Hon. Terry Mackenroth MP

Queensland Government

Deputy Premier
Treasurer
and Minister for Sport

10 MAY 2002

Mr G Samuel
President
National Competition Council
GPO Box 250B
MELBOURNE VIC 3001

Dear Mr Samuel

On 4 February 2002, the Roma Town Council applied to the National Competition Council (NCC) for revocation of coverage of the Roma gas distribution pipeline system (the Roma system).

In accordance with the provisions of the National Third Party Access Code for Natural Gas Pipeline Systems (the Code), the NCC conducted a review of the application and prepared a recommendation which was submitted to me on 23 April 2002. The NCC recommended coverage of the Roma system be revoked.

Section 1.34 of the Code requires me, as Relevant Minister, to decide whether or not coverage is to be revoked. Section 1.36 requires I revoke coverage if not satisfied of one (1) or more of four (4) criteria, namely that:

(a) access (or increased access) to Services provided by means of the System would promote competition in at least one (1) market (whether or not in Australia), other than the market for the Services provided by means of the System;

(b) it would be uneconomic for anyone to develop an alternative gas pipeline distribution system to provide the Services now provided by the existing Roma system;

(c) access (or increased access) to the Services provided by means of the Roma system can be provided without undue risk to human health or safety; or

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(d) access (or increased access) to the Services provided by means of the Roma system would not be contrary to the public interest.

I have considered these matters and the recommendation submitted to me by the NCC, and have decided to revoke coverage of the Roma system to the full extent of the reticulation system established within the Roma gas franchise area as delineated on drawing GAS 030 held by Treasury.

I have prepared a Statement of Reasons, which includes a copy of the above drawing. A copy of the Statement of Reasons is enclosed for your information.

Section 1.34 of the Code requires my decision on revocation to take effect no earlier than 14 days after I make the decision. My decision to revoke coverage of the Roma system was made on the date of this letter, with the date of effect to be 14 days after the date of this letter.

Yours sincerely

TERRY MACKENROTH

Encl.

ATTACHMENT C

STATEMENT OF REASONS

REVOCATION OF COVERAGE
ROMA GAS DISTRIBUTION PIPELINE SYSTEM

INTRODUCTION

1. The Roma Gas Distribution Pipeline System (Roma Distribution System) is a Covered pipeline having been included in Schedule A of the National Third Party Access Code for Natural Gas Pipeline Systems (National Access Code).

2. The Roma Town Council applied in January 2002 to the National Competition Council for revocation of Coverage of the Roma Distribution System, which is located in the Roma gas franchise area delineated on drawing GAS 030 held by Treasury (copy attached).

3. On 22 April 2002, the National Competition Council recommended to me, in accordance with Section 1.29 of the National Access Code, that Coverage of the Roma Distribution System be revoked.

4. As the Relevant Minister, I am required by section 1.34 of the National Access Code to make a decision, within 21 days of receiving a recommendation from the National Competition Council, on whether Coverage of the Roma Distribution System should be revoked or not be revoked.

5. In accordance with section 1.36 of the National Access Code, I must decide not to revoke Coverage of the Roma Distribution System, to any extent, if I am satisfied of all of the matters set out in paragraphs (a) to (d) of section 1.9, but I must decide to revoke Coverage of the Roma Distribution System (either to the extent described, or to a greater or lesser extent than that described, in the application) if I am not satisfied of one or more of those matters.

THE DECISION

I have decided, in accordance with section 1.34 and 1.36 of the National Third Party Access Code for Natural Gas Pipeline Systems and having regard to the recommendation made to me by the National Competition Council, to revoke the Coverage of the Roma Distribution System to the full extent of the gas reticulation system constructed within the gas franchise area delineated on drawing GAS 030 held by Treasury.

EVIDENCE OR OTHER MATERIAL ON WHICH THE FINDINGS OF FACT WERE BASED

In making my decision, I had before me for consideration the following material:

- a letter to me from the National Competition Council, dated 22 April 2002, recommending Coverage of the Roma Distribution System be revoked;
- the Recommendation document dated 22 April 2002, attached to the National Competition Council's letter of 22 April 2002 and entitled "Application for revocation of coverage of the Roma gas distribution system under the National Gas Access Regime";
- Section 1 of the National Third Party Access Code for Natural Gas Pipeline Systems, which section deals with Coverage; and
- drawing GAS 030, being the delineated area of the Roma gas franchise.

FINDINGS ON MATERIAL QUESTIONS OF FACT

I made the following findings from the material presented to me:

- On 4 February 2002, the National Competition Council received an application from Roma Town Council for Coverage of the Roma Distribution System to be revoked.
- The Roma Distribution System is listed in Schedule A of the National Access Code and became a Covered pipeline system on 19 May 2000 when the *Gas Pipelines Access (Queensland) Act 1998* commenced.
- The National Competition Council made a recommendation to me, by letter dated 22 April 2002, that Coverage of the Roma Distribution System be revoked.
- In accordance with section 1.36 of the National Access Code, I must decide to revoke Coverage of the Roma Distribution System (either to the extent applied for or to a greater or lesser extent) if I am not satisfied of one (1) or more of the following matters:

  (a) that access (or increased access) to Services provided by means of the Roma Distribution System would promote competition in at least one (1) market (whether or not in Australia), other than the market for the Services provided by means of the Roma Distribution System;

  (b) that it would be uneconomic for anyone to develop another gas pipeline distribution system to provide the Services now provided by the existing Roma Distribution System;

  (c) that access (or increased access) to the Services provided by means of the Roma Distribution System can be provided without undue risk to human health or safety;

(d) that access (or increased access) to the Services provided by means of the Roma Distribution System would not be contrary to the public interest.

