



Gas Access Regulation Effect on Gas Industry

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www.offgar.wa.gov.au

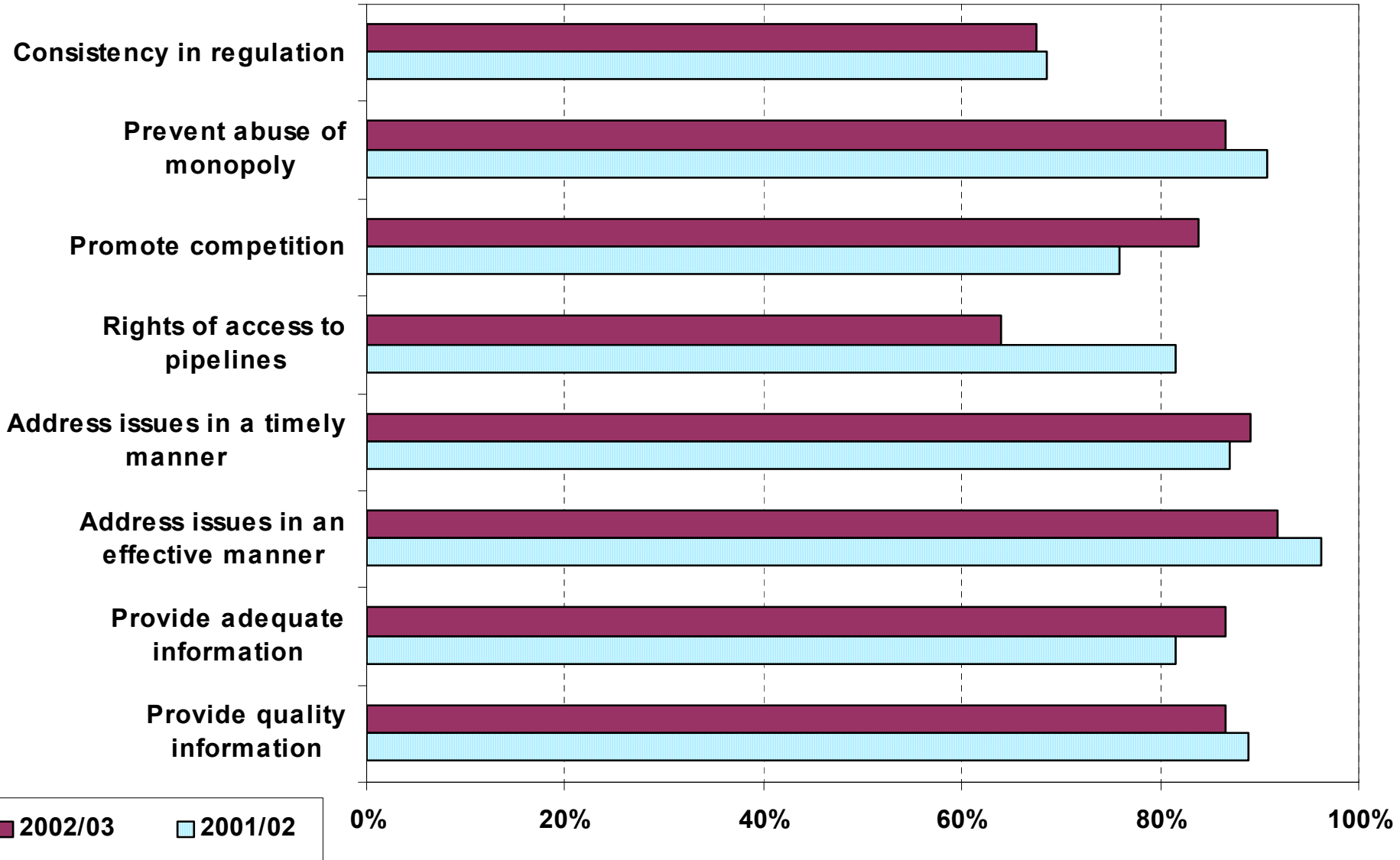
***OffGAR* Western Australia**



Overview

- Current Status
- Issues in access regulation
- Lessons in 4 ½ years
- Investment, development & market impacts
- Conclusions

