



Economic Regulation Authority

Western Australia

Issues Paper

Proposed Esperance Gas Distribution Licence (GDL 6) Transfer

November 2004

TABLE OF CONTENTS

1 INTRODUCTION 1

 1.1 General..... 1

 1.2 Submissions 1

2 BACKGROUND 3

 2.1 Existing Esperance Gas Distribution Licence..... 3

 2.2 Natural Gas Reticulation in the Town of Esperance..... 3

3 DECISION AS TO TRANSFER 5

 3.1 Statutory criteria..... 5

 3.2 Public interest..... 5

 3.3 Other Relevant Issues 6

4 MAKING A SUBMISSION 7

 4.1 Confidentiality 7

 4.2 Address for Submissions..... 7

ATTACHMENT 1 Map of the Esperance Gas Reticulation Licence Area..... 8

1 INTRODUCTION

1.1 General

On 29 October 2004, Burns and Roe Worley Power Generation (Esperance) Pty Ltd (BRWPGE), submitted to the Economic Regulation Authority (Authority) as the administrator of the gas licensing regime in Western Australia, an application to transfer its Esperance gas distribution licence (GDL 6) to a related company Esperance Power Station Pty Ltd (EPS).

The application for transfer is made pursuant to section 11R of the *Energy Coordination Act 1994*.

Section 11S of the Energy Coordination Act 1994 requires the Authority to grant the transfer of a licence where the Authority is satisfied that the proposed transferee has and will retain, or is likely to have within a reasonable time and will retain, sufficient financial and technical resources to carry out the activities the subject of the licence.

Public consultation is required to be undertaken in accordance with the *Energy Coordination Regulations 2004*.

This issues paper has been developed to assist in the public consultation process. Therefore, the purpose of this issues paper is to:

- list a number of issues which the Authority has identified as potentially relevant to assessing the proposed transfer. This list is not intended to be exhaustive; and
- assist interested parties in making submissions on the issues identified in this paper and other relevant issues that they consider should be examined.

After considering submissions received, the Authority is required to formulate a decision on the proposed licence transfer. This decision will be a “final” decision, unless the Minister for Energy advises the Authority that the matter is of significant public interest. In such a case, the Authority will publish a Draft Decision for comment before issuing a Final Decision.

Pursuant to section 11S(2) of the *Energy Coordination Act 1994*, the Authority must take all reasonable steps to make a decision within 90 days of the application being made.

If the Authority grants the transfer it is required to publish a notice that advises that the transfer has been granted in the Government Gazette. If the Authority refuses the transfer it is required to give written notice together with a statement of the reasons for the decision to the applicant within 14 days after the Final Decision is made.

1.2 Submissions

The Authority has notified interested parties of the application to transfer the Esperance gas distribution licence through the publication of a notice on its website

and an advertisement published in the *Esperance Express* on 4 November 2004. Both the notice and advertisement sought public submissions from interested parties.

Public submissions may be lodged with the Authority by 4pm (Western Standard Time) Thursday 18 November 2004.

Submissions should be addressed to:

Director, Gas Division
Economic Regulation Authority
Level 6, Governor Stirling Tower
197 St Georges Terrace
Perth 6000
Email: gas@era.wa.gov.au

2 BACKGROUND

At the beginning of 2003 the Office of Energy sought expressions of interest in the reticulation of natural gas to regional areas of Western Australia. One submission contained a firm proposal to reticulate natural gas to the town of Esperance.

The Office of Energy canvassed other potential suppliers of reticulated natural gas to Esperance at the time but received no similar offers.

2.1 Existing Esperance Gas Distribution Licence

On 15 March 2004 the Coordinator of Energy granted a non-exclusive gas distribution licence to BRWPGE to construct a gas distribution network to provide natural gas reticulation for the town of Esperance.

On 19 March 2004 the Coordinator of Energy's gas licensing functions were transferred to the Economic Regulation Authority.

On 29 October 2004 BRWPGE submitted an application to the Authority to transfer its gas distribution licence to the related company EPS.

2.2 Natural Gas Reticulation in the Town of Esperance

EPS, as the licence transferee, plans to construct, own and operate a 40 km low pressure gas distribution system to provide natural gas reticulation to the town of Esperance, Western Australia. The transferee intends to provide initial coverage to the high population density areas of the Esperance Township shown as Area 1 (refer to a map of the proposed Esperance Gas Reticulation Licence Area at Attachment 1).

