

Consumer Reference Group

ERA 2022 Gas Rate of Return Instrument Review

Role and activities

Context

The National Gas Law requires the ERA to produce a gas rate of return instrument. The gas instrument sets out the methods the ERA will use to estimate the allowed rate of return for regulated gas transmission and distribution pipeline service providers. The regulated gas pipelines are the Dampier to Bunbury Natural Gas Pipeline, the Goldfields Gas Pipeline and the Mid-West and South-West Gas Distribution Systems.

As part of the consultation process for the 2022 gas instrument review, a Consumer Reference Group (CRG) has been established by the ERA to provide direct and ongoing feedback to the ERA that represents broad consumer perspectives.

Brief details on the members of the Group and further information on the review are provided on the ERA website at <https://www.erawa.com.au/gas/gas-access/consumer-reference-group-gas-rate-of-return-instrument>

Role

The CRG has the role of representing consumer interests to help ensure that there is balance to the views of service providers who typically have the resources to better deal with the technical nature and information requirements of the ERA's determinations.

In understanding the role of the CRG and the constraints on that role it is essential to understand the law binding the ERA as specified in the National Gas Objective (NGO). The NGO is defined as follows:

“The national gas objective is to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers with respect to price, quality, safety, reliability and security of supply of natural gas.”

It is clear from this definition that the ultimate objective is the long term interests of consumers with respect to the various service matters specified. Furthermore, there is understood to be a legislative premise that the long term interests of consumers will be served by regulation that advances the various aspects of economic efficiency. This is understood to in effect give an overarching priority to the specific aspects of economic efficiency referred to in the NGO. This in turn means that there is a need to focus on the interpretation of economic efficiency and the application of principles and evaluation criteria in the design and implementation of the rate of return instrument.

The CRG will review the ERA proposals to ensure they best meet the NGO. This will entail reviewing the technical material leading to preferred positions on particular parameters. The CRG will also try to explain the ERA methodology so that consumers can better understand the reasoning leading to preferred positions.

Activities

CRG activities will be developed taking account of key ERA milestones:

1. ERA Discussion Paper on the 2022 gas rate of return instrument published in December 2021 –
 - The paper discusses the regulatory framework and poses 20 detailed questions on the ERA methodology and key parameters.
 - Submissions on the paper were invited by 16 February 2022.
2. ERA Draft 2022 gas instrument to be published in June 2022 –
 - To be reviewed by an Independent Expert Panel in August 2022
 - Public submissions invited in September 2022.
3. ERA will publish Final gas instrument in December 2022

The planned CRG activities are;

1. Prepare a detailed submission on the ERA December 2021 Discussion Paper, incorporating the views from consultation with consumer interests covering industry and household consumers, for submission in February 2022.
2. Review the submissions of service providers, experts and other parties in relation to the Discussion Paper and related matters and provide an updated submission to the ERA for submission by April 2022.
3. Publish a paper on the interpretation of the meaning of the long term interests of consumers and the economic efficiency and other evaluation criteria by April 2022.
4. Prepare a detailed submission on the ERA Draft 2022 gas instrument and the Independent Expert Panel report for submission in September 2022.
5. Be available to explain concepts and submissions to interested parties during the course of the review. This may include public presentations where feasible.

The CRG would like to hear from you

In the course of preparing a submission to the ERA on its Discussion Paper CRG members have consulted with a wide range of industry and household consumer representatives, including some associated with the Chamber of Minerals and Energy of Western Australia (CMEWA) and Western Australia Council of Social Service (WACOSS). We are most grateful to those consumer representatives who have provided feedback on our submission to the ERA on the Discussion Paper.

We recognise there are other consumers who may have other views and we strongly encourage them to contact us with questions or views that they would like us to investigate and explain and also any suggestions on how the CRG could better engage with consumers.

We also encourage consumer representatives to present their own submissions to the ERA where they have the interest and capacity to do so.

You can contact the CRG at rateofreturnCRGinfo@erawa.com.au

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