



Gas Access Regulation Western Australia

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WA Energy Market Update

14 - 15 August 2003

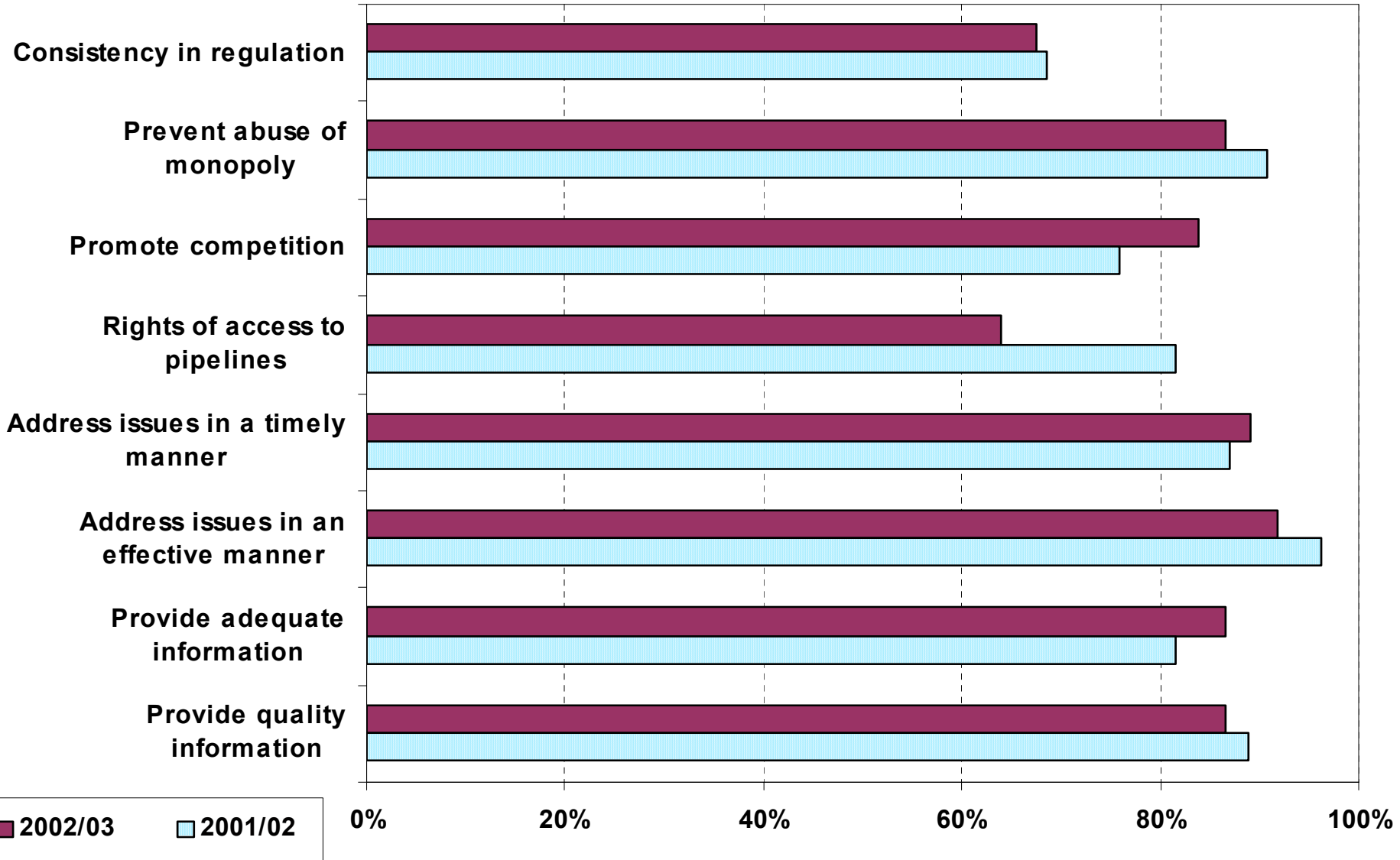
www.offgar.wa.gov.au



Overview

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

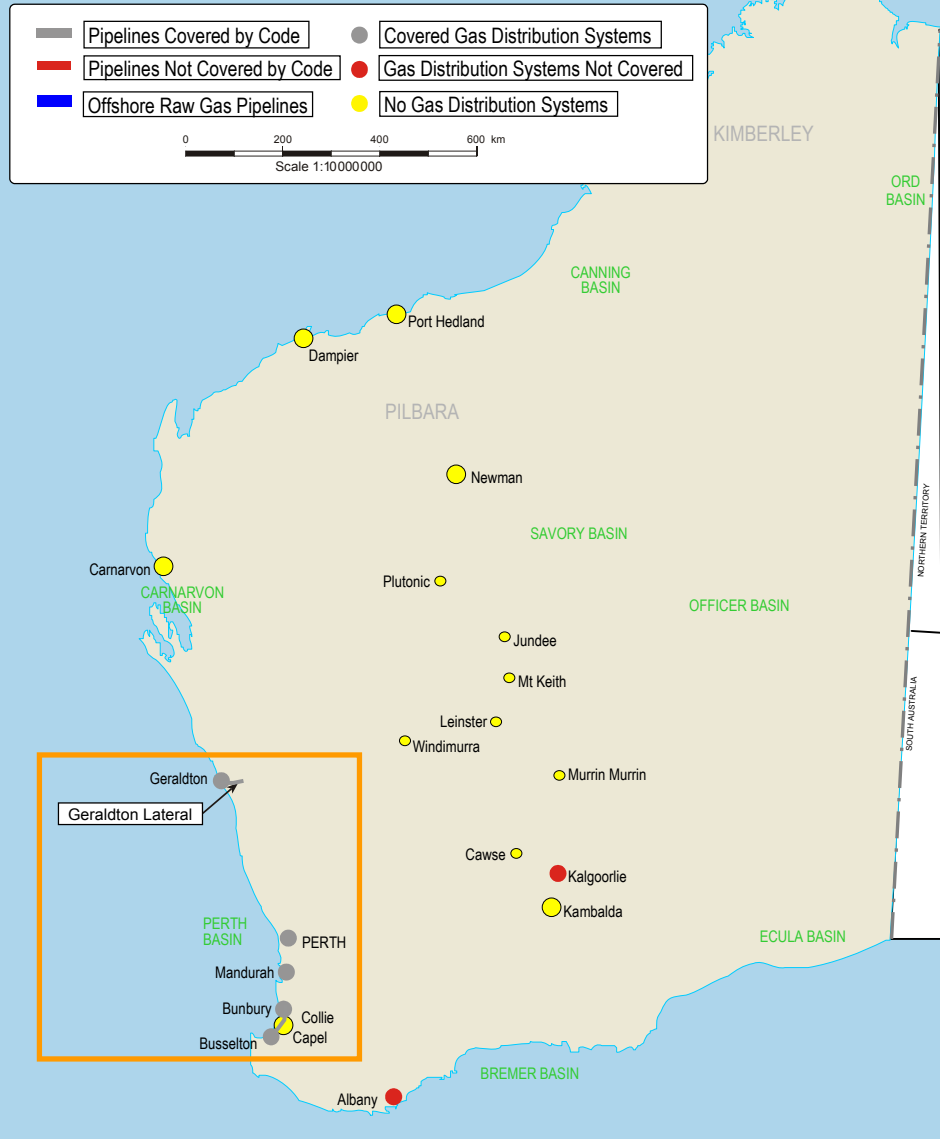
Importance to Respondents





NATURAL GAS PIPELINES

Western Australia



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.

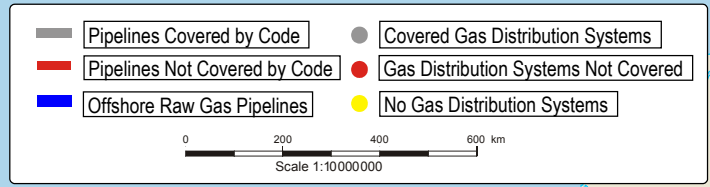
**Access
Arrangement
Approved 18/7/2000**

**Review due
1/4/2004**



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 issued 23/5/03.