Area 1 is the largest reticulated area in the proposed development plans for the licence area. It is understood that Area 1 has been selected to maximise the number of customer connections, particularly residential, in keeping with meeting local community aspirations. Areas 2 to 5 are parcels planned for future reticulation, subject to funding by owners/other parties, meeting required financial criteria or other favourable developments.

The proposed low-pressure distribution system will take its gas "feed" from the high-pressure Kalgoorlie to Esperance natural gas transmission pipeline via a gate station at Main Line Valve No 4, (MLV4) located at the CBH site in Chadwick.

The reticulation piping will be based on AS/NZS 4130-1997 Polyethylene (PE) mains and services operated to 200 kPa, the main components consist of:

- pressure reducing station (PRS) at the Town Gate Station and metering equipment;
- reticulation header mains and sectionalising valves;
- customer service main; and
- customer gas regulator/meter.

The reticulation piping will consist of 160 PE header mains, sectionalising valves, 110 and 40 mm PE reticulation mains and 40 and 20 mm PE services. PE was selected as a pipe material as it is an Industry Standard and enables rapid isolation of damaged sections of reticulation mains using simple squeeze off tools.

Where customers are on LPG supply, appliance burner orifice conversions will need to be made to accept natural gas. EPS proposes to make these conversions at the customer's cost. Appropriate customer meter sets will also be installed to match required delivery pressure and flow rates. It is envisaged that the operations of the Esperance network would be supported by a local crew operating from a depot located within the townsite.

EPS are of the view that significant public benefits are to be expected from the project. This includes the ability to obtain new, economic and clean energy supplies into areas of the State that are not currently provided with such supplies or are inadequately served with gas infrastructure.

There is potential for lower gas prices while consumers would also benefit from the supply convenience of natural gas. In the longer term there is also the potential for the project to facilitate further development of existing local industry and to attract investment from industry with energy intensive needs for the benefit of both the local and state economy.

3 DECISION AS TO TRANSFER

The Authority's decision to approve the proposed licence transfer is subject to the requirements of both the *Energy Coordination Act 1994* and the *Energy Coordination Regulations 2004*.

The views of interested parties as to the transfer of the Esperance gas distribution licence are actively sought and encouraged.

3.1 Statutory criteria

The Authority's approval of the proposed licence transfer is governed by section 11S of the *Energy Coordination Act 1994*. This section provides, relevantly:

- “(1) *Subject to section 11K, the Authority must grant, renew or approve the transfer of a licence if the Authority is satisfied that the applicant:*
- (a) has, and is likely to retain; or*
 - (b) will acquire within a reasonable time after the grant, renewal or transfer, and is then likely to retain,*
- the financial and technical resources to undertake the activities authorised, or to be authorised, by the licence.”*

The Authority is currently reviewing the financial and technical resources of EPS.

However, the Authority seeks the views of interested parties as to whether, in their opinion, EPS has sufficient financial and technical resources to operate and maintain the gas distribution network in Esperance.

3.2 Public interest

In accordance with section 11K of the *Energy Coordination Act 1994* the Authority is required to consider the public interest before granting the licence transfer.

The Authority, in determining whether granting the transfer would not be contrary to the public interest, may take into account any one or more of the matters referred to in section 11 H(3) of the *Energy Coordination Act 1994*. These matters include:

- (a) environmental considerations;
- (b) social welfare and equity considerations, including community service obligations;
- (c) economic and regional development, including employment and investment growth;
- (d) the interests of gas customers generally or a class of gas customers;

- (e) the interests of any licensee, or applicant for a licence, in respect of the supply area or part of a supply area to which the order, if made, would apply;
- (f) the importance of competition in gas industry markets;
- (fa) the policy objectives of government in relation to the supply of gas;
- (g) any other matter that the Authority considers relevant.

The views of interested parties are sought as to whether any one or more of the above matters has a bearing on EPS' ability to operate and maintain the gas distribution network in Esperance.

3.3 Other Relevant Issues

The Authority may consider any other matter that it considers relevant and welcomes submissions raising such matters.

4 MAKING A SUBMISSION

Submissions are invited from all interested parties on the proposed transfer of GDL 6 to Esperance Power Station Pty Ltd.

Submissions must be received by the Authority by 4:00pm Western Standard Time on Thursday 18 November 2004.

4.1 Confidentiality

In general, all submissions from interested parties will be treated as in the public domain and placed on the ERA website.

Where an interested party wishes to make a submission in confidence, it should clearly indicate the parts of the submission in respect of which confidentiality is claimed.

