



Uncertainty in Gas Access Regulation ?

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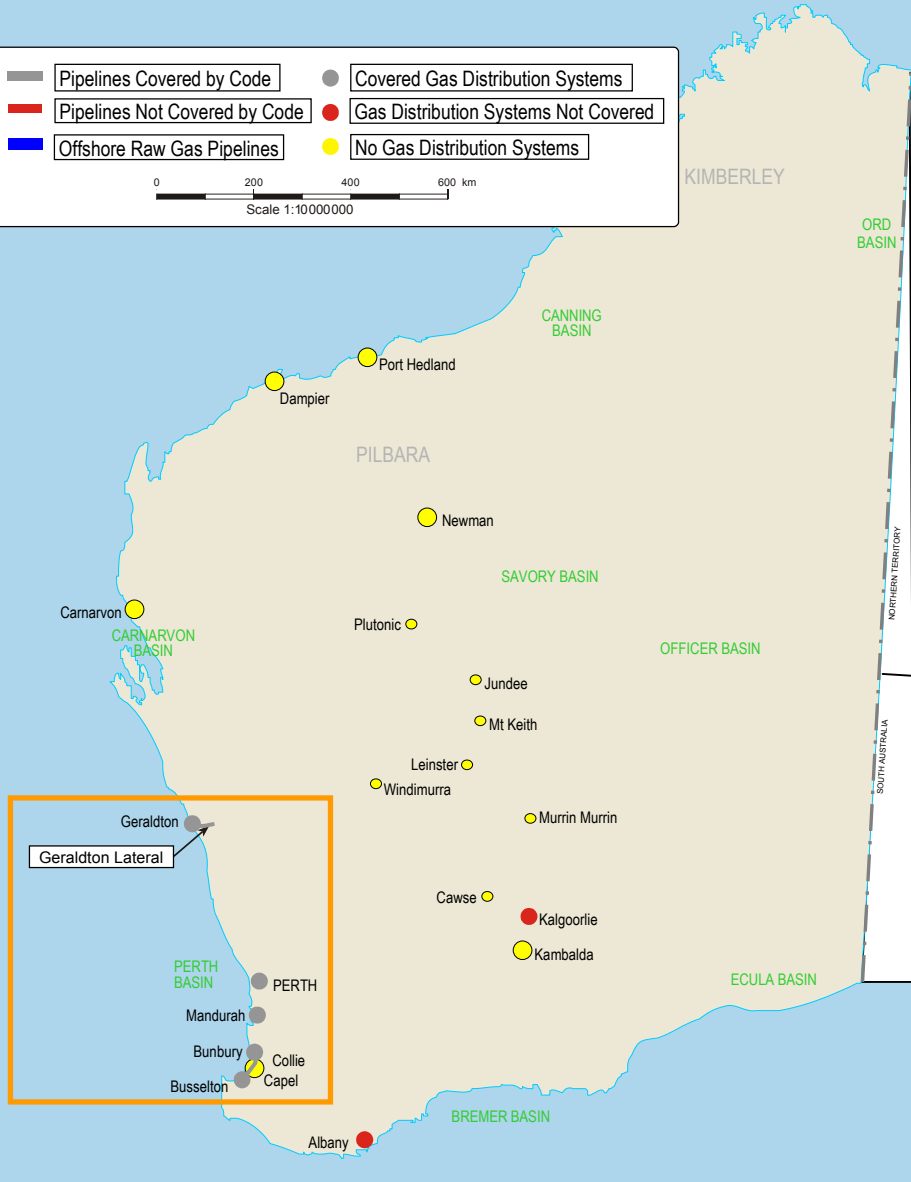
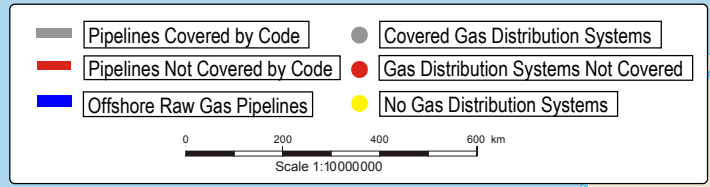
Overview

- Status of gas access regulation in WA
- Uncertainty in access regulation
- Observations on regulation
- Conclusions



NATURAL GAS PIPELINES

Western Australia



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 Kalgoolie that are not covered by the Code.

