



Western Australia

Economic Regulation Authority

www.era.wa.gov.au

GAS INFRASTRUCTURE & ECONOMIC REGULATION

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Economic Regulation Authority

INFRASTRUCTURE WA 2004

10 September 2004



Western Australia

Overview

- Overview on regulation
- Economic Regulation Authority
- Update on gas pipeline regulation in WA
- Other ERA activities
- Concluding remarks



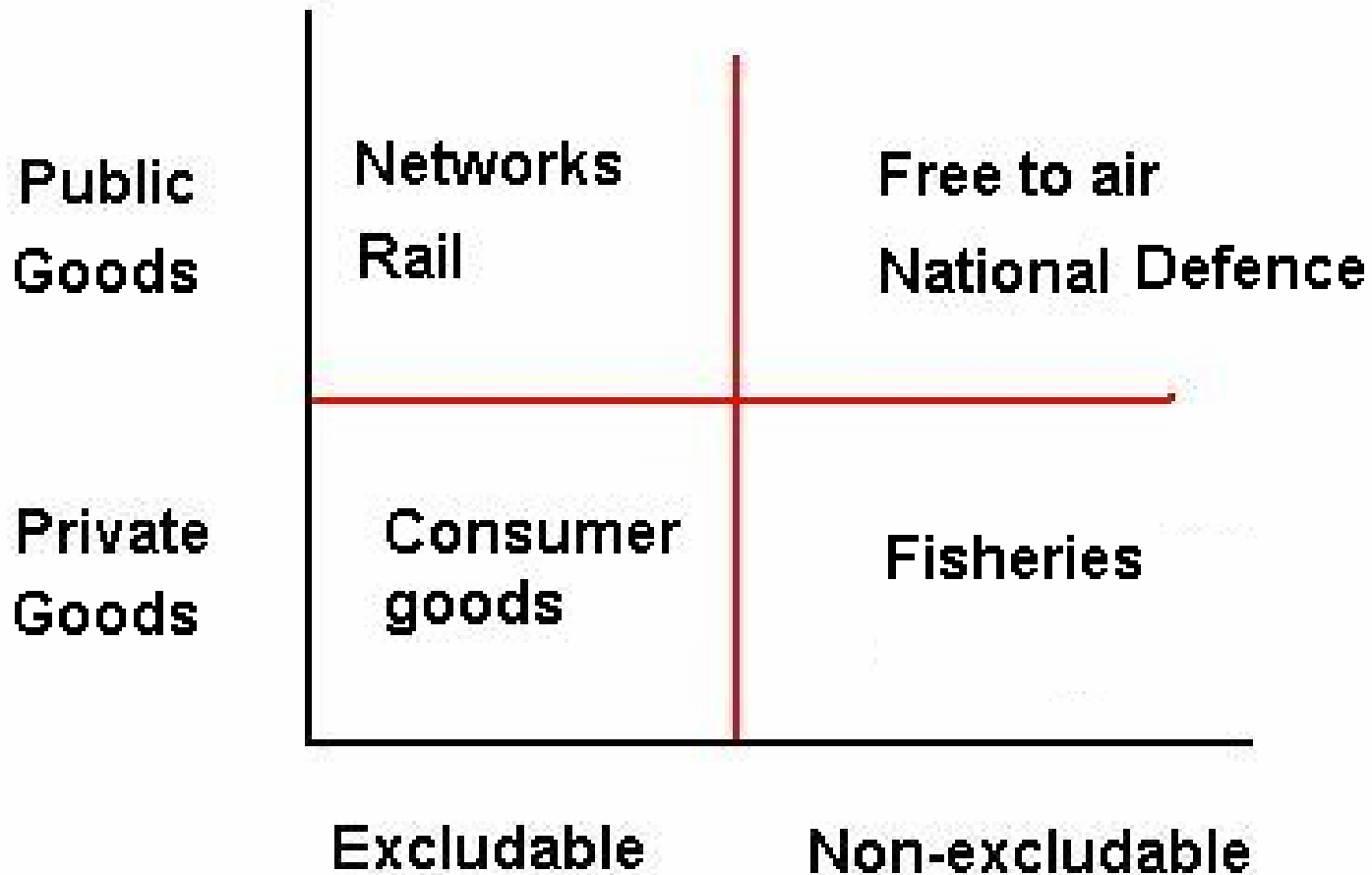
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Economic Regulation

- Trade practices / fair trading
- Consumer protection
- Maintain service /community standards
- Economic Efficiency
 - Prevent abuse of monopoly
 - Access to infrastructure



Markets





Monopoly

Other monopoly factors:

- Economies of scale
- Economies of scope
- Barriers to entry – new infrastructure



Regulatory Frameworks

Types of regulatory frameworks:

