

OFFICE OF GAS ACCESS REGULATION



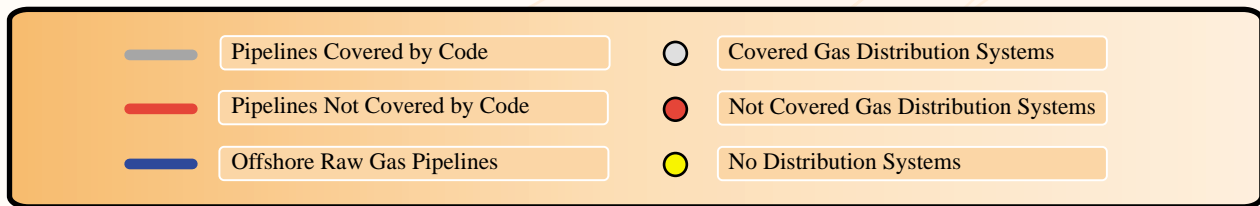
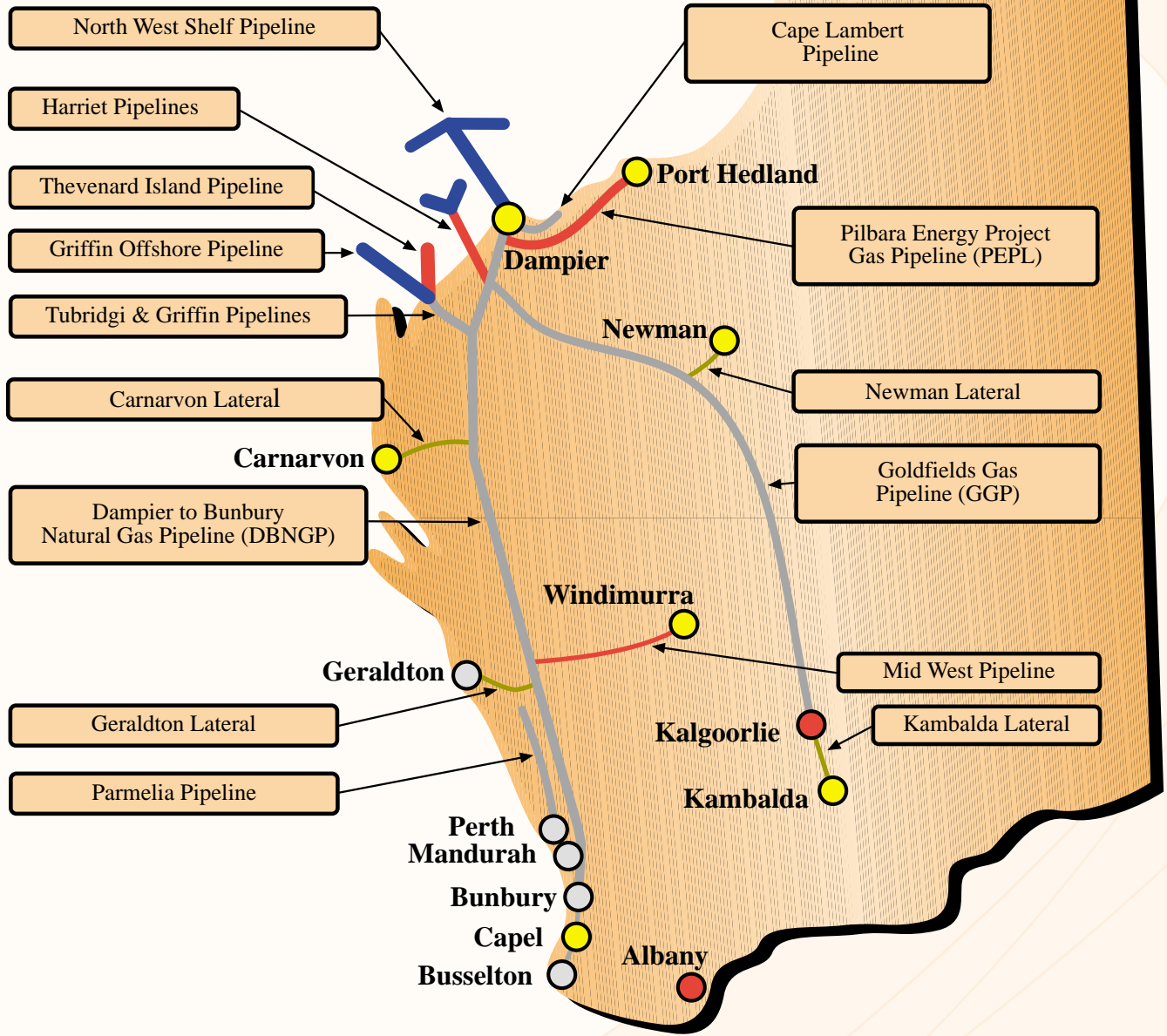
WESTERN AUSTRALIA

A N N U A L R E P O R T

1999



NATURAL GAS PIPELINES *Western Australia*





Contents

This publication comprises three Annual Reports, for:

1. Office of Gas Access Regulation
2. Office of the Independent Gas Pipelines Access Regulator
3. Office of the Gas Disputes Arbitrator

The Office of Gas Access Regulation provides support services to the other two statutory Offices

OFFICE OF GAS ACCESS REGULATION ANNUAL REPORT 1999

Letter of Transmittal	2
Report on Public Sector Standards and Ethical Codes 1998/99	2
Overview by the Chief Executive Officer	3
Highlights	5
Gas Access Regulation in Australia	6
Gas Access Schedule in WA	8
The Office Structure	9

OFFICE OF THE INDEPENDENT GAS PIPELINES ACCESS REGULATOR ANNUAL REPORT 1999

Overview by the Independent Gas Pipelines Access Regulator	16
The Independent Gas Pipelines Access Regulator	17
Financial Statements	22
Performance Indicators	37
Compliance Statements	40

OFFICE OF THE GAS DISPUTES ARBITRATOR ANNUAL REPORT 1999

Overview	42
The Gas Disputes Arbitrator	43
Financial Statements and Performance Indicators	45
Glossary	48
Our Staff	48
Contact Details	49



Office of Gas Access Regulation

Letter of Transmittal

Hon Colin Barnett MLA
Minister for Resources Development; Energy; Education

As required by Section 66 of the *Financial Administration and Audit Act 1985*, herewith for your information and presentation to Parliament is the first Annual Report of the Office of Gas Access Regulation, for the financial year ended 30 June 1999.

The Annual Report has been prepared in accordance with the provisions of the *Financial Administration and Audit Act 1985* and Treasurer's Instructions.

Dr KEN MICHAEL AM
CHIEF EXECUTIVE OFFICER

31 August 1999

Report on Public Sector Standards and Ethical Codes 1998/99

In accordance with Section 31 (1) of the *Public Sector Management Act 1994*, the Office of Gas Access Regulation has observed guidelines and processes supporting public sector standards and ethical codes. Since it is a small and recently established Agency, the standards and processes of the Office of Energy were initially adopted and applied. Public sector standards in human resource management are implemented through the Human Resource Section of the Office of Energy providing advice and assistance, particularly at the time of induction of new staff.

The Office of Gas Access Regulation is in the process of developing its own policies on these matters, which will be completed and implemented over the next financial year.

BREACH OF STANDARD APPLICATIONS 1998/99

Number lodged	nil
Breaches found	nil
Multiple breaches	nil
Applications under review	nil
Material breaches	nil
Non-material breaches	nil

Dr KEN MICHAEL AM
CHIEF EXECUTIVE OFFICER

31 August 1999



Office of Gas Access Regulation

Overview by the Chief Executive Officer



It gives me great pleasure to present the first Annual Report for the Office of Gas Access Regulation, not only because this is the first Annual Report for the Agency, but also because this is the first agency of its type in Western Australia.

Independent regulation of natural monopoly structures, such as gas pipelines, is intended to maximise the benefits of competition. These benefits are derived from the incentives for greater efficiency, decentralised decision making, innovation and the provision of greater choice for consumers, characteristic of the competitive form of organisation.

Competition is promoted by producers and traders of gas being able to directly contract with gas consumers without the need to construct or own their own pipeline infrastructure. The regulatory process seeks to ensure that owners of the pipeline infrastructure receive a fair return on their investment and that the incentive to invest is appropriate in the circumstances.

