



Access Regulation Western Australian Experience

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Independent Gas Pipelines Access Regulator

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On behalf of the Regulator**

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Overview

- Status of gas access regulation in WA
- WA approach
- Observations in the application of regulation
- Experience with the process of regulation
- Independence of the Regulator
- Rail access regulation in WA
- Economic Regulation Authority of WA



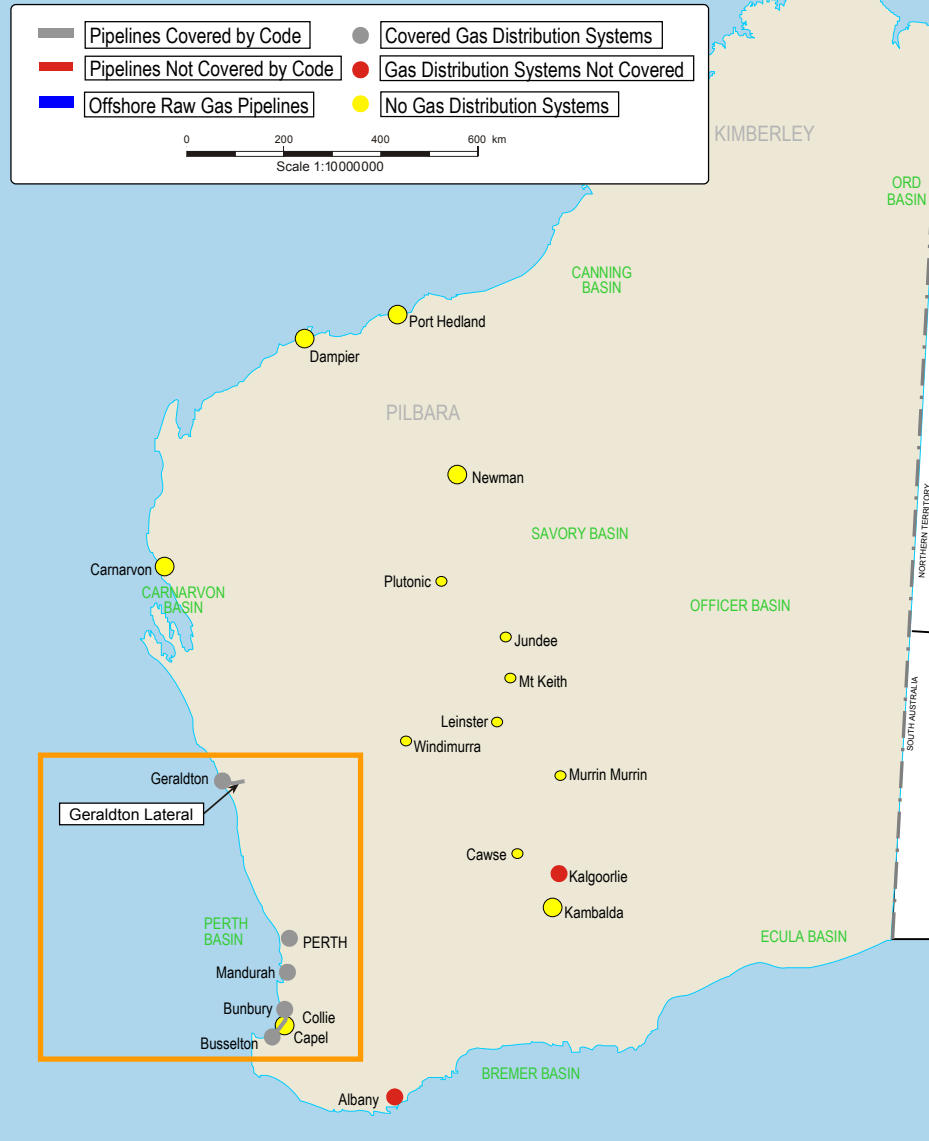
Covered Gas Pipeline Systems in WA

- AlintaGas Distribution Pipeline Networks
- Dampier to Bunbury Natural Gas Pipeline
- Goldfields Gas Pipeline
- Tubridgi Pipeline System
- Kalgoorlie to Kambalda Gas Pipeline