- Public sector ownership & control
- Price control of private sector
- Market based regulation
 - Open access
 - Structural separation
 - Markets in contestable elements
 - Price or revenue cap for monopoly elements
- Monitoring / transparency



Issues in Regulation

Claims that:

- Rates of return too low
- Insufficient incentive to invest
- Too intrusive, prescriptive &/or costly
- Insufficient allowance for uncertainty & risk
- Property rights not respected
- Open access discourages investment
- Insufficient benefits for small customers
- Regulation takes too long



National Issues

- Productivity Commission & Ministerial Council on Energy
- Main thrusts include:
 - Centralising regulation eg Australian Energy Regulator
 - Improve legislation and codes
 - Reduce extent of regulation eg holidays, tighten coverage criteria
 - Water down regulatory impact eg greater reliance on monitoring



Achievements

- Competition in WA's gas supply
- Diversity in WA's supply of gas
- Privatised gas supply industry in WA
- Competitive gas trading
- Full retail contestability in gas in WA

NORTH WEST SHELF PETROLEUM PROVINCE

MARCH 1998

☀ SCARBOROUGH

INDIAN
OCEAN

CARNARVON BASIN

NORTH WEST SHELF
GAS PROJECT

HYDROCARBON DISCOVERIES

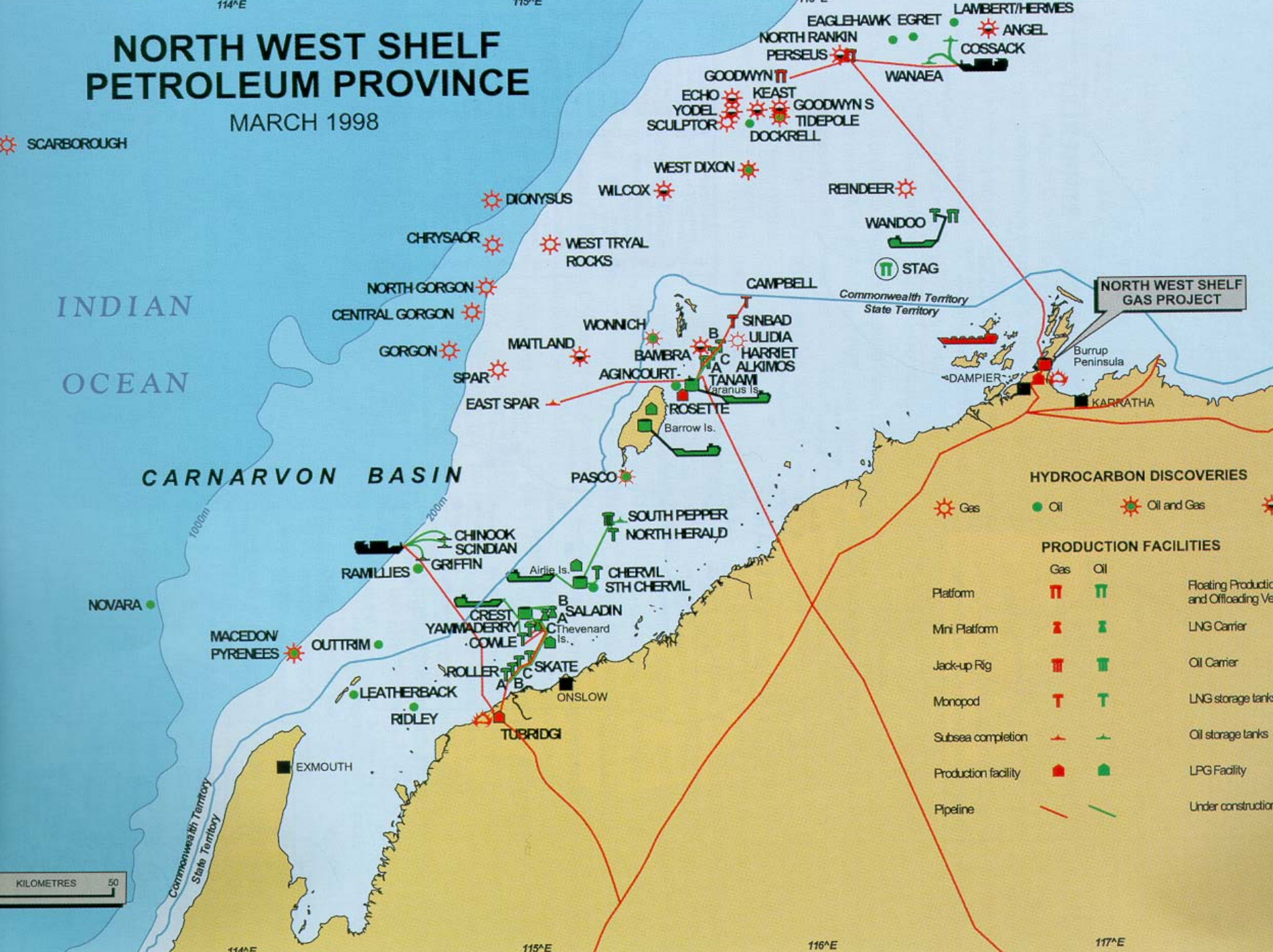
☀ Gas ● Oil ☀ Oil and Gas

PRODUCTION FACILITIES

Platform	☀	☀	Floating Production S and Offloading Vess
Mini Platform	☀	☀	LNG Carrier
Jack-up Rig	☀	☀	Oil Carrier
Monopod	☀	☀	LNG storage tanks
Subsea completion	☀	☀	Oil storage tanks
Production facility	☀	☀	LPG Facility
Pipeline	☀	☀	Under construction

KILOMETRES 50

Commonwealth Territory
State Territory





Western Australia

Economic Regulation Authority

- Governing Body – Chairman & 2 Members
- Administers industry specific regulation
- Independent of Government & industry
- Government can refer studies to ERA
 - Water pricing



Matters to Consider

- The public interest
- The long term interests of consumers
- Investment in relevant markets
- The interests of investors & service providers
- Competition & fair market conduct
- Preventing the abuse of monopoly power
- Transparent decision making



Western Australia

Functions

	Electricity	Gas	Water	Rail
Access	✓	✓		✓
Licensing	✓	✓	✓	
Compliance monitoring	✓	✓	✓	✓
Customer protection	✓	✓		
Market arrangements	✓	✓		

NATURAL GAS PIPELINES

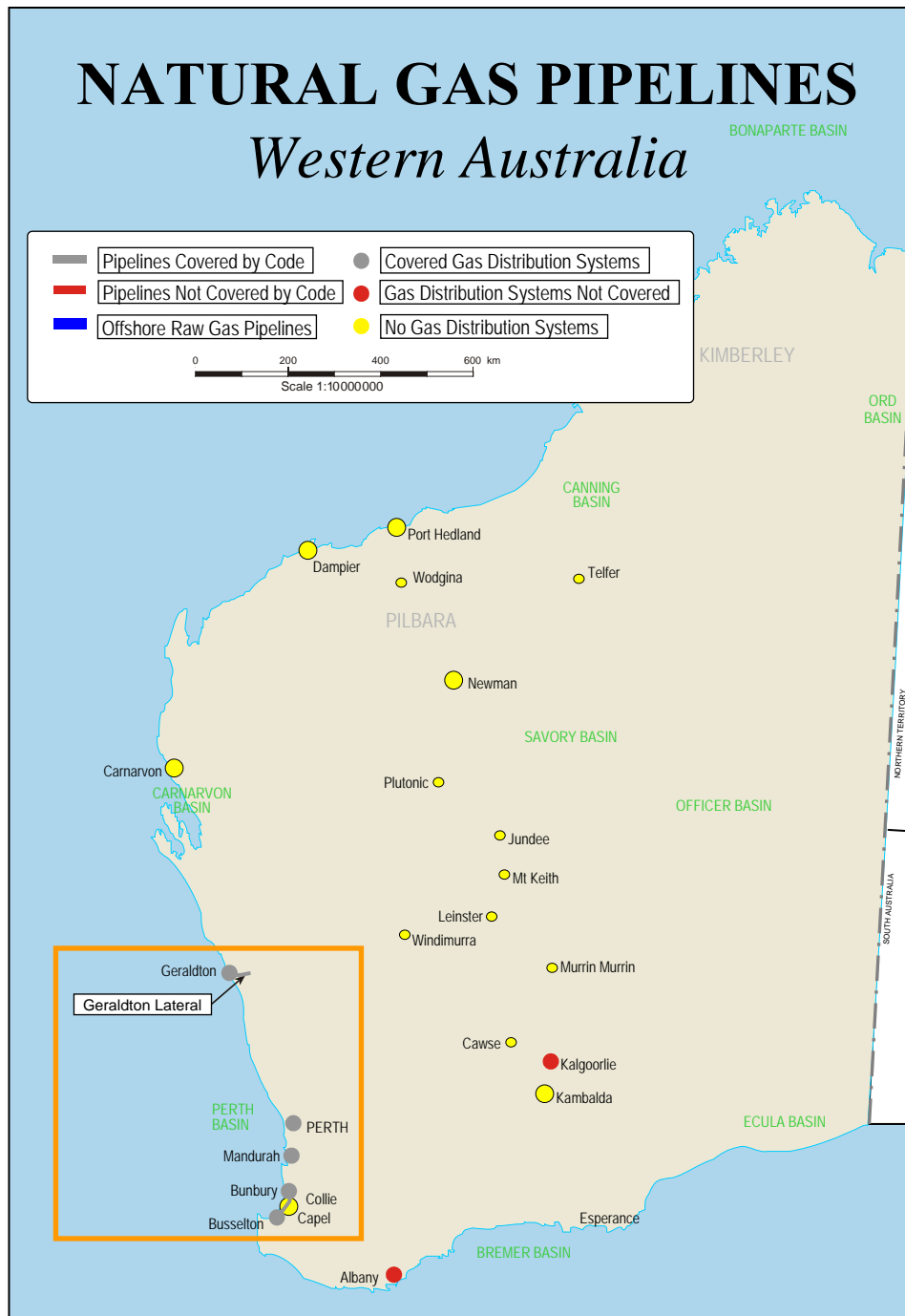
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AlintaGas Distribution Pipeline Networks