The Office of Gas Access Regulation (*OffGAR*) is a small agency whose principal aim is to provide effective and efficient regulation of access by third party users to gas pipelines located in Western Australia. The purpose of ensuring that such access is available is to promote competition among gas producers that are upstream of gas pipelines and among traders and suppliers of gas to consumers that are downstream of gas pipelines. Competition in upstream and downstream gas markets is intended to facilitate economic development in Western Australia.

OffGAR was established on 23 February 1999, with my appointment as Acting Gas Pipelines Access Regulator. As a result, this Annual Report covers a period of just over 4 months. In that time the Agency has established a high public profile which is an important feature of the legislation under which it operates.

The *Gas Pipelines Access (WA) Act 1998 (GPAA)*, which establishes the Office of the Independent Gas Pipelines Access Regulator (the Regulator), the Office of the Gas Disputes Arbitrator (the Arbitrator) and the Gas Review Board (the Board) for Western Australia, requires a high level of public consultation. This was facilitated at the outset by the implementation of three main initiatives. These are direct consultation with industry participants, the implementation of a comprehensive and informative web page on the internet and the development of a database of interested parties to be kept informed on relevant developments.

The *OffGAR* web page provides detailed information on the regulatory processes that are involved, facilitates the dissemination of up-to-date information, particularly that information relevant to public consultation, and offers a comprehensive set of links to similar agencies of Australian jurisdictions and some overseas bodies.

On 2 June 1999, the Minister for Energy announced my permanent appointment as the Independent Gas Pipelines Access Regulator. The position of Regulator carries with it the role of Chief Employee under the *Public Sector Management Act 1994* and Accountable Officer under the *Financial Administration and Audit Act 1985*. The Office of Gas Access Regulation is the entity that includes the Regulator and has been structured to provide secretarial and administrative services to both the Regulator and the Arbitrator.

Since the Agency has only a small staff, it outsources much of the work involved, particularly that of a specialist nature. To efficiently contract these services, the Agency has the approval of the State Supply Commission to tender and maintain a register of consultants from which to select the required services when needed. In addition, the Agency has entered into a Service Level Agreement with the WA Office of Energy for the supply of administrative and accounting services.

By the end of June 1999, the Agency had received and processed 8 applications from owners of covered pipelines for extensions of time to submit Access Arrangements. In addition, two Access Arrangements had been lodged for consideration and approval by the Regulator in accordance with the provisions of the *National Third Party Access Code for Natural Gas Pipeline Systems* (the Code). As a result, the level of activity at the end of the financial year was quite high with several public consultation programs well under way.



Office of Gas Access Regulation

The Office of Gas Access Regulation offers informal comments on draft Access Arrangements, particularly in respect of compliance with the provisions of the Code. Both CMS Gas Transmission and AlintaGas participated in the informal process and by the end of the financial year had formally lodged proposed Access Arrangements. As a result, the proposed Access Arrangements for both were able to advance promptly into the public consultation phase, thereby improving the prospects of the Regulator reaching a Final Decision within the 6-month period provided by the legislation.

At the closing stages of the financial year, the Agency relocated from temporary accommodation to permanent accommodation on the 6th Floor, Governor Stirling Tower, 197 St Georges Terrace, Perth.

In general, the Office of Gas Access Regulation has had a very active and successful beginning. The small number of staff have enthusiastically and with a high degree of professionalism accepted the challenges facing the establishment of a new agency in a field that is, in itself, substantially new to Western Australia. It gives me great pleasure to formally thank them, both individually and collectively, for the work that they have done and for their support in this challenging task.

Dr KEN MICHAEL AM
GAS ACCESS REGULATOR





Office of Gas Access Regulation

Highlights

- *The Gas Pipelines Access (WA) Act 1998* was proclaimed on 27 January 1999 and enacted on 9 February 1999.
- Dr Ken Michael AM was appointed as the Acting Independent Gas Pipelines Access Regulator on 23 February 1999.
- The Office of Gas Access Regulation (OffGAR) was established with the appointment of the Acting Regulator on 23 February 1999.
- The OffGAR web page (www.offgar.wa.gov.au) went live on the Internet on 4 March 1999.
- The first proposed Access Arrangement was lodged on 7 May 1999, by CMS Gas Transmission Australia for the Parmelia Pipeline.
- Public submissions were invited on an application for an extension of time sought by SAGASCO South East Inc. in respect of the Griffin Pipeline PL19 on 7 May 1999.
- Public submissions were invited on the proposed Access Arrangement for the Parmelia Pipeline on 15 May 1999.
- Dr Ken Michael AM was appointed to the permanent position of Independent Gas Pipelines Access Regulator on 1 June 1999.
- An extension of time for lodging an Access Arrangement for the Cape Lambert Pipeline PL8 was granted by the Regulator on 2 June 1999.
- An extension of time for lodging an Access Arrangement for the Griffin Pipeline PL19 was granted by the Regulator on 8 June 1999.
- Mr Peter Kolf was appointed to the position of Executive Director of OffGAR on 11 June 1999.
- AlintaGas lodged its proposed Access Arrangement for the Mid and South-West Gas Distribution Systems on 30 June 1999.





Gas Access Regulation in Australia

Western Australia has been an active participant in the development of third party access to gas pipelines at the national level since the issue first became prominent in the early 1990's. On 7 November 1997, all Australian Heads of State signed the *National Gas Pipelines Access Agreement*, which introduced a uniform national framework for access to natural gas pipelines. This agreement facilitated the introduction of legislation across Australia to provide third party users with access to gas pipelines on fair and reasonable terms and conditions including price.

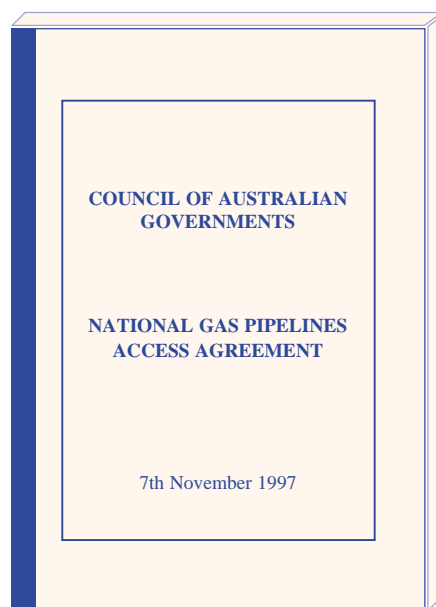
The objectives of the uniform national framework are to:

- facilitate the development and operation of a national market for natural gas;
- prevent abuse of monopoly power;
- promote a competitive market for natural gas in which customers may choose suppliers, including producers, retailers and traders;
- 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
- provide for resolution of disputes.

In Western Australia the framework also applies to certain pipelines for the reticulation of gas other than natural gas.

All States and Territories other than Western Australia adopted "common legislation", with South Australia as the lead legislator, to implement a uniform *Gas Pipelines Access Law* giving legal effect to the Code.

In Western Australia, the *Gas Pipelines Access Law* was adopted as "complementary legislation" and the local Regulator was made responsible for the regulation of access to all gas pipelines in the State, including gas transmission pipelines. In other States, the Australian Competition and Consumer Commission (ACCC) has responsibility for the regulation of access to gas transmission pipelines.





Office of Gas Access Regulation

The *National Gas Pipelines Access Agreement* also provides Western Australia with important derogations and provided for transitional arrangements, summarised as follows:

- a Western Australian Appeals Body (the Gas Review Board) is to deal with all administrative appeals against State bodies under the Code. Elsewhere in Australia the Australian Competition Tribunal conducts administrative appeals against the ACCC and the Federal Minister where this Minister makes a determination in relation to coverage of transmission pipelines;
- the Supreme Court of Western Australia has exclusive jurisdiction in respect of all matters of law relating to access regulation by the WA Independent Gas Pipelines Access Regulator for intrastate gas transmission and distribution pipelines. Elsewhere in Australia the Federal Court deals with matters of law in respect of the ACCC's regulation of transmission pipelines;
- the Dampier to Bunbury Natural Gas Pipeline (DBNGP) has been deemed to be covered under the Code until 1 January 2000 by Access Arrangements in place under the *Dampier to Bunbury Pipeline Act 1997*. Thereafter it will be covered by an Access Arrangement to be developed under the Code;
- the Goldfields Gas Pipeline is deemed to be covered under the Code to 1 January 2000 by the Access Arrangement in place under the *Goldfields Gas Pipeline Agreement Act 1994*. Thereafter it will be covered by an Access Arrangement developed under the Code;
- the AlintaGas Mid and South-West Gas Distribution Systems are deemed to be covered under the Code until 1 January 2000 by arrangements under the *Gas Corporation Act 1994*. Thereafter the gas distribution systems will be covered by an Access Arrangement developed under the Code;
- ring fencing of the gas distribution and trading activities of AlintaGas is to be made consistent with the provisions of the Code by 1 July 2002;
- existing gas distribution franchises and licensing arrangements may be retained until 1 July 2002; and
- a gas trading franchise and a 10 year gas distribution franchise are provided for in respect of the AlintaGas Kalgoorlie/Boulder gas distribution system.





