



Speech by

Mr M. HORAN

MEMBER FOR TOOWOOMBA SOUTH

Hansard 27 November 2001

GAS AMENDMENT BILL (No. 2)

Mr HORAN (Toowoomba South—NPA) (Leader of the Opposition) (11.05 p.m.): The National Party will be supporting the Gas Amendment Bill (No. 2) 2001. The objective of this bill, which is shown in the explanatory notes, is to amend the Gas Act 1965 by creating new provisions obliging gas market participants to follow rules relating to gas network operation and gas sales in a contestable market and by creating a new part containing the new provisions and consolidating existing provisions relating to gas market contestability.

As we have moved to a significant tranche of contestability, legislation that can provide for the proper business arrangements so that contestability can operate in a formal, defined and regular way has not been in place. The only comment I make on that is that contestability has been in place since 1 July for large consumers of gas—100 terajoules or more. We have been going for four or five months in a market that does not have that legislation in place.

Mr Mackenroth: None of their contracts have expired, so we have had the time, knowing that none of those contracts would come up for—

Mr HORAN: The minister can comment on that in his speech in reply to the debate.

Before I go into detail, I will briefly talk about some of the gas issues in the state. It is important for us as a state that we have a reliable, readily available gas supply that is as cheap as possible. There has been a lot of talk and a lot of promises. The previous Beattie government promised, particularly through the then Minister for State Development, Mr Elder, that PNG gas would be down the spine of coastal Queensland by the end of that term or that the provision of that gas would be commenced. Many of the industrial areas of Queensland really need a reliable gas supply.

In places such as Western Australia there has been a massive increase in the amount of industrialisation. Industry was attracted to Western Australia once they got piped gas to areas of the state. There is a desperate need in Townsville for a base load power station. One of the keys to a base load power station in that area is the provision of natural gas. It just seems to take years and years to arrive. There are a number of options for the state, not simply PNG gas. There is gas from the Timor area, gas from south-west Queensland and also coal seam methane. Increasingly, coal seam methane is being seen as a stronger possibility. One of the things we would all like to see is that we use the resources of our own state. I believe that the companies behind coal seam methane are becoming extremely confident about its practicality and reliability. If coal seam methane can be proven to be practical, then using materials from our own sovereign area, from our own state—using our own products with our own workers in Queensland, and companies providing that—is certainly the way to go.

Ultimately, the most important thing is that this state gets a reliable and efficient source of gas supply which can be provided to many of the industrial areas in the regions of Queensland and in south-east Queensland. To date, the government has not been able to do that. The PNG negotiations have bogged down. I know there have been a lot of offshore issues involved, but the government promised that that gas would be delivered to this state. It was one of the great promises of the former State Development Minister, Mr Elder, who said that the government would sink or swim in its first term on the issue of provision of that gas. I think that is something we have to face up to as a state. The National Party is determined to keep pushing for those gas supplies to be provided for the state. Time

is of the essence. They are big, major projects, but time is of the essence to ensure that those supplies come through.

I will comment on an interesting project I saw in the Chinchilla area. A company called Link Energy has been undertaking a trial for a couple of years using Russian technology not used in many other parts of the world. It is burning coal that is too deep to be mined—in the order of 130 metres deep. The system uses squares of so many square metres at a time and burns the coal underground by drilling a pipeline to either end of the particular square and forcing compressed air down the line at one side. The volume and pressure of the air determines the extent of that deep underground fire which burns the coal, so it is a controlled burn. Out of the other pipeline is produced a gas of very high quality and of very high environmental quality. That company has been producing gas there for two years now, 24 hours a day, around the clock. It is an interesting development. At the same time, it has been producing other by-products such as phenols, heavy petroleum products and fertiliser. For an area like Chinchilla, this could be a very important industry. I urge the minister to ensure, through the Office of Energy, that the project is inspected and considered. I think the Minister for State Development should have a look at that particular project because towns such as Chinchilla are looking for opportunities where a project can get off the ground and provide local employment and an opportunity for local contractors.

The coal seam methane projects that are being looked at by companies at the moment could be very promising for the state and may be a lot closer to production than many people might think. Companies are now overcoming some of the difficulties of those proposals and schemes. It is worth while looking at them and providing assistance and support in any way possible because it means using a Queensland product rather than relying on a source of gas from another part of the world.

I just wanted to make those comments on a broad scale about the importance of gas and the way in which gas brings industry. When the gas pipeline was taken from the south west up to Mount Isa, it was of enormous benefit to industry in that area. If we want to achieve and move forward as a state, we need those major sources of industrial gas brought to parts of the state where new and exciting industries can be developed, or where existing industries—such as Korea Zinc and QNI in Townsville—need a base power station, and where those sorts of industries can be promoted and assisted to grow.