Importance to Respondents





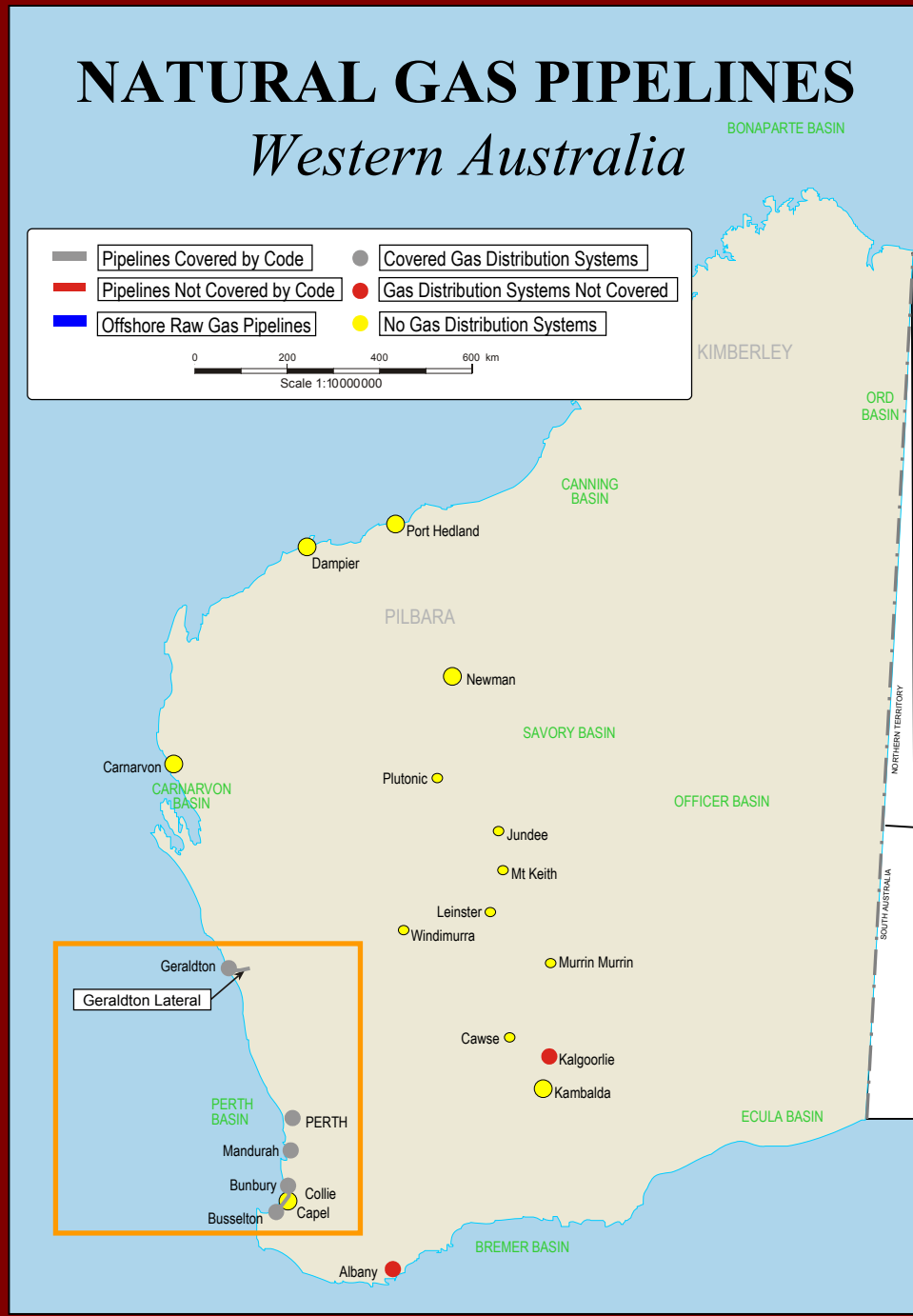
NATURAL GAS PIPELINES

Western Australia

BONAPARTE BASIN

	Pipelines Covered by Code		Covered Gas Distribution Systems
	Pipelines Not Covered by Code		Gas Distribution Systems Not Covered
	Offshore Raw Gas Pipelines		No Gas Distribution Systems

0 200 400 600 km
Scale 1:10 000 000



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.

