

Darling Downs Pipeline

DDP Cost Allocation Methodology

Public

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Authorisation

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ABBREVIATIONS

AER	Australian Energy Regulator
AEMO	Australian Energy Market Operator
CAM	Cost Allocation Methodology
CATS	Cross Application Timesheets
CFO	Chief Financial Officer
DDP	Darling Downs Gas Pipeline
ERP	Enterprise Resource Planning
NGR	National Gas Rules
NGL	National Gas Law
WBS	Work Breakdown Structure

OVERVIEW

Darling Downs Pipeline (**DDP**) is a 292km natural gas pipeline delivering gas from the Bowen-Surat basin to the Wallumbilla gas hub, Origin's 630MW Darling Downs Power Station and APLNG's export pipeline. The DDP consists of three interconnected gas transmission pipeline licences in the Darling Downs region in South-East Queensland that operate as a single pipeline network.

The DDP is owned by Jemena Darling Downs Gas Pipeline (1) Pty Ltd, Jemena Darling Downs Gas Pipeline (2) Pty Ltd and Jemena Darling Downs Gas Pipeline (3) Pty Ltd (collectively referred to as the **DDP service providers**), who are subsidiaries of SGSPAA. See Appendix A for a chart of the SGSPAA group structure (**Jemena group**).

One of the DDP service providers, namely Jemena Darling Gas Pipeline (3) Pty Ltd, owns, controls and operates the DDP, the Atlas Gas Pipeline and the Atlas Gas Processing Facility.

The DDP is a non-scheme pipeline.

This cost allocation methodology (**CAM**) has been prepared pursuant to the requirement of Rule 101D(1)(b) of the National Gas Rules (**NGR**) in respect of the financial year ending 31 December 2025 for the DDP.

1. NATURE, SCOPE AND PURPOSE

The purpose of this CAM is to establish a method of attributing or allocating costs to services provided by the DDP. The cost allocation principles, policies and approach are to be consistent with:

- The cost allocation principles set out in Rule 103(4) of the NGR which require that costs directly attributable to a pipeline be allocated to the pipeline; and costs which are not directly attributable to the pipeline but are incurred in providing services by means of the pipeline must be allocated to the pipeline using an appropriate allocator.
- the ring-fencing provisions set out in Chapter 4 Part 2 of the NGL.¹ In particular, Jemena maintains a number of internal controls to ensure that the costs of related businesses undertaken by associates are not allocated to service providers. Additionally, section 141 of the NGL requires a service provider to prepare and maintain separate accounts in respect of pipeline services provided by means of every pipeline owned by the service provider, as well as a consolidated set of accounts in respect of the whole of the business of the service provider.

¹ Notwithstanding this requirement, we note that DDP service providers are exempted from compliance with NGL ss 139, 140 and 141 until 2 March 2026 due to the operation of NGR Schedule 6 rule 27.

2. PIPELINE SERVICES

The DDP service providers provide pipeline services by means of the DDP, as explained below:

1. **Firm forward haul transportation service:** transportation service where the transportation of gas is subject to the highest priority along a specified route at an agreed volume and tariff on a take-or-pay basis.
2. **Interruptible or as available transportation service:** Service where transportation capacity is provided on a non-guaranteed, flexible basis, and charged on a 'pay-as-you-go' basis. Unlike firm services, an interruptible or as-available service is subject to fluctuations in availability. If there is excess capacity in the system the service can be utilized. However, if the pipeline reaches full capacity or there is a higher priority demand, the interruptible service may be unavailable.

From time-to-time, the DDP service providers may also provide services that are not pipeline services.

3. COST ALLOCATION PRINCIPLES AND POLICIES

3.1 OVERVIEW OF APPROACH

The DDP service providers provide various pipeline services by means of the DDP to customers. Pipeline services are defined in the National Gas Law to mean services which are provided by means of a pipeline. Generally, the costs of building, maintaining and operating a pipeline will enable the provision of a range of different pipeline services all of which can be provided by a single pipeline asset. For this reason, it is generally not possible to directly attribute construction, maintenance and operational activities (and therefore their costs) to each pipeline service that is provided.

The DDP service providers utilise an Enterprise Resource Planning (ERP) corporate business system to capture, control and report costs. Controls within the ERP system ensure that costs are reported only once.

Costs are recorded at an activity level in our ERP system and rolled up to a Work Breakdown Structure (WBS, Project). A WBS is a model that breaks down a project into smaller, more manageable components or tasks, organized in a hierarchical structure which tracks:

- the nature of the accounting treatment—being capital or operating expenditure
- the nature of the expenditure—e.g. maintenance, licences, shared costs etc.

The DDP service providers report costs in a number of categories, and assign costs to DDP using various methods. A summary of this approach is outlined in Table 3–1.

Costs are assigned to the DDP consistent with the requirements set out in section 2.3 of the AER’s Pipeline Information Disclosure Guidelines and the cost allocation principles set out in rule 103(4) of the NGR.

Table 3–1: Summary of cost categories and assignment methodology to pipeline

Cost category	Assignment method	
	Attribution	Allocation
Labour	✓	
Subcontractor	✓	
Materials	✓	
Fleet operating costs	✓	
Other pipeline costs	✓	
Pipeline overheads		✓
Corporate overheads		✓

3.2 ATTRIBUTABLE COSTS TO PIPELINE

Rule 103(4)(c) of the NGR requires that service provider must only allocate costs to a pipeline that are directly attributable to the pipeline and if costs are not directly attributable to the pipeline, but which are incurred in providing services by means of the pipeline, such costs must be allocated to the pipeline using an appropriate allocator.

