Gas pipeline classification – Atlas to Reedy Creek Pipeline

Draft decision

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AUSTRALIAN ENERGY REGULATOR

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Glossary

Term	Definition
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
ARC	ARC Pipeline Pty Ltd
ARCP	Atlas to Reedy Creek Pipeline
DNRM	The Queensland Department of Natural Resources and Mines, Manufacturing, and Regional and Rural Development
GBB	Gas Bulletin Board
MPa	Megapascal
NCC	National Competition Council
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
P&G Act	*Petroleum and Gas (Production and Safety) Act 2004* (Qld)
RCWP	Reedy Creek to Wallumbilla Pipeline
STTM	Short-Term Trading Market

1. Summary

The Australian Energy Regulator (AER) has made a draft decision to classify the Atlas to Reedy Creek Pipeline (ARCP) as a transmission pipeline. This classification takes effect from the date that we publish our final decision.[1]

The ARCP is a 56.3 kilometre (km) gas pipeline, which connects the Atlas East Central Processing Facility near Wandoan in Queensland to APA Group's Reedy Creek to Wallumbilla Pipeline (RCWP).

Since the ARCP's pipeline licence does not state its classification, ARC Pipeline Pty Ltd (ARC), the service provider of the ARCP, must apply to the AER for a pipeline classification as either a transmission or distribution pipeline. On 10 February 2025, ARC submitted an application to the AER, seeking a transmission pipeline classification for the ARCP.

We have had regard to the pipeline classification criterion, the characteristics of the pipeline outlined in section 13 of the National Gas Law (NGL) and the National Gas Objective (NGO) in making our decision. We consider that the ARCP clearly exhibits the characteristics of a transmission pipeline and that its primary function is to convey gas to a market. In addition, we consider the NGO is best promoted through the consistent regulatory treatment of pipelines and that a transmission classification for the ARCP will achieve the NGO by allowing registration to the Gas Bulletin Board (GBB) and the Short-Term Trading Market (STTM). This will benefit consumers by facilitating increased transparency in the gas market.

In making this draft decision, we have consulted with the Queensland Treasurer, the Queensland Department of Natural Resources and Mines, Manufacturing, and Regional and Rural Development (DNRM), the Australian Energy Market Operator (AEMO) and the Australian Energy Market Commission (AEMC) in accordance with rule 29F(3) 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 18 July 2025. Following consideration of any issues raised in submissions, we will make a final decision by 15 August 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 subject of the confidentiality claim and provide a non-confidential version of the submission in a form suitable for publication if possible.

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1 National Gas Law (NGL), s 120(b).

