeline (42 inches or 1065 mm) are more consistent with the characteristics of a transmission pipeline.
Section 13(2)(e): <i>the pressure at which the pipeline is, or will be, designed to operate</i>	<p>The KKLP consists of a medium pressure transmission pipeline (which is up to 6.9 MPa) and a high pressure storage pipeline (up to 15.3 MPa) pipeline.</p> <p>In APA's view, these pressure characteristics are more consistent with a transmission pipeline than a distribution.</p>	<p>Transmission pipelines typically operate at higher pressures from 1.75 MPa up to 15 MPa or more. The South Gippsland Pipeline (8.7 MPa to 10.2 MPa) and the Atlas Gas Pipeline (up to 14.5 MPa) are comparable to the KKLP. Typically, distribution pipelines operate at lower pressures, other than some distribution mains, which range from 0.14 MPa to 0.35 MPa.</p> <p>The transmission and storage segments of the KKLP operate at 6.9 MPa and 15.3 MPa, respectively. Although the transmission component operates at a relatively low pressure for a transmission pipeline, it is substantially higher than most high-pressure mains of distribution pipelines. We consider the KKLP's pressure characteristics to be more consistent with those of a transmission pipeline.</p>
Section 13(2)(f): <i>the number of points at which gas can, or will be, injected into the pipeline</i>	Gas is injected into the KKLP at a single point at the northern end of the Sydney to Newcastle Pipeline.	<p>Transmission pipelines usually have fewer injection points in comparison to distribution pipelines.</p> <p>The KKLP has one injection point, which is consistent with the conveyance of gas, rather than the reticulation of gas.</p>

NGL section 13 criterion	APA's views	Summary of the AER's assessment
Section 13(2)(g): <i>the extent of the area served or to be served by the pipeline</i>	The KKLP will only supply the Hunter Power Project, instead of a broader area. However, it can potentially inject gas into the Jemena Newcastle trunk line.	Transmission pipelines are generally long pipelines that serve a narrow area with a small number of discrete points. Distribution pipelines usually serve a broader area. The KKLP's service area is limited to the Hunter Power Project, with some capability to supply gas to the Jemena distribution network. This is consistent with a transmission pipeline that conveys gas from an injection point to a point of delivery.
Section 13(2)(h): <i>the pipeline's linear or dendritic configuration</i>	The KKLP clearly has a linear configuration. It does not have any sort of branching structure or a dendritic configuration.	The KKLP has a linear configuration and operates in a linear manner. This configuration is consistent with a transmission pipeline.
Section 13(2)(i): <i>the type of pipeline licence or authorisation that has been obtained in respect of the pipeline under jurisdictional gas legislation</i>	The jurisdictional licence did not classify the KKLP as either a transmission or distribution pipeline.	DCCEEW notes that the KKLP is licenced under the Pipelines Act 1967 (NSW), which places it as a transmission pipeline. ²⁹ We note that this information is not a determinative factor for our decision. Since the KKLP's NSW pipeline licence does not state the pipeline's classification, we are still required to determine whether the KKLP is a transmission or distribution pipeline.

Consideration of the NGO

In making our classification decision, we must also have regard to the NGO and consider whether making the decision will be consistent with the objective. Our [Regulatory Determinations Guide](#) indicates that, in this respect, we will consider whether making the classification decision is likely to affect the efficiency of pipeline access, the operation of gas markets, the rights of third parties and the achievement of relevant emissions reduction targets.

A classification as a transmission pipeline means that the KKLP will be registered on the GBB and the STTM.³⁰ These tools can potentially facilitate access for pipeline users and improve the operation of gas markets by providing additional capability to bring gas to a

²⁹ DCCEEW, *Submission to the AER on the AER's draft classification decision for the KKLP*, 18 February 2025.

³⁰ AEMO, *Submission to the AER on the AER's draft classification decision for the KKLP*, 4 February 2025.

market or to trade gas. This, in turn, will improve decision-making and efficiency in the market and promote the long-term interests of consumers.

Conversely, a classification as a distribution pipeline may make it more difficult for pipeline users to access gas stored on the KKLP to meet demand in the market. This is because capacity information would be less transparent and accessible to pipeline users than if it were made available through the GBB and the STTM.

We consider that a decision to make the KKLP a distribution pipeline or a transmission pipeline is unlikely to have an impact on the achievement of jurisdictional emissions reduction targets. This is because the classification decision is not expected to have a material effect on the use of the KKLP's services. We therefore do not consider the emissions element in the NGO to be material to this draft decision.

4.3. Stakeholder consultation and views

Under rule 29F(3) of the NGR, the AER must consult with various stakeholders prior to making a classification decision.

In making our draft classification decision, we have consulted with the NSW Minister for Energy (as the Minister of the participating jurisdiction), DCCEEW (as the relevant jurisdictional safety and technical regulator), AEMO and the AEMC.

A summary of stakeholders' views is set out below.

The NSW Minister for Energy considers the KKLP is a transmission pipeline.³¹ This is because the KKLP's primary function is to convey gas to a market. Further, the Minister submits that the KKLP's characteristics are consistent with a classification as a transmission pipeline when considered against the pipeline characteristics in section 13(2) of the NGL.

DCCEEW's view is that the KKLP should be classified as a transmission pipeline.³² DCCEEW submitted that the KKLP's primary function is to convey gas to a market, which best fits the pipeline classification criterion and satisfies the characteristics of a transmission pipeline, which are outlined in Table 1 of this draft decision.

AEMO's submission also supported the KKLP being classified as a transmission pipeline.³³ AEMO noted that the KKLP will be registered on the GBB, which only applies to transmission pipelines.

In AEMO's view, the KKLP is more characteristic of a transmission pipeline because:

- it operates at transmission-level pressures and can store reasonable volumes of gas that can be injected back into the distribution network. This makes it functionally

³¹ NSW Minister for Energy, *Submission to the AER on the AER's draft classification decision for the KKLP*, 4 March 2025.

³² DCCEEW, *Submission to the AER on the AER's draft classification decision for the KKLP*, 14 February 2025.

³³ AEMO, *Submission to the AER on the AER's draft classification decision for the KKLP*, 4 February 2025.

different from distribution pipelines, which operate at lower pressures and serve end-users, and

- it is a point-to-point pipeline that connects the Sydney to Newcastle Pipeline to the Hunter Power Project, a large industrial facility. The KKLP does not supply multiple small customers unlike a distribution pipeline.

The AEMC considers that the KKLP has features consistent with transmission pipelines and that a transmission pipeline classification would be preferable.³⁴ The AEMC noted that APA considers the KKLP a transmission pipeline, given the relatively large diameters and high pressures of its storage and transmission pipeline components. The AEMC also observed that the KKLP will solely provide gas to the Hunter Power Project and that it is not a low-pressure pipeline, which provides gas to many users.

4.4. Draft decision

Having regard to the NGO, the pipeline classification criterion and stakeholders' views outlined in this section, our draft decision is to classify the KKLP as a transmission pipeline.

³⁴ AEMC, *Submission to the AER on the AER's draft classification decision for the KKLP (confidential)*, 14 February 2025.