



## OFFICE OF GAS ACCESS REGULATION

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### **TRENDS IN GAS ACCESS REGULATION IN WESTERN AUSTRALIA**

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**ENERGY IN WESTERN AUSTRALIA CONFERENCE  
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# TRENDS IN GAS ACCESS REGULATION IN WESTERN AUSTRALIA

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Independent Gas Pipelines Access Regulator

## Introduction

The Office of Gas Access Regulation (*OffGAR*) recently completed its first year of operation. In this time *OffGAR* has evolved from a two person office located in temporary accommodation to a small but fully operational regulatory agency with five full-time positions, two additional temporary staff and headed by myself in the capacity as part-time Regulator and Chief Executive Officer.

*OffGAR* also services a part-time Arbitrator, Mr Laurie James, who was appointed on 10 September 1999. Mr James has two main responsibilities, which are to resolve disputes between prospective users of gas pipelines and pipeline service providers and to provide administrative services to the Western Australian Gas Review Board. This Board hears appeals against myself as Regulator in respect of specified regulatory decisions and the Minister for Energy on whether a gas pipeline should be covered by the Gas Access Regime<sup>1</sup>.

The Regulator, Arbitrator and *OffGAR* together comprise the administrative parts of the regime that regulates access to gas pipelines covered by the *National Gas Pipelines Access Code for Natural Gas Pipeline Systems* (the Code). Other bodies that perform a role in respect of the Gas Access Regime include the following:

- The National Competition Council (NCC) which is responsible for assessing and recommending to the Minister for Energy as to whether a pipeline should be covered by the Code;
- The Code Registrar who is responsible to maintain a national public register of Access Arrangements<sup>2</sup>, public submissions on Access Arrangements, decisions by Regulators, Arbitrators and Appeals Bodies and copies of the Code; and
- The Natural Gas Pipelines Advisory Committee (NGPAC) which makes recommendations to responsible Ministers of all Australian jurisdictions on matters concerning changes to the Code.

The Gas Access Regime in Western Australia covers both transmission and distribution pipelines. In other parts of Australia the Australian Competition and Consumer Commission (ACCC) regulates access to gas transmission pipelines, although it also has jurisdiction in respect of some gas distribution systems. In the majority of cases, jurisdiction based regulators have responsibility for the regulation of access to gas distribution systems.

In Western Australia the work of *OffGAR* has already involved a wide range of complex but interesting tasks. Probably the most challenging aspect has been developing understandings with pipeline service providers and others on how to deal with matters of confidentiality. The analysis of proposed Access Arrangements has also necessitated undertaking detailed financial, economic and tariff related studies on which decisions are based.

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<sup>1</sup> The Gas Access Regime is a national regime, which was agreed to by all Australian Heads of Government on 7 November 1997. In Western Australia the regime is given legal effect by the Gas Pipelines Access (WA) Act 1998 (GPAA).

<sup>2</sup> An Access Arrangement comprises the terms and conditions and reference tariffs on which a pipeline service provider agrees to make third party access available to a gas pipeline or pipeline system. An Access Arrangement Information accompanies an Access Arrangement to provide information that will enable users and prospective users to understand the derivation of the elements of the Access Arrangement. For the purposes of this paper, unless otherwise stated, reference to an Access Arrangement includes the Access Arrangement Information.

High on the order of priority has been the desire to maximise the flexibility for pipeline owners while ensuring that the interests of both consumers and service providers are appropriately taken into account. The promotion of competition, encouragement of economic development and the determination of reference tariffs providing value to users are seen as important outcomes. In this regard, extensive consultation with interested parties, expert advice, attention to incentive mechanisms, benchmarking and overall objectives as discussed later in this paper have played an important part in progressing the work of the Agency.

To appreciate the stage reached in the establishment of OffGAR and trends in the further development of the regulatory process being developed, it is instructive to look at the issues that have been dealt with in the time since OffGAR was established. The following section provides an overview of these activities.

### **Developments in the First Year of Operation**

While five proposed Access Arrangements have been lodged for assessment since commencing operations (see table below), OffGAR has provided services in respect of nine pipelines or pipeline systems. Draft decisions have been issued on Access Arrangements for the Parmelia Pipeline and the Mid-West and South-West Gas Distribution Systems, work is well advanced on the draft decision for the Tubridgi Pipeline and a final decision on the proposed Access Arrangement for the Parmelia Pipeline is also in progress. In addition, public submissions have now closed for the Goldfields Gas Pipeline and the Dampier to Bunbury Natural Gas Pipeline and work has commenced on the preparation of the Draft Decisions for these pipelines.