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

2. Application

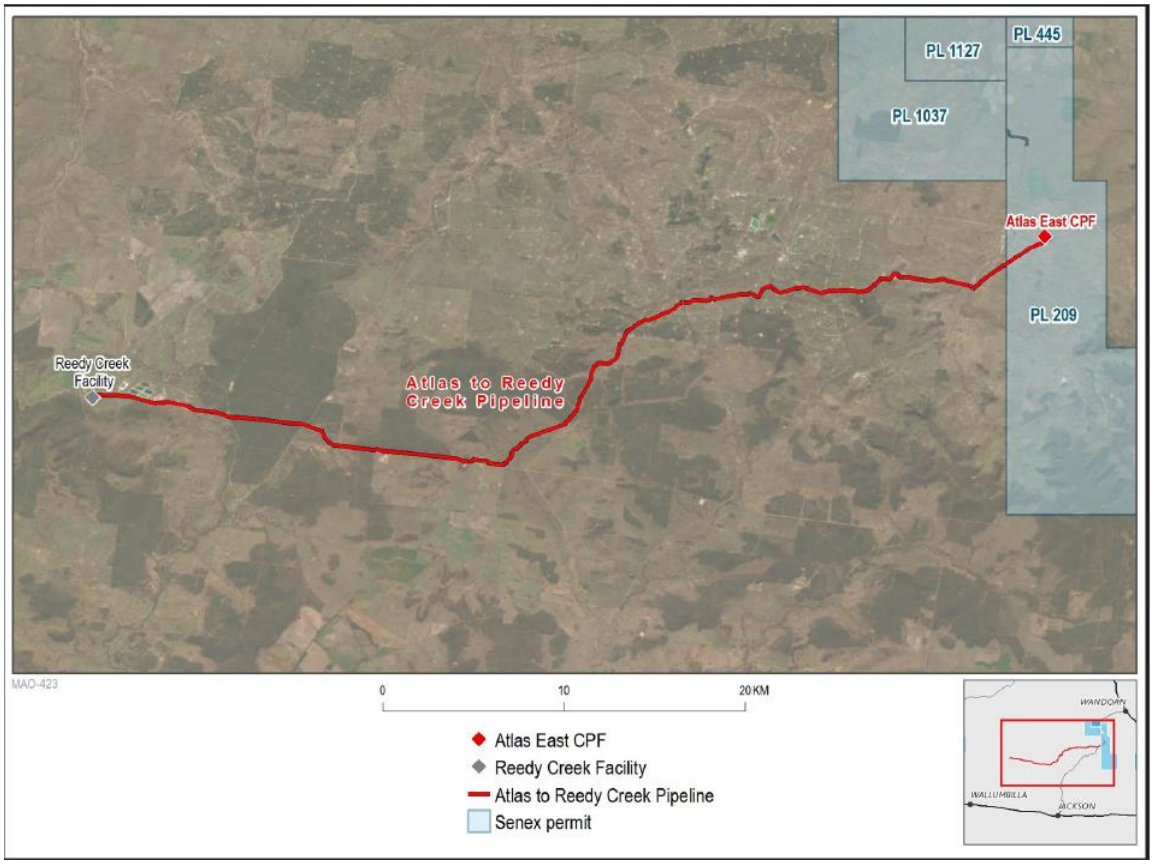
On 10 February 2025, ARC Pipeline Pty Ltd (ARC) submitted a pipeline classification application for the ARCP to the AER in accordance with section 117 of the NGL. ARC sought a transmission pipeline classification for the ARCP.[3] [4]

The ARCP's jurisdictional pipeline licence does not state whether it is a transmission or distribution pipeline. The ARC must therefore seek a classification decision from the AER.[5] The classification application must be made in accordance with rule 29D of the NGR.

The ARCP is a gas pipeline that connects the Atlas East Central Processing Facility near Wandoan in Queensland to the RCWP. On 19 February 2025, the first commercial gas flow occurred on the ARCP.

Figure 1 below shows a map of the ARCP.

Figure 1 – ARCP map



Source: ARC's classification application.

[3] ARC, *Application for the classification of Atlas to Reedy Creek Pipeline,* 10 February 2025 (ARC application).

[4] At the time of the application, ARC Pipeline Pty Ltd was a wholly owned subsidiary of Senex Energy. On 18 June 2025, APA Group published an ASX Release announcing it will acquire 100% of ARC Pipeline Pty Ltd from Senex.

[5] NGL, s 117.

3. Regulatory framework for a classification decision

3.1 What is a pipeline classification?

Under the NGL and NGR, 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 transmission or distribution pipeline under a licence or authorisation under jurisdictional gas legislation, the service provider must apply to the AER for the pipeline to be classified. This application must be made within 20 business days after the commissioning of the pipeline.[7]

Generally, transmission and distribution pipelines have similar obligations under the NGL and NGR. However, there are different requirements for the types of information that a service provider must publish under Part 10 of the NGR.

Unlike distribution pipelines, transmission pipelines are required to report information to the GBB and for the STTM, a wholesale gas market operated by AEMO. Classifying a pipeline as a transmission pipeline can provide greater flexibility for any future expansion to accommodate evolving market demands. For example, the services offered by transmission pipelines can be more easily adapted if users require additional capacity or if there is a need to facilitate additional transportation arrangements such as third-party access.

In contrast, distribution pipelines have slightly less regulatory and administrative requirements than transmission pipelines. Service providers of distribution pipelines are not obligated to report GBB and STTM information to AEMO and the services they provide are generally standard services such as injecting gas into a pipeline, conveying gas to supply points and withdrawing gas from a pipeline.

Service providers of distribution pipelines are also subject to obligations under Part 12A (gas connections for retail customers) and Part 21 (retail support obligations between distributors and retailers) of the NGR.[8]

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).