NATURAL GAS PIPELINES

Western Australia



Owner: AlintaGas Networks Pty Ltd

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

Access Arrangement Approved 18/7/2000

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

**AlintaGas
Distribution
Pipeline
Networks**



NATURAL GAS PIPELINES

Western Australia



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

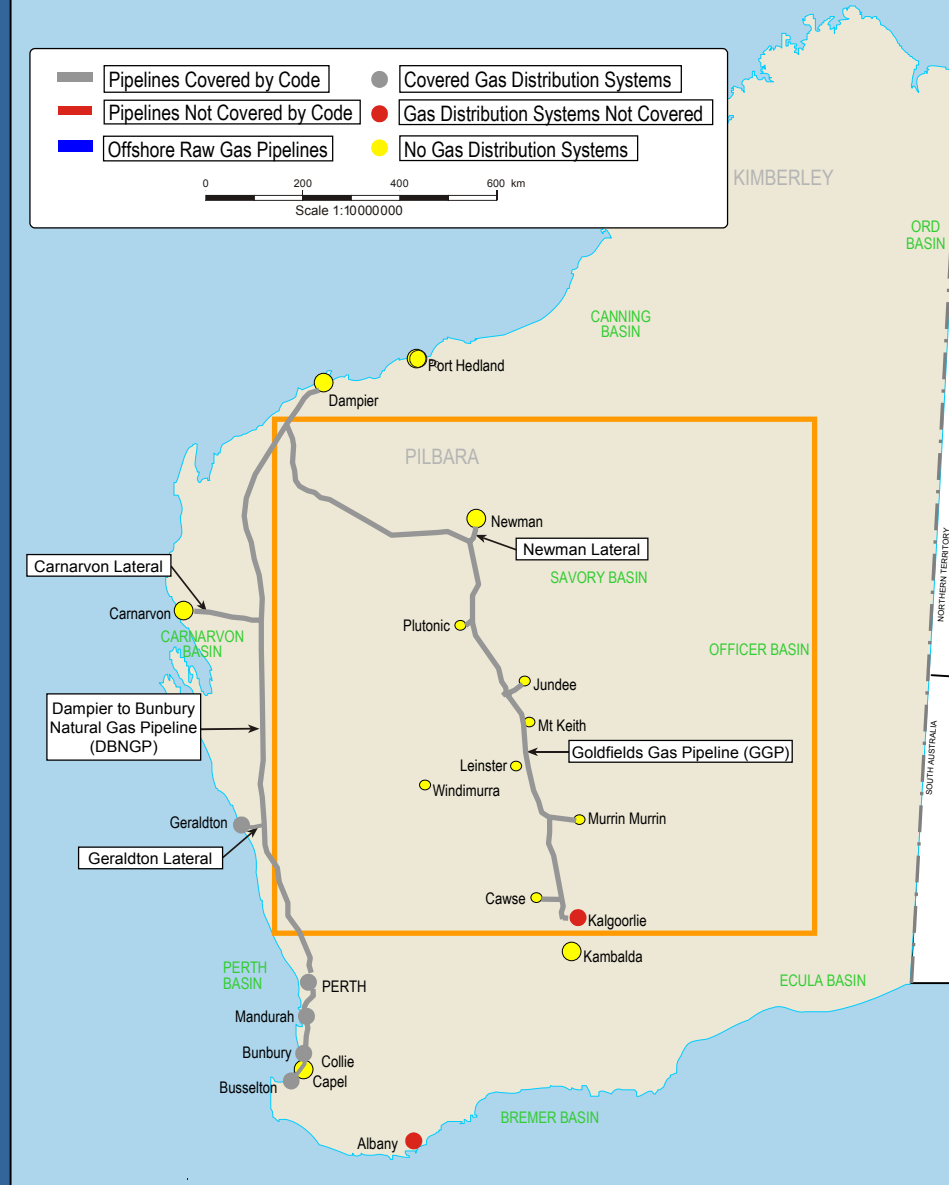
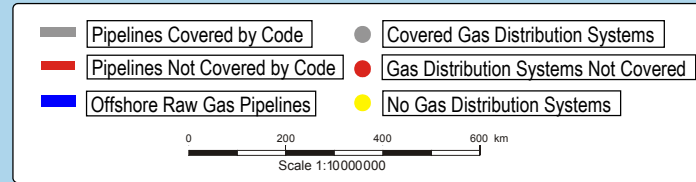
Average MDQ: 530
TJ/d