### **Gas Pipelines – Code Status**

Pipeline	Date Access Arrangement Lodged	Status
AlintaGas Distribution System	30 June 1999	Draft Decision Issued 14 March 2000
Beharra to Parmelia Pipeline	Coverage revoked	No longer covered by the Code
Dampier to Bunbury Natural Gas Pipeline	15 December 1999	Public Submissions Closed 17 March 2000
Goldfields Gas Pipeline	15 December 1999	Public Submissions Closed 3 March 2000
Kalgoorlie, Leinster and Mt Keith laterals	Coverage revoked	Laterals no longer covered by Code
Kambalda Lateral	Deferred	Extension granted to 1 Dec 2000
Karratha to Cape Lambert Pipeline	Coverage revoked	No longer covered by the Code
Parmelia Pipeline	7 May 1999	Draft Decision Issued 27 October 1999
Tubridgi Pipeline System	21 October 1999	Public Submissions Closed 10 December 1999

One of the first initiatives to be implemented by the new Agency was a web page (<http://www.offgar.wa.gov.au/>) to keep interested parties informed on all aspects of the administration of Access Arrangements and associated regulatory matters. The web page serves as the main publication medium and for the purposes of public consultation. In the first year of operation 134 news bulletins were posted on the site. Most of these were accompanied by a newsletter or email sent to around 250 interested parties mostly in Australia, but including some overseas parties. An analysis of news bulletins issued to date is presented in the following table:

### **News Bulletins Posted on Web**

<b>News Bulletin</b>	<b>Number</b>
Access Arrangements lodged	5
Decisions by the Regulator	2
Submissions received	75
Extensions of time granted	32
Public consultations announced	9
Issues Papers released	5
Others	6
Total	134

In addition to news bulletins, a number of other documents were posted on the website including Access Arrangements (AA), Access Arrangement Information (AAI) documents and amendments to AAs and AAIs. In total 174 documents have been posted on the web page. An analysis of the type of documents posted on the web is presented in the following table.

