



Increasing Competition in the WA Energy Market

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Overview

- Status of gas access regulation in WA
- Objectives of gas access regulation
- Access regulation and investment
- Desired outcomes
- Conclusions



Status – Access Arrangements

- 3 Access Arrangements approved:
 - AlintaGas Distribution Pipeline Networks
 - Tubridgi Pipeline System
 - Parmelia Pipeline (now revoked)
- 2 Outstanding – DBNGP & GGP
 - Both were subject to court proceedings
 - Now progressing assessment of both Access Arrangements
- Kambalda Lateral Access Arrangement
 - Subject to an extension of time 1 July 2004



Status – Other Activities

- Pre-approval of Full Retail Contestability costs
– AlintaGas Networks P/L
- Member of the National Gas Pipelines
Advisory Committee (until end of year)
- Finalising an information paper on rate of
return for pipelines in WA



Economic Regulation Authority of WA

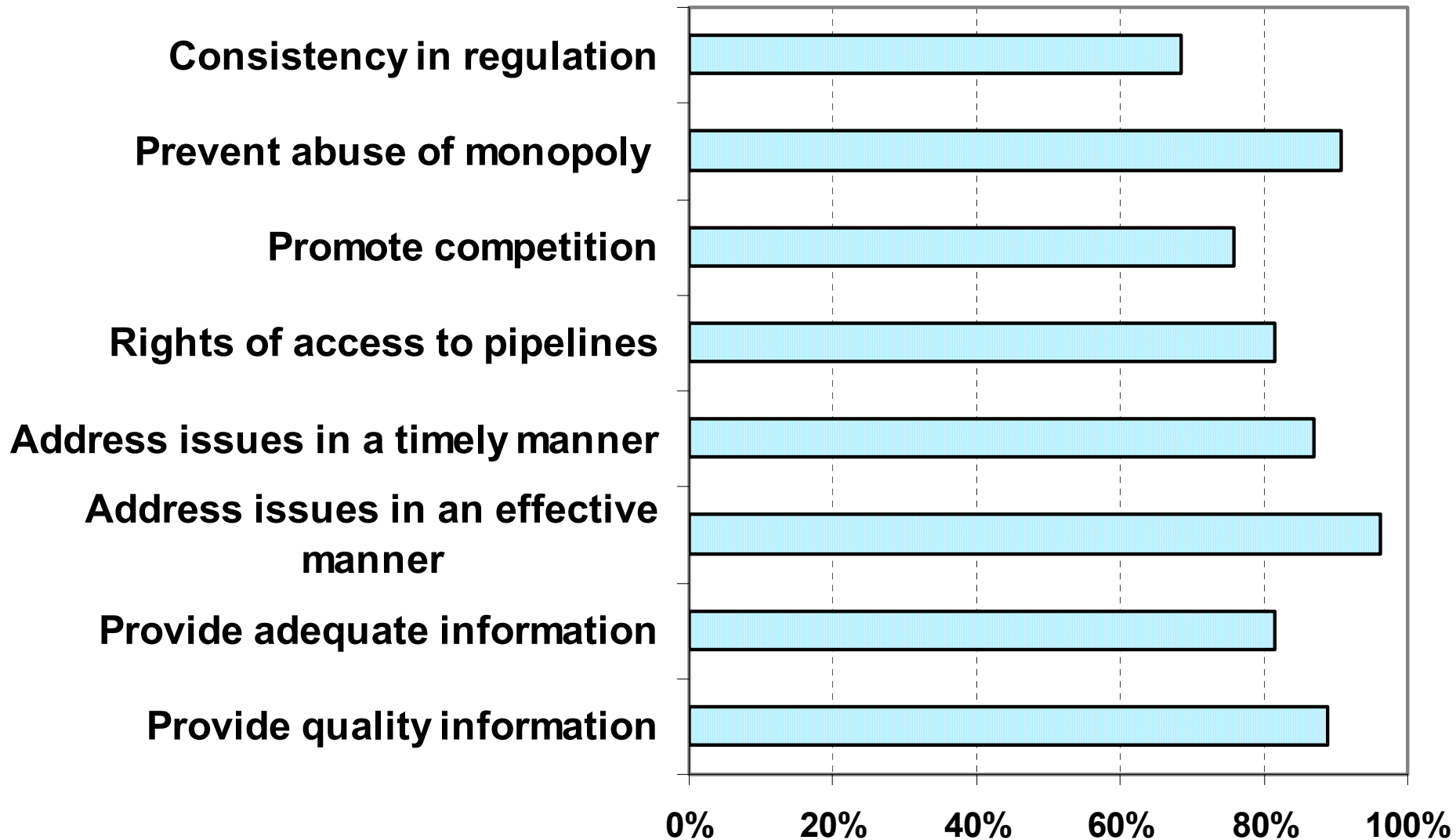
- Covers access to gas, electricity, rail and water
- Other proposed functions include licensing, pricing and tariffs for certain services
- Proposed 1 Jul 2003 start