Getting back to the actual content of the bill, as the minister noted in his second reading speech, I say that Queensland has provided for the staggered introduction of retail gas competition based on a transitional timetable as part of the national process of natural gas market reform. On 1 July 2001 large customers—that is, customers that have a gas consumption of at least 100 terajoules per year—became contestable. Currently, there is no legislative mechanism to give legal force to the business procedures and rules needed to make contestability workable. Those procedures and rules currently under development will be embodied in a code of conduct.

The proposed amendments to the Gas Act 1965 provide the means by which a code of conduct, approved by the minister, may be given legal effect to. The existing act also contains existing provisions relating to contestability contained in the preliminary and miscellaneous parts of the act. The proposed amendments are aimed at consolidating those provisions in a new part of the act, as well as providing for the approval of a code of conduct.

Prior to discussing the amendments that have been proposed in the bill, I will briefly state that the National Party recognises—and I have stated this in particular in my outline—the potential for the Queensland gas industry not only to be a major supplier of energy directly to Queensland industry, but also to play a role in electricity generation. I mention in particular the urgent need for a base load power station in Townsville to provide the volume of power that is required in the north, to provide for the growth of major industry and to provide the people of the north with the opportunity to benefit from some of the electricity reforms that have happened in recent years by providing them with electricity at a cheaper price, electricity that does not have losses in transmission, as it does now, over the significant distances it is transported through the lines to the far north, mainly from central Queensland generating facilities.

Before I comment on the amendments that have been proposed in this bill, I think it is important to discuss whether the bill is consistent with fundamental legislative principles. The proposed legislation includes terms defined by reference to their meaning given under the Gas Pipeline (Queensland) Access Law contained in the Gas Pipeline Access (Queensland) Act 1998. The definitions which reference the law are substantial in nature. However, the minister has reassured the parliament that gas market participants who are major stakeholders in this legislation are familiar with the law and its defined terms. Perhaps the minister might just go over that reassurance in his reply.

The law also plays an integral part in the operation of the market and participants would read both the Gas Act and any approved code in conjunction with the law. As members are aware, natural gas producers, transmission and network pipeline operators and retailers have been consulted on the legal mechanism affecting the code. To this stage, I understand that all parties have been consulted on

the broader matter of the development of the code of conduct that will flow on from the legislative head of power that will be provided in this bill.

One wonders why it has taken so long for the Beattie government to establish the rules and business procedures that would embody a code of conduct to make contestability in the gas market workable. The minister has indicated that he will explain that in his speech at the end of this debate.

While I am talking about the major objective in this legislation, clause 9, which inserts a new section 33E that provides for such a regulation to be made that deals with the arrangements relating to the operation or use of natural gas distribution and transmission pipelines, I would like to express our concerns that the business procedures and rules are still under development. These rules and procedures are to be embodied in a code of conduct. It is also of concern that, although the code of conduct, once approved by the minister, will be tabled, the parliament is actually external to the development process of that code of conduct. Therefore, it is critical that the minister provides a reassurance to the parliament as to what we can expect will be embodied in the code of conduct, how much consultation there will be with industry in the development of that code of conduct, and what say industry will have in the development of the business procedures and rules. If this code of conduct is not developed to the highest standards, again there is the risk of being unable to prove a customer's consumption of the number of terajoules, which could result in conjecture within the gas market.

This issue was also raised in the *Alert Digest* report on the Gas Amendment Bill. It is noted that the committee has sometimes commented adversely on provisions of this type, which permits matters to be dealt with not by regulation but by alternative means—in this case, the making of codes of conduct that do not constitute subordinate legislation. Therefore, it is important that the minister, as reported in the explanatory notes, must table a copy of the code when it is completed. He must table that in the Legislative Assembly within 14 sitting days of the gazetted regulation, as would be inserted into the legislation by new section 33F.

The final amendment that is contained in this bill that I wish to note is in regard to new section 33F(4), which states—

A failure to comply with this section does not invalidate or otherwise affect the code or the regulation.

I will refer to that new subsection at the committee stage.

In conclusion, the opposition supports this part of the bill. However, it is vitally important that the minister's department and the government do not use this subsection as a means of denying members of the public the opportunity to inspect a copy of the code of conduct. Given the absence of a relevant code of conduct in the gas market to make the contestability workable, the opposition will be offering its support to this bill. We may discuss some of those issues that I have raised at the committee stage of the bill.