Access Arrangement Approved 18/7/2000

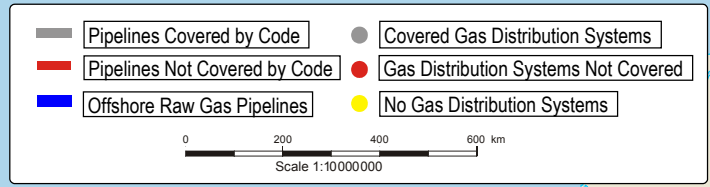
Review due 1/4/2004

**AlintaGas
Distribution
Pipeline
Networks**



Dampier to Bunbury Natural Gas Pipeline

NATURAL GAS PIPELINES *Western Australia*



Owner: Epic Energy (WA) Transmission Pty Ltd

Commissioned: 1984

Length: 1845 km

Diameter: 660 mm

Capacity: 600 TJ/d

Average MDQ: 530 TJ/d

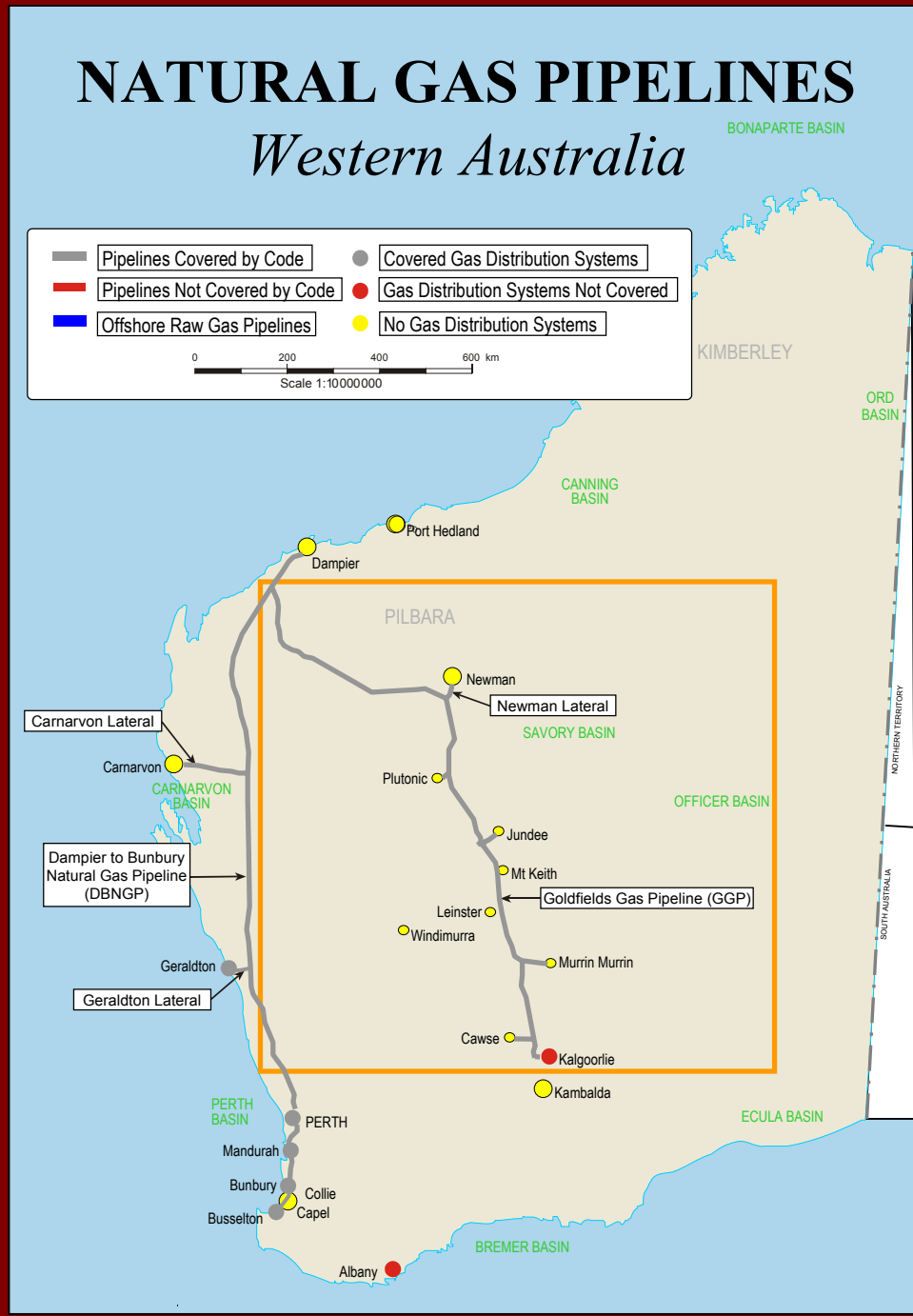
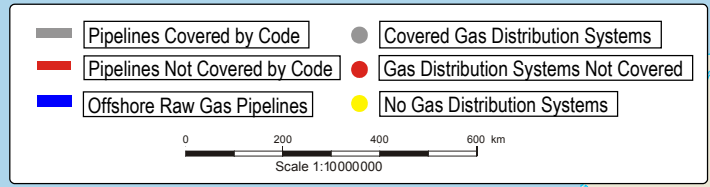
Final Decision on proposed Access Arrangement issued 23/5/03.