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[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) the 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 making this draft classification decision, we have taken into account the NGO by considering how likely the classification will 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]

When considering the primary function of the pipeline, we must also consider the characteristics of the pipeline. The characteristics of distribution and transmission pipelines are outlined 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

Characteristic	Distribution Pipelines	Transmission Pipelines
Pipeline diameter	• Smaller diameter than transmission pipelines	• Larger diameter than distribution pipelines (from approximately 150mm and more)
Pipeline pressure	• Lower pressure	• Higher pressure to optimise shipping capacity
Area served	• Operates in a network to deliver gas from points along transmission pipelines to industrial customers, and from gate stations to customers in cities and towns	• Operates in one or more separate markets • Gas is usually transported over long distances from processing or storage facilities to domestic markets
Pipeline configuration	• Usually has more injection points • Generally dendritic in nature	• 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 granted to 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 the ARCP classification application

4.1 Pipeline characteristics

ARC states that the primary function of the ARCP is to convey natural gas from the Atlas East Central Processing Facility to interconnect with a delivery point on the RCWP, a bidirectional transmission pipeline, which conveys gas to the Wallumbilla Gas Hub.

In its application, ARC notes that the ARCP is a high-pressure pipeline, which conveys natural gas to the east coast gas markets as part of a network of transmission pipelines. ARC considers that the ARCP's characteristics are more consistent with the characteristics of a transmission pipeline than a distribution pipeline.[15]

The ARCP has a statutory Category 1 exemption under Part 10 of the NGR, as it is not a third-party access pipeline, until 5 December 2029.[16] This means that it is exempt from publishing any Part 10 information under the NGR in relation to the pipeline. This includes information such as service and access information, standing terms, financial information, historical demand information and a cost allocation methodology and actual prices payable information. This exemption does not impact this classification decision but provides some context on the pipeline's expected usage. The ARCP will serve Senex's current and future projects and other third-party projects.

4.2 Our assessment

4.2.1 Reasons for decision

Pipeline classification criterion under section 13 of the NGL

We have considered the pipeline classification criterion and the characteristics outlined in section 13 of the NGL in making our decision. Our view is that the ARCP's characteristics are consistent with the characteristics of a transmission pipeline and its primary function is to convey gas to a market.

Table 2 below outlines ARC's views and our assessment against the classification criterion and pipeline characteristics which are relevant to this classification decision.[17]

ARC notes that the ARCP is licenced under the *Petroleum and Gas (Production and Safety) Act 2004* (Qld) (P&G Act).[18] Under section 405 of the P&G Act, a pipeline licence granted under the P&G Act cannot be granted for a distribution pipeline. However, as the ARCP's pipeline licence does not provide a classification for the ARCP, ARC must make an application to the AER to make a classification decision.

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[15] ARC application, p 3.

[16] AER, Letter to Senex about the Part 10 exemption for the ARCP, 6 December 2024.

[17] As outlined in ARC's application.

[18] ARC application, p 3.

In its application, ARC did not address each pipeline characteristic set out in section 13(2) of the NGL. However, we consider the information provided was sufficient to make our draft decision.

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

NGL section 13 criterion	ARC's views	Summary of the AER's assessment
Section 13(1) *The pipeline classification criterion*	The ARCP's primary function is to convey gas from the Atlas East Central Processing Facility to the RCWP. Together with the RCWP, the ARCP forms part of the network of transmission pipelines conveying gas to the east coast gas market.	We consider that the ARCP's primary function is to convey gas to a market because it will transport gas from the Atlas East Central Processing Facility to the RCWP in a linear configuration. This aligns with the characteristics of a transmission pipeline.
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:*[19]		
Section 13(2)(a): *the characteristics and classification of, as the case requires, an old scheme transmission pipeline or an old scheme distribution pipeline*	ARC did not address this classification characteristic in its classification application.	There has been one classification decision made under the former Gas Code, which was referred to in the NCC's Eastern Gas Pipeline (EGP) final coverage decision.[20] Any classification decisions under the former Gas Code were based on classification criterion and characteristics that were largely similar to the current criterion in section 13 of the NGL. The EGP, a transmission pipeline, operates at pressures between 3 and 16.55 MPa, and has a diameter ranging from 209 mm to 457 mm. In comparison, the ARCP has a diameter of approximately 300mm and operates at a pressure of up to 15.3 MPa. In light of these features, we consider that the ARCP's characteristics align with the characteristics and classification of old scheme transmission pipelines.

