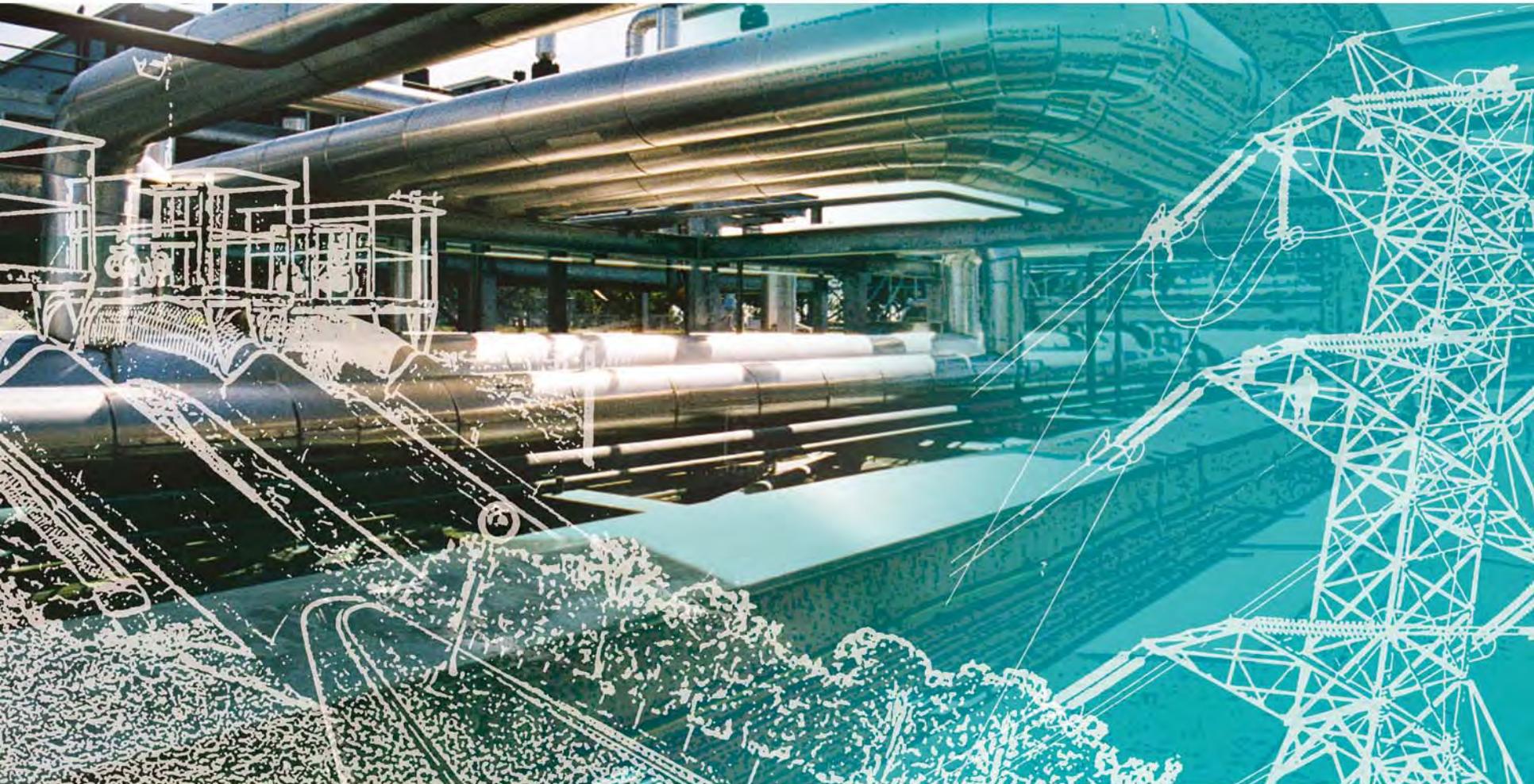


# Economic Regulation Authority

 WESTERN AUSTRALIA

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## New Facilities Investment Tests

[www.era.wa.gov.au](http://www.era.wa.gov.au)

# **New Facilities Investment Tests**

## **System Wide Benefits**

**K Peter Kolf**  
**General Manager**  
**Economic Regulation Authority**

**17 November 2006**  
**Regulator's Forum**

# Overview

- New Facilities Investment Tests
- System Wide Benefits
- Process
- Code change

# New Facilities Investment Tests

## Gas Code

- S 8.16(a)
  - (i) Prudency; and
  - (ii) Conditions:
    - (A) Anticipated Incremental Rev > NFI Cost
    - (B) System Wide Benefits
    - (C) Safety, integrity or contracted capacity

—

# New Facilities Investment Tests

## WA Electricity Networks Access Code

- S 6.52
  - a) Prudency; and
  - b) Conditions:
    - (i) Anticipated Incremental Rev => NFI Cost
    - (ii) System Wide “Net Benefits”
    - (iii) Safety, reliability or contracted capacity

