



Speech by

**Mr M. HORAN**

**MEMBER FOR TOOWOOMBA SOUTH**

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Hansard 7 August 2001

### **GAS AMENDMENT BILL**

**Mr HORAN** (Toowoomba South—NPA) (Leader of the Opposition) (2.30 p.m.): The opposition will be supporting this bill. Basically, this bill provides for changes to the legislative architecture, which are necessary because the existing legislation was based on the premise that the gas market contestability at the smaller end of the bulk market and in the domestic and small business market would be in place by the end of July this year. We are in favour of supplier competition for gas where that can provide real cost benefits and improved service for customers, but the reason for this bill is that the conditions are not yet favourable for the creation of those benefits. It is legitimate to ask why.

The whole Australian gas market is still to be put in a position in which the full range of benefits of competition can be secured by customers, be those customers large or small. It is interesting to note that market arrangements are not in place anywhere in Australia. I guess it is also good to see that at last something is not presented by the government as being a uniquely Queensland problem. Evidently, something has run off the tracks somewhere.

This bill illustrates the complex nature of the Queensland gas industry and the difficulty of enforcing competition within a relatively small retail market. This amendment bill is necessary because the market arrangements that must be in place to provide for competition under the national competition policy are not yet in place and will not be for some time. The 20 to 30 large industrial customers that operate on existing contracts that still have some time to run will have to have consumer protections built into their access to competitive gas. That will have to be built in by the gas and petroleum legislation.

This legislation, the Gas Amendment Bill, provides for a delay in contestability in the market for the 100 or so smaller industrial and business users of gas and it provides for a delay until the year 2003 for contestability in the domestic and small business market. This is a sector that needs measures of protection so that the market power of big suppliers does not work to disadvantage users whose commercial clout would not otherwise withstand the power of the gas dollar. The National Party supports these protections and, indeed, believes that they are vital to the fair operation of any market in any commodity.

The Queensland Competition Authority is examining the issue of an access regime for the state's existing network of gas pipelines. The delay in full contestability to 2003 gives time for this process to be completed. Again, we might ask why, at the eleventh hour—given that the original plan was for a 31 July start date—this parliament is again being called on to pull some prematurely heated irons out of fire. The QCA is conducting a cost-benefit analysis in order to make a pricing determination. The government says that this must produce a net benefit to consumers. We agree that it must.

The issue of access is to the existing reticulation network; it is not one of the new pipelines. At issue in this legislation is the distribution network. The service to retail customers and smaller pipeline systems is the focus of this legislation. Third-party access is now guaranteed to the gas reticulation pipelines owned by Allgas, a government company, and Origin, which was formerly Boral. At present the wholesaler is Santos, which owns the gas fields of south-western Queensland and South Australia and supplies Allgas and Origin. New retailers could enter the Queensland retail gas market with access to the reticulation network on the same basis as telecommunications companies have access to the Telstra network.

This debate also provides an opportunity to look briefly at the wider gas picture in Queensland. Although the matters dealt with under this bill are focused strictly on the existing gas network, Queensland's energy infrastructure is at an interesting stage. The success or otherwise of the government's energy policy as a whole will have a great bearing on the costs that are to be borne ultimately by the small consumer and the family home user. The government's policy is for 13 per cent of power generation to be from gas by the year 2005 and a further two per cent is to be provided by renewable sources.

There are some problems with the non-appearance of the PNG gas pipeline, certainly within the time frame that was provided originally and the now inevitable—perhaps lengthy—delay in Timor gas reaching Queensland by pipeline. It is possible that not only supply issues will be under pressure but also cost issues. I think that we would all be hoping that either of those two gas pipelines can become a reality to provide for industrial gas down the coastal spine of Queensland.

I know that the people constructing the pipeline from Darwin to South Australia intend to proceed with that project, if they possibly can, depending upon whether the issues relating to the Timor gas field can be sorted out. Those issues relate to the changed structure of taxation benefits. Certainly, if that pipeline from Darwin to South Australia goes ahead—of course, a different pipeline would come across to Queensland—it would be important that that gas gets hooked up, most probably at Mount Isa, across a long distance where there are not a lot of users along the way, to a spine running down the coast. That will certainly be a great advantage to industrial users along the Queensland coast and it will help the government.

I think that we would all want to see this come to fruition so that we are able to provide for a certain amount of power generation to come from gas. Once that line was hooked up, it would certainly be able to join up with some of these other systems—the lines that we have running currently from south-western Queensland up to Mount Isa, the line that comes through Roma, over the downs to Toowoomba and on to the Brisbane metropolitan area, and other branches of that network system.

This is a relatively simple bill because it addresses the time frame that is needed for contestability to occur. It is addressing issues of regulation that need to be put in place, competitiveness arrangements that need to be put in place and market access arrangements that need to be put in place. The arrangements might be a little bit simpler for those big industrial users who use gas, but when gas goes into the reticulation networks that are currently in Brisbane—one company operating on the north side of the river and another company operating on the south side of the river—and if new retailers are getting involved in the market, then there has to be a marketing arrangement and there has to be a network arrangement. Protocols and systems have to be put in place for the wholesaler to know where his gas is going and for the individual customers to be able to take gas from a particular company, even though it is all coming through the same line. All of those things have to be put in place. We understand that.

We are also aware that this contestability is not in place in any other part of Australia yet. The opposition supports this bill so that that can be done. The important thing is that, ultimately, these arrangements have to provide cheaper gas and true competition so that not only the big users of gas have the opportunity to receive discounted or cheaper gas prices that can help their business operations but also the tens of thousands of domestic users have the opportunity to share in any benefits arising out of competitiveness and contestability within the domestic gas market system.

Finally, I would like to thank the minister and his staff for the briefing that they provided to me. It gave me a clear insight into the bill. The opposition will be supporting it.

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