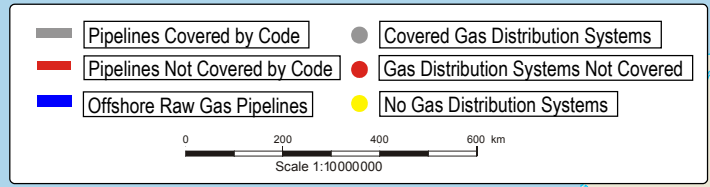
**Access
Arrangement
Approved 18/7/2000**

**Review due
31/3/2004**



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

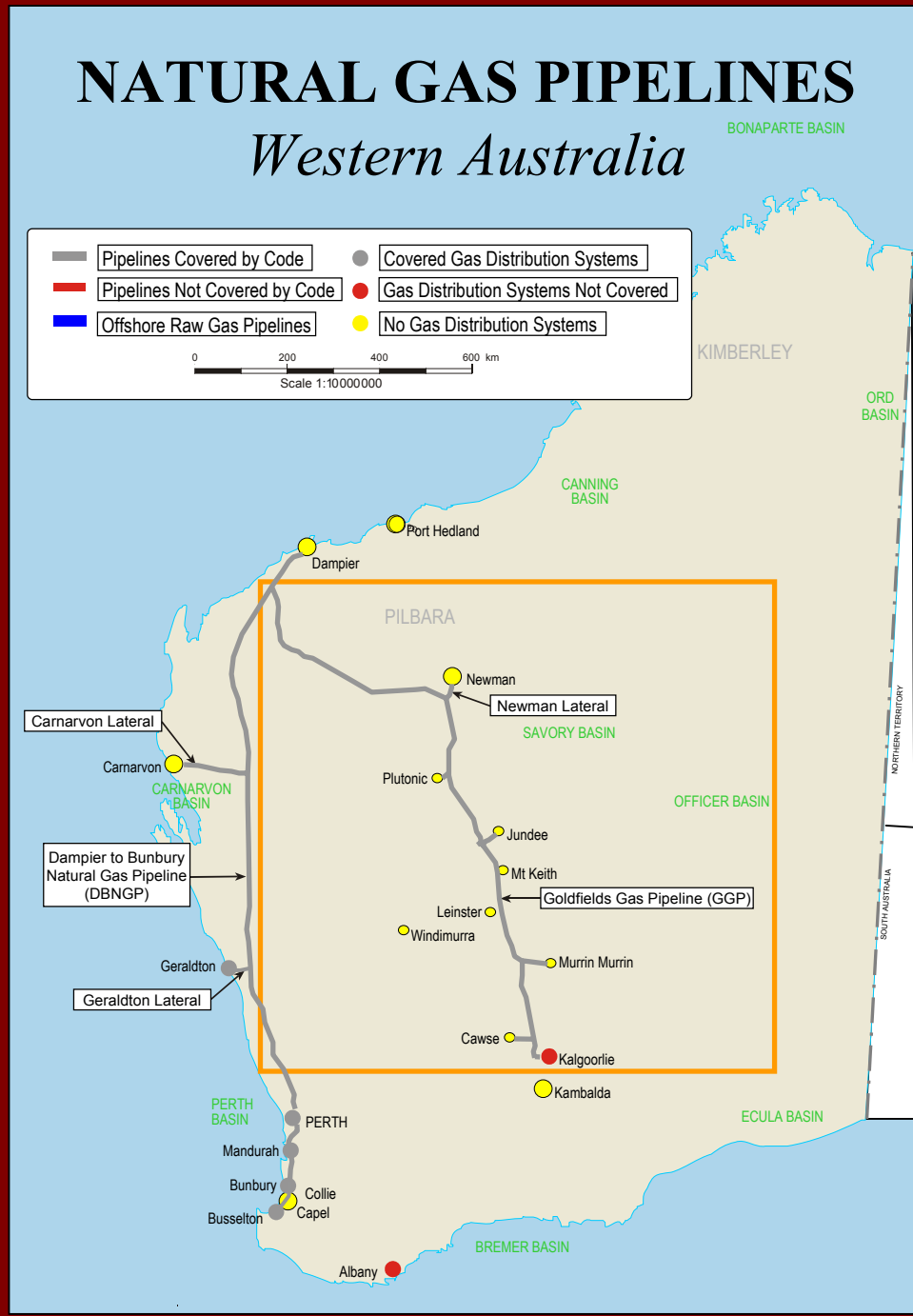
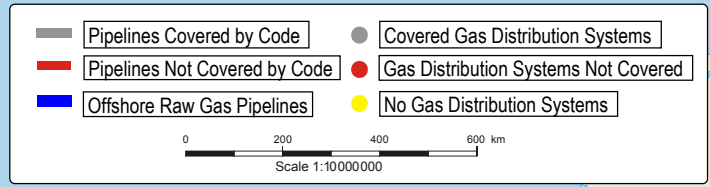
Average MDQ: 530 TJ/d

Final Decision on proposed Access Arrangement to be issued shortly.



