



12 January 2015

Mr Tyson Self
Assistant Director, Gas Access
Economic Regulation Authority
Level 4, Albert Face House
469 Wellington Street
Perth WA 6000

Via email: publicsubmissions@erawa.com.au

Dear Mr Self

Revised Access Arrangement for the Mid-West and South-West Gas Distribution Systems

The Chamber of Minerals and Energy of Western Australia (CME) is the peak resources sector representative body in Western Australia, funded by its member companies, which generate 95 per cent of the value of all mineral and energy production and employ 80 per cent of the resources sector workforce in the state.

The Western Australian resources sector is diverse and complex, covering exploration, processing, downstream value adding and refining of over 50 different types of mineral and energy resources.

In 2013, the value of Western Australia's mineral and petroleum production was \$113.8 billion, accounting for 91 per cent of the state's total merchandise exports and thus representing the majority of Western Australia's 43 per cent contribution to Australian merchandise exports.

Energy is a critical input to, and export from, Western Australia's resources sector. Natural gas from the state's resources sector operations is one of the two key fuels, along with coal, powering the vast majority of electricity generation in the South West Interconnected System.

Gas is also used by industrial, commercial and residential consumers in a range of direct applications, including heating and as a feedstock to petrochemical processes.

The state's gas transmission and distribution networks are important for transporting gas from processing plants, located primarily in the north west of Western Australia, to these industrial, commercial and residential consumers, located predominantly in the state's south west.

Transparent access arrangements for the use of natural monopoly infrastructure, such as gas networks, are important for providing confidence to asset owners, access seekers and end consumers. Arrangements should be structured and applied in a way that incentivises efficient private sector investment in this infrastructure.

In principle, CME therefore considers the access arrangement framework should:

- encourage access seekers and project proponents to negotiate directly in the first instance;
- create a mechanism enabling access disputes to be resolved in a timely manner;
- provide certainty for investors; and
- establish rates of return reflecting prevailing market conditions and risks.

Determined rates of return should drive asset owners to efficient capital investment decisions and operating expenses, enabling end consumers to pay the cost of supply. However, they should not be so low so as to act as a disincentive for asset maintenance, risking the safety of asset users and end consumers, nor as a disincentive for appropriate asset expansion.

CME notes the Economic Regulation Authority's proposed rate of return for ATCO Australia's Mid-West and South-West Gas Distribution Systems is substantially lower than rates recently determined in draft decisions by the Australian Energy Regulator for several gas and electricity distribution networks in the eastern states.

The comparatively low rate of return is unlikely to incentivise investment in new gas distribution infrastructure and customer connections in Western Australia when assessed against investment opportunities in other Australian jurisdictions. Furthermore, it could risk future customer choice and competitive tension amongst energy sources as the industrial, commercial and residential user base in the state's south west grows.

CME requests the Economic Regulation Authority consider these principles in determining the rate of return for ATCO Australia's revised access arrangement for the Mid-West and South-West Gas Distribution Systems.

Should you wish to discuss this matter further, please contact Benjamin Hammer, Policy Advisor – Infrastructure and Economics, on 08 9220 8527 or b.hammer@cmewa.com.

Yours sincerely

Nicole Roocke
Deputy Chief Executive