Draft Decision on
Proposed Access
Arrangement issued
21/6/2001



NATURAL GAS PIPELINES

Western Australia



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

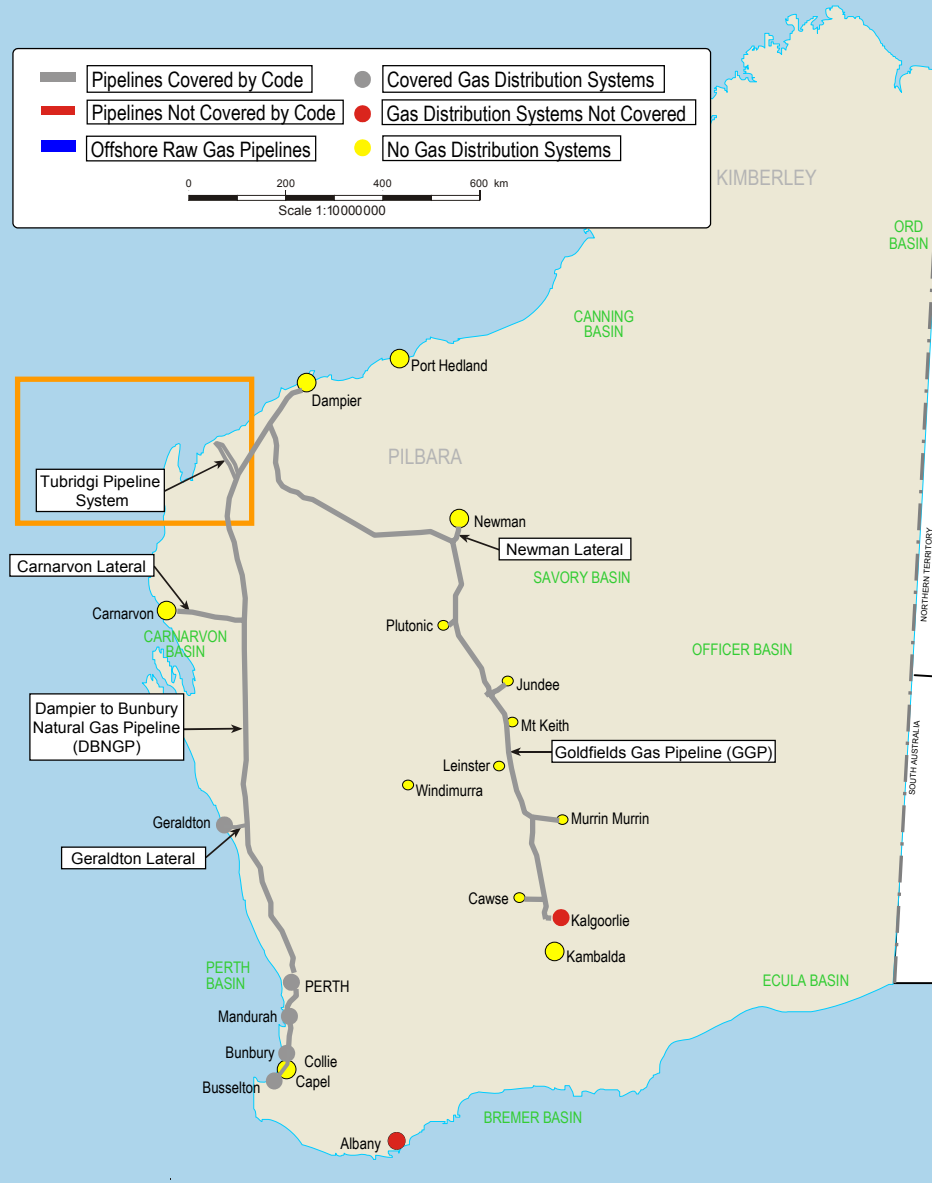
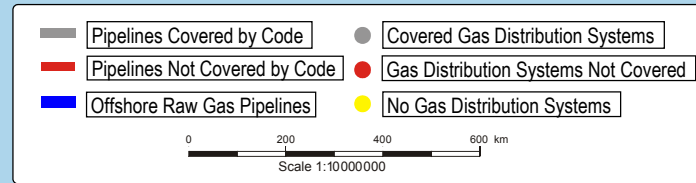
Average MDQ: 98 TJ/d

