

22 January 2015



Mr Tyson Self
Economic Regulation Authority
PO Box 8469
PERTH BC WA 6849

Email: publicsubmissions@erawa.com.au

Dear Mr Self

Draft Decision on Proposed Revisions to the Access Arrangement for the Mid-West and South-West Gas Distribution System

The Chamber of Commerce and Industry of Western Australia (CCI) welcomes the opportunity to comment on the abovementioned Draft Decision.

CCI is the peak body representing business in Western Australia. We represent more than 9,000 small, medium and large businesses, not-for-profits and government enterprises across the spectrum of the State's economy and from all regions of Western Australia. We strive for the pursuit of free enterprise and our vision is for Western Australia to be a world-leading place to live and do business. CCI is a strong supporter of reforms to Western Australia's energy markets that promote competition and reduce energy costs for consumers.

For regulated infrastructure, CCI acknowledges the need for regulatory determinations to provide owners of regulated assets with revenue that is sufficient to at least cover the efficient costs of providing regulated services. This includes a rate of return that is sufficient to attract the necessary capital to finance investment.

In its Draft Decision on Proposed Revisions to the Access Arrangement for the Mid-West and South-West Gas Distribution System (the Draft Decision), the Economic Regulation Authority has proposed a rate of return of 5.94 per cent. This is significantly less than the current rate of return determinations for every other gas distribution network in Australia. It is also significantly lower than the rate of return of 6.80 per cent most recently proposed by the Australian Energy Regulator in its draft decision on the Jemena Gas Networks Access Arrangement 2015–20.

In a nationally and internationally competitive market for investment, a less than comparable rate of return on investment may result in the provider being unwilling or unable to undertake required investments. CCI is concerned that the rate of return proposed by the Economic Regulation Authority in the Draft Decision may be insufficient to encourage future investment in the Mid-West and South-West Gas Distribution System, and this could lead to diminished quality, safety, reliability and security of gas supply for consumers.



Although the proposed rate of return relates only to the Mid-West and South-West Gas Distribution System, the final decision may establish or reinforce expectations regarding future rate of return determinations for other regulated infrastructure and so may have broader implications for investment in gas transmission pipelines and electricity networks.

If you would like further information on this matter, please contact Matthew Sargeant, Principal Economist on (08) 9365 7720 or matthew.sargeant@cciwa.com.

Yours sincerely,

John Nicolaou
Chief Officer Member Services and Advocacy