

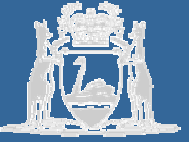


Gas Access Regulation in Western Australia

Dr Ken Michael AM

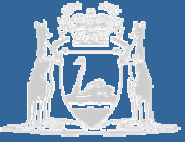
**WA Energy Market Update
Sheraton, Perth
25 September 2002**

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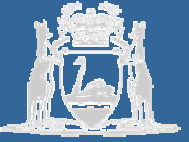
Overview

- Issues in regulation
- The Code and its objectives
- Market outcomes
- Update on:
 - Activities
 - Legal proceedings



Issues in Regulation

- Need for access regulation
- Incentives for investment
- Rate of Return
- Information
- Timing of regulatory process



The Code and Its Objectives

Code specifies:

- Objectives
- Matters to be considered
- Tariff principles and objectives



Impacts of Access Regulation

Access regulation is impacted by:

- the property rights of pipeline owners
- the legitimate business interests of owners
- availability of commercially sensitive information
- the interests of users and prospective users
- existing contractual arrangements
- the public interest



Effective Regulation

Effective regulation requires a regime that is clear about what it seeks to achieve and sufficiently robust to be effective.



Market Outcomes

Access regulation seeks better outcomes in upstream and downstream markets while safeguarding the interests of regulated industries.



Update on Activities

- Three Access Arrangements approved
- Coverage of Parmelia Pipeline revoked
- EoT for Kambalda Lateral - 1 July 2004
- DBNGP final decision
- GGP final decision
- Associate contracts & ring fencing
- AlintaGas FRC costs



Update on Legal Proceedings DBNGP

- Declaratory relief granted
- Draft decision process afforded procedural fairness
- Draft decisions may be subject to judicial review



Section 2.24 factors

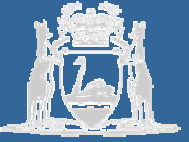
- Service Provider's legitimate business interests and investment in Pipeline
- Contractual obligations of the Service Provider or others using the Pipeline
- Operational and technical requirements for the safe and reliable operation of the Pipeline
- Economically efficient operation of the Pipeline
- The public interest, including the public interest in having competition in markets
- Interests of Users and Prospective Users
- Any other matters the Regulator considers relevant



Interpretation of the Code

“...the scheme of the Act and the Code is to leave this potential conflict which, in part, is between the interests of a service provider in achieving a return on its investment in the pipeline and the interests of users or consumers in achieving a lower price and indeed, perhaps, in the achievement in the public interest of greater competitiveness or the effects of competition, to be resolved by the Regulator in accordance with the Act and the Code and the circumstances of each particular case.”

(Paragraph 185, WASCA 231)



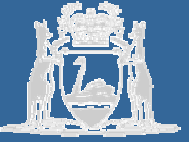
DBNGP Further Assessment

- Proceed with the assessment
- Consider further public submissions
- May issue an information paper/s and invite further public comment
- Issue final decision
- Issue final approval



Conclusions

- Access regulation - a challenge
- Benefits worth pursuing
- Need to promote investment recognised
- Information a continuing problem
- Timeliness
- Balancing of competing interests



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