Owner: AlintaGas
Networks Pty Ltd

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

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



Initial Access
Arrangement
Approved
18/7/2000

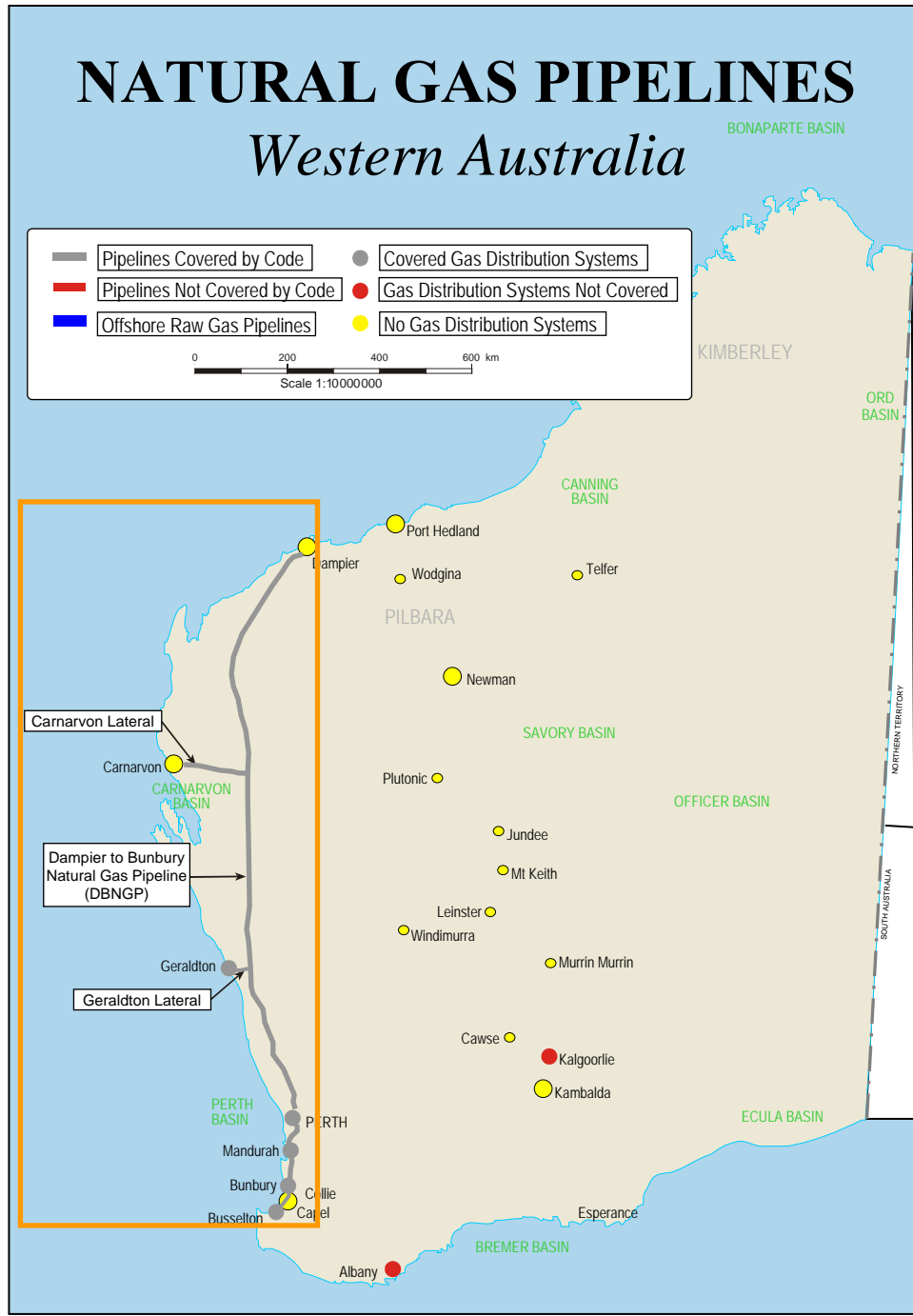
Review
Submitted:
31 March 2004

Currently working
toward Draft
Decision

Commencement
of new
arrangement
1 Jan 2005

Dampier to Bunbury Natural Gas Pipeline

Owner: Epic Energy (WA) Transmission Pty Ltd (Receivers & Managers)
Commissioned: 1984
Length: 1845 km
Diameter: 660 mm
Capacity: 600 TJ/d
Average MDQ: 530 TJ/d



Regulator
 Approved his own
 Access
 Arrangement on
 30 Dec 03

Currently subject
 to review by GRB

Revised AA now
 due 1 Dec 2004

Commencement
 of new AA now
 due 1 July 2005

Goldfields Gas Pipeline

Owners: Southern Cross Pipelines Australia Pty Ltd, Southern Cross Pipelines (NPL) Australia Pty Ltd and Alinta