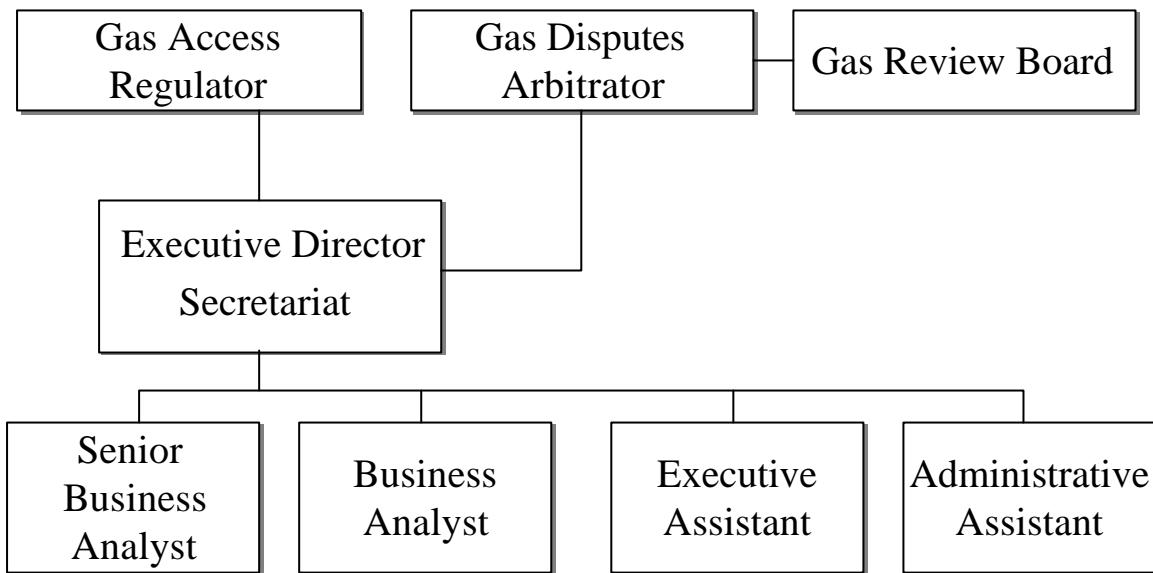
## Items Posted on Web

<b>Pipeline</b>	<b>Submissions Received</b>	<b>Extensions of Time Granted</b>	<b>Public Consultations Held</b>	<b>Publications</b>	<b>Other</b>	<b>Total</b>
AlintaGas Distribution System	12	4	2	2	10	<b>30</b>
Beharra to Parmelia Pipeline		1				<b>1</b>
Dampier to Bunbury Natural Gas Pipeline	29	4	1	1	16	<b>51</b>
Goldfields Gas Pipeline	11	3	1	1	5	<b>21</b>
Kalgoorlie, Leinster and Mt Keith laterals		1				<b>1</b>
Kambalda Lateral		3	1			<b>4</b>
Karratha to Cape Lambert Pipeline		2	1			<b>3</b>
Parmelia Pipeline	19	9	2	4	6	<b>40</b>
Tubridgi Pipeline System	9	5	1	1	7	<b>23</b>
<b>Total</b>	<b>80</b>	<b>32</b>	<b>9</b>	<b>9</b>	<b>44</b>	<b>174</b>

On the administrative side, the Agency worked closely with the Office of Energy to develop and implement regulations to permit charging for services provided by OffGAR. The regulations are drafted under section 87 of the GPAA to allow the Agency to be fully self-funding. Under the regulations owners of covered pipelines pay standing charges and service charges to cover the costs of the Agency. Standing charges, which recover indirect costs, are paid on a quarterly basis but service charges, which recover costs directly attributable to a particular pipeline, are recovered on an ongoing basis at the time costs are incurred.

During the year a number of appointments were formalised including that of the Independent Gas Pipelines Access Regulator and Chief Executive of OffGAR. A current organisation chart is presented below.

# Organisation Chart



As OffGAR has been established with a small permanent staff, the Agency is substantially dependent on consultants and temporary staff to undertake the work required. For this purpose a consultancy register was established which facilitates the tendering and selection of consultants to undertake the specific tasks involved. Currently, there are 26 consultants listed on this register.

Work areas in which consultancies have been sought include:

- analysis and assistance in the preparation of regulatory decisions;
- expert regulatory, financial and technical advice on proposed Access Arrangements;
- internal audit, risk management and accounting systems development; and
- human resources and performance indicators assistance and advice.

In addition to the above, OffGAR has made use of the Crown Solicitor's Office as its principal source of legal advice. Independent legal advice is sourced where necessary on an as required basis.

## Regulatory Costs

The Office of Gas Access Regulation is in its second budget year. Initially, the Government appropriated \$850,000 to establish the Agency and commence operations. The initial budget appropriation related to the financial year ending 30 June 1999.

Funding for OffGAR's second year of operation was provided by way of a Treasury Advance amounting to \$1.555 million pending the introduction of regulations under section 87 of the GPAA to permit the Agency to charge for its services and become self-funding. These regulations<sup>3</sup> were gazetted on the 14 January 2000 and became effective on that day.