Costs that are attributed to the DDP service providers and their basis for attribution are explained in Table 3-2.

Table 3–2: Pipeline attributable costs

Direct cost type	Basis for attribution
Labour	Labour costs are assigned using time writing (quantity) at a standard labour rate through the Cross Application Timesheets (CATS) module of our ERP system to a relevant WBS.
Subcontractors	External contractors may be sourced to supplement the existing workforce for specific projects, additional workloads or to cover employee absences. Subcontractor costs are receipted against a purchase order and then assigned to the relevant WBS.
Materials	Material costs include stock items distributed through DDP’s warehousing and materials purchased directly from an external party via purchase order processing system. Material costs are assigned to the relevant WBS.
Fleet operating costs	Fleet operating costs are captured against cost centres and attributed to the relevant WBS.
Other pipeline costs	All other costs incurred directly as a result of operating the pipeline e.g. licence fees, lands management fees.

3.3 ALLOCATED COSTS TO PIPELINE

Allocated costs are costs that cannot be directly attributed to a pipeline, in most cases they are ‘shared’ in nature. The costs are captured in our ERP system and then allocated to a WBS project. Causal allocators are created consistent with well accepted causal methods to apportion the costs.

3.3.1 CORPORATE OVERHEAD COSTS

The DDP service providers incur corporate overhead costs. These shared enterprise support function costs are used to support multiple business units within the Jemena Group and cannot be directly attributed to a pipeline, but are incurred in order for the DDP service providers to provide pipeline services on the DDP. These costs are captured in cost collectors and then allocated on causal basis to business units including the DDP service providers, and then subsequently allocated to DDP.

Corporate overhead costs are allocated to the DDP in the following ways:

- Step 1: Corporate overhead costs are allocated to Jemena’s gas transmission and processing assets based on specific causal drivers attributed to each type of overhead cost, with a range of allocation drivers used as appropriate for each type of cost including surveys of headcount effort, surveys of digital application usage, emissions volumes, revenue and EBIT.
- Step 2: Corporate overhead costs are then allocated to various service providers, including the DDP service providers, based on the direct spend profile of each service provider.

The allocators used to allocate shared enterprise support function costs are the most appropriate because they represent the best estimates of the benefits consumed by the respective pipelines and other business units within the Jemena Group.

A summary of the DDP’s shared corporate overhead costs is provided in **Error! Reference source not found.**Table 3-3.

Table 3–3: Description of corporate overhead cost items

Description
<ul style="list-style-type: none"> • Office of the Managing Director • Corporate Strategy • Finance • Digital (Information and Technology Services) • People, Safety and Governance • Procurement, Property and Fleet • Regulatory

3.3.2 PIPELINE OVERHEAD COSTS

The DDP service providers incur pipeline overhead costs. These costs are used to support multiple pipelines within the Jemena Group and cannot be directly attributed to a pipeline, but are incurred in order for the DDP to provide pipeline services. Pipeline overhead costs are allocated to the DDP service providers on causal basis based on an annual survey of work effort by the supporting functional teams. Direct Revenue is then used as an allocator to exclude the costs allocated to the Atlas assets from the DDP service providers to determine the costs allocated to the DDP specifically.

A summary of the DDP’s pipeline overhead costs is provided in Table 3-4.

Table 3–4: Description of pipeline overhead cost items

Description
<ul style="list-style-type: none"> • Pipeline management activities relating to the DDP asset • Design and service engineering, technical asset management, compliance and risk activities relating to the asset • Pipeline marketing and other commercial activities

4. COST ALLOCATION TO SERVICES

Although some costs of the DDP service providers can be identified and directly attributed via a WBS within the ERP system and ultimately assigned to DDP, these costs cannot be further broken down and attributed to individual pipeline services provided by the DDP. Costs are not incurred specifically at a service level and therefore are not directly attributable to services. As such, the DDP's costs are allocated to the individual pipeline services provided by DDP.

Expenses are allocated to the 'Description' categories based on the Direct Revenue allocator. This allocator is the most appropriate because there is a relationship between the economic benefits realised (direct revenue) and the economic benefits consumed (direct expenses & shared expenses) as a result of operating the pipeline. The DDP service providers are not aware of a more appropriate allocation approach.

Table 4–1: Summary of cost categories and assignment methodology to pipeline services

Cost category	Assignment method	
	Attribution	Allocation
Labour		✓
Subcontractor		✓
Materials		✓
Fleet operating costs		✓
Other pipeline costs		✓
Pipeline overheads		✓
Corporate overheads		✓

5. ACCOUNTABILITIES AND RESPONSIBILITIES

The CAM will be used for all regulatory reporting purposes.

The DDP service providers are committed to the ongoing application of the CAM and will be the primary responsibility of Jemena's General Manager, Business Performance who will:

- conduct periodic reviews of the CAM;
- liaise with the Chief Financial Officer (**CFO**), Regulation team, Business Unit Managers, Other Finance General Managers and their staff where relevant CAM issues are raised; and
- act as the reference point for all queries regarding the CAM in relation to Regulatory matters.

6. RECORD MAINTENANCE

All relevant documentation supporting the allocation of costs (direct or shared) are maintained within Jemena's accounting and information system databases.

These records are supported by the company's comprehensive record protection and retention procedures and practices, as well as the relevant data recovery and back up processes.

Appendix A

SGSPAA Group Structure

A1. SGSPAA GROUP STRUCTURE

The DDP service providers' position within the SGSPAA group structure is highlight in orange.

Figure A1–1: SGSPAA group structure