NATURAL GAS PIPELINES *Western Australia*

BONAPARTE BASIN



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

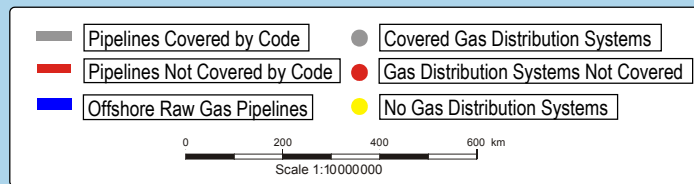
Average MDQ: 98 TJ/d

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

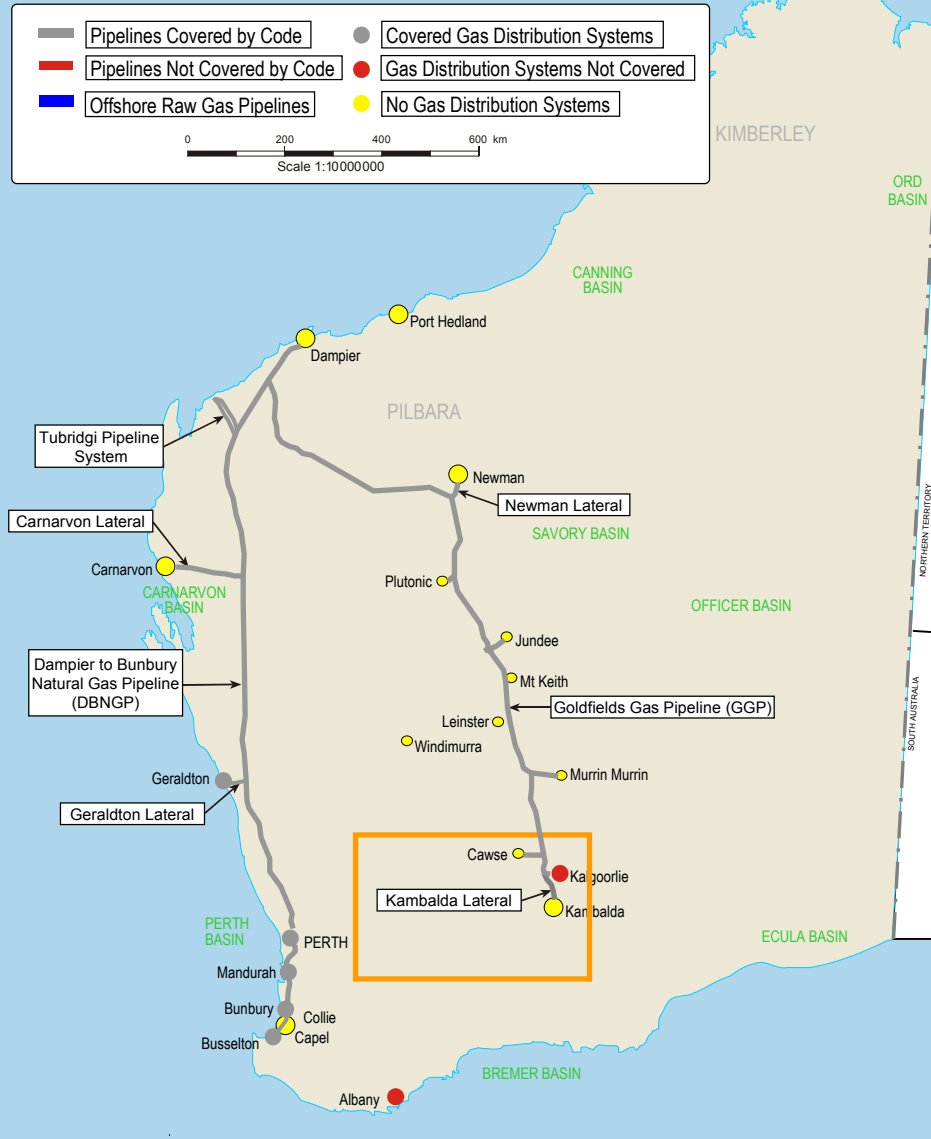
**Access Arrangement
Approved on 19/10/2001**