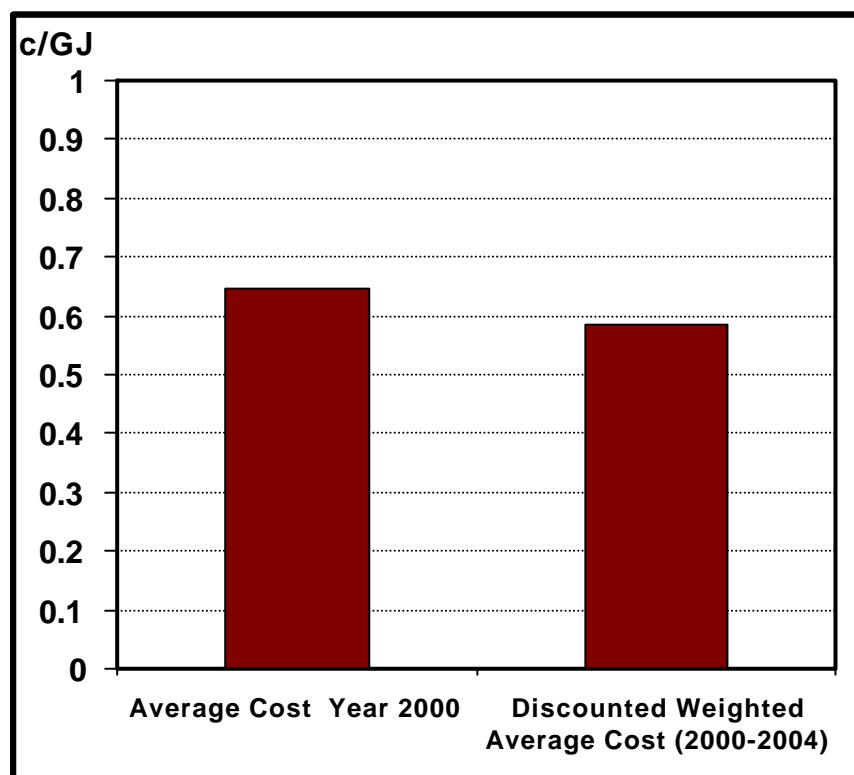
In accordance with sub-section 47(3) of the GPAA, a budget of \$1.555 million was also approved by the Minister for Energy to meet the operating costs of the gas access regime in Western Australia for the

<sup>3</sup> The Gas Pipelines Access (WA) (Funding) Regulations 1999

financial year ending 30 June 2000. This amount was needed to meet the costs of the two statutory bodies established by the GPAA namely: the Office of the Independent Gas Pipelines Access Regulator and the Office of the Gas Disputes Arbitrator. Approximately half of the budget allocated to the Office of the Independent Gas Pipelines Access Regulator was to meet consultancy costs. The first time approval of Access Arrangements for each of the gas pipelines located in Western Australia and covered by the Code is a significant and complex task requiring extensive specialised expertise. Access Arrangements are typically approved for a period of 5 years.

On the basis of natural gas transported through “covered” pipelines in Western Australia, the regulatory cost incurred by OffGAR was estimated at 0.64 cents per (GJ)<sup>4</sup> for the financial year 2000 and the discounted weighted average cost<sup>5</sup> over the next 5 years is expected to be in the order of 0.58 cents per GJ (refer table below). Costs incurred by industry participants are additional to those indicated here.

**Average Cost of Regulation Cents per GJ  
Office of Gas Access Regulation**



<sup>4</sup> A GJ is equal to  $10^9$  joules.

<sup>5</sup> Discounted weighted average cost is the real (year 2000) estimated cost per GJ incurred over the period in question on the basis of projected throughput for covered pipelines in Western Australia.

## **Evolution of Gas Access Regulation in WA**

Western Australia was an active participant in the development of third party access to natural gas pipelines at the national level since the issue first became prominent in the early 1990's. Initially, Western Australia implemented its own regimes and was among the first to require comprehensive access regimes to be available for major pipelines including the Goldfields Gas Pipeline, the Dampier to Bunbury Natural Gas Pipeline and the Mid-West and South-West Gas Distribution Systems.

The first national agreement on access to gas pipelines was reached by all Australian Heads of Government on the 25 February 1994. The purpose of this agreement was to introduce a "uniform national framework" to provide third party access to natural gas pipelines in Australia.

The reform process in the natural gas pipeline industry initially developed independently of the reforms that were being progressed in respect of competition policy more generally. While the reform processes of these two areas tended to merge during the latter part of the 1990's, the access regime that was separately established under Part IIIA of the Trade Practices Act 1974 (TPA)<sup>6</sup> continues to exist side by side with that established for gas pipelines under the GPAA.

The GPAA, however, automatically covered the main pipelines and pipeline systems in Western Australia. Once the NCC certifies the Western Australian gas access regime as an "effective" regime, the declaration option under Part IIIA of the TPA will not then be available for covered pipelines. However, a gas pipeline in Western Australia not covered by the GPAA will under current arrangements continue to have the option allowing an "undertaking" to be lodged with the ACCC as an alternative to coverage under the GPAA and the Code.

Duke Energy Corporation (Duke Energy) recently exercised the "undertakings" option in respect of its \$450 million, 795 km Eastern Gas Pipeline on the east coast of Australia. In response AGL made application to the NCC to have the Eastern Gas Pipeline covered by the Code. Currently the ACCC and the NCC are working together to resolve the regulatory dilemma that has arisen.