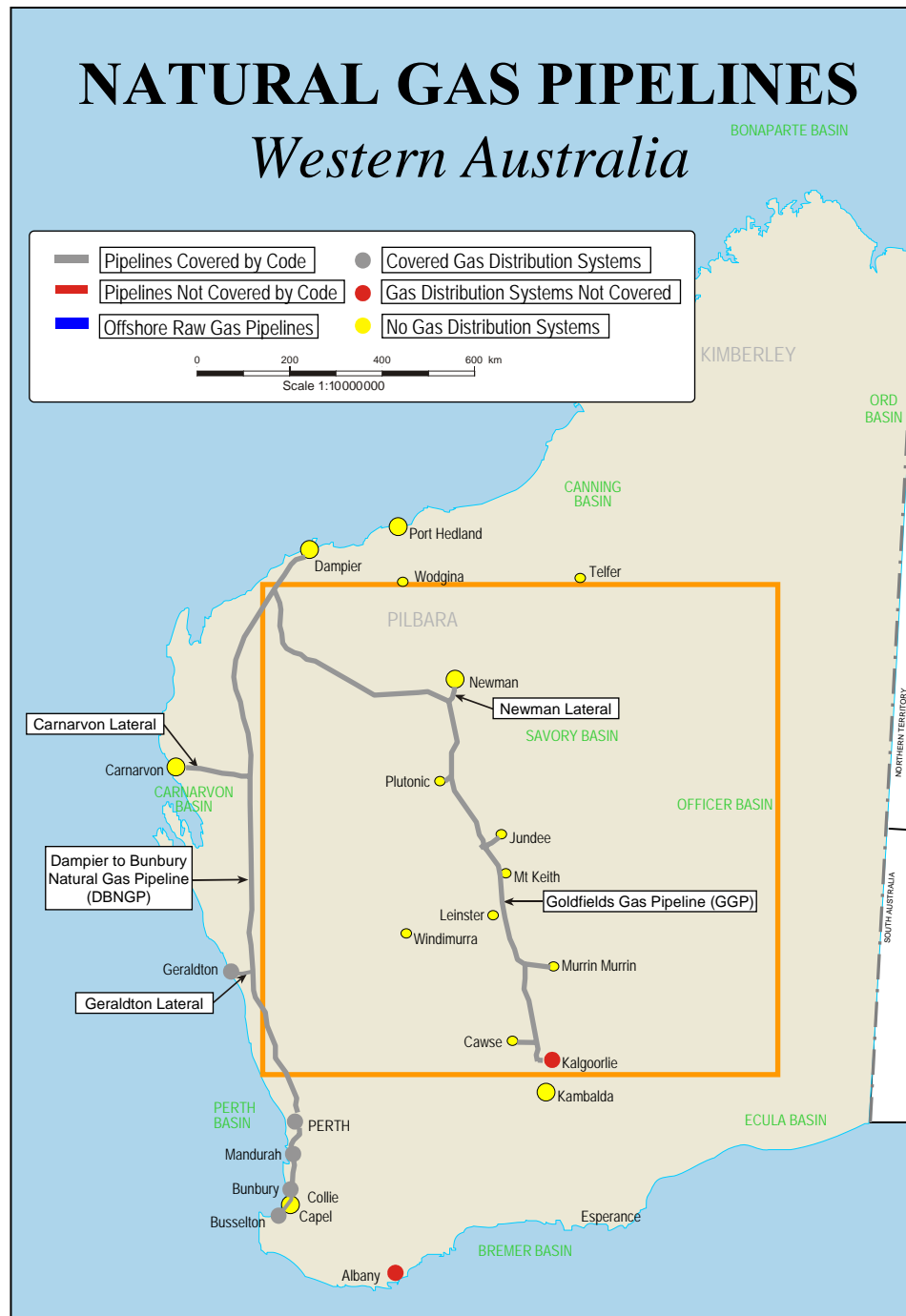
Commissioned: 1996

Length: 1378 km

Diameter: Telescopic 400 mm to 350mm

Capacity: 100 TJ/d

Average MDQ: 98 TJ/d



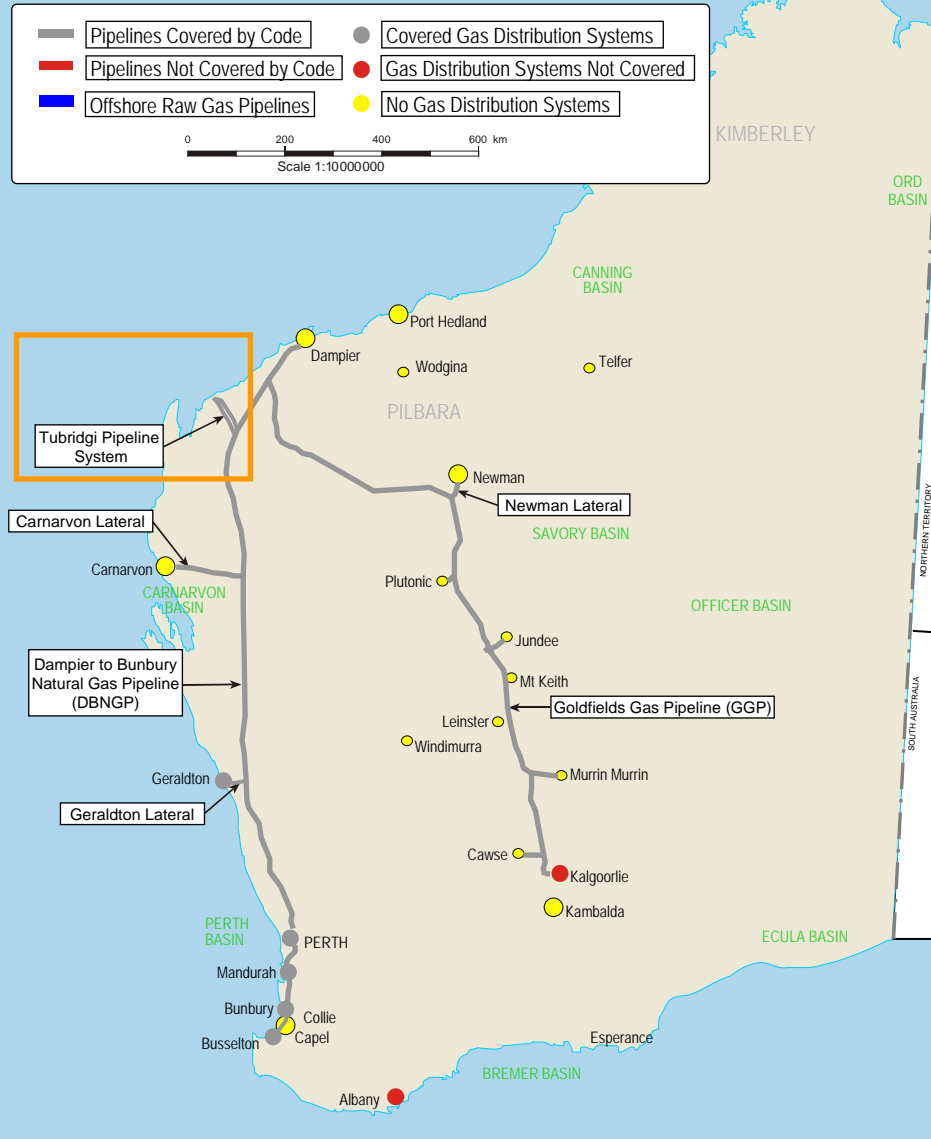
Amended Draft Decision issued 29 July 2004.

Minister's decision to not revoke coverage - subject to appeal to GRB.

Submissions on Amended Draft Decision close: 10 Sept 2004.

Tubridgi Pipeline System

NATURAL GAS PIPELINES *Western Australia*



Access
Arrangement
approved on:
19 Oct 2001

Review due
19 Dec 2006

Owner: SAGASCO & Pan Pacific Petroleum
Comprises two pipelines the Griffin and the Tubridgi Pipelines.

