

14 August 2001

Dr K Michael  
Western Australian Independent Gas Pipelines Access Regulator  
Office of Gas Access Regulation  
6<sup>th</sup> Floor  
197 St Georges Terrace  
PERTH WA 6000  
**Attention: Mr Robert Pullella**

#### **RESPONSE TO DRAFT DECISION ON ACCESS ARRANGEMENT FOR DBNGP**

I read with some alarm the draft decision issued by the Western Australian Independent Gas Pipelines Regulator ("Regulator") on the proposed access arrangement for the Dampier to Bunbury Natural Gas Pipeline ("DBNGP") and the adverse impact this will have on the future development in the South West and Great Southern regions, which together form a large sector of my electorate.

There are 2 significant impacts that I would like to draw to your attention:

##### **It will stop future pipeline development**

Since you issued your decision, Epic Energy has indicated to me that it will not be able to carry out any expansions or extensions to the capacity of the DBNGP at the tariffs proposed by the Regulator because to do so would be unviable for Epic Energy.

The delivery of gas to the South West and Great Southern regions has been identified in various studies as critical to the future development of these regions. Infrastructure, particularly competitively priced energy, is critical to the viability and development of downstream users of that energy – ie industry and residents. Choice between alternative energy sources is the best driver for competition between the suppliers of the various energy sources. If there is no choice between energy suppliers then there is no optimum environment for the development of industry and residents will be forced to eventually pay more for their energy due to the lack of competition. This will act as a deterrent to the development of the regions.

##### **It will act as a barrier to competition in downstream markets**

Even if Epic Energy were to proceed with expansions to the DBNGP system, the way those expansions will have to be funded will ensure that there is no level playing field amongst participants in the downstream markets.

Epic Energy has represented that it acquired the DBNGP on the basis that it would carry out in the order of \$850 million worth of expansions to the system at a nominated tariff.

That tariff had these expansion costs rolled in to it (on the basis of the system-wide benefits they would give rise to). It has now advised that any user of the incremental capacity created by the expansion will have to pay a differential tariff.

This will place users of that incremental capacity at an immediate disadvantage to the users of the existing capacity, some of whom will be competing in the same market as the users of the incremental capacity. An example of this is in the electricity generation market. It will be difficult to see how any new entrants in that market will be able to compete with the dominant incumbent, Western Power, given that Western Power is one of the major users of the existing capacity of the DBNGP and the new entrants will have to pay more for gas than Western Power.

This immediately calls into question how the state government will be able to realise its energy policy, one of the key platforms of which involves the introduction of competition in the generation market.

Both these impacts directly affect the future development of my region. The introduction of competition reform legislation such as the National Gas Code was seen as one of the key instruments for contributing to regional and economic development. This draft decision, if implemented, will seriously hamper this objective.

I request that you take particular note of these consequences when formulating your final decision, to ensure that orderly industrial development within my electorate can proceed and prosper.

Sincerely,

Hon W N Stretch JP MLC  
**MEMBER FOR SOUTH WEST REGION**

cc: E Ripper  
C Brown