Among the main reasons cited by Duke Energy for preferring the undertakings route as opposed to the Code was that the latter was too prescriptive and that the undertakings option was less onerous.

While the Code gives the appearance of being very prescriptive, it seems to combine this with discretion in a way that seems to offer a reasonable degree of flexibility. It sets out what is expected of a pipeline service provider in terms of how and when an Access Arrangement needs to be lodged with the Regulator for approval. This detail is particularly helpful for an Agency in its early stages of establishment. It also ensures that the approaches adopted across different jurisdictions are reasonably consistent. In addition, the Code enshrines a high level of public consultation and transparency, which is important for acceptance by stakeholders.

One minor difficulty of the Code relates to the timelines provided for approving Access Arrangements. While the Code allows extensions of the time these add to the administrative workload. On average, it seems to take about 12 months to approve an Access Arrangement for a major pipeline system (refer Attachment A). The Code allows 6 months, but offers the opportunity to extend this period.

Experience in Western Australia also indicates that the time provided by the Code for public consultation appears to be somewhat inadequate, particularly for major pipeline systems. The time it

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<sup>6</sup> Part IIIA of the TPA provides for access regimes in respect of all facilities of national significance. Facilities can either be declared in which case an access regime is to be implemented by the owner of the facility or an owner may voluntarily offer an undertaking to the ACCC to implement an access regime.

takes to reach agreement with a service provider on the availability and publication of relevant information, the verification of the information provided and the arrangements for obtaining and handling of confidential information add significantly to the time associated with the approval process.

While there is a temptation to seek changes to the Code to remedy apparent inadequacies, there is also value in persevering with existing arrangements until the relationships between the service provider and the Regulator have had an opportunity to become settled. It is in the interests of both the service provider and the Regulator to resolve any matters that will assist in progressing the approval process, particularly in Western Australia where all direct costs associated with approving an Access Arrangement are directly billed to the service provider in question.

## **The Gas Access Arrangement Process**

The Code provides a reasonably clear path to be followed for approving Access Arrangements. Section 1 of the Code relates to the process concerned with the coverage of pipelines by the access regime. When the GPAA was proclaimed in Western Australia on 9 February 1999, it specified a list of pipelines located in the State that were automatically “covered” by the regime. Since that time, applications have been made to the NCC for the revocation of seven pipeline laterals. Five of these applications have been successful. There have been no applications seeking coverage under the Code of additional pipelines located in the State. A map showing the covered and other pipelines in Western Australia is appended as Attachment B.

Section 2 of the Code deals with the Access Arrangement approval process. In summary, the Code requires that an Access Arrangement must be lodged with the Regulator within 90 days of when a pipeline becomes covered.

Pipeline service providers in Western Australia are provided the opportunity to lodge a draft proposed Access Arrangement with the OffGAR Secretariat for an informal compliance check. This is designed to assist pipeline service providers avoid delays in progressing a proposed Access Arrangement once lodged formally. The informal process does not involve the Regulator and only provides advice on compliance such as inadequate coverage or provision of insufficient information.

Once an Access Arrangement has been lodged formally it is assessed for compliance with the Code and then released for public consultation. As soon as submissions are received these are posted on the web page and become part of the assessment process.

The Access Arrangement process involves two periods of public consultation, one before the Regulator’s Draft Decision is issued and one after it has been issued. A Final Decision is prepared by the Regulator after the second period of public consultation, including open debate through the facility of a public forum.

There are 4 major stages involved in preparing a Draft Decision:

1. specialist advice is sought on the technical, financial and legal aspects of the proposed Access Arrangement;
2. financial modelling is undertaken to verify reference tariffs, the Initial Capital Base and rate of return proposed by the pipeline service provider;
3. issues raised in submissions are considered and analysed; and
4. the Draft Decision, listing any required changes to the proposed Access Arrangement, is prepared and issued.

The development of the Draft Decision may involve extensive consultation with the pipeline service provider and other interested parties to ensure that issues raised with the Regulator are properly understood and addressed.

In the event that the pipeline service provider and the Regulator are unable to agree on required amendments to the proposed Access Arrangement, the Regulator may impose its own Access Arrangement. The Regulator is subject to appeal where a decision imposes certain requirements on a pipeline service. In Western Australia appeals are heard by the WA Gas Review Board.