- Roma is a rural centre located some 350 kilometres west of Toowoomba. It is experiencing low population and industrial growth, hence little growth in the Roma gas sales market may be anticipated.

- I have noted the Roma Distribution System provides services to a total of 295 consumers, with a total annual gas consumption in the order of 15.44 terajoules. I note:

  - 243 consumers are domestic class, with a combined annual consumption of 5.54 terajoules;

  - 50 consumers are commercial class, with a combined annual consumption of 6.64 terajoules; and

  - two (2) consumers are industrial class, with a combined annual consumption of 3.25 terajoules.

- The Roma Distribution System consists of 69.8 kilometres of reticulated gas pipe supplying the Roma business centre and surrounding area, and there is no current authority for the Roma Distribution System to be extended beyond the boundaries delineated on drawing GAS 030.

- Access to the Roma Distribution System would be for the sole purpose of supplying the market within the franchise area.

- The market serviced by the Roma Distribution System is the gas transportation market in the Roma area.

- Other than gas transportation, the gas retail market is the most likely market in which access to the Roma Distribution System might promote competition.

- The National Competition Council's inquiries to other major gas retailers and potential users have not provided evidence that access (or increased access) to the Roma Distribution System would promote competition in the gas retail market, nor was evidence found of any demand for access to the Roma Distribution System.

- To provide the same services as the Roma Distribution System would require a duplication of the pipes which, at this stage of development of the town, would be expensive, disruptive to the community and would create considerable environmental issues.

- The Roma Distribution System is not constrained in capacity and the Roma Town Council concedes it would be uneconomic to develop another distribution system.

- The Roma Town Council further states there is considerable scope for load growth with limited capital investment.

- Provisions of the *Gas Act 1965* and the *Gas Regulation 1989* require all work on reticulation systems such as the Roma Distribution System to be carried out and tested in accordance with approved Australian Standards and industry standards.

- There is no evidence to indicate access to the Roma Distribution System would pose a risk to human health and safety.

- Regulatory and compliance costs associated with coverage of a pipeline system under the National Access Code would ultimately need to be recouped from users of the gas delivered via the pipeline, in the form of higher distribution tariffs.

- Roma Town Council states any significant reduction in the volume of gas sold would necessitate the renegotiation of the Council's gas supply contract. This would be costly, with costs again to be recouped from users of the gas delivered via the pipeline, in the form of higher distribution tariffs.

- A matter of public interest is whether benefits of access, such as cheaper prices and more efficient use of resources, are outweighed by regulatory or compliance costs.

- Regulated access may facilitate another gas retailer in offering a competitive gas supply to a wide range of different gas consumers.

- The National Competition Council's inquiries have provided no evidence a third party intends to seek access to the Roma Distribution System, so there is no probable benefit from regulated access to weigh against compliance and other costs associated with regulated access.

REASONS FOR THE DECISION

I made the decision for the following reasons:

1. The National Competition Council has examined the application of the Roma Town Council to revoke Coverage of the Roma Distribution System and has recommended to me such Coverage be revoked.

2. I have considered each of the four (4) matters set out in section 1.9 of the National Access Code and, after examining the recommendation of the National Competition Council and the other information before me, I am of the opinion that:

    - access to the Distribution System will not promote competition in at least one (1) market (whether that market be in Australia or not) other than the market for gas transportation services in the Roma area, now serviced by the Roma Distribution System;

    - it would be uneconomic for anyone to develop an alternative gas pipeline distribution system to provide similar services to the Roma Distribution System;

    - access to the services being provided by the Roma Distribution System can be provided without undue risk to health or safety; and

- providing access to the Roma Distribution System is not in the public interest.

3. Therefore, I am not satisfied of two (2) of the matters set out in section 1.9 of the National Access Code, as follows:

   - that access (or increased access) to Services provided by means of the Roma Gas Pipeline Distribution System would promote competition in at least one (1) market (whether or not in Australia), other than the market for the Services provided by means of the Roma Distribution System; or

   - that access (or increased access) to the Services provided by means of the Roma Distribution System would not be contrary to the public interest.

4. Section 1.36 of the National Third Party Access Code for Natural Gas Pipeline Systems provides that I must decide to revoke Coverage of the Distribution System (either to the extent described, or to a greater or lesser extent than that described, in the application) if I am not satisfied of one or more of the matters set out in section 1.9 of the National Access Code.

DATED THIS 17th day of May 2002

TERRY MACKENROTH
Deputy Premier, Treasurer, and
Minister for Sport