Draft Decision on Proposed Access Arrangement issued 10/4/2001



NATURAL GAS PIPELINES

Western Australia



Tubridgi Pipeline System

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

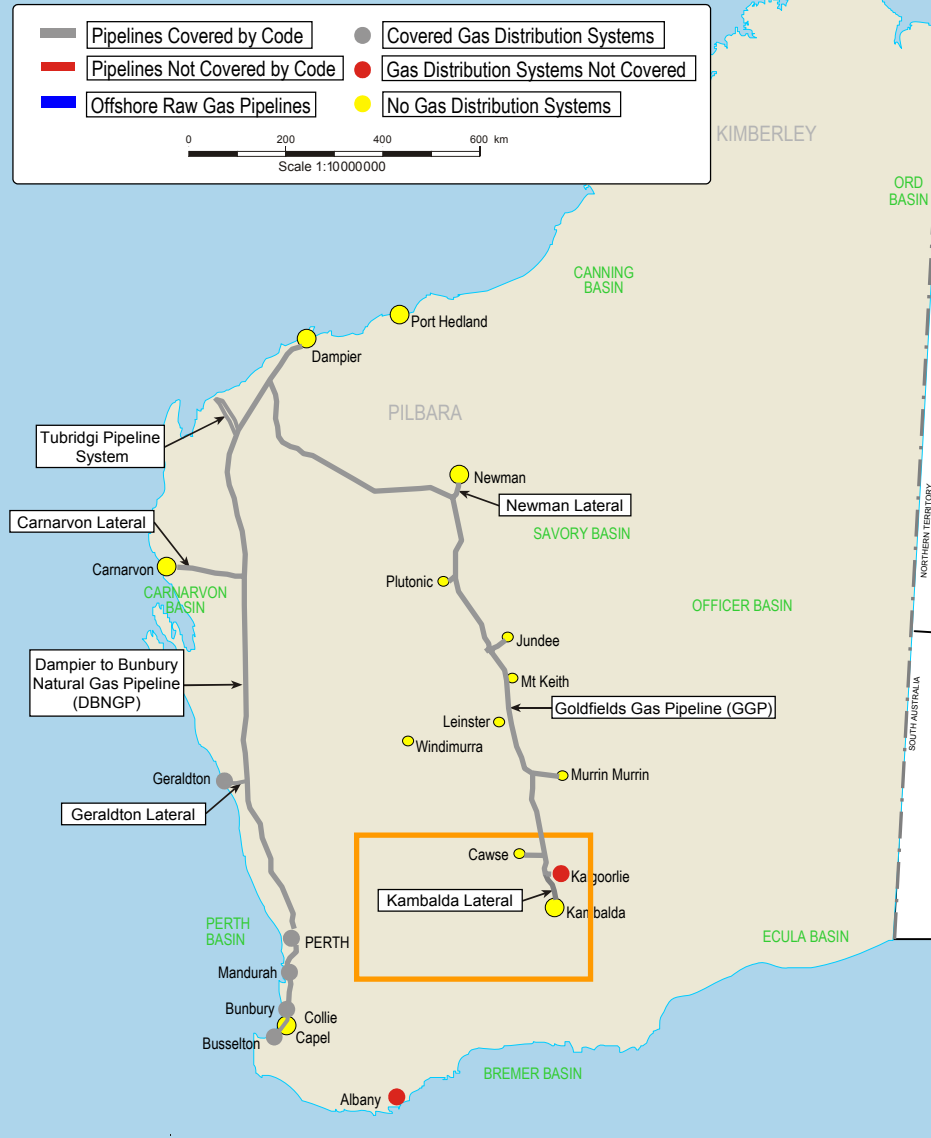
Access Arrangement
Approved in 19/10/2001