An Access Arrangement is required to include a minimum number of elements or principles on which access to the gas pipeline is to be provided. While the Code requires that an Access Arrangement contain certain elements and satisfy specific principles, an Access Arrangement may also address matters other than those listed as a minimum.

The Regulator cannot refuse to approve a proposed Access Arrangement solely for the reason that it does not address matters that are not required to be addressed by the Code. However, should an Access Arrangement address additional matters, then the Regulator has broad discretion to refuse to accept the proposed Access Arrangement if the additional matters are considered unreasonable.

In assessing any additional matters included in a proposed Access Arrangement, the Regulator may take into account the following factors:

- (a) the service provider's legitimate business interests and investment in the covered pipeline;
- (b) firm and binding contractual obligations of the service provider or other persons (or both) already using the covered pipeline;
- (c) the operational and technical requirements necessary for the safe and reliable operation of the covered pipeline;
- (d) the economically efficient operation of the covered pipeline;
- (e) the public interest, including the public interest in having competition in markets (whether or not in Australia);
- (f) the interests of users and prospective users; and
- (a) any other matters that the Regulator considers are relevant.

In addition to the minimum requirements described above, the Code also provides for:

- the arbitration of disputes between potential users of pipeline services and pipeline service providers;
- the ring fencing of pipeline services from other related activities either in upstream or downstream markets for gas;
- detailed provisions for the determination of reference tariffs;
- the determination of reference tariffs on the basis of a competitive bidding process; and
- the provision of information to the market.

These provisions are important to the effective implementation of the Access Arrangement process. To date, the process of assessing a proposed Access Arrangement and the development of Draft Decisions appears to be working in Western Australia.

## **Emerging Trends in Gas Access Regulation**

The challenge for Regulators is to administer a legislative framework for third party access to gas pipelines without being overly intrusive. While the Code provides opportunities for the Regulator to have a detailed involvement in the day to day operations of the regulated industry, it is not the intention that Regulators should become involved to this level of detail as a matter of course.

Examples of where the Code may be seen to be particularly intrusive include where the Regulator is to approve:

- increases in reference tariffs during an Access Arrangement period;
- the proportion of any new capital expenditure that may be added to the capital base for the purpose of determining reference tariffs;
- the application of a surcharge additional to the reference tariff charged by a pipeline service provider; and
- the approval of contracts between a pipeline service provider and other businesses that are associated with the service provider.

There are good reasons why the Regulator should have a strong involvement in each of these areas. The main reason is that in each area, a service provider could, in the absence of regulatory intervention, be motivated to act in a manner that is not in the interests of the community. The first three are potentially the subject of dispute between users, potential users and the service provider.

The Code provides for the resolution of disputes between potential users and the service provider, but does not offer similar arrangements for those that have already entered into contractual arrangements with a service provider. To the extent that the above issues apply to existing users, under the Code existing users will need to rely on the Regulator or look to commercial arbitration for resolving any disputes. Commercial arbitration is consistent with that available to firms once in a contractual situation in other industries.

The issues identified are complicated by the fact that the Code applies across a wide range of pipeline systems. This is particularly evident in Western Australia where both large and small systems co-exist. A particular approach for dealing with a large transmission pipeline may be entirely inappropriate for a distribution system or a smaller specific purpose transmission pipeline offering minor third party access services.

The Regulator's challenge therefore is to provide the necessary guidance and constraint without unduly restricting innovation, and incurring excessive costs. In meeting this challenge, the Regulator can work within the paradigm established by other regulatory agencies in the UK and other Australian jurisdictions of focussing attention on the broad parameters of a regulated business through incentive regulation and benchmarking. Such an approach can reduce the complexity and cost of focussing more directly on details of costs, prices and revenues (as has historically been the case in the USA) and is consistent with the Code in so far as the incentives provided to regulated businesses mirror incentives that would arise in a competitive industry.

