



Western Australia

Economic Regulation Authority

www.era.wa.gov.au

OVERVIEW ECONOMIC REGULATION AUTHORITY

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Consumer Consultative Committee

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Western Australia

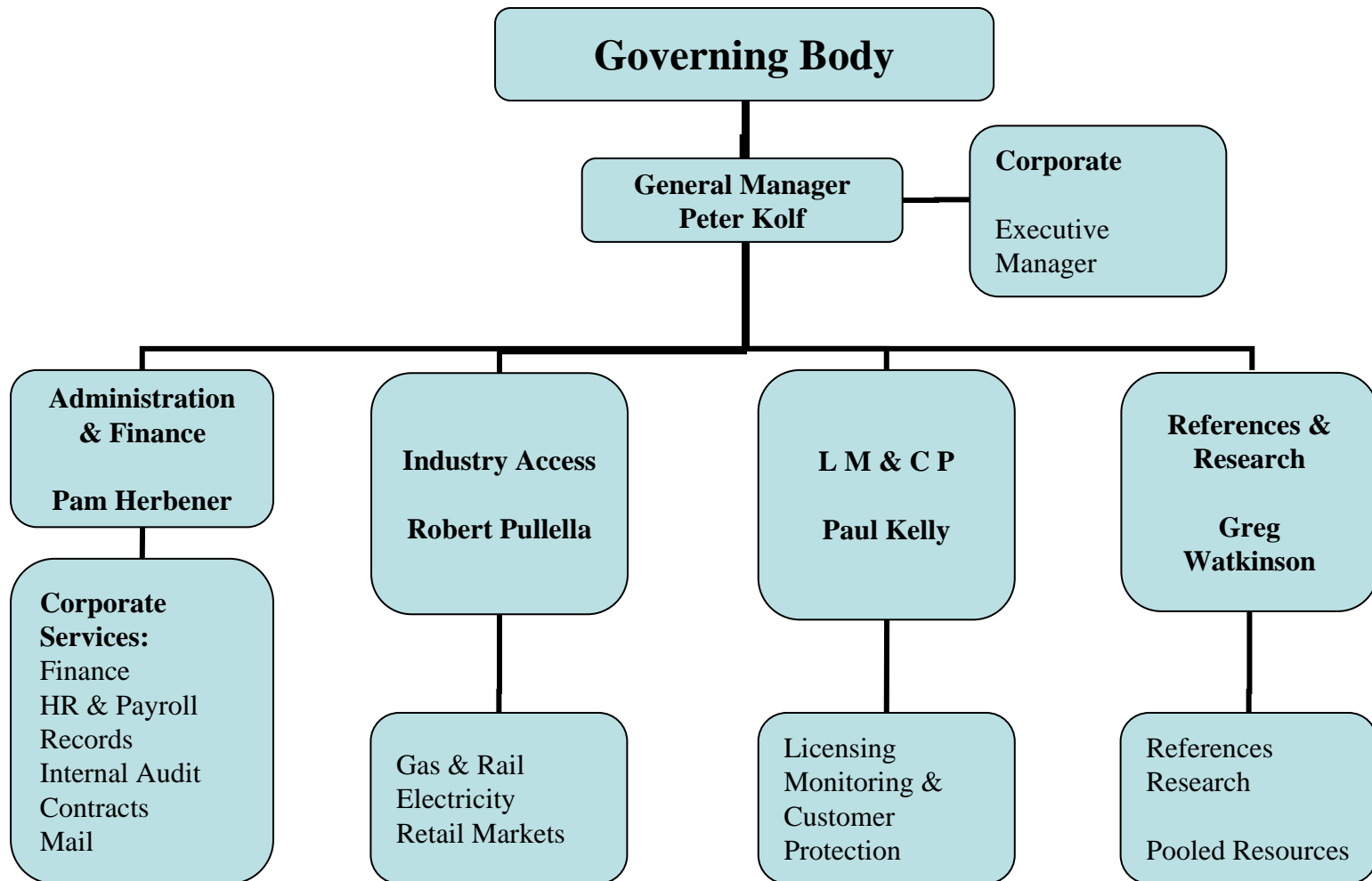
OVERVIEW

- Economic Regulation Authority
- Operations and administration
- Markets – why regulate?
- Regulatory issues
- Concluding remarks



Western Australia

ECONOMIC REGULATORY AUTHORITY





THE ORGANISATION

Western Australia

Functions

- Administers industry specific legislation
- References (inquiry & report)

Features

- Independent of Government
- Agent of the State



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MATTERS TO BE CONSIDERED

- Promote the public interest
- Consider the long-term interests of consumers
- Encourage investment
- Consider the interests of investors & service providers
- Promote competition & fair market conduct
- Prevent abuse of monopoly power
- Practice transparent decision making



Western Australia

CULTURE

VISION:

“to be recognised as a leader in best practice economic regulation for the benefit of all Western Australians.”