Revised Access Arrangement due 8/8/03



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

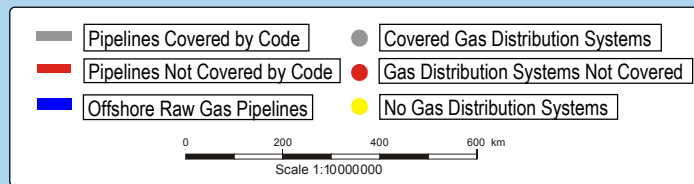
Average MDQ: 98 TJ/d

Draft Decision is being amended.

Application for revocation lodged with NCC on 27/3/2003

Tubridgi Pipeline System

NATURAL GAS PIPELINES *Western Australia*



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

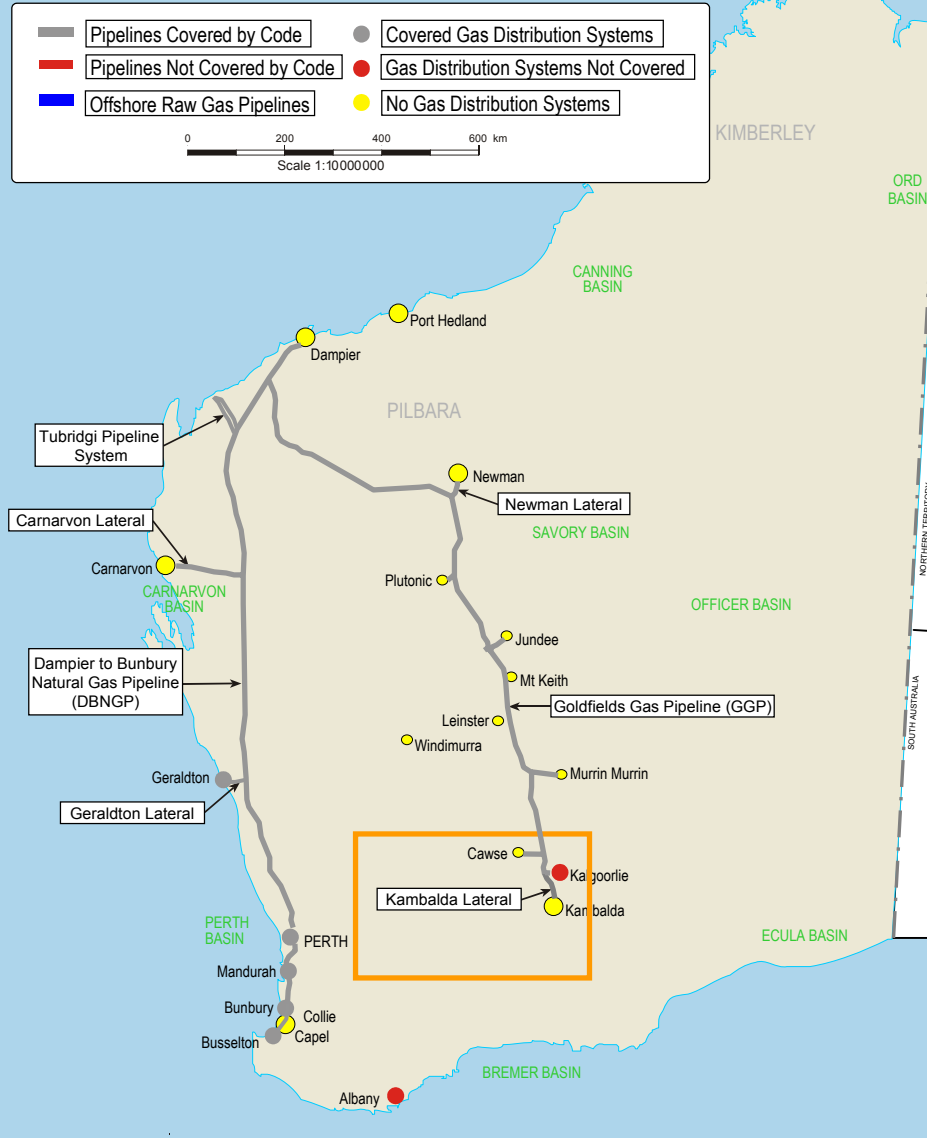