A range of incentive mechanisms has emerged in regulatory practice in the UK and Australia. There is also active debate over some of these measures including the most appropriate form of price control (ie whether a simple price cap should be used, a tariff basket approach, average revenue cap (revenue yield) or a more simple revenue cap approach), as well as the most appropriate form of "efficiency carry-over" (or glide-path). It is not proposed to consider the merits of each of these various approaches in this

discussion. However, it is recognised that no one form of incentive mechanism is appropriate to all situations. This reiterates the importance of considering each pipeline and Access Arrangement according to individual situations. This will pose a challenge to both service providers and the Regulator in Western Australia, just as it continues to do elsewhere.

Rigorous benchmarking practice has yet to be developed in application to regulation of gas pipelines in Australia, although it is receiving increasing attention. This could be due to several factors including the generally recent advent of privately owned gas transmission and distribution businesses and the regulatory system. Most businesses in Australia would still be undergoing organisational and cost changes associated with privatisation, which would complicate the estimation of efficiency benchmarks. Furthermore, the regulatory system is still in its infancy and has largely been preoccupied with issues of pipeline coverage and approval of initial Access Arrangements. It is considered likely that benchmarking will become increasingly important in the future as Access Arrangements are reviewed.

## **The Role of the Regulator in WA**

The Gas Access Regulator in Western Australia is subject to essentially the same legislation that applies in other Australian jurisdictions. The regulatory approach adopted in this State has benefited significantly from that developed by other jurisdictional Regulators and the ACCC. Some of these Regulators have been in existence for a number of years. The NSW Independent Prices and Regulatory Tribunal (IPART), for example, first administered a gas access regime similar to the Code in 1996 before moving to the national regime in 1998.

The overall approach to ensuring third party access to gas pipelines and the objectives in Western Australia are essentially the same as those applying in other jurisdictions. The Preamble to the Western Australian legislation<sup>7</sup> lists the objectives of the “uniform national framework” implemented by the WA legislation to:

- (a) facilitate the development and operation of a national market for natural gas; and
- (b) prevent abuse of monopoly power; and
- (c) promote a competitive market for natural gas in which customers may choose suppliers, including producers, retailers and traders; and
- (d) provide rights of access to natural gas pipelines on conditions that are fair and reasonable for the owners and operators of gas transmission and distribution pipelines and persons wishing to use the services of those pipelines; and
- (e) provide for resolution of disputes.

The Western Australian legislation differs slightly from the national legislation in that the uniform national framework in WA also applies to certain pipelines for the reticulation of gas other than natural gas.

Consistent with the above framework OffGAR’s mission is:

To promote free and fair trade in gas by facilitating the effective and efficient regulation of access to gas pipelines wholly located in Western Australia at the lowest practicable regulatory cost.

This mission is taken quite seriously and special efforts are made to work closely with pipeline service providers and other interested parties to minimise costs especially where such costs would be incurred if a more adversarial approach were adopted.

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<sup>7</sup> The Gas Pipelines Access (Western Australia) Act 1998.

The cost recovery approach that has been implemented in Western Australia also assists in containing costs. The application of service charges by the Regulator to recover the direct costs of regulatory services from pipeline service providers offers the opportunity for agreement to be reached at a lower cost than might otherwise be the case.

Administrative arrangements have also been structured to enhance consultation and cooperation. OffGAR acts as a secretariat in providing services and advice to the Regulator. However, the Regulator is free to obtain independent advice and remains at arms length from the Secretariat in the making of regulatory decisions. This provides greater flexibility to the Secretariat in consulting informally with pipeline service providers and other interested parties.

In the time since the establishment of OffGAR, a number of general policies have been developed to guide operations as follows:

- OffGAR and the Regulator maintain an open door policy and will respond to all issues raised.
- All information received is made public unless the information is determined to be confidential in which case the provisions of section 7.11 and 7.12 of the Code apply.
- If for any reason information cannot be made public, it is referred back to the person providing that information to clarify, amend, seek concurrence of other parties if necessary or withdraw the information.
- No document received by OffGAR is made available to another party unless it is made publicly available or is provided to another person with the express permission of the person providing the information.
- Matters of general interest, unless confidential or commercially sensitive, are made public.
- OffGAR and the Office of the Regulator do not perform a policy role, but reserve the right to express views on the regulatory process.