Office of Gas Access Regulation

Gas Access Schedule In W.A.

The *National Gas Pipelines Access Agreement* also confirms the timetable (Table 1) for opening third party access to the DBNGP and the AlintaGas Distribution System as previously announced by the Minister for Energy.

Table 1

TIMETABLE FOR ACCESS TO DBNGP AND THE ALINTAGAS DISTRIBUTION SYSTEM

Current	Any eligible gas customer taking at least 250 TJ per year to be transported through a single metered connection to the AlintaGas distribution system or the privatised DBNGP system for consumption on a site in a period of 12 consecutive months is able to contract directly with any gas supplier.
from 1 Jan 2000	Any eligible gas customer taking at least 100 TJ per year to be transported through a single metered connection to the AlintaGas distribution system or the privatised DBNGP system for consumption on a site in a period of 12 consecutive months will be able to contract directly with any gas supplier.
from 1 Jan 2002	Any eligible gas customer taking at least 1 TJ per year to be transported through a single metered connection to the AlintaGas distribution system or the privatised DBNGP system for consumption on a site in a period of 12 consecutive months will be able to contract directly with any gas supplier.
from 1 Jul 2002	Any gas customer will be able to contract directly with any gas supplier.



Office of Gas Access Regulation

The Office Structure



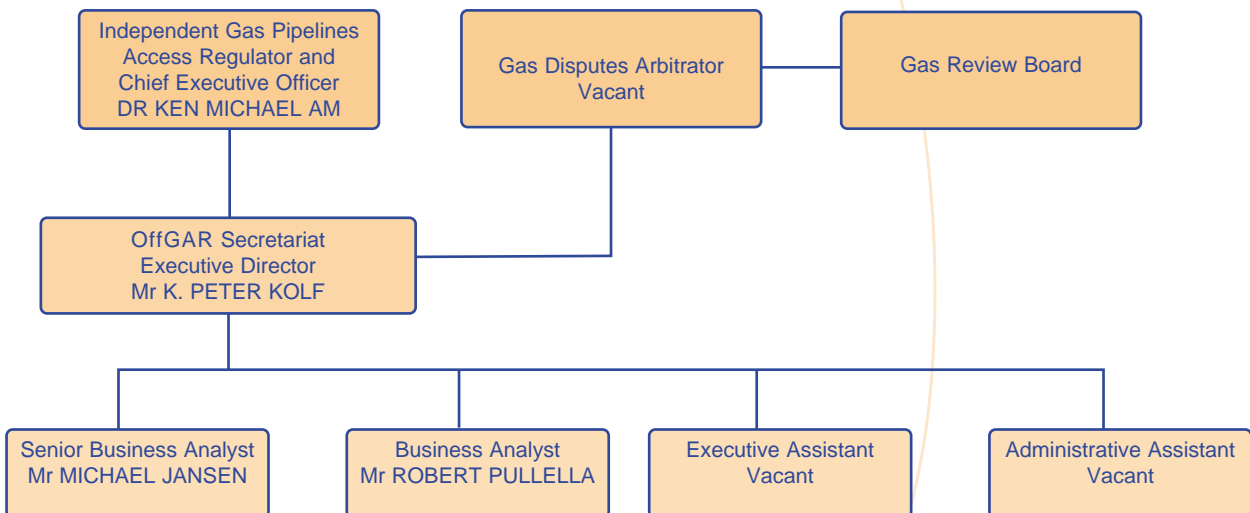
Standing Left to Right:

Ms Pamela Herbener, Dr Ken Michael, Mr Robert Pullella, Mr Michael Jansen, Mr Philip Brown.

Seated Left to Right:

Mr Peter Kolf, Ms Julie Jones.

ORGANISATION CHART





Office of Gas Access Regulation

The Office of Gas Access Regulation (OffGAR) is the public sector body established under the *Public Sector Management Act 1994*, that includes the Regulator as Chief Employee under that Act. This is provided for by Section 27 (4) of the *Gas Pipelines Access (WA) Act 1998 (GPAA)*.

VISION

A highly competitive natural gas market in Western Australia with minimum regulatory oversight of third party access to gas pipelines.

MISSION

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.

LEGISLATION

The GPAA was enacted on 9 February 1999 with provisions that:

- make the *Gas Pipelines Access Law (Schedules 1 and 2 of the GPAA)* a law of Western Australia;
- establish three statutory bodies: the Western Australian Independent Gas Pipelines Access Regulator; the Gas Disputes Arbitrator and the Gas Review Board;
- make amendments to certain Acts which would otherwise be inconsistent with the operation of the Act;
- provide for transition to the new regulatory arrangements; and
- make legal in Western Australia the application of the *National Third Party Access Code for Natural Gas Pipeline Systems (the Code, Schedule 2 of the GPAA)*.

THE SECRETARIAT

OffGAR is a small agency with an establishment of 5 full-time positions (Table 2 below). The Office of Energy provides administrative support under a Service Level Agreement, which includes the provision of a Principal Accounting Officer, Certifying Officers and Human Resources.

OffGAR provides secretarial services to the:

- Office of the Western Australian Independent Gas Pipelines Access Regulator (Regulator) established under Section 27 (1) of the GPAA; and
- Office of the Western Australian Gas Disputes Arbitrator (Arbitrator) established under Section 62 (1) of the GPAA.

The provision of secretarial services to both offices achieves administrative efficiency and provides a single point of contact to clients, including pipeline service providers, users and prospective users of gas pipeline services and other interested members of the community.



Office of Gas Access Regulation

Under Section 56 of the *GPAA*, the Arbitrator is to provide administrative support to the Western Australian Gas Review Board (the Board). The secretarial services provided by *OffGAR* to the Arbitrator therefore extend to the Gas Review Board, but only to the extent that the provision of such services does not raise a conflict of interest. As the Gas Review Board can hear appeals against the Regulator, separate administrative arrangements for the provision of secretarial services to the Gas Review Board would be put in place in the event of such an appeal.

HUMAN RESOURCE POLICIES

Staffing policies adopted by *OffGAR*, including recruitment and staff development, are consistent with those of the Office of Energy.

Table 2

SUMMARY OF EMPLOYEES BY CATEGORY

Position Title	Classification	Number of Employees
Executive Director	Level 9	1
Senior Analyst	Level 6	1
Analyst	Level 4	1
Executive Assistant	Level 3	Vacant
Administrative Assistant	Level 2	Vacant

As at 30 June 1999, an additional Analyst was employed on a temporary basis and the positions of Executive Assistant and Administrative Assistant were filled on a temporary basis.

Being a small agency dealing with a range of complex financial, legal, regulatory and technical matters, *OffGAR* relies on services and advice from consultants. The need for specialist and support services from consultants will be particularly important over the next 12 months when Access Arrangements for the main gas transmission pipelines and gas distribution systems are to be approved in Western Australia.

The Executive Director, who is responsible to the Regulator, manages the *OffGAR* Secretariat. After acting in the position from the time the Agency was established on 23 February 1999, Mr Peter Kolf was appointed as the Executive Director on 11 June 1999.



Office of Gas Access Regulation

OUTPUTS AND OUTCOMES

The budget for OffGAR was provided through an administered item in the Office of Energy budget during 1998/99. OffGAR was not a separate item in the budget and therefore had no published Output Based Management structure.

The desired outcomes of the outputs produced by the Statutory Bodies established by the GPAA, as detailed in the preamble to the Act, are high level objectives including :

- to facilitate a national market for natural gas;
- to prevent abuse of monopoly power;
- to promote competition;
- to provide rights of access to natural gas pipelines; and
- to provide for the resolution of disputes.