MISSION:

“to promote economically efficient outcomes in Western Australia at the lowest practicable regulatory cost through:

- efficient and effective independent regulation;*
- independent advice to government; and*
- advancing the debate in economic regulation.”*



CORPORATE VALUES

Western Australia

Accountability

- Being responsible for our actions

Independence

- Being free to make the right decisions

Professionalism

- Being disciplined, rigorous and focused in our work

Transparency and Consultation

- Being open and consultative

Integrity

- trust, honesty, equity and fairness

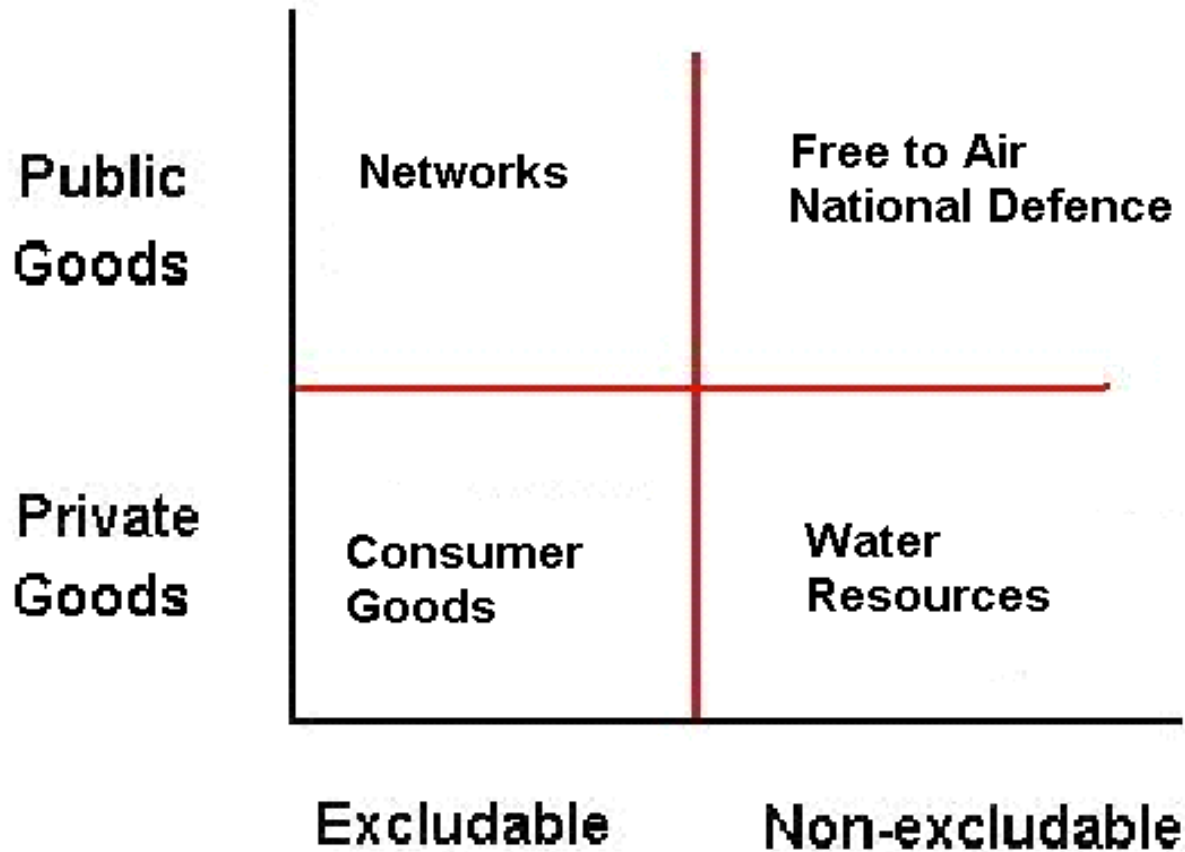
Excellence

- seeking to continuously improve our work in a co-operative and productive way.



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Markets





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Monopoly

Other monopoly factors:

- Economies of scale
- Economies of scope
- Barriers to entry – new infrastructure



Regulatory Frameworks

Types of regulatory frameworks:

- Public sector ownership & control
- Price control of private sector
- Market based regulation
 - Open access
 - Structural separation
 - Markets in contestable elements
 - Price or revenue cap for monopoly elements
- Monitoring / transparency



Issues in Regulation

- Rates of return too low
- Insufficient incentive to invest
- Too intrusive, prescriptive &/or costly
- Insufficient allowance for uncertainty & risk
- Property rights not respected
- Open access discourages investment
- Insufficient benefits for small customers
- Regulation takes too long



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Achievements

- Competition in WA's gas supply
- Diversity in WA's supply of gas
- Privatised gas supply industry in WA
- Separate electricity utilities
- Emerging wholesale market
- Competition in electricity supply

NORTH WEST SHELF PETROLEUM PROVINCE

MARCH 1998

SCARBOROUGH

INDIAN OCEAN

CARNARVON BASIN

NORTH WEST SHELF GAS PROJECT

HYDROCARBON DISCOVERIES

- Gas (Red starburst)
- Oil (Green circle)
- Oil and Gas (Red starburst with green circle)

PRODUCTION FACILITIES

Facility Type	Gas Symbol	Oil Symbol	Description
Platform	Red T-shape	Green T-shape	Floating Production and Offloading Vessels
Mini Platform	Red I-shape	Green I-shape	LNG Carrier
Jack-up Rig	Red T-shape with legs	Green T-shape with legs	Oil Carrier
Monopod	Red T-shape	Green T-shape	LNG storage tanks
Subsea completion	Red arrow	Green arrow	Oil storage tanks
Production facility	Red house-shape	Green house-shape	LPG Facility
Pipeline	Red line	Green line	Under construction





Observations

- Economic regulation continues to be contentious, but settling
- Regulation is second-best, but in some circumstances necessary
- Benefits of economic regulation not always obvious
- Issues complex, counter intuitive and easily misunderstood
- Litigation costly and time consuming
- One regulatory model does not fit all circumstances



Concluding Remarks

Regulatory approach:

- Focus on achieving good outcomes
 - Without fear or favor
- Be professional
 - Integrity, ethical and focused
- Seek continuous improvement