# Gas pipeline classification decision – Kurri Kurri Lateral Pipeline

Final decision

May 2025



© Commonwealth of Australia 2025

This work is copyright. In addition to any use permitted under the *Copyright Act 1968* all material contained within this work is provided under a Creative Commons Attributions 4.0 Australia licence except for:

- the Commonwealth Coat of Arms
- the ACCC and AER logos
- any illustration diagram, photograph or graphic over which the Australian Competition and Consumer Commission does not hold copyright but which may be part of or contained within this publication.

The details of the relevant licence conditions are available on the Creative Commons website as is the full legal code for the CC BY 4.0 AU licence.

Inquiries about this publication should be addressed to:

Australian Energy Regulator GPO Box 3131 Canberra ACT 2601 Email: <u>aerinquiry@aer.gov.au</u> Tel: 1300 585 165

AER reference: 18317472

## Contents

Glossa	ry	iv
1.	Summary	1
2.	Application	2
3.	Regulatory framework for a classification decision	
3.1.	. What is a pipeline classification?	
3.2.	. Assessment approach for classification applications	
4.	Assessment of classification application for the KKLP	6
4.1.	. Pipeline characteristics	6
4.2	. Our assessment	7
4.3	. Stakeholder consultation and views	11
4.3	.1. Submissions received prior to publishing our draft decision	11
4.3	.2. Decision	12
4.3	.3. Submissions to the draft decision	12
4.4.	. Final decision	14

## 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
JEC	Justice and Equity Centre
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) final decision is to classify the Kurri Kurri Lateral Pipeline (KKLP) as a transmission pipeline. This classification takes effect from the date of publication of this decision.<sup>1</sup>

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, has completed construction of the KKLP, which is currently being commissioned.<sup>2</sup>

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 making our final decision, we 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). We have also considered stakeholders' views in making our final decision.

<sup>&</sup>lt;sup>1</sup> National Gas Law (NGL), s 120(b).

<sup>&</sup>lt;sup>2</sup> APA, <u>1 H25 Results Investor Presentation</u>, 24 February 2025.

# 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.<sup>3</sup> APA sought a classification for the KKLP as a transmission pipeline.<sup>4</sup>

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.<sup>5</sup> The application must be made in accordance with rule 29D of the NGR.

The KKLP consists of a buried gas pipeline and storage pipeline, which will connect the Hunter Power Project at Kurri Kurri in New South Wales to the Sydney to Newcastle Pipeline near Newcastle. The KKLP has been completed and commissioning is underway. Figure 1 below shows a map of the KKLP.



Figure 1 – KKLP map

Source: APA's classification application.

<sup>&</sup>lt;sup>3</sup> APA, *Application to the AER for classification of the Kurri Kurri Lateral Pipeline*, 6 December 2024 (APA application).

<sup>&</sup>lt;sup>4</sup> APA application, p 2.

<sup>&</sup>lt;sup>5</sup> 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.<sup>6</sup>

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.<sup>7</sup>

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.<sup>8</sup>

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 nonscheme pipeline).

<sup>&</sup>lt;sup>6</sup> NGL, s 13(1).

<sup>&</sup>lt;sup>7</sup> NGL, ss 117(1) and 117(2).

<sup>&</sup>lt;sup>8</sup> 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: <sup>9</sup>

- 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.<sup>10</sup>

In this final 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.<sup>11</sup>

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 below:<sup>12</sup>

Criterion	Distribution Pipelines	Transmission Pipelines
Pipeline diameter	Smaller diameter than     transmission pipelines	<ul> <li>Greater in diameter than distribution pipelines (from around 150 mm and more)</li> </ul>
Pipeline pressure	Lower pressure	<ul> <li>Higher pressure to optimise shipping capacity</li> </ul>

#### Table 1 – Characteristics of distribution and transmission pipelines

<sup>&</sup>lt;sup>9</sup> NGL, s 119(1).

<sup>&</sup>lt;sup>10</sup> NGL, s 23.

<sup>&</sup>lt;sup>11</sup> NGL, s 13(1).

<sup>&</sup>lt;sup>12</sup> 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).