Output measures are discussed in more detail in the annual reports of the Regulator and Arbitrator, which follow this annual report.

FEES AND CHARGES

Section 87 of the GPAA provides for the making of regulations for the introduction of fees and charges by the Regulator, Arbitrator and the Gas Review Board. In addition:

- Section 30 of the *Gas Pipelines Access Law* (Schedule 1 of the GPAA) provides for the Arbitrator to give directions as to the payment of fees and costs and to award costs to be settled between the parties to a dispute;
- Section 38 of the *Gas Pipelines Access Law* (Schedule 1 of the GPAA) provides for the Appeals Body to make orders as to costs in respect of proceedings as it thinks fit; and
- Section 87 (3) provides for the making of regulations to authorise the Board to fix and determine the incidence of liability for the cost and expenses of the hearing and determination of proceedings.

It is the intention of the legislation that these bodies are self-funding. By the end of the financial year a substantial amount of work had been done in preparation for the drafting of the regulations under Section 87 of the Act.

CUSTOMER INFORMATION

The operation of the Code requires that a high level of public consultation be implemented. The main elements of public consultation involve:

- placing advertisements in national newspapers to advise of major events and the calling of public submissions such as in response to the lodgment of Access Arrangements by owners of gas pipelines;
- maintaining a public register of documents such as copies of Access Arrangements, Access Arrangement Information; decisions by the Regulator and public submissions;
- advising interested parties of decisions by the Regulator; and
- arranging public forums including public hearings where appropriate.



Office of Gas Access Regulation

A comprehensive web page (<http://www.offgar.wa.gov.au>) was introduced on the Internet within two weeks of the Agency being established to provide an efficient public information service. The web page provides information on the legislation relevant to the regulation of access to natural gas pipelines, the structure and operation of the bodies established in Western Australia to deal with access issues, documents on the public register, publications and information about public consultation. Public register documents and publications are available for download from the web page or can be obtained in hard copy form by contacting OffGAR.

A database of about 250 interested parties is also maintained to directly notify them of any important developments.

EQUITY, CUSTOMER AND CONTINGENCY MATTERS

Since it is a small Agency in the early stages of establishment, OffGAR has adopted the policies and plans of the Office of Energy relating to disability services, family, women's outcomes, equal employment opportunities and similar matters.

In relation to the year 2000 risk, OffGAR is compliant as far as possible.

CAPITAL EXPENDITURE

The main area of capital expenditure for which a commitment was made during the reporting period was the fitting out of permanent accommodation for OffGAR at Level 6, 197 St Georges Terrace, Perth. The total cost of the fit out, including furniture, was budgeted at \$172,000.





Office of the Independent Gas Pipelines Access Regulator



OffGAR

Western Australia

A N N U A L R E P O R T

1999





Office of the Independent Gas Pipelines Access Regulator

Overview by the Independent Gas Pipelines Access Regulator

As the first Independent Gas Pipelines Access Regulator in Western Australia, I am privileged in having the opportunity to establish this significant role. With Western Australia's immense geographical size, its vast natural gas resources and rich mineral wealth, there can be little doubt about the increasing economic importance of gas pipelines located in Western Australia to the State and Australia.

Western Australia has chosen to have access to its gas transmission and distribution pipelines under the jurisdiction of a State based Regulator. The State has, however, adopted the uniform national framework for access to gas pipelines agreed to by all Australian Heads of State on 7 November 1997. This ensures that a consistent approach applies to all pipelines in this State.

An important feature of this national approach concerns the independence of the Regulator. The Western Australian legislation provides for the Regulator to be independent of both Executive Government and other interested parties and to report directly to Parliament in this capacity.

The principal function of the Regulator is to approve Access Arrangements. These describe the terms, conditions and price of access to gas transmission pipelines and gas distribution pipeline systems. Over the next 12 months there are at least 5 such arrangements to be approved in Western Australia.

Having met with a range of pipeline industry representatives and other interested parties, I have had the opportunity to consider the general approach to gas access regulation to be adopted in this State. In general, the approach being developed has the following features:

- informal discussion regarding the lodgment of proposed Access Arrangements is encouraged to assist pipeline service providers submitting documents that comply with the legislation;
- it is intended that matters of general interest raised during the regulatory process will be made publicly available;
- OffGAR will publish discussion papers and hold forums on matters of interest and relevance to the regulation of access to gas pipelines;
- while the independence of the Regulator will be preserved at all times, comments on any matters will be received at any time;
- a current website is maintained to provide up-to-date information, including a public register of Access Arrangements, and to provide interested parties with the ability to submit comments via the Internet;
- the position of Regulator is not a policy advisory role but, where appropriate, the opportunity exists to express views on regulatory processes; and
- the need to balance various interests in assessing Access Arrangements with a view to achieving the best possible outcome for Western Australia is recognised.

While the number of full-time staff of the Office of Gas Access Regulation is small, it is demonstrating an ability to deal with a wide range of complex matters and I am grateful for their support in my role as Regulator. I am also grateful for the support provided by other agencies and to those contracted to OffGAR to provide support services, expert advice and assistance.

Although the position of Regulator has only been in existence for a short time, the importance of establishing a highly professional and ethical approach has been recognised by all. I am pleased to report that the above objectives and values have been followed in the early stages of the development of this role and will continue to be followed in the future.

Dr KEN MICHAEL AM
INDEPENDENT GAS PIPELINES ACCESS REGULATOR



Office of the Independent Gas Pipelines Access Regulator

The Independent Gas Pipelines Access Regulator

The Office of the Independent Gas Pipelines Access Regulator is a statutory position under the *Gas Pipelines Access (WA) Act 1998 (GPAA)*. Dr Ken Michael AM was appointed to the position in an acting capacity on 23 February 1999 and was subsequently appointed to the permanent part-time position on 1 June 1999 for a period of three years to June 2002.

INDEPENDENCE

The Regulator is independent of direction or control by the Crown or any Minister or Officer of the Crown in the performance of the Regulator's functions. The Minister for Energy may give directions in writing to the Regulator (Section 37 of the *GPAA*) only to the extent that they relate to general policies in matters of administration, including financial administration. No such directions have been given.

FUNCTIONS

The functions of the Regulator include:

- those conferred on the local Regulator under the *Gas Pipelines Access (WA) Law (Schedules 1 and 2 of the GPAA)*; and
- the functions conferred on the local Regulator under the *National Gas Pipelines Access Agreement*.

The main function of the Regulator is to approve Access Arrangements (including reference tariffs) proposed by owners of gas pipelines to provide third party users with access to the services provided by owners of gas pipelines in accordance with the provisions of the Code.

ACCESS TO GAS PIPELINES

The regulation of access to gas pipeline services is seen as necessary because pipelines tend to be natural monopolies. Access to gas pipelines means that gas users can make their own arrangements with the supplier of their choice and contract the most competitive gas supply arrangement to suit their purpose. The responsibilities of the Regulator include ensuring that Access Arrangements by owners of gas pipelines offer fair and reasonable terms, conditions and price and that these are consistent with the Code.

APPROVAL OF ACCESS ARRANGEMENTS

The Code requires pipeline owners to submit their Access Arrangements to the Regulator for approval within 90 days from the day the legislation came into effect (i.e. 9 February 1999) or from the time that a pipeline becomes covered. A gas pipeline becomes a covered pipeline following a final decision to that effect by the relevant Minister. Coverage of gas pipelines is provided for in Section 1 of the Code. The relevant Minister, who in Western Australia is the Minister for Energy, makes this decision following a recommendation by the National Competition Council (NCC).



Office of the Independent Gas Pipelines Access Regulator

The Code also provides for Access Arrangements to be approved by the Regulator within a period of 6 months from the time that they are lodged. A major part of the Access Arrangement approval process is undertaking public consultation including the calling of public submissions and, if needed, holding of public hearings, forums or seminars on issues of particular interest.

There are 5 main Access Arrangements to be approved in Western Australia over the next 12 months (Table3).