**Access Arrangement
Approved on 19/10/2001**

Review due 19/1/2006

Kambalda Lateral



NATURAL GAS PIPELINES *Western Australia*



Owner: Southern Cross
Pipelines Australia Pty
Ltd

Commissioned: 1996

Length: 44 km

Diameter: 219 mm

Capacity: 15 TJ/d

Throughput: 12 TJ/d

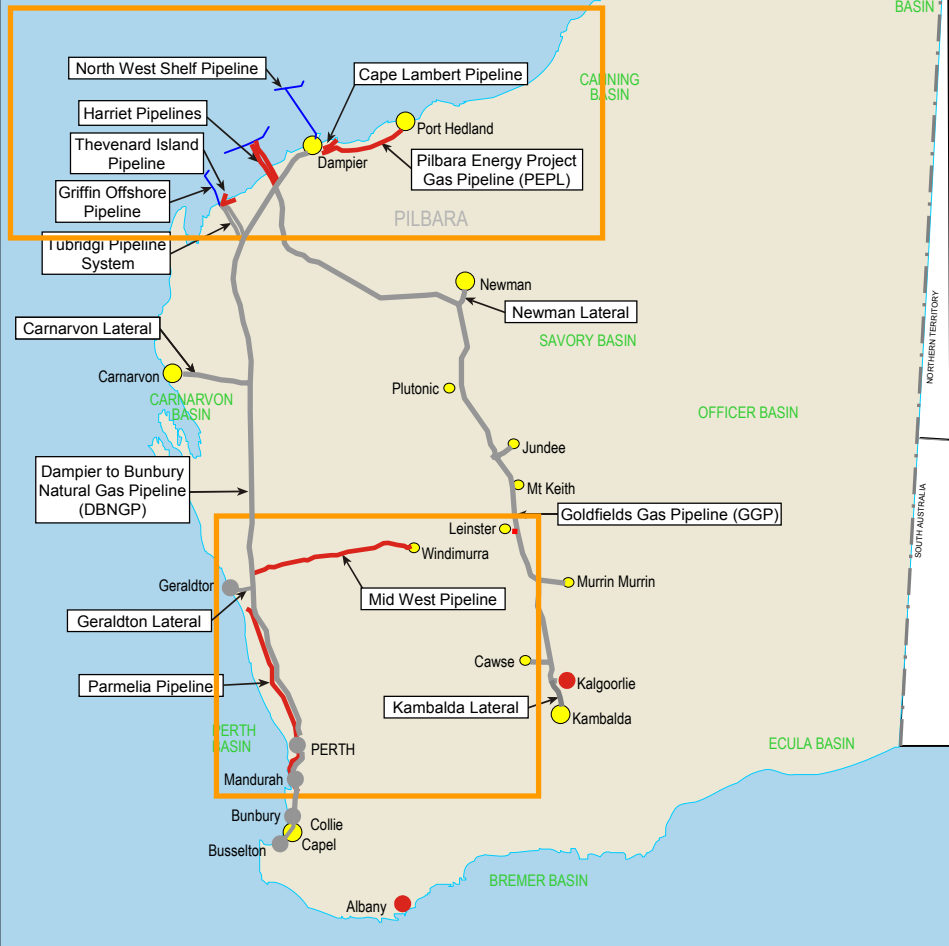
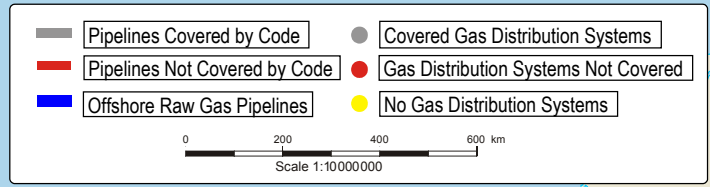
**Extension of time to
submit an Access
Arrangement granted
to 1 July 2004**