Criterion	Distribution Pipelines	Transmission Pipelines
Area served	• 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> <li>Operates in one or more separate markets</li> <li>Gas is usually transported over long distances from processing or storage facilities to domestic markets</li> </ul>
Pipeline configuration	<ul> <li>Usually has more injection points</li> <li>Generally dendritic in nature</li> </ul>	<ul> <li>Usually has less injection points</li> <li>Injection points are discrete and serve a smaller area</li> <li>Generally linear in nature</li> </ul>

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,<sup>13</sup> 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.<sup>14</sup>

<sup>&</sup>lt;sup>13</sup> That is, scheme pipelines under the *Gas Pipelines Access (South Australia) Act* 1997.

<sup>&</sup>lt;sup>14</sup> 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:<sup>15</sup>

- 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. One stakeholder who provided a submission to the draft decision, the Justice and Equity Centre, submitted that, in its view, the compressor station and storage pipeline should not be considered part of the KKLP. We have discussed this in Section 4.3.3.

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.<sup>16</sup> The KKLP will have a single large user, Snowy Hydro Limited.<sup>17</sup> APA notes that it will not serve many small customers, which would be expected of a distribution pipeline.<sup>18</sup>

APA notes that the KKLP's primary purpose will be to supply power to the Hunter Power Project.<sup>19</sup> However, it can also inject gas into the Jemena distribution system, which is more characteristic of conveying gas to a market than reticulating gas within a market.<sup>20</sup> 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.<sup>21</sup>

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.<sup>22</sup> This means it is exempt from publishing

<sup>&</sup>lt;sup>15</sup> APA application, p 3.

<sup>&</sup>lt;sup>16</sup> APA, *Kurri Kurri Lateral Pipeline project*, APA website, 2025, accessed 16 April 2025.

<sup>&</sup>lt;sup>17</sup> APA, *Kurri Kurri Lateral Pipeline project*, APA website, 2025, accessed 16 April 2025.

<sup>&</sup>lt;sup>18</sup> APA application, p 4.

<sup>&</sup>lt;sup>19</sup> APA application, p 2.

 $<sup>^{\</sup>rm 20}\,$  APA application, p 2.

<sup>&</sup>lt;sup>21</sup> APA application, p 3.

<sup>&</sup>lt;sup>22</sup> AER, <u>Letter to APA about the Part 10 exemption for the KKLP</u>, 23 August 2024.

financial information, historical demand information and a cost allocation methodology under rule 101D of Part 10 of the NGR.

## 4.2. Our assessment

#### 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 views<sup>23</sup> 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.<sup>24</sup>

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

NGL section 13 criterion	APA's views	Summary of the AER's assessment
Section 13(1) The pipeline classification criterion	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.

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

#### Section 13(2)

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:

Section 13(2)(a):	As this is a new pipeline, it has	We identified one classification decision
	never been classified as an old	made under the former Gas Code,

<sup>&</sup>lt;sup>23</sup> As outlined in APA's application.

<sup>&</sup>lt;sup>24</sup> NCC, <u>Coverage, revocation and classification of pipelines guide</u>, February 2010. The NGL was introduced in 2008.

<sup>&</sup>lt;sup>25</sup> 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
the characteristics and classification of, as the case requires, an old scheme transmission pipeline or an old scheme distribution pipeline	scheme transmission or an old scheme distribution pipeline.	which was referred to in the NCC's Eastern Gas Pipeline (EGP) coverage decision. <sup>26</sup> 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.
		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.
		Based on these observations, we consider that the KKLP's characteristics align with the characteristics and classification of old scheme transmission pipelines.
Section 13(2)(b): the characteristics of, as the case requires, a transmission pipeline or a distribution pipeline classified under the NGL	APA outlined the definitions of a distribution pipeline transmission pipeline under the NGL. <sup>27</sup> 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.	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. <sup>28</sup> 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. 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

<sup>&</sup>lt;sup>26</sup> NCC, <u>Final Recommendation</u>, <u>Application for Coverage of Eastern Gas Pipeline (Longford to Sydney)</u>, June 2000.

<sup>&</sup>lt;sup>27</sup> NGL, s 2.