## **Concluding Remarks**

Economic regulation, which includes the regulation of access to gas pipelines, is at a very early stage of development in Western Australia. The State has substantially benefited from the experience of regulatory agencies in other Australian jurisdictions and overseas. Regulatory practices in this State will be able to be developed to focus greater attention on the broad parameters of a regulated business through incentive regulation and benchmarking and thereby be less intrusive. The broader practices referred to are still in their infancy and Western Australia has largely been preoccupied with issues of pipeline coverage and the approval of initial Access Arrangements. There is, however, a need to be aware of emerging trends and ensure that regulatory decisions are able to adapt to the broader approaches when appropriate.

In the current circumstances the Code has been helpful in providing guidance to both pipeline service providers and the Regulator. The Code combines prescription and discretion in a way that still seems to offer a reasonable degree of flexibility.

While there are moves to make changes to the Code to remedy apparent inadequacies, there is also value in persevering with existing arrangements until working with the Code has become more settled and apparent difficulties are better understood. It is in the common interests of the parties involved to make the Code workable, particularly in Western Australia where regulatory costs are billed directly to the pipeline service provider. Notwithstanding this comment, it is my intention, based on our experience, to

propose changes to the Code, which will streamline the process in preparation for the future review phase of Access Arrangements currently being approved.

Finally, the development of administrative arrangements and policies that encourage cooperation, openness and transparency are seen as an important part of effective regulation. Such arrangements are enhanced by the development and enunciation of clear objectives. This assists, in my view, the Regulator making decisions to promote competition, encourage investment and provide value to users of pipeline systems and consumers of gas, while maintaining a reasonable rate of return to pipeline service providers consistent with market expectations.

## Attachment A

Access Arrangement	AA Lodged	Draft Decision	Duration	Final Decision	Duration
Victorian Transmissions Pipelines Australia	3rd-Nov-97	28th-May-98	7mths	16th-Dec-98	13mths
Multinet, Stratus & West Star	3rd-Nov-97	3rd-Jun-98	7mths	17th-Dec-98	13mths
Marsden - Dubbo AGL Pipelines NSW	15th-Mar-98	10th-Sept-99	6mths	-	-
Mildura Natural Gas Distribution System – (Envestra Limited)	17th-Jun-98	7th-Oct-98	5mths	11th-Jun-98	12mths
AGL Gas Networks	5th-Jan-99	7th-Oct-99	9mths	-	-
Central West Pipeline - (AGLP)	31st-Dec-98	10th-Sept-99	8mths	-	-
AGL Gas Network Limited (AGLGN) (Albury Gas Company, NSW)	6th-Jan-99	2nd-Jul-99	6mths	3rd-Dec-99	11mths
SA Gas Distribution System (Envestra Limited)	22nd-Feb-99	-	DTD 13mths	-	-
Moomba – Adelaide Pipeline System (Epic Energy)	1st-Apr-99	-	DTD 11mths	-	-
Moomba - Sydney Pipeline System EAPL (East Australian Pipeline Limited)	5th-May-99	-	DTD 10mths	-	-
Parmelia Pipeline	7th-May-99	27th-Oct-99	6mths	-	-
Amadeus Basin – Darwin Pipeline (NT Gas)	29th-Jun-99	-	DTD 8mths	-	-
Centre Gas Systems, NT Distribution Systems (Centre Gas)	Due 30th Jun-00	-		-	-
Mid-West & South-West Gas Distribution Systems (AlintaGas)	30th-Jun-99	14th-March-99	8mths	-	-
Great Southern Energy Gas Networks Pty Limited (Natural Gas Distribution System, Wagga Wagga, NSW)	15th-Sep-99	-	DTD 6mths	-	-
Tubridgi Pipeline System	21st-Oct-99	-	DTD 5mths	-	-
Riverland Pipeline System SA (Epic Energy)	22nd-Nov-99	-	DTD 4mths	-	-
Eastern Gas Pipeline	15th-Dec-99	-	DTD 3mth	-	-
DBNPG (Dampier to Bunbury Natural Gas Pipeline)	15th-Dec-99	-	DTD 3mth	-	-
GGT (Goldfields Gas Transmission)	15th-Dec-99	-	DTD 3mth	-	-
City Gate to Berrimah Pipeline (NT Gas)	Due 12th-Feb-00	-	-	-	-
Palm Valley – Alice Springs (NT Gas)	Ext 30th-Jun-00	-	-	-	-
South East Pipeline (Epic Energy)	Due 30th-Sept-00	-	-	-	-

DTD:

Duration to date.

## Attachment B