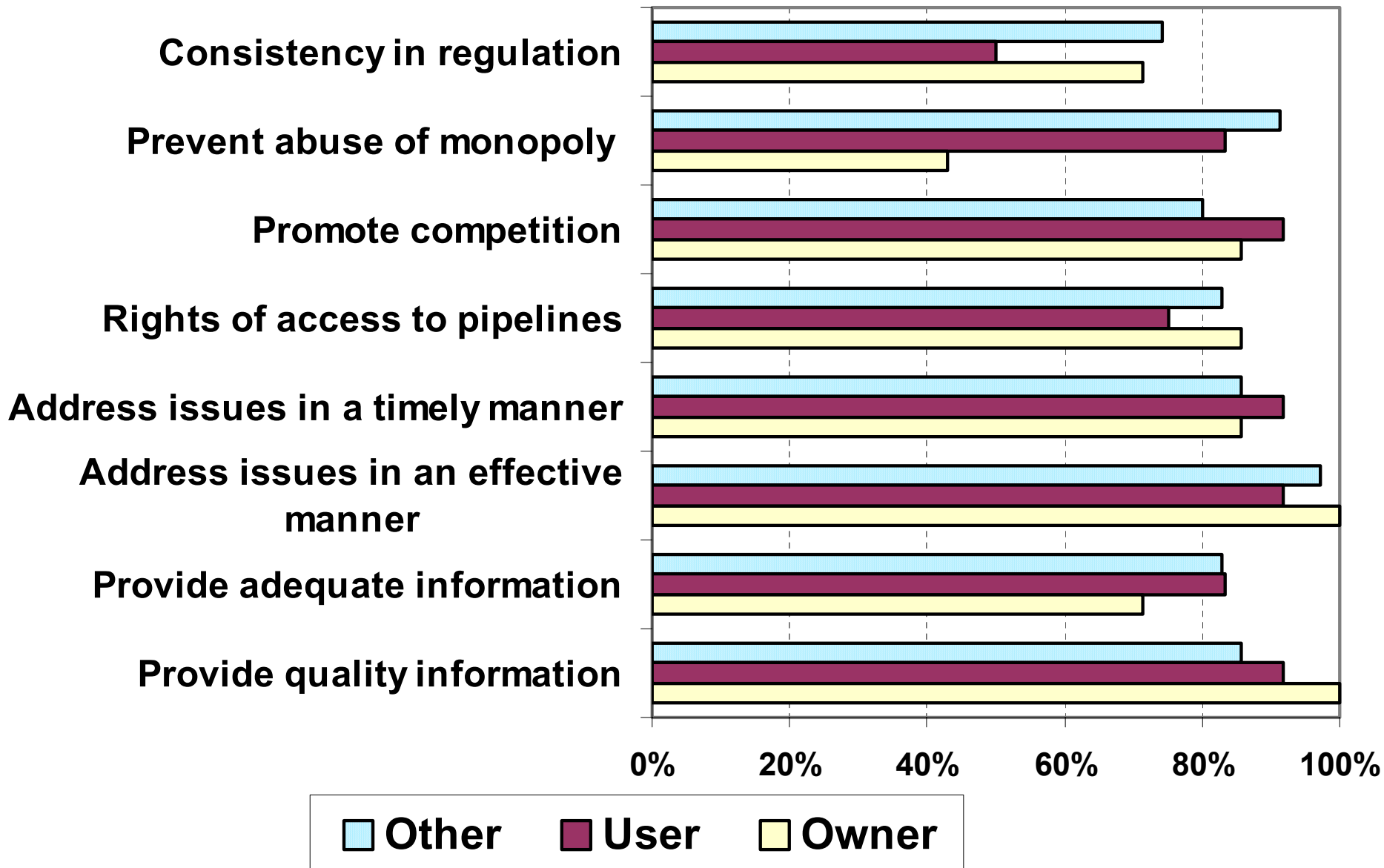
Access Regime Objectives

- Promote national consistency
- Prevent abuse of monopoly power
- Promote competition in the gas industry
- Secure rights of access to gas pipelines
- Provide for resolution of disputes

Importance to Respondents



Importance by Type of Respondent





Issues in Regulation

- Form of regulation
 - light vs heavy handed regulation
- Initial capital base
 - first approval impacts on tariffs for life of pipeline
- Rate of return
 - what is an appropriate rate of return?
- New investment
 - do greenfield investments require special consideration?



Impact of Regulation

- Access Regulation:
 - affects the property rights of owners;
 - affects owner's legitimate business interests;
 - may be intrusive; and
 - may need to be prescriptive.
- Regulation only relevant where competition in upstream and downstream markets would be sufficiently enhanced



Desired Outcomes

- Balance competing interests
- Competitive markets (upstream & downstream)
- Economic development (new investment in pipelines and in upstream & downstream facilities)
- Reasonable rate of return to service providers
- Value to users of pipelines and users of gas



Observations on Regulation

- 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
- Successful regulation involves balancing competing interests and desired outcomes
- Achieving right balance is complex and can be time consuming



Conclusions

- Purpose is to achieve investment in pipelines and in upstream and downstream markets
- Benefits depend on facilitating competition in upstream and downstream markets
- This involves balancing competing interests and desired outcomes