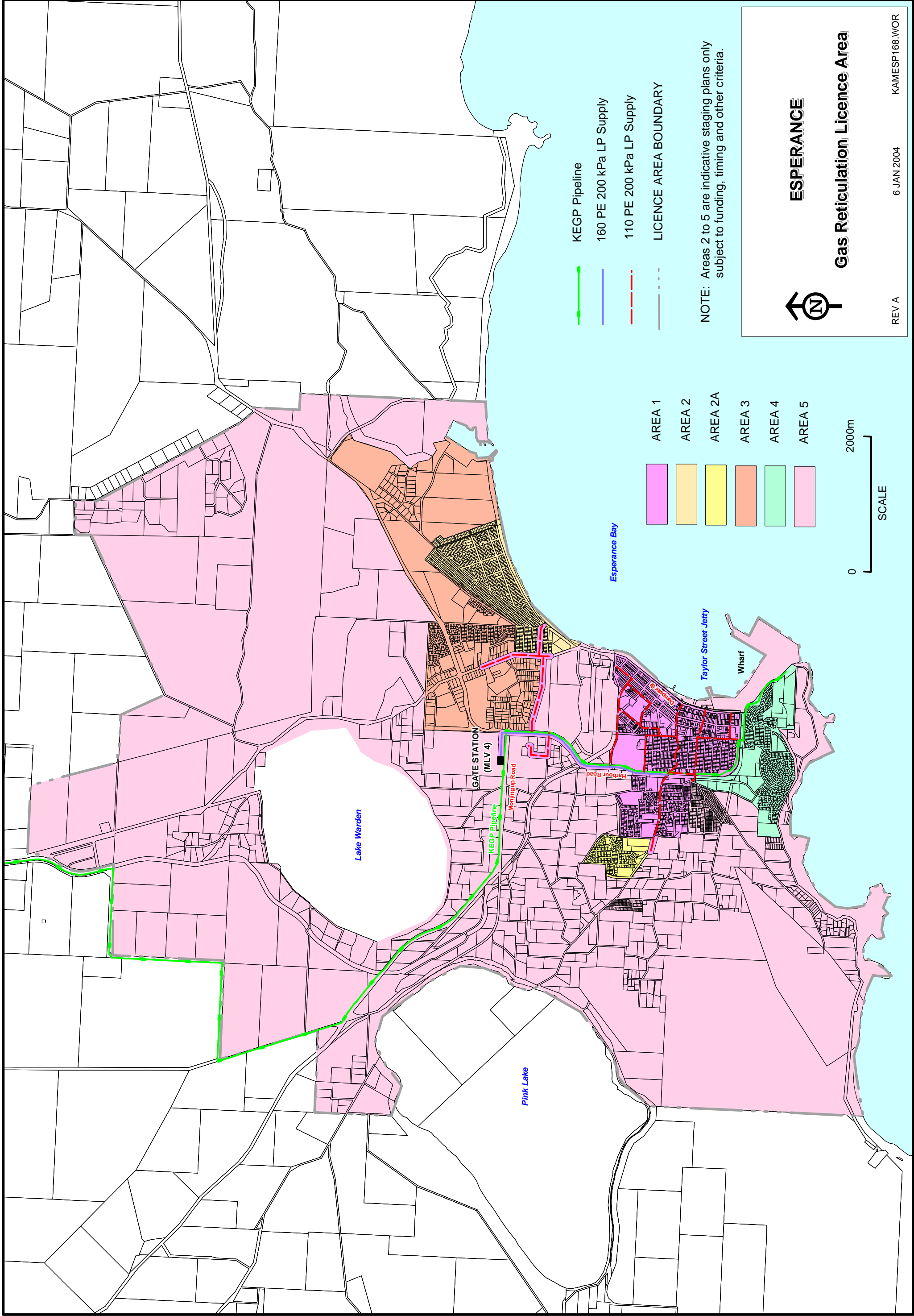
4.2 Address for Submissions

Submissions with comments on the proposed licence transfer should be addressed to:

Director, Gas Division
Economic Regulation Authority
Level 6 Governor Stirling Tower
197 St Georges Terrace
PERTH WA 6000
Email: gas@era.wa.gov.au

ATTACHMENT 1

Map of the Esperance Gas Reticulation Licence Area



KEGP Pipeline

160 PE 200 kPa LP Supply

110 PE 200 kPa LP Supply

LICENCE AREA BOUNDARY

AREA 1

AREA 2

AREA 2A

AREA 3

AREA 4

AREA 5

NOTE: Areas 2 to 5 are indicative staging plans only subject to funding, timing and other criteria.



ESPERANCE

Gas Reticulation Licence Area

0 2000m

SCALE