Table 3

MAIN PIPELINES AND PIPELINE SYSTEMS FOR WHICH ACCESS ARRANGEMENTS ARE TO BE APPROVED

Pipeline	Owner/Operator	Lodgement Date
Parmelia Pipeline (PL 1-3,5 & 23)	CMS Gas Transmission of Australia	7 May 1999
Mid and South-West Gas Distribution Systems	AlintaGas	30 June 1999
Griffin (PL19) to Dampier to Bunbury Natural Gas Pipeline	SAGASCO South East Inc.	Expected August 1999
Dampier to Bunbury Natural Gas Pipeline (PL 40)	Epic Energy (W.A.) Transmission P/L	Expected November 1999
Goldfields Gas Pipeline (PL 24)	Goldfields Gas Transmission P/L	Expected November 1999

The first proposed Access Arrangement was lodged on 7 May 1999 by CMS Gas Transmission of Australia for the Parmelia Pipeline. The Parmelia Pipeline extends from Dongara in the Perth Basin to Pinjarra in the South-West.

The proposed Access Arrangement for the Parmelia Pipeline was made available for public consultation on 15 May 1999. However, the date for the public to lodge submissions with the Regulator was extended to 5 July 1999. A proposed Access Arrangement is accompanied by an Access Arrangement Information document, which provides the necessary information to enable interested parties to understand the derivation of the terms, conditions and price proposed in the Access Arrangement.

On 30 June 1999, AlintaGas submitted its proposed Access Arrangement for the Mid and South-West Gas Distribution Systems. The Mid-West Distribution System extends from the DBNGP through the Geraldton township. The South-West Distribution System extends through the Perth metropolitan area, Mandurah, Bunbury, some country towns between Perth and Bunbury, and continues south to Busselton.

As a copy of the proposed Access Arrangement had already been lodged with OffGAR on an informal basis and necessary compliance checks had already been substantially completed, it is expected that the proposed Access Arrangement by AlintaGas will progress to the public consultation phase early in the new financial year.



Office of the Independent Gas Pipelines Access Regulator

STEPS IN APPROVING AN ACCESS ARRANGEMENT

Proposed Access Arrangements are assessed against the specific criteria in the Code. Issues raised in the course of this assessment and those raised by interested parties lodging submissions are considered and addressed by the Regulator in the Draft Decision.

Notices advising that a proposed Access Arrangement along with the required Access Arrangement Information has been received are sent to about 250 known interested parties. In addition, as required under the Code, advertisements are placed in both State and National newspapers seeking public submissions.

Printed copies of proposed Access Arrangements and Access Arrangement Information together with submissions from interested parties are available in hard copy form from OffGAR. In addition, electronic copies can be downloaded from the OffGAR web page (www.offgar.wa.gov.au).

A Draft Decision and a call for further submissions in light of the Draft Decision are scheduled after the initial analysis is completed.

Following the Draft Decision and associated public consultation program, which may include a Public Forum, the Regulator prepares and issues the Final Decision.



Office of the Independent Gas Pipelines Access Regulator

EXTENSIONS OF TIME

By the end of the financial year, eight applications for extensions of time to submit Access Arrangements had been received (Table 4). The owners of the pipelines listed in this table, except the Griffin Pipeline (PL19), were in the process of making or had made application to the NCC seeking revocation of coverage from the Code which, if successful, would avoid the need for Access Arrangements to be lodged.

Table 4

EXTENSIONS OF TIME TO LODGE AN ACCESS ARRANGEMENT

Pipeline	Owner/Operator	Date of Application	Date to which Extension Granted
Goldfields Gas Pipeline to Mt Keith Power Station (PL 25)	Southern Cross Pipelines P/L	15 March 1999	1 September 1999
Goldfields Gas Pipeline to Leinster Power Station (PL 26)	Southern Cross Pipelines P/L	15 March 1999	1 September 1999
Kambalda Lateral Pipeline (PL 27)	Southern Cross Pipelines P/L	15 March 1999	1 September 1999
Goldfields Gas Pipeline to Kalgoorlie Power Station (PL 28)	Southern Cross Pipelines (NPL) Australia P/L	15 March 1999	1 September 1999
Tubridgi Pipeline (PL16)	SAGASCO South East Inc.	23 April 1999	22 October 1999 (Latest)
Beharra Springs to Parmelia Pipeline (PL 18)	Boral Energy Resources Ltd.	23 April 1999	22 October 1999 (Latest)
Griffin Pipeline (PL19)	SAGASCO South East Inc.	23 April 1999	8 August 1999
Cape Lambert Pipeline (PL 8)	Robe River Mining Co. P/L	29 April 1999	26 November 1999 (Latest)

As the Office is at an early stage of establishment, a detailed analysis of output measures, quality, timeliness and cost is still in the process of being developed. In addition, at the close of the reporting period, significant parts of the Office had



Office of the Independent Gas Pipelines Access Regulator

OUTPUT MEASURES

yet to become functional and no history against which to make comparisons exists.

The output measures presented below are therefore of a preliminary nature and subject to further development.

The main outputs of the Office of the Independent Gas Pipelines Access Regulator are as follows:

- approval of Access Arrangements;
- approval of Competitive Tender processes; and
- approval of Ring Fencing arrangements.

As at the end of the reporting period, work on principal outputs had only just commenced. None of these outputs had been completed. In all cases where work had commenced, no objections were raised by any clients or other interested parties. In addition, all work produced was within specified time limits where such time limits are prescribed by legislation.

Project based reporting systems including an associated management accounting system to calculate costs per unit of output were under development.



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Financial Statements



Office of the Independent Gas Pipelines Access Regulator

STATEMENT OF CERTIFICATION

The accompanying financial statements of the Office of the WA Independent Gas Pipelines Access Regulator have been prepared in compliance with the provisions of the *Financial Administration and Audit Act 1985* from proper accounts and records to present fairly the financial transactions for the period 9 February 1999 to 30 June 1999 and the financial position as at 30 June 1999.

At the date of signing we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.

ACCOUNTABLE AUTHORITY

31 August 1999

PRINCIPAL ACCOUNTING OFFICER

31 August 1999



Office of the Independent Gas Pipelines Access Regulator

OPINION OF THE AUDITOR GENERAL

To the Parliament of Western Australia

**Western Australian Independent Gas Pipelines Access Regulator
Financial Statements for the period February 9, 1999 to June 30, 1999**

Scope

I have audited the accounts and financial statements of the Western Australian Independent Gas Pipelines Access Regulator for the period February 9, 1999 to June 30, 1999 under the provisions of the Financial Administration and Audit Act 1985.

The Regulator is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing and presenting the financial statements, and complying with the Act and other relevant written law. The primary responsibility for the detection, investigation and prevention of irregularities rests with the Regulator.

My audit was performed in accordance with section 79 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, the controls exercised by the Regulator to ensure financial regularity in accordance with legislative provisions, evidence to provide reasonable assurance that the amounts and other disclosures in the financial statements are free of material misstatement and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Treasurer's Instructions.

The audit opinion expressed below has been formed on the above basis.

Audit Opinion

In my opinion,

- (i) the controls exercised by the Western Australian Independent Gas Pipelines Access Regulator provide reasonable assurance that the receipt, expenditure and investment of moneys and the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the Operating Statement, Statement of Financial Position, Statement of Cash Flows and the Notes to and forming part of the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards, other mandatory professional reporting requirements and the Treasurer's Instructions, the transactions for the period February 9, 1999 to June 30, 1999 and the financial position at that date.

**D D R PEARSON
AUDITOR GENERAL**

November 30, 1999



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Office of the Independent Gas Pipelines Access Regulator

OPERATING STATEMENT FOR THE PERIOD 9 FEBRUARY 1999 TO 30 JUNE 1999

	Note	1998/99 \$'000
COST OF SERVICES		
Operating Expenses		
Salaries	2	107
Depreciation	3	7
Administration Expenses	4	317
Accommodation Expenses	5	42
Grants, Subsidies and Transfer Payments	6	3
Total Cost of Services		<u>476</u>
Operating Revenue		
User Charges and Fees	7	4
Total Operating Revenue		<u>4</u>
Net Cost of Services	18	472
REVENUES FROM GOVERNMENT		
Appropriations	8	754
Resources Received Free of Charge	9	18
Total Revenues from Government		<u>772</u>
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS		<u>300</u>



Office of the Independent Gas Pipelines Access Regulator

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 1999

	Note	1998/99 \$'000
CURRENT ASSETS		
Cash	10	476
Accounts Receivable		18
Total Current Assets		<u>494</u>
NON-CURRENT ASSETS		
Property, Plant and Equipment	11	53
Total Non-Current Assets		<u>53</u>
Total Assets		547
CURRENT LIABILITIES		
Accounts Payable	12	211
Accrued Salaries	13	7
Employee Entitlements	14	18
Total Current Liabilities		<u>236</u>
NON-CURRENT LIABILITIES		
Employee Entitlements	14	11
Total Non-Current Liabilities		<u>11</u>
Total Liabilities		247
EQUITY		
Accumulated Surplus	15	300
Total Equity		<u>300</u>
Total Liabilities and Equity		547