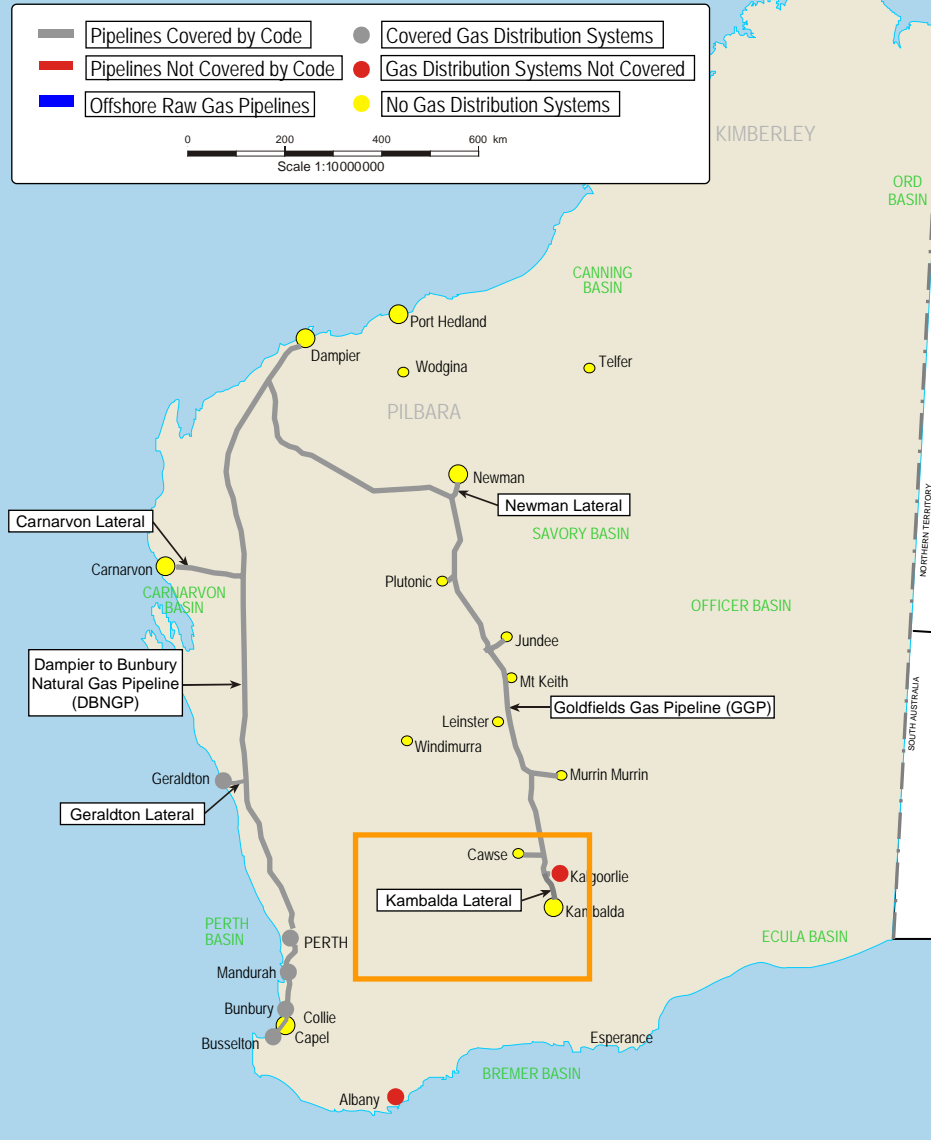
Tubridgi Pipeline
Commissioned: 1992
Length: 87.5 km
Diameter: 168 mm
Capacity: 30 TJ/d

Griffin Pipeline
Commissioned: 1993
Length: 87 km
Diameter: 273 mm
Capacity: 90 TJ/d

Combined Average MDQ
of about 30 TJ/d

Kambalda Lateral

NATURAL GAS PIPELINES *Western Australia*



Further extension
of time to submit
an Access
Arrangement
granted to:
1 July 2006