# New Facilities Investment Tests

## Issues:

- What happens to amounts that don't pass the tests?
  - Speculative Investment Fund
- (Anticipated Incremental Rev > NFI Cost)  $\neq$   $\Delta$  Tariffs!
- What do “system-wide benefits” include?
- What NFI qualifies under “safety, integrity or Contracted Capacity of Services”

# System Wide Benefits

## – Application by ACCC

- Additional system security for all users
- Enhances upstream competition
- Increased system capacity

# System Wide Benefits

## – Application by ORG Vic

- Externality; such as increased competition that lowers energy prices

# System Wide Benefits

## – Application by ERA & OffGAR

- Whether an investment is in the public interest
- Whether benefits are widespread

# System Wide Benefits

## – Advice from Allen Consulting

- External benefits not captured by users but for which they are prepared to pay

# System Wide Benefits

## – Advice relating to a FERC decision

- External benefits that have the effect of lowering charges for users

# System Wide Benefits

## – Submissions to ERA

Reflected vested interests:

- Service providers supported wide interpretation
- Users supported narrow interpretation

# System Wide Benefits

## – Submissions to ERA

Reflected vested interests:

- Service providers supported wide interpretation
- Users supported narrow interpretation

# System Wide Benefits

## – Do we have a problem?

No:

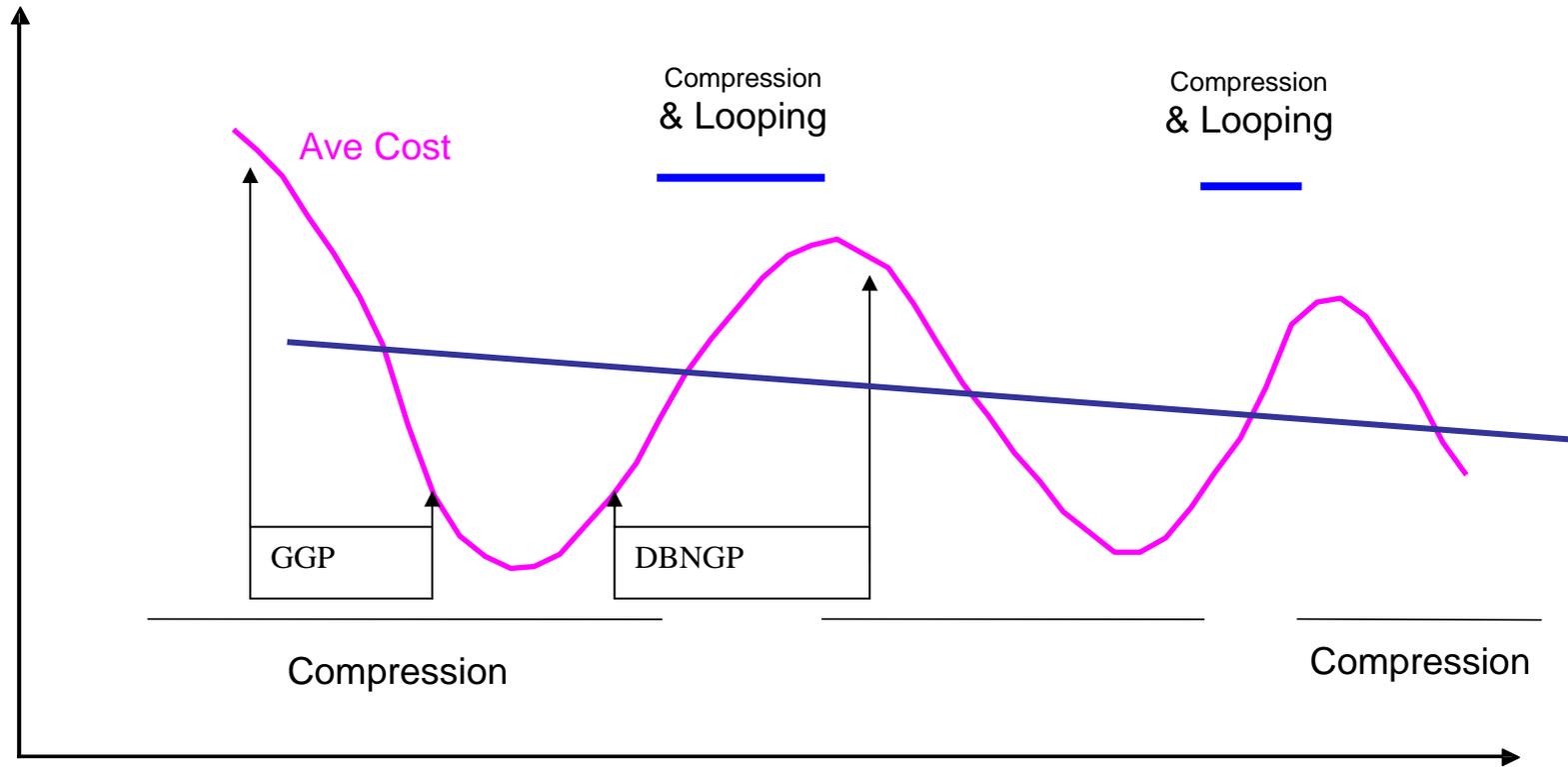
- Market carriage pipeline

Yes:

