



**Professor Anthony Owen**  
**Owen Inquiry into Electricity Supply in NSW**

**5 July 2007**

Via email: [owen\\_inquiry@dpc.nsw.gov.au](mailto:owen_inquiry@dpc.nsw.gov.au)

Dear Professor Owen

### **Owen Inquiry into Electricity Supply in NSW**

The Australian Pipeline Industry Association (APIA) would like to provide comment on the Owen Inquiry into Electricity Supply in NSW. APIA is the peak national body representing the interests of Australia's high-pressure gas transmission pipeline sector. The sector is critical to the national economy and, it should be noted, is privately owned.

The willingness of the sector to invest to meet emerging energy demands is clearly evidenced through the development of major interconnecting pipelines including the Eastern Gas Pipeline connecting Sydney and Victoria, the Tasmanian Gas Pipeline between Victoria and Tasmania and the SEAGas pipeline between Victoria and South Australia.

Some pipelines have spare or readily expandable capacity and the industry stands ready to continue to invest where there are commercially viable opportunities. Also, there are proposals to develop pipelines to deliver further gas supplies into NSW;

- the Hunter Gas Pipeline connecting the Surat Basin in Queensland to the Hunter Valley region in NSW;
- the Wallumbilla-Bulla Park Gas Pipeline connecting the Surat Basin in Queensland to the Moomba-Sydney pipeline; and
- the Ballera-to-Moomba interconnector, which will allow sales-quality Queensland gas to be delivered to south east Australian markets including NSW.

APIA believes that gas-fired power generation is well positioned to provide NSW's next major base-load generation increment. The development of gas-fired base-load generation within the NEM has recently accelerated with the announcement of Origin's 630 MW Braemar power station and QGC's 135 MW Condamine power station. Both of these power stations are located in Queensland and will use coal seam methane sourced from the Surat Basin as their fuel, a fuel source that the above proposed pipeline developments can deliver to NSW.

Gas-fired base-load generation has a number of significant benefits over alternative options and this is particularly relevant in the context of the current review. These benefits include:

- relatively short development timeframes (compared to coal-fired generation or the possible introduction of nuclear power);
- relatively low carbon emissions (compared to coal-fired generation);

- greater community acceptance compared to options such as coal-fired or nuclear generation options;
- high reliability (especially compared to renewable sources such as wind, wave or solar energy);
- reduced use of Australia's scarce water reserves, compared to coal-fired power generation; and
- lower capital costs than coal or nuclear energy.

Further, gas-fired power generation is a mature technology that is well established in Australia and therefore likely to be attractive to private investors.

APIA's principal concern regarding the ability of the gas sector to respond in a timely manner to emerging energy shortfalls lies in the unintended negative consequences that can arise from otherwise well-intentioned government intervention in this area. This includes the distortionary effects of government investment in, and ownership of, electricity generators and the impact of regulation.

Government ownership of electricity generation in NSW induces distortions in investment due to the perceptions held by private industry participants that publicly owned generators will accept sub-commercial returns. This, in turn, creates a significant disincentive to private sector investment in this sector.

The negative impact of regulation occurs at a number of levels and affects pipeline development. These negative impacts range from difficulties in gaining planning approvals (and unnecessary complexity when dealing with multiple jurisdictions) through to the impact of heavy-handed economic regulation of pipeline revenue. These regulatory impacts have the potential to cause both a delay to, and reduction in, the levels of investment in energy infrastructure (including electricity generation and pipeline infrastructure). However, if there is sensible coordination of planning approval requirements and appropriate responsiveness from economic regulatory bodies lead times for pipeline projects can match those of generation plant.

APIA hopes that the current review will recognise the potential importance of the gas sector in providing secure, competitively priced energy to satisfy NSW's future needs. APIA believes that the private sector has the skills and resources to address any emerging energy needs through market-based solutions without the need for intervention or investment by government.

I trust these comments make some contribution to the inquiry. Please feel free to contact me if I can be of assistance.

Yours sincerely



CHERYL CARTWRIGHT  
Chief Executive