Owner: Southern
Cross Pipelines
Australia Pty Ltd

Commissioned:
1996

Length: 44 km

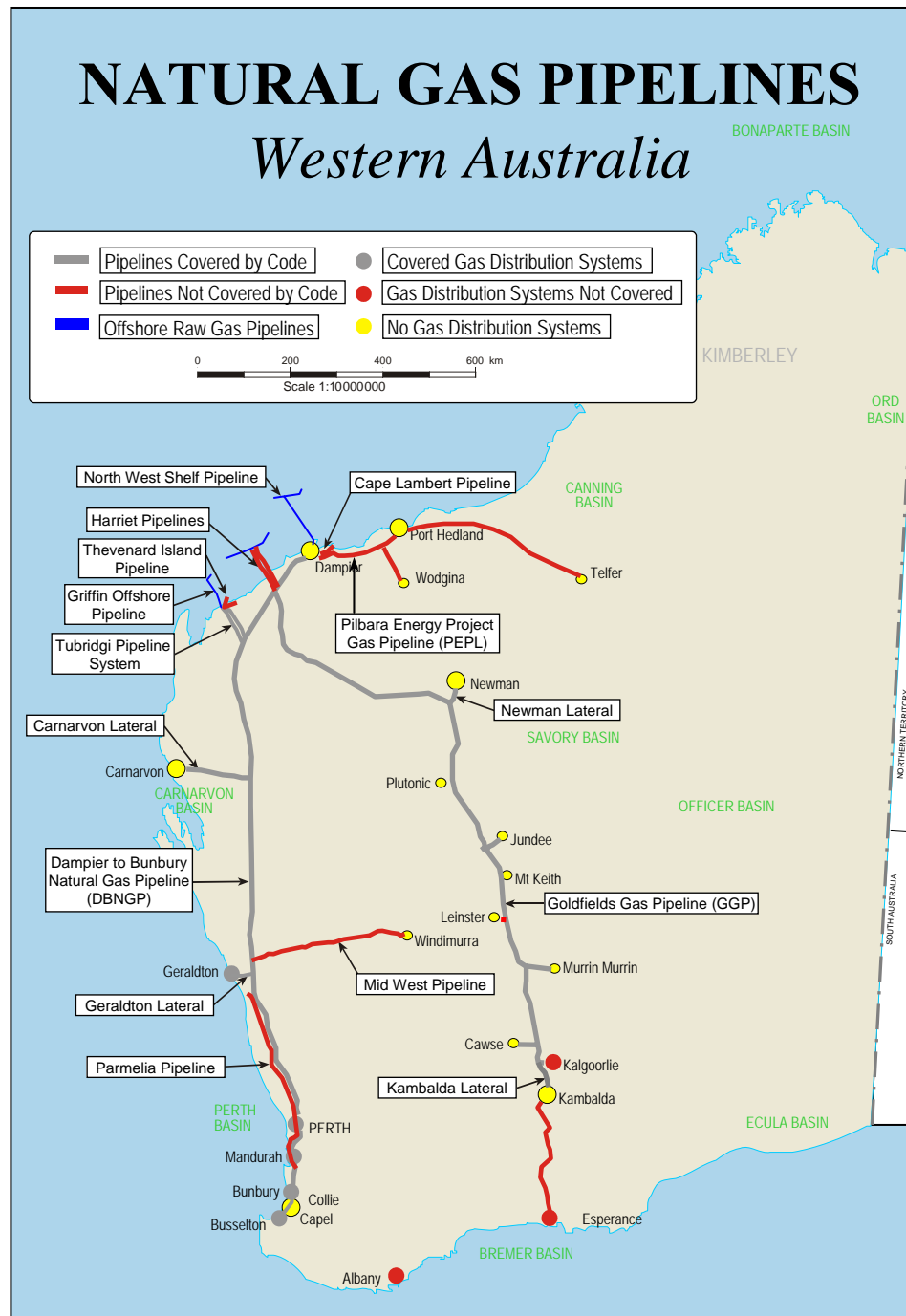
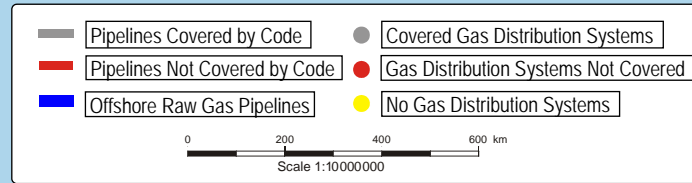
Diameter: 219 mm

Capacity: 15 TJ/d

Throughput: 12 TJ/d

Pipelines not covered or regulated by the Code

NATURAL GAS PIPELINES *Western Australia*



Pipelines Not Covered:

- Parmelia Pipeline
- Mid West Pipeline
- Harriet Pipelines
- Pilbara Energy Project Pipeline
- Cape Lambert Pipeline
- Esperance Pipeline
- Telfer Pipeline
- Wodgina 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 Access Regime.



Other Work

- Inquiry on urban water and wastewater pricing
 - Draft report March 2005
 - Final report August 2005
- Review of Rail Access Code
 - Complete by June 2005
- Electricity
 - Access Arrangement 2006



Observations

- Economic regulation continues to be contentious
- Regulation is second-best, but in some circumstances necessary
- Benefits of economic regulation not always obvious
- Issues complex, counter intuitive and easily misunderstood
- Litigation costly and time consuming
- One regulatory model does not fit all circumstances



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Concluding Remarks

Regulatory approach:

- Within legislative framework
- Weigh factors to be taken into account
- Achieve good outcomes