[19] In 2010, the National Competition Council (NCC) provided clarification on the phrase 'without limiting section 13(1)' in section 13(2) of the NGL. The NCC's view was that this phrase indicates that the primary function test is the main basis for making a classification decision. The factors in section 13(2) are informative, but not determinative, for the classification test. See NCC, *Coverage, revocation and classification of pipelines guide*, February 2010. The NGL was introduced in 2008.

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

NGL section 13 criterion	ARC's views	Summary of the AER's assessment
Section 13(2)(b): *the characteristics of, as the case requires, a transmission pipeline or a distribution pipeline classified under the NGL*	ARC notes that its jurisdictional pipeline licence cannot be granted for a distribution pipeline.	We have considered the characteristics of existing distribution and transmission pipelines and had regard to the NCC's reclassification decision of Jemena's Northern Trunk and Southern Trunk pipelines in 2009.[21] We consider that the ARCP's characteristics are more closely aligned with pipelines that are classified as transmission pipelines. The ARCP operates at a higher pressure and has a linear configuration. It has a wider diameter, one injection point and transports gas over a long distance to a delivery point on another transmission pipeline. These are all characteristics consistent with a transmission pipeline.
Section 13(2)(c): *the characteristics and classification of pipelines specified in the NGR (if any)*	ARC did not specifically address this classification characteristic in its application.	The NGR do not provide such specifications.
Section 13(2)(d): *the diameter of the pipeline*	The ARCP has a diameter of approximately 300 mm. ARC considers these diameter characteristics to be more consistent with a transmission pipeline than a distribution pipeline.	Transmission pipelines generally have larger diameters (from around 150mm and above) than distribution pipelines (typically less than 100mm). The diameter of the ARCP (approximately 300mm) is 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 ARCP is a high-pressure transmission pipeline, which operates at up to 15.3 MPa. In ARC's view, these pressure characteristics are more consistent with a transmission pipeline than a distribution pipeline.	Transmission pipelines typically operate at higher pressures from 1.75 MPa to up to 15 MPa or more. The Mortlake Pipeline and the Atlas Gas Pipeline are comparable to the ARCP, which operate at up to 15.3 MPa and up to 14.5 MPa, respectively. Distribution pipelines typically have lower pressures, other than some distribution mains, and range from 0.14 MPa to 0.35 MPa. For these reasons, we consider that the ARCP's operating pressure of 15.3 MPa is

[21] We have identified two classification or reclassification decisions made under the current NGL, including the NCC's Jemena 2009 reclassification decision. On 16 May 2025, the AER made its final decision for the gas pipeline classification of the Kurri Kurri Lateral Pipeline.

NGL section 13 criterion	ARC's views	Summary of the AER's assessment
		more consistent with the characteristics 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 ARCP at a single point at the Atlas East Central Processing Facility.	Transmission pipelines usually have less injection points than distribution pipelines. The ARCP has one injection point, which is consistent with a pipeline which conveys gas to a market, rather than a pipeline that reticulates gas within a market.
Section 13(2)(g): *the extent of the area served or to be served by the pipeline*	The ARCP will only serve a narrow area that transports gas over a long distance from the Atlas East Central Processing Facility to the RCWP.	Transmission pipelines are generally long pipelines that cover a narrow area with a small number of discrete points. Conversely, distribution pipelines usually cover a broader area. The ARCP's service area is limited to transporting gas from the Atlas East Central Processing Facility to a delivery point on the RCWP. 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 ARCP has a linear configuration which is approximately 56 km in length.	Transmission pipelines generally have a linear configuration unlike distribution pipelines that have a dendritic configuration. The ARCP has a linear configuration that is consistent with a transmission pipeline.
Section 13(2)(i): the *type of pipeline licence or authorisation that has been obtained in respect of the pipeline under jurisdictional gas legislation*	The pipeline licence was granted under the P&G Act. Licences granted under the P&G Act cannot be granted to a distribution pipeline.	The ARCP is licenced as a pipeline in Queensland under the P&G Act, which cannot be granted to a distribution pipeline.[22] The ARCP has been issued with a petroleum authority (i.e. a pipeline licence) whereas distribution pipelines do not have a petroleum authority in Queensland. It demonstrates that the jurisdictional authority does not consider the ARCP to be a distribution pipeline. We note that this information is not a determinative factor in making our decision. Since the ARCP's pipeline licence does not provide a classification for the pipeline, we are still required to determine whether the ARCP is a transmission or distribution pipeline.