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Office of the Independent Gas Pipelines Access Regulator

STATEMENT OF CASH FLOWS FOR THE PERIOD 9 FEBRUARY 1999 TO 30 JUNE 1999

	Note	1998/99 \$'000
CASH FLOWS FROM GOVERNMENT		
Receipts from Capital Appropriations		0
Receipts from Recurrent Appropriations		750
Net Cash Provided by Government		<u>750</u>
Utilised as follows:		
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments		
Salaries and Related Costs		-71
Administration		-102
Accommodation		-42
Grants, Subsidies & Transfer Payments		-3
Receipts		
User Charges and Fees		4
Net Cash used in Operating Activities	18	<u>-214</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for Purchase of Non-Current Assets		-60
Receipts from the Sale of Non-Current Assets		0
Net Cash Used in Investing Activities		<u>-60</u>
Net Increase in Cash Held		<u>476</u>
Cash at the beginning of the reporting period		<u>0</u>
Cash at the end of the reporting period	19	<u>476</u>



Office of the Independent Gas Pipelines Access Regulator

NOTES TO THE FINANCIAL STATEMENTS 9 FEBRUARY 1999 TO 30 JUNE 1999

1. Statement of Accounting Policies

The following accounting policies have been adopted in the preparation of the financial statements.

a) General

- i) The financial statements are prepared in accordance with the *Financial Administration and Audit Act 1985*.
- ii) Subject to the exceptions noted in these accounting policies, the financial statements have been drawn up on the basis of historical cost principles.
- iii) The accrual basis of accounting is being applied.
- iv) The financial statements constitute a general-purpose financial report which has been prepared in accordance with Australian Accounting Standards and UIG Consensus Views as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary the application, disclosure, format and wording. The *Financial Administration and Audit Act 1985* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards and UIG Consensus Views. The modifications are intended to fulfil the requirements of general application to the public sector together with the need for greater disclosure and also to satisfy accountability requirements.

If any such modification has a material or significant financial effect upon the reported results, details of that modification and, where practicable, the resulting financial effect is disclosed in individual notes to these financial statements.

b) Valuation of Non-Current Assets

Certain non-current assets may be revalued from time to time as disclosed in the financial statements. Any increments have been taken to assets revaluation reserve. Any decrements have been offset against previous increments (if any) charged against profits. Other assets are fixed at cost.

c) Leased Assets

The authority has entered into a number of operating lease arrangements for office accommodation and vehicles where the lessors effectively retain all of the risks and benefits incident to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the operating statement over the lease term, as this is representative of the pattern of benefits to be derived from the leased property.

d) Depreciation (and amortisation) of non-current assets

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. Depreciation is provided on the straight-line basis, using rates which are reviewed annually. Useful lives for each class of depreciable assets:

Furniture:	
Soft furniture	5 years
Hard furniture	7 years
Office Equipment	5 years
Computer Hardware	3 years



Office of the Independent Gas Pipelines Access Regulator

NOTES TO THE FINANCIAL STATEMENTS 9 FEBRUARY 1999 TO 30 JUNE 1999

e) Employee Entitlements

i) Annual and Long Service Leave

Annual leave liabilities are recognised at current remuneration rate. Long service leave liabilities are calculated using the "short-hand" method by summing the long service leave (both actual accrued and pro-rata) of all employees with services in excess of four years. The long service leave liability calculated using the short-hand method is not materially different to that estimated using net present value basis.

ii) Superannuation

At the reporting date, staff were ineligible to contribute to the Superannuation and Family Benefits Act scheme, a defined benefits pension scheme now closed to new members, or to the Gold State Superannuation Scheme, a defined benefit and lump sum scheme now also closed to new members. Staff who do not contribute to either of these schemes would normally become members of the *West State Superannuation Guarantee (Administration) Act 1992*, however they were also not eligible for this scheme. Steps are being taken after the reporting date to include these employees under the scheme.

The liability for Superannuation charges incurred under the Superannuation and Family Benefits Act pension scheme together with the pre-transfer service liability for employees who transferred to the Gold State Superannuation Scheme and the West State Superannuation Scheme are extinguished by quarterly payment of employer contributions to the Government Employees Superannuation Board.

The note disclosure required by paragraph 51(e) of AAS 30 (being the employer's share of the difference between employees' accrued superannuation benefits and the attributable net market value of plan assets) has not been provided. State scheme deficiencies are recognised by the State in its whole of Government reporting. The Government Employees Superannuation Board's records are not structured to provide the information for the authority. Accordingly, deriving the information for the authority is impractical under current arrangements, and thus any benefits thereof would be exceeded by the cost of obtaining the information.

f) Revenue

Sales revenue represents revenue earned from the sale of goods and services net of returns, allowances and duties and taxes paid. Other revenue is fully described in the operating statement.

g) Appropriations

Appropriations in the nature of revenue, whether recurrent or capital, are recognised as revenues in the period in which the Authority gains control of the appropriated funds. Appropriations which are repayable by the Authority to the Treasurer are recognised as liabilities. The Authority received appropriation through the Office of Energy as an Administered Item of that agency for the 1998/99 financial year.

h) Accounts Receivable, Accounts Payable, Accrued Salaries and Borrowings

Accounts Receivable are recognised at the amounts receivable and are due for settlement no more than 30 days from the date of recognition.

Collectability of trade debtors is reviewed on an outgoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised where some doubts as to collection exists and in any event where the debt is more than 60 days overdue.

Accounts Payable, including accruals not yet billed, are recognised when the economic entity becomes obliged to make future payments as a result of a purchase of assets or services. Accounts payable are generally settled within 30 days.



Office of the Independent Gas Pipelines Access Regulator

NOTES TO THE FINANCIAL STATEMENTS 9 FEBRUARY 1999 TO 30 JUNE 1999

Borrowings are recognised and carried at the amount of net proceeds received. Interest is recognised as it becomes payable.

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year as the end of the last pay period for that financial year does not coincide with the end of the financial year. The Authority considers the carrying amount approximates net fair value.

i) Net Fair Values of Financial Assets and Liabilities

Net fair values of financial instruments are determined on the following bases;

- * Financial instruments traded in an organised financial market (traded securities) - current quoted market bid price for an asset or offer price for a liability adjusted for any transaction cost necessary to realise the asset or settle the liability. Quoted market prices are available for listed shares, options debentures and other equity or debt securities;
- * Monetary financial assets and liabilities not traded in an organised financial market - cost basis carrying amounts of accounts receivable, accounts payable and accruals (which approximates net market value);
- * Fixed rate borrowings and leave liabilities - current risk adjusted market rates;
- * Investments in shares and other equity securities and debentures and other debt securities not traded in an organised financial market (other investments) - the Authority's estimates of net market values based on future net cash flows, including transaction costs necessary to realise the securities, discounted at current risk adjusted market rates; and
- * Forward foreign exchange contracts - amounts quoted by the Authority's bankers to realise favourable contracts or settle unfavourable contracts.