<sup>&</sup>lt;sup>28</sup> 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): the characteristics and classification of pipelines specified in the NGR (if any)	The NGR do not provide any characteristics which assist in pipeline classification.	The NGR do not provide such specifications.
Section 13(2)(d): the diameter of the pipeline	The KKLP consists of a medium 14 inch diameter transmission pipeline, which is approximately 21 km in length. It also comprises a large 42 inch diameter storage pipeline, which is approximately 24 km long. This is located downstream of the compressor station. APA considers these diameter characteristics to be more consistent with a transmission pipeline than a distribution pipeline.	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): the pressure at which the pipeline is, or will be, designed to operate	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. In APA's view, these pressure characteristics are more consistent with a transmission pipeline than a distribution.	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. 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.
Section 13(2)(f): the number of points at which gas can, or will be, injected into the pipeline	Gas is injected into the KKLP at a single point at the northern end of the Sydney to Newcastle Pipeline.	Transmission pipelines usually have fewer injection points in comparison to distribution pipelines. The KKLP has one injection point, which is consistent with the conveyance of gas, rather than the reticulation of gas.

NGL section 13 criterion	APA's views	Summary of the AER's assessment
Section 13(2)(g): the extent of the area served or to be served by the pipeline	The KKLP will only supply the Hunter Power Project, instead of a broader area. However, it can potentially inject gas into the Jemena Newcastle	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.
	trunk line.	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): the pipeline's linear or dendritic configuration	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): the type of pipeline licence or authorisation that	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. <sup>29</sup>
has been obtained in respect of the pipeline under jurisdictional gas legislation		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 <u>Regulatory</u> <u>Determinations Guide</u> 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.<sup>30</sup> 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

<sup>&</sup>lt;sup>29</sup> DCCEEW, Submission to the AER on the AER's draft classification decision for the KKLP, 18 February 2025.

<sup>&</sup>lt;sup>30</sup> 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 final decision.

## 4.3. Stakeholder consultation and views

#### 4.3.1. Submissions received prior to publishing our draft decision

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

We 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 in making our draft classification decision.

A summary of stakeholders' views is set out below.

The NSW Minister for Energy considers the KKLP is a transmission pipeline.<sup>31</sup> 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.<sup>32</sup> 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 final decision.

AEMO's submission also supported the KKLP being classified as a transmission pipeline.<sup>33</sup> 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

 <sup>&</sup>lt;sup>31</sup> NSW Minister for Energy, Submission to the AER on the AER's draft classification decision for the KKLP, 4 March 2025.

<sup>&</sup>lt;sup>32</sup> DCCEEW, Submission to the AER on the AER's draft classification decision for the KKLP, 14 February 2025.

<sup>&</sup>lt;sup>33</sup> 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 endusers, 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.<sup>34</sup> 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.

#### 4.3.2. Decision

On 25 March 2025, we released our draft decision for public consultation with submissions due by 15 April 2025. Our draft decision was to classify the KKLP as a transmission pipeline after considering the pipeline classification criterion, the pipeline characteristics and the NGO.

We received two submissions to the draft decision. Submissions are outlined below.

#### 4.3.3. Submissions to the draft decision

We received two submissions to the draft decision from the Justice and Equity Centre (JEC) and an individual, Ms Lynette LaBlack.

#### Justice and Equity Centre submission

JEC does not support classifying the storage pipeline and compressor station as a transmission pipeline.<sup>35</sup> JEC considers:

- the storage pipeline should not be considered a 'pipeline' under section 2 of the NGL because it does not haul covered gas and is located downstream of the point from which covered gas is taken for consumption and the compressor station;
- the compressor station is not a 'pipeline' because it changes covered gas;
- that it is more appropriate for the compressor station and storage pipeline to be classified as a dedicated generation asset; and
- that the inclusion of the storage infrastructure in the classification decision may result in gas consumers bearing the associated costs and subsidising an electricity generation asset.

We have considered this information in making our final decision.

 <sup>&</sup>lt;sup>34</sup> AEMC, Submission to the AER on the AER's draft classification decision for the KKLP (confidential), 14 February 2025.