- Contract carriage pipeline

# Development Cycle of Pipeline

Cost per \$/GJ



Capacity TJ/d

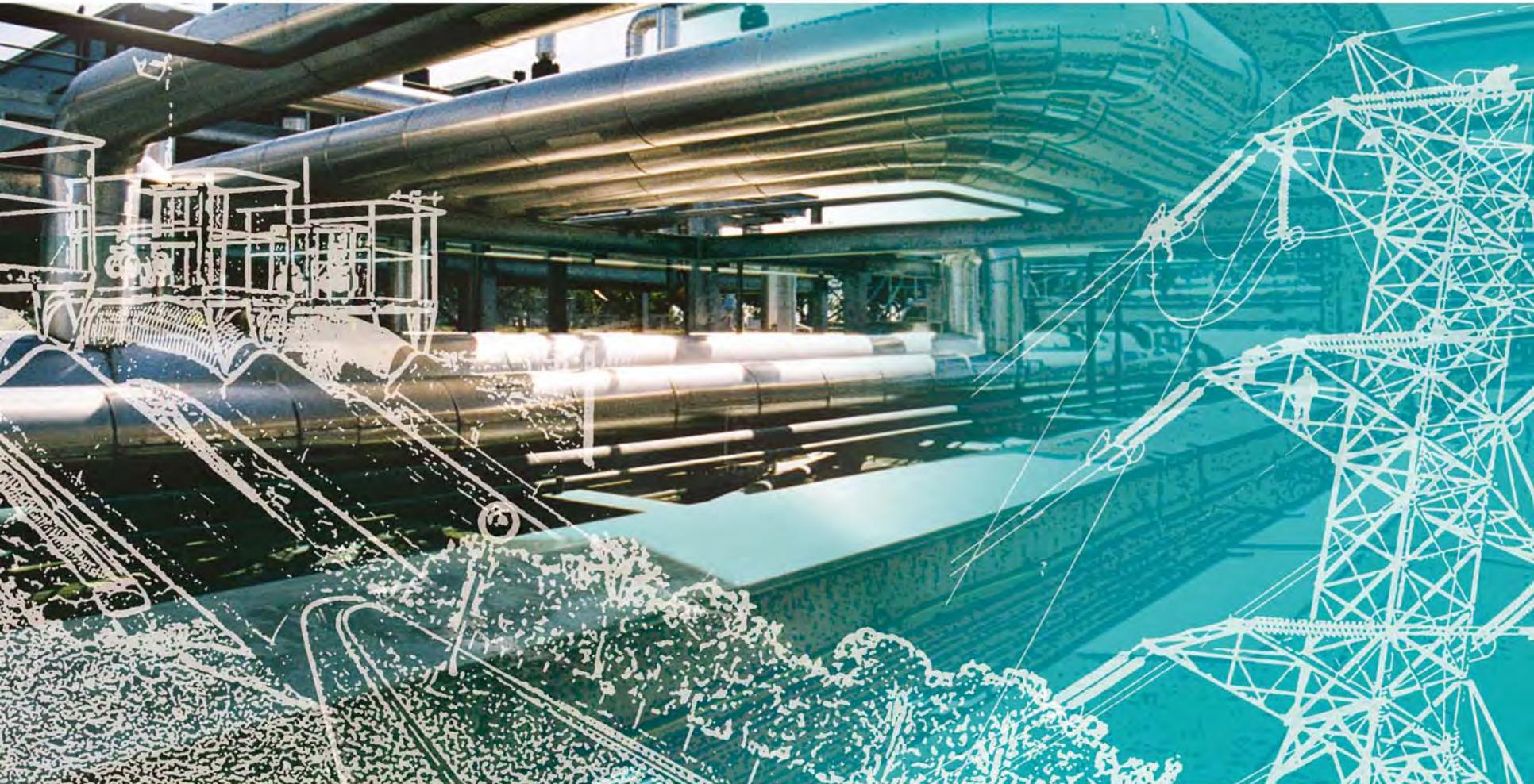
## Program From Here

- Complete draft paper
- AER to consider
- Final to URF
- Release as discussion paper
- Consider comments
- Recommend code changes

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## New Facilities Investment Tests

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