Office of the Independent Gas Pipelines Access Regulator

NOTES TO THE FINANCIAL STATEMENTS 9 FEBRUARY 1999 TO 30 JUNE 1999

	1998/99 \$'000
2 Salaries	
Salaries, Annual Leave and Long Service Leave Paid	78
Employee Entitlements Brought to Account	29
	107
3 Depreciation	
Furniture and Equipment	2
Computer Equipment	5
	7
4 Administration Expenses	
Operating Lease Rentals (motor vehicles)	1
Other Expenses incurred during the year	298
Resources received free of charge	18
	317
Administration Expenses refer to Travel, Communication, Services and Contracts and Asset Maintenance Costs	
5 Accommodation Expenses	
Operating Lease Rentals and fittings	42
	42
6 Grants, Subsidies and Transfer Payments	
Grants	3
	3
7 User Charges and Fees	
Miscellaneous Revenues - Interest Received on Account Balances	4
	4
8 Appropriations	
Consolidated Fund - Recurrent Expenditure	754
Consolidated Fund - Capital Expenditure	0
	754
9 Resources Received Free of Charge	
Resources Received Free of Charge has been determined on the basis of the following estimates provided by agencies.	
Office of Energy - Corporate Support Services	18
	18



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Office of the Independent Gas Pipelines Access Regulator

NOTES TO THE FINANCIAL STATEMENTS 9 FEBRUARY 1999 TO 30 JUNE 1999

	1998/99 \$'000
10 Cash	
Operating Account	476
	476
11 Property, Plant and Equipment	
Furniture and Equipment	
At Cost	32
Accumulated Depreciation	-2
	30
Computer hardware	
At cost	28
Accumulated Depreciation	-5
	23
Total	
At Cost and Valuation	60
Accumulated Depreciation	-7
	53
12 Accounts Payable	
Amounts payable for goods and services received	211
The carrying amount of Accounts Payable approximates their Net Fair Values.	
	211
13 Accrued Salaries	
Amounts owing for the 4 working days from 25 June to 30 June 1999	7
Accrued Salaries Suspense Account is represented by a Cash Balance and is therefore equivalent to the Net Fair Value.	
	7



Office of the Independent Gas Pipelines Access Regulator

NOTES TO THE FINANCIAL STATEMENTS 9 FEBRUARY 1999 TO 30 JUNE 1999

	1998/99 \$'000
14 Employee Entitlements	
Current Liabilities	
Liability for Annual Leave	18
Liability for Long Service Leave	0
	18
Non-Current Liabilities	
Liability for Long Service Leave	11
Total Employee Entitlements	29
The carrying amount of Employee Entitlements is equivalent to the Net Fair Value.	
15 Accumulated surplus	
Equity represents the residual interest in the net assets of the Office. The Government holds the equity interest in the Office on behalf of the community.	
Balance at the beginning of the year	0
Net adjustment to correct value of Assets previously recognised	0
Change in the Net Assets resulting from Operations	300
Balance at end of the year	300
16 Lease Commitments	
At balance date, the Office had the following Operating Lease Commitments:	
Not later than one year	33
Later than one year and not later than two years	65
Later than two years and not later than five years	98
Later than five years	0
	196
17 Remuneration of Senior Officers and Accountable Authority	
Senior Officers	
The number of Senior Officers whose total of fees, salaries and other benefits received, or due and receivable, for the financial year, who fall within the following bands is:	
20,000 - 30,000	1
The total remuneration of senior officers is:	
	29
Retirement Benefits	
The following amounts in respect of retirement benefits for Senior Officers became payable for the financial year:	
Contributions to Gold and West State Superannuation Scheme:	
No Senior Officers are members of the Superannuation and Family Benefits Act Scheme.	



Office of the Independent Gas Pipelines Access Regulator

NOTES TO THE FINANCIAL STATEMENTS 9 FEBRUARY 1999 TO 30 JUNE 1999

1998/99
\$'000

Accountable Authority

Total fees, salaries and other benefits received by the Accountable Authority 18

The number of members of the Accountable Authority whose total of fees, salaries and other benefits received, or due and receivable, for the financial year, who fall within the following bands is:

20,000 - 30,000 1

Retirement Benefits

The following amounts in respect of retirement benefits for Accountable Officer became payable for the financial year:

Contributions to Gold and West State Superannuation Scheme: 0

No member of the Accountable Authority are members of the Superannuation and Family Benefits Act Scheme.

18 Reconciliation of Net Cash used in Operating Activities to Net Cost of Services

For the purposes of the Statement of Cash Flows, "cash" has been deemed to include Cash on Hand, Trust Fund Balances and amounts held in Suspense.

Net cash used in Operating Activities	-214
Decrease/(Increase) in Employee Entitlement	-29
Decrease/(Increase) in Accounts Payable	- 211
Decrease/(Increase) in Accrued Salaries	-7
Depreciation	-7
Increase Trade Debtors	14
Resources Received Free of Charge	-18

Net Cost of Services **-472**

19 Reconciliation of Cash

For the purposes of the Statement of Cash Flows, Cash includes Cash on Hand and in banks and investments in money market instruments. Cash at the beginning of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash Resources 476

476



Office of the Independent Gas Pipelines Access Regulator

NOTES TO THE FINANCIAL STATEMENTS 9 FEBRUARY 1999 TO 30 JUNE 1999

1998/99
\$'000

20 Additional Financial Instruments Disclosures

(a) Interest Rate Risk Exposure

The Office's exposure to interest rate risk, repricing maturities and the effective interest rates on financial instruments are:

	Weighted Average Effective Interest rate	Floating Interest rate	Fixed Interest rate maturities			Non Interest bearing	Total
	%	\$'000	1 year or less	1 to 5 years	Over 5 years	\$'000	
30 June 1999							
Assets							
Cash Resources	4.7	476	0	0	0		476
Total Financial Assets		476	0	0	0		476
Liabilities							
Accounts Payable		0	0	0	0	211	211
Accrued Salaries		0	0	0	0	7	7
Employee Entitlements		0	0	0	0	29	29
Total Financial Liabilities		0	0	0	0	247	247
Net Financial Assets (Liabilities)						229	229

(b) Credit Risk

All financial assets are unsecured. Amounts owing by other government agencies are guaranteed and therefore no credit risk exists in respect of those amounts. In respect of other financial assets the carrying amounts represent the Regulator's maximum exposure to credit risk in relation to those assets.

(c) Net Fair Value of Financial Instruments

The carrying amounts of cash at bank, accounts receivable, accrued salaries and employee entitlements are considered to reflect their net fair value.

21 Contingent Liabilities

The Regulator has no contingent liabilities as at 30 June 1999.

22 Events Occurring After Reporting Date

The Regulator is unaware of any event occurring after reporting date that would materially affect the financial statements.



Office of the Independent Gas Pipelines Access Regulator

NOTES TO THE FINANCIAL STATEMENTS 9 FEBRUARY 1999 TO 30 JUNE 1999

23 Explanatory Statement

a) Significant Variations between Estimates and Actual Results for the Financial Year

	Estimate \$'000	1998/99 Actual \$'000	Variance \$'000
<u>RECURRENT</u>			
Amount provided to fund the activities of the WA Independent Gas Pipelines Access Regulator	850	754	-96

The Office of the WA Independent Gas Pipelines Access Regulator (WAIGPAR) was not established for the full financial year, the Regulator having only been appointed in February 1999.

The Office of Energy (OOE) was provided funding of \$850,000, through its annual appropriation, to establish the WAIGPAR. This item appears as an Administered Item in the Statements of the OOE.

OOE did not transfer all of the amount as they had incurred expenditures against the item in establishing the Office. In all \$96,473 was identified as shortfall and not transferred.

Explanatory Statement

b) Significant Variations between Actual Results and those of the Immediately Preceding Financial Year.

There was no expenditure during 1997/98 as the Office of the WA Independent Gas Pipelines Access Regulator (WAIGPAR) was not established until February 1999. There is no comparison between the two financial years actual results.



Performance Indicators



Office of the Independent Gas Pipelines Access Regulator

PERFORMANCE INDICATORS

Section 47 (2) of the *GPAA* provides that any requirement under the Treasurer's Instructions (issued under Section 58 of the *Financial Administration and Audit Act 1985*) to prepare performance indicators in respect of the Regulator are to be limited to the management functions of this body (including financial management).

No performance indicators have been prepared in relation to the management functions of this body (including financial management) during 1998/99 as the Regulator only operated for part of this financial year.

Ken Michael

ACCOUNTABLE AUTHORITY

31 August 1999



Office of the Independent Gas Pipelines Access Regulator

OPINION OF THE AUDITOR GENERAL

To the Parliament of Western Australia

**Western Australian Independent Gas Pipelines Access Regulator
Performance Indicators for the Period February 9 1999 to June 30, 1999**

The Western Australia Independent Gas Pipelines Access Regulator has only operated for a part of the financial period ended June 30, 1999, and accordingly has not prepared performance indicators for the period.

**D D R PEARSON
AUDITOR GENERAL**

November 30, 1999



Compliance Statements

SHARES IN SUBSIDIARY BODIES

Treasurer's Instruction 903 requires details of shares in any subsidiary body of the Agency held as a nominee or held beneficially by a Senior Officer of the Agency to be reported.
There are no such shares.