[22] ARC application, p 3.

Consideration of the NGO

Under the NGL, we must also have regard to the NGO and consider whether making the decision will align with the objective. As outlined in our Regulatory Determinations Guide, we will consider whether making the classification decision is likely to impact the efficiency of pipeline access, the operation of gas markets, the rights of third parties and the achievement of relevant emissions reduction targets.

Classifying the ARCP as a transmission pipeline means that it must be registered on the GBB and the STTM.[23] These tools can potentially facilitate access for pipeline users and improve the operation of gas markets by providing additional capacity to bring gas to a market or to trade gas. Consequently, this will improve decision-making and efficiency in the market and promote the long-term interests of consumers.

We consider that whether the ARCP is classified as a transmission or distribution 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 significantly impact the use of the ARCP's services. Therefore, we do not consider the emissions element in the NGO to be material to this draft 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 such as the Minister of the participating jurisdiction and the jurisdictional safety and technical regulator prior to making a classification decision.

In making our draft classification decision, we have consulted with the Queensland Treasurer (being the relevant Minister of the participating jurisdiction), the DNRM (being the jurisdictional safety and technical regulator), AEMO and the AEMC.

A summary of stakeholders' views is set out below.

We consulted with the Queensland Treasurer, who administers the National Gas (Queensland) Act 2008. The Treasurer considered the ARCP to be a transmission pipeline.[24] The Treasurer submitted that the ARCP's pipeline licence, as issued under the P&G Act, authorises the pipeline under a petroleum authority (a pipeline licence being a petroleum authority). This only applies to transmission pipelines as distribution pipelines do not have a petroleum authority. The Minister noted that the ARCP's use and characteristics also support a transmission pipeline classification.

DNRM also supported the ARCP being classified as a transmission pipeline.[25] DNRM submitted that its primary function is to convey gas from Senex's Atlas Gas Project to the market, which aligns the ARCP with the function of a transmission pipeline. DNRM further

[23] AEMO, *Submission to the AER on the AER's draft classification decision for the ARCP*, 25 February 2025.

[24] Queensland Treasurer, *Submission to the AER on the AER's draft classification decision for the ARCP*, 3 June 2025.

[25] DNRM, *Submission to the AER on the AER's draft classification decision for the ARCP*, 7 April 2025.

noted that the ARCP is authorised by a pipeline licence which has been granted and administered under the P&G Act (Qld), which is not granted for distribution pipelines.

AEMC further supported the ARCP being classified as a transmission pipeline because:[26]

- the pipeline has a large capacity and diameter, and operates under high pressure
- it has the ability to convey natural gas to a market (rather than reticulate it within a market) for approximately 56 km from a processing facility to the connecting RCWP
- the ARCP is a part of the network of transmission pipelines which, together with the bidirectional RCWP, convey natural gas to the east coast gas markets.

AEMO also considered that the ARCP should be classified as a transmission pipeline.[27] AEMO noted that the ARCP is registered on the GBB, which only applies to transmission pipeline, and that a transmission classification decision would ensure consistency with existing gas market frameworks such as its registration on the GBB.

AEMO's view was that the ARCP exhibited characteristics of a transmission pipeline because:

- it functions as a high-pressure pipeline transporting gas from the Atlas Gas Processing Facility to the transmission network (i.e. the RCWP), and
- it does not directly supply small customers or distribution customers.

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 ARCP as a transmission pipeline.

[26] AEMC, *Submission to the AER on the AER's draft classification decision for the ARCP*, 3 April 2025.

[27] AEMO, *Submission to the AER on the AER's draft classification decision for the ARCP*, 25 February 2025.