Revised Access Arrangement due 8/8/03



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



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

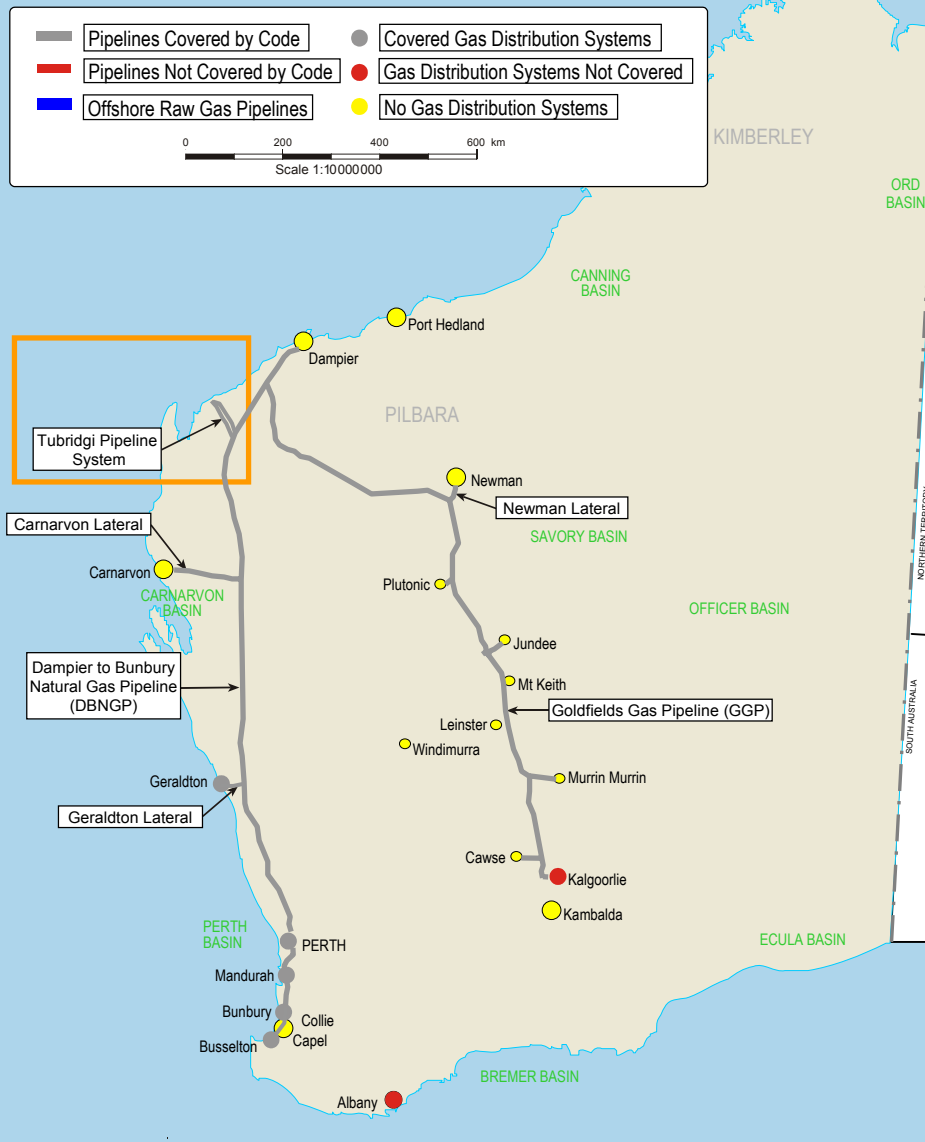
Draft Decision is being amended.