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 July 2004**



Economic Regulation Authority of WA

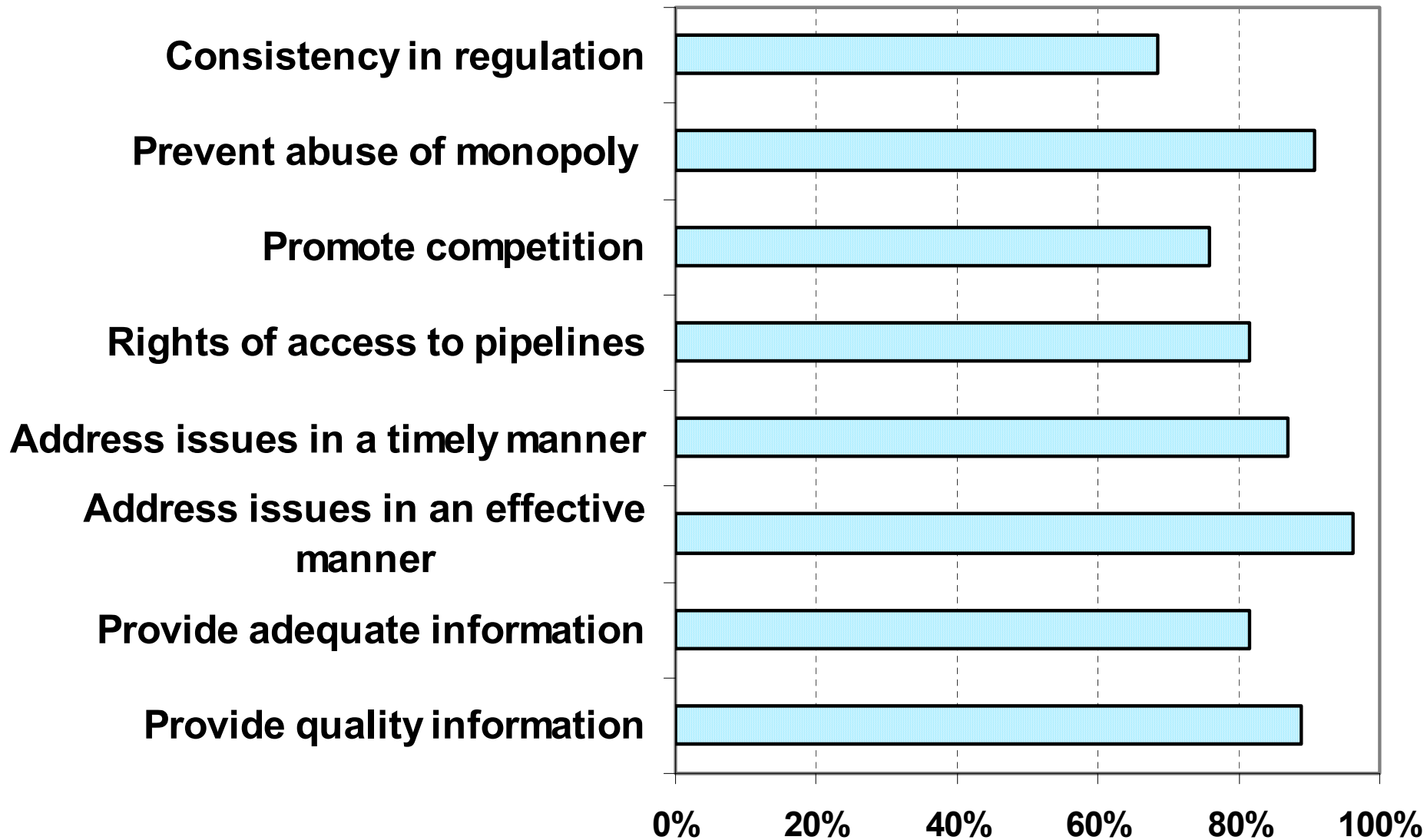
- Currently before Parliament
- Proposed 1 July 2003 start
- Covers access to gas, electricity, rail and water
- Other proposed functions include licensing, pricing and tariffs for certain services



Uncertainty ?

- Does regulation create uncertainty?
 - Impacts on commercial outcomes
 - Issues are contentious
 - Impacts differently on Users vs Owners
- Why regulate?
 - Promote competition in upstream & downstream markets
- What type of regulation?
 - Light vs heavy handed regulation

Importance to Respondents





Areas of Uncertainty

- Coverage
 - When does regulation yield benefits?
- Initial capital base
 - First approval of existing pipeline – some uncertainty
 - New pipeline – cost
- Rate of return
 - What is an appropriate rate of return?
- New investment
 - Do greenfield investments require special consideration?



What is the Evidence?

- Coverage
 - Part IIIA confusing (declarations, undertakings, effective regimes, transitional problems)
- Initial capital base
 - Significant consistency within DAC and DORC
- Rate of return
 - Significant consistency based on CAPM WACC
- New investment
 - No clear evidence as yet, although feeling is to provide additional incentives for investment



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 but necessary
- Successful regulation involves balancing competing interests and desired outcomes
- More prescription and less discretion will reduce uncertainty – but is this a desired outcome?



Conclusions

- Purpose is to promote investment in pipelines and in upstream and downstream markets
 - tension and some uncertainty, but
 - uncertainty not a principal issue
- While the access regime can be improved
 - uncertainty is not the main reason