<sup>&</sup>lt;sup>35</sup> Justice and Equity Centre, Submission to the AER on the AER's draft classification decision for the KKLP, 10 April 2025.

#### Inclusion of the storage pipeline and compressor station as part of this classification decision

Whether the compressor station and the storage pipeline are part of the overall pipeline for the purposes of classification is relevant to our decision.

Section 2 of the NGL broadly defines a 'pipeline' which may include, among other things, machinery and equipment that is directly attached to the pipeline or system of pipelines. However, it excludes any assets that are downstream of a point on a pipeline from which a person takes covered gas for consumption purposes or where the machinery or equipment removes or adds components to or changes covered gas.

APA provided us with the scope of the KKLP as part of its application, which included the storage pipeline and compressor station. We have had regard to the NGL, the function of the compressor station for covered gas services and the schematic of the KKLP shown in Figure 2 below. The schematic shows that the point at which the Hunter Power Station takes covered gas for consumption purposes is downstream of the storage pipeline and compressor station.

Based on the information available to us, we accept APA's submission that the compressor station and storage pipeline both fall within the definition of a 'pipeline' under section 2 of the NGL and can be considered as part of the KKLP for the purposes of this classification determination.

#### Figure 2: Schematic of the KKLP

#### Snowy Hydro Scope **APA** Scope JGN Scope NG Only Design H2 Ble nd Design Storage KKSP = 42" x 23.8km x 2 MAOP = 15.3 Mpa JGN MHQ = 2200 GJ/hrMAOP=6.895 MPa MOP = 1.75-5 M Min P = 4.4 - 4.7 MPaMax P = 15.32 MPa Compresso Station IGN Delivery Po nt 1) **Delivery Station** MLV Hunter Power Kurri Kurri Lateral Station $KKLP = 14'' \times 21km$ **JGN Off** MAOP = 6.9 MPaDelivery Max P = 4.4 MPa Max Q = 6900GJ/hr

#### **Overall - Schematic**

Source: APA's application for the KKLP to be granted an exemption under Part 10 of the NGR.



Pa

JGN Northern

Trunk

#### Allocation of costs to consumers associated with this classification decision

We have considered JEC's submission that gas consumers could bear the costs of the storage pipeline, therefore subsidising the Hunter Power Station. We consider that the inclusion of the storage pipeline and compression station form part of the KKLP for the purposes of this classification determination and the classification of the KKLP as a transmission pipeline is likely to ultimately support the NGO and the long-term interests of consumers for the reasons set out in Section 4.2.

#### Submission from Ms Lynette LaBlack

Ms LaBlack did not support the classification decision and contended that it was inconsistent with the NGO, raising concerns about the \$2 billion costs incurred for the gas-powered Hunter Power Project and security concerns about foreign ownership of APA and Jemena, whose Sydney to Newcastle Pipeline will connect to the KKLP.

Ms LaBlack also argued that AEMO has previously stated that the KKLP is a distribution pipeline, which is 'opposite to [the] AER's decision'. We note that the <u>news source</u> linked in her submission refers to a statement made by AEMO in its 2021 Gas Statement of Opportunities about a different pipeline.<sup>36</sup> In that report, AEMO states that Jemena's Sydney to Newcastle Pipeline 'is not considered to be a transmission pipeline, but is a large full regulation distribution pipeline'.<sup>37</sup> AEMO has supported a transmission pipeline classification for the KKLP.<sup>38</sup>

Our consideration of how the decision supports the NGO remains unchanged from the draft decision and is set out in Section 4.2.

### 4.4. Final decision

Having regard to the NGO, the pipeline classification criterion and stakeholders' views, our final decision is to classify the KKLP as a transmission pipeline.

<sup>&</sup>lt;sup>36</sup> AEMO, <u>Gas Statement of Opportunities – for eastern and south-eastern Australia</u>, March 2021.

<sup>&</sup>lt;sup>37</sup> AEMO, <u>Gas Statement of Opportunities – for eastern and south-eastern Australia</u>, March 2021, p 50.

<sup>&</sup>lt;sup>38</sup> AEMO, Submission to the AER on the AER's draft classification decision for the KKLP, 4 February 2025.