Uncertainty in Gas Access Regulation?

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www.offgar.wa.gov.au
Overview

- Status of gas access regulation in WA
- Uncertainty in access regulation
- Observations on regulation
- Conclusions
AlintaGas Distribution Pipeline Networks

Comprises approx. 10,500 km of Gas distribution pipelines and associated facilities.

There are two networks in Albany and Kalgoorlie that are not covered by the Code.

Access Arrangement
Approved 18/7/2000

Review due 31/3/2004
Dampier to Bunbury Natural Gas Pipeline

Owner: Epic Energy (WA) Transmission Pty Ltd
Commissioned: 1984
Length: 1845 km
Diameter: 660 mm
Capacity: 600 TJ/d
Average MDQ: 530 TJ/d

Final Decision on proposed Access Arrangement to be issued shortly.
Goldfields Gas Pipeline

Owners: Southern Cross Pipelines Australia Pty Ltd, Southern Cross Pipelines (NPL) Australia Pty Ltd and Duke Energy International

Commissioned: 1996
Length: 1378 km
Diameter: Telescopic 400 mm to 350mm
Capacity: 100 TJ/d
Average MDQ: 98 TJ/d

Draft Decision is being amended.
Application for revocation lodged with NCC on 27/3/2003
**Tubridgi Pipeline System**

**Western Australia**

- **Owner:** SAGASCO & Pan Pacific Petroleum
- **Comprises two pipelines the Griffin and the Tubridgi Pipelines.**

**Tubridgi Pipeline**
- **Commissioned:** 1992
- **Length:** 87.5 km
- **Diameter:** 168 mm
- **Capacity:** 30 TJ/d

**Griffin Pipeline**
- **Commissioned:** 1993
- **Length:** 87 km
- **Diameter:** 273 mm
- **Capacity:** 90 TJ/d

**Combined Average MDQ of about 30 TJ/d**

**Access Arrangement Approved on 19/10/2001**

**Review due 19/1/2006**

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**Map Details:**
- **Owner:** SAGASCO & Pan Pacific Petroleum
- **Comprises two pipelines the Griffin and the Tubridgi Pipelines.**

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**Review due 19/1/2006**
Kambalda Lateral

Owner: Southern Cross Pipelines Australia Pty Ltd
Commissioned: 1996
Length: 44 km
Diameter: 219 mm
Capacity: 15 TJ/d
Throughput: 12 TJ/d
Extension of time to submit an Access Arrangement granted to July 2004
Pipelines not covered or regulated by the Code

Pipelines Not Covered:
- Parmelia Pipeline
- Mid West Pipeline
- Harriet Pipelines
- Pilbara Energy Project Pipeline
- Cape Lambert Pipeline
- Various GGP laterals
  - GGP to Mt Keith
  - GGP to Leinster Power Station
  - GGP to Kalgoorlie Power Station

Unprocessed gas pipelines are not regulated by the National Gas Agreement.
Economic Regulation Authority of WA

- Currently before Parliament
- Proposed 1 July 2003 start
- Covers access to gas, electricity, rail and water
- Other proposed functions include licensing, pricing and tariffs for certain services
Uncertainty?

• Does regulation create uncertainty?
  – Impacts on commercial outcomes
  – Issues are contentious
  – Impacts differently on Users vs Owners

• Why regulate?
  – Promote competition in upstream & downstream markets

• What type of regulation?
  – Light vs heavy handed regulation
Importance to Respondents

- Consistency in regulation
- Prevent abuse of monopoly
- Promote competition
- Rights of access to pipelines
- Address issues in a timely manner
- Address issues in an effective manner
- Provide adequate information
- Provide quality information

Importance Scale: 0% to 100%
Areas of Uncertainty

• Coverage
  – When does regulation yield benefits?

• Initial capital base
  – First approval of existing pipeline – some uncertainty
  – New pipeline – cost

• Rate of return
  – What is an appropriate rate of return?

• New investment
  – Do greenfield investments require special consideration?
What is the Evidence?

- Coverage
  - Part IIA confusing (declarations, undertakings, effective regimes, transitional problems)

- Initial capital base
  - Significant consistency within DAC and DORC

- Rate of return
  - Significant consistency based on CAPM WACC

- New investment
  - No clear evidence as yet, although feeling is to provide additional incentives for investment
Observations on Regulation

• Objectives of NGAR are generally supported
• Regulation targets monopoly
• Regulation can be flexible, but care is necessary to maintain its integrity
• Replicating competitive outcomes through regulation is difficult but necessary
• Successful regulation involves balancing competing interests and desired outcomes
• More prescription and less discretion will reduce uncertainty – but is this a desired outcome?
Conclusions

- Purpose is to promote investment in pipelines and in upstream and downstream markets
  - tension and some uncertainty, but
  - uncertainty not a principal issue
- While the access regime can be improved
  - uncertainty is not the main reason