INTEREST IN EXISTING OR PROPOSED CONTRACTS

Treasurer's Instruction 903 requires particulars of any interest in any existing or proposed contract which a Senior Officer, or a firm of which a Senior Officer is a member, or an entity in which a Senior Officer has a substantial financial interest, has made with the agency or any related or affiliated body.
There are no such interests.

ELECTORAL ACT DISCLOSURE REQUIREMENTS

In accordance with disclosure requirements of Section 175ZE of the Electoral Act, the Office of Gas Access Regulation incurred expenditure during the period 9 February to 30 June 1999 on the following:

a) Advertising Agencies	Nil
b) Marketing Research Organisations	Nil
c) Polling Organisations	Nil
d) Direct Mail Organisations	Nil
e) Media Advertising Organisation - Marketforce Productions	\$11,913.50
TOTAL:	\$11,913.50

PUBLICATIONS

One document was published by OffGAR as follows:

Issues Paper to assist with the submissions on the Access Arrangement for the Parmelia Pipeline, 20 May 1999.

BOARDS AND COMMITTEES

Representatives of the Office of Gas Access Regulation did not participate on any Board or Committee.

Office of the Gas Disputes Arbitrator



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Western Australia

A N N U A L R E P O R T

1999





Office of the Gas Disputes Arbitrator

Overview

As at the end of the financial year no appointment had been made to the position of Gas Disputes Arbitrator established under Section 62 of the *Gas Pipelines Access (WA) Act 1998 (GPAA)*.

The main function of the Arbitrator is to resolve disputes between providers of gas pipeline services and other parties seeking access to gas pipelines covered by the Code.

In Western Australia the Arbitrator also has the function of Gas Referee under transitional legislation and provides services to the Western Australian Gas Review Board. In the role as Gas Referee, the Arbitrator is able to hear disputes concerning access to the DBNGP and to the AlintaGas distribution systems under legislation preceding the *GPAA*.

Unlike other Australian jurisdictions, the Arbitrator in Western Australia is independent of the Regulator. While this independence is essential where conflicts of interest can arise, in general the functions of the Regulator and the Arbitrator are complementary. The Arbitrator in Western Australia is, however, responsible for the provision of any necessary administrative support to the Board. Since the Board may hear appeals against the Regulator, it is intended that the Arbitrator would make separate administrative arrangements for the Board where such conflicts of interest arise.

The Arbitrator is subject to the same independence, financing and immunity provisions as apply to the Regulator. However, unlike the Regulator, the Arbitrator will not appoint permanent staff, but can assign public service employees to work in the area.

In the period since the legislation was enacted on 9 February 1999, no disputes were lodged for resolution by the Arbitrator. At the end of the financial year, the position of the Gas Disputes Arbitrator was in the process of being filled.



Office of the Gas Disputes Arbitrator

The Gas Disputes Arbitrator

INDEPENDENCE

The Office of the Independent Gas Disputes Arbitrator is a Statutory position under the *GPAA*. At the close of the reporting period this position remained unfilled.

The Arbitrator is independent of direction or control by the Crown or any Minister or Officer of the Crown in the performance of the Arbitrator's functions. The Minister for Energy may give directions in writing to the Arbitrator (Section 75 of the *GPAA*) to the extent that they relate only to general policies in matters of administration, including financial administration. No such directions have been given.

FUNCTIONS

The functions of the Arbitrator are to resolve disputes between prospective users of gas pipelines and pipeline service providers as provided for by the Code. The Arbitrator also fulfils the role of Gas Referee under legislation applying prior to the enactment of the *GPAA*. The functions of the Arbitrator are set out in:

- the *Gas Pipelines Access (WA) Law* (Schedules 1 and 2 of the *GPAA*);
- the regulations made under Section 100 of the *Gas Corporation Act 1994* for the purposes of Section 95 of that Act (these relate to access and pricing);
- regulations made under Section 51 of the *Dampier to Bunbury Pipeline Act 1997* for the purposes of Section 50 of that Act (these also relate to access and pricing);
- regulations referred to in Section 74 of the *GPAA* (these relate to the functions of hearing and determining disputes which arise from the transport or supply of gas); and
- Section 56 of the *GPAA* (which relates to administrative support for the Gas Review Board).

The principal function of the Gas Review Board is to perform the role of the Appeals Body under the Code.



Office of the Gas Disputes Arbitrator

OUTPUT MEASURES

As the Arbitrator had not been appointed by the end of the financial year and the Gas Review Board was not constituted during the reporting period, no relevant output measures are available. The principal outputs by each of these bodies are presented in Table 5 below.

Table 5

PRINCIPAL OUTPUTS

Body	Outputs
Gas Disputes Arbitrator	Resolved Disputes
Gas Review Board	Decided Appeals

THE GAS REVIEW BOARD

The Gas Review Board was not constituted during the reporting period ending 30 June 1999.

The WA Gas Review Board, which is a Western Australian appeals body, deals with all administrative appeals against State bodies under the Code, including the Regulator and the State Minister. Elsewhere in Australia, the Australian Competition Tribunal conducts administrative appeals against the Australian Competition and Consumer Commission (ACCC) or the Federal Minister. The State and Federal Ministers are subject to appeal where they make decisions in relation to pipeline coverage by the Code.

The Board performs the functions of the Appeals Body under the Code. The Act provides for the Governor to establish panels of legal practitioners and experts from which the Board is selected from time to time. A legal practitioner, selected by the Attorney General from the panel of legal practitioners, and two experts chosen by the legal practitioner from the panel of experts, constitute the Board.

The Arbitrator provides administrative support to the Board. As the Board does not hear appeals against the Arbitrator, the provision of administrative services to the Board by the Arbitrator does not impair the independence of the Board.

Immunity is conferred on any member of the Board for any act or omission, in good faith and in the exercise of official powers or functions.

As at the end of the financial year, the panels of legal practitioners and experts from which the Board is selected were still in the process of being established. There were no appeals lodged from the time that the legislation was enacted on 9 February 1999 to the end of June 1999.



*Financial Statements
and
Performance Indicators*



Office of the Gas Disputes Arbitrator

FINANCIAL STATEMENTS

Financial Statements have not been prepared for the period ending June 30, 1999 as the Arbitrator did not conduct any financial operations during this period and therefore did not maintain any accounts.

ACCOUNTABLE AUTHORITY

10 September 1999

PRINCIPAL ACCOUNTING OFFICER

21 October 1999

PERFORMANCE INDICATORS

Section 84 (2) of the *GPAA* provides that any requirement under the Treasurer's Instructions (issued under Section 58 of the *Financial Administration and Audit Act 1985*) to prepare performance indicators in respect of the Arbitrator are to be limited to the management functions of this body (including financial management).

Performance indicators have not been prepared as there was no activity in relation to the management functions of this body (including financial management) during the financial year ended June 30, 1999.



Office of the Gas Disputes Arbitrator

OPINION OF THE AUDITOR GENERAL

To the Parliament of Western Australia

Western Australian Gas Disputes Arbitrator Financial Statements and Performance Indicators for the Period February 9 1999 to June 30, 1999

The Western Australian Gas Disputes Arbitrator did not conduct any financial operations during the period February 9, 1999 to June 30, 1999, and accordingly has not maintained or prepared accounts, financial statements or performance indicators for the period.

D D R PEARSON
AUDITOR GENERAL

November 30, 1999



Office of Gas Access Regulation

Glossary

ACCC	Australian Competition and Consumer Commission
Board (the)	The Gas Review Board
Code (the)	The National Third Party Access Code for Natural Gas Pipeline Systems
DBNGP	Dampier to Bunbury Natural Gas Pipeline
GPAA	<i>Gas Pipelines Access (WA) Act 1998</i>
NCC	National Competition Council
OffGAR	Office of Gas Access Regulation
PL	Pipeline Licence
TJ	Terajoules (10^{12} joules)

Our Staff

Chief Executive Officer	Dr Ken Michael AM
Executive Director	Mr K Peter Kolf
Senior Business Analyst	Mr Michael Jansen
Business Analyst	Mr Robert Pullella
Business Analyst (Temporary)	Mr Philip Brown
Executive Assistant (Temporary)	Ms Julie Jones
Administration Assistant (Temporary)	Ms Pamela Herbener
Information Technology (on secondment)	Mr Patrick Glynn

PHOTOS

Photos used in this Annual Report are courtesy of Epic Energy, CMS Gas Transmission and the Department of Resources Development.



Contact Details

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