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

Goldfields Gas Pipeline

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

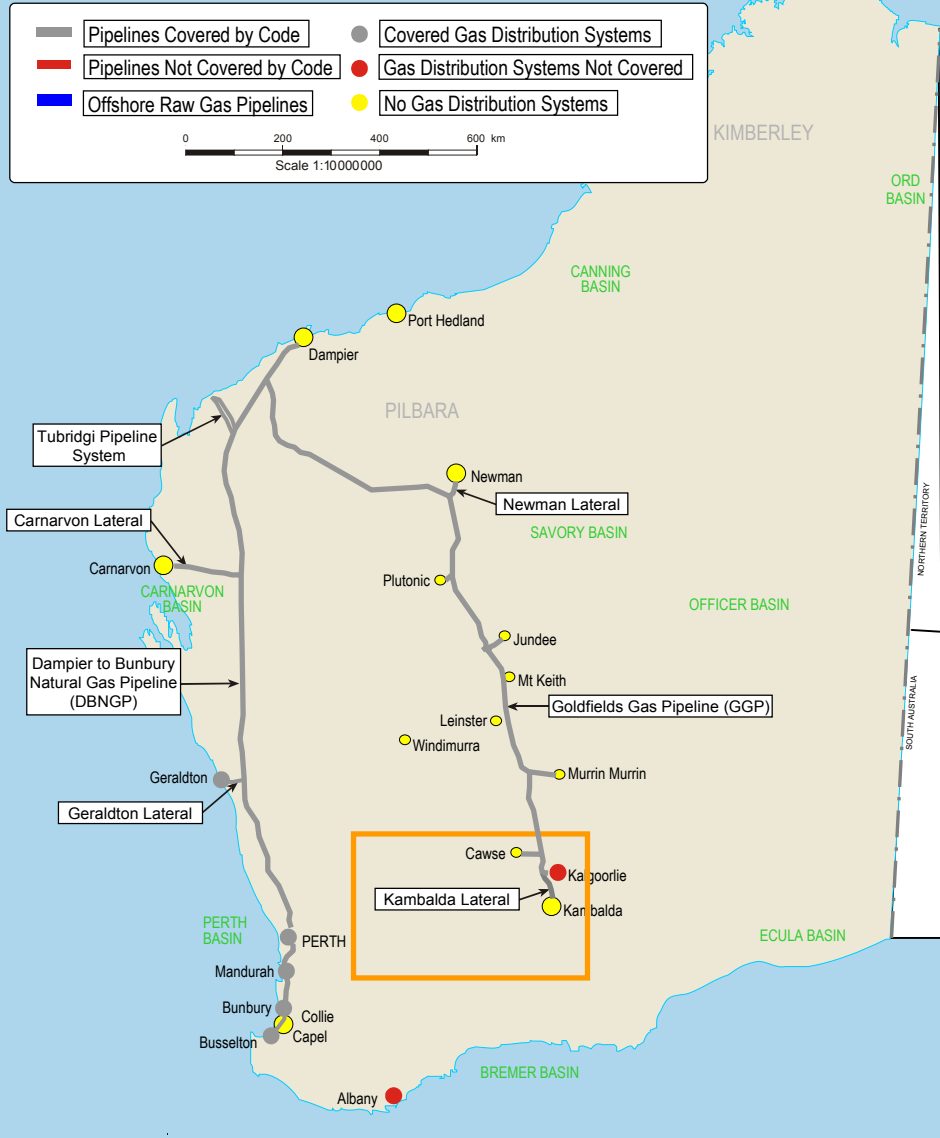
**Access Arrangement
Approved on 19/10/2001**

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

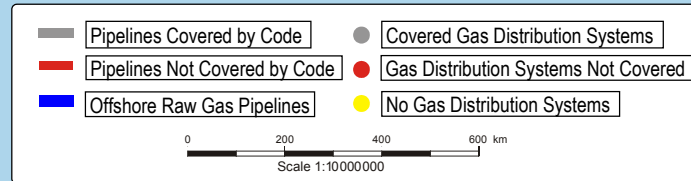
**Extension of time to
submit an Access
Arrangement granted
to 1 July 2004**



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