NATURAL GAS PIPELINES

Western Australia

BONAPARTE BASIN



Pipelines Not Covered:

- Parmelia Pipeline
- Mid West Pipeline
- Harriet Pipelines
- 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



Gas Access Regulator

- Administers an access regime
- Independent – not a player
- No policy role
- Reserves right to comment on process



Access Regulation

- Why regulate?
 - Promote competition in upstream & downstream markets
- Coverage
 - When does regulation yield benefits?
- New investment
 - Do greenfield investments require special consideration?



Issues in Regulation

- Investment is discouraged
- Rate of return too low
- Too intrusive
- Too prescriptive
- Does not provide for internal funding



What is the Evidence? Investment, Development etc

- Coverage
 - Part IIIA confusing (declarations, undertakings, effective regimes, transitional problems)
- Asset Values
 - Significant consistency within DAC and DORC
 - Reflect cost of new investment
- Rate of return
 - Significant consistency based on CAPM WACC
 - Rates in WA as good or better than elsewhere



What is the Evidence? Investment, Development etc

- New investment
 - No clear evidence, although feeling is to provide additional incentives for new investment
- Incentive regulation
 - Positive feature of the Code



Observations

- Objectives of NGAR are generally supported
- Regulation targets monopoly
- Regulation can be flexible, but care is necessary to maintain its integrity
- Replicating competitive outcomes through regulation is difficult
- Regulation involves balancing competing interests



Lessons

- Discretion \Rightarrow timeliness, disputes & cost
 - Dealing with history of pipelines
 - Workably competitive market
 - Review of Draft Decisions
- Prescription \Rightarrow greater certainty
- Compliance \Leftrightarrow acceptance



Reviews

- **Productivity Commission**
 - Review of the National Access Regime
- **Energy Markets Review – W Parer**
 - Towards a Truly National and Efficient Energy Market
- **ACCC**
 - Draft Greenfield Guidelines
- **Productivity Commission**
 - Review of the Gas Access Regime



Review Outcomes

- National energy regulator
- Better targeting of regulation
- Access holidays for greenfield pipelines
- Truncation premium for greenfield investments



Economic Regulation Authority of WA

- Currently before Parliament
- Proposed start on or before 1 Jan 2004
- Covers access to gas, electricity, rail and water
- Other proposed functions include licensing, pricing and tariffs for certain services



Conclusions

- Amend Code to improve process
- Make Code more decisive
- This will:
 - Provide greater certainty
 - Address problems of compliance