Review due 19/1/2006



NATURAL GAS PIPELINES

Western Australia



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

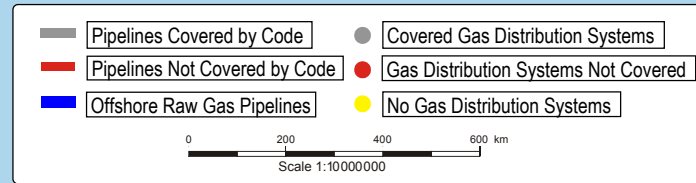
Extension of time to July 2004 given for owner to submit an Access Arrangement



NATURAL GAS PIPELINES

Western Australia

BONAPARTE BASIN



Pipelines Not Covered:

- Parmelia Pipeline
- Mid West Pipeline
- Harriet Pipeline
- 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.

Pipelines not covered or regulated by the Code



Status – Access Arrangements

- Three Access Arrangements approved:
 - AlintaGas Distribution Pipeline Networks
 - Tubridgi Pipeline System
 - Parmelia Pipeline (now revoked)
- Two outstanding – DBNGP & GGP
 - Both subject to court proceedings
 - Progressing the drafting of elements of Final Decisions
- Kambalda Lateral Access Arrangement
 - Subject to an extension of time



Status – Other Decisions

- Ring fencing waiver granted for Tubridgi Pipeline System
- Ring Fencing approvals were granted for the Parmelia Pipeline, but pipeline coverage has since been revoked
- Two associate contracts approved for AlintaGas



Status – Other Activities

- Member of the National Gas Pipelines Advisory Committee
- Currently preparing an information paper on rate of return for pipelines in WA



Application in Western Australia

- To seek ways that best balance the interests of Service Providers, Users and the public interest:
 - Redundant capital policy
 - Draft Decisions are reviewed in light of new information
 - Work through problems to reach agreement



Observations from Application of the Gas Code

- Initial approval of an Access Arrangement is the most crucial – it sets the initial capital base
 - Subsequent reviews of Access Arrangements are likely to be less onerous than original approvals
- Application of the regime expected to improve over time
 - Experience with application of the Code and processes
 - Ongoing review of the Code



Experience with the Process

- Information and consultation critical for good outcome
- Draft decisions offer full scope for review
- Litigious processes are costly and time consuming, but may be necessary to clarify issues
- Time for approving Access Arrangements significantly underestimated



Independence of the Regulator

- Provides for economic and legal certainty
- Regulator is independent of government & industry but:
 - needs to conform to legislation & Code
 - is accountable to Parliament
 - is subject to administrative review by the court
 - is subject to appeal under the Code



Outcomes

- Balance competing interests
- Promote competition
- Encourage economic development
- Provide value to users of pipelines and gas
- Ensure reasonable rate of return to service providers



Regulation of Rail Access

- Appointed Acting Rail Access Regulator in September 2001
- Issues similar, but Rail Code is not as prescriptive
- Regulator determines principles, but access agreements are negotiated between the parties
- Code provides for arbitration



Comparisons – Gas and Rail Access

- Capital Base
 - Gas: normally between DAC and DORC
 - Rail: Gross Replacement Value (GRV)
- Rate of Return
 - Gas: Determined for each access arrangement period
 - Rail: Set and reviewed annually
 - Both use Capital Asset Pricing Model, WACC



Economic Regulation Authority of WA

- Covers access to gas, electricity, rail and water
- Other functions include licensing, pricing and tariffs for certain services
- Public comment has been sought on proposal
- Initial step is to coordinate gas and rail access
- Planning in progress



General Conclusions on Regulation

- Regulation is more complex and time consuming than originally envisaged
- Differing interpretations of the Code is a source of delays and disputes
- Replicating competitive outcomes through regulation may at times be difficult
- Quality information and effective communication are critical to the decision making process
- Independence of the Access Regulator is fundamental