

# Australian Pipeline Trust



## **Regulatory Reform From a Pipeliner's Perspective**

**APIA CONVENTION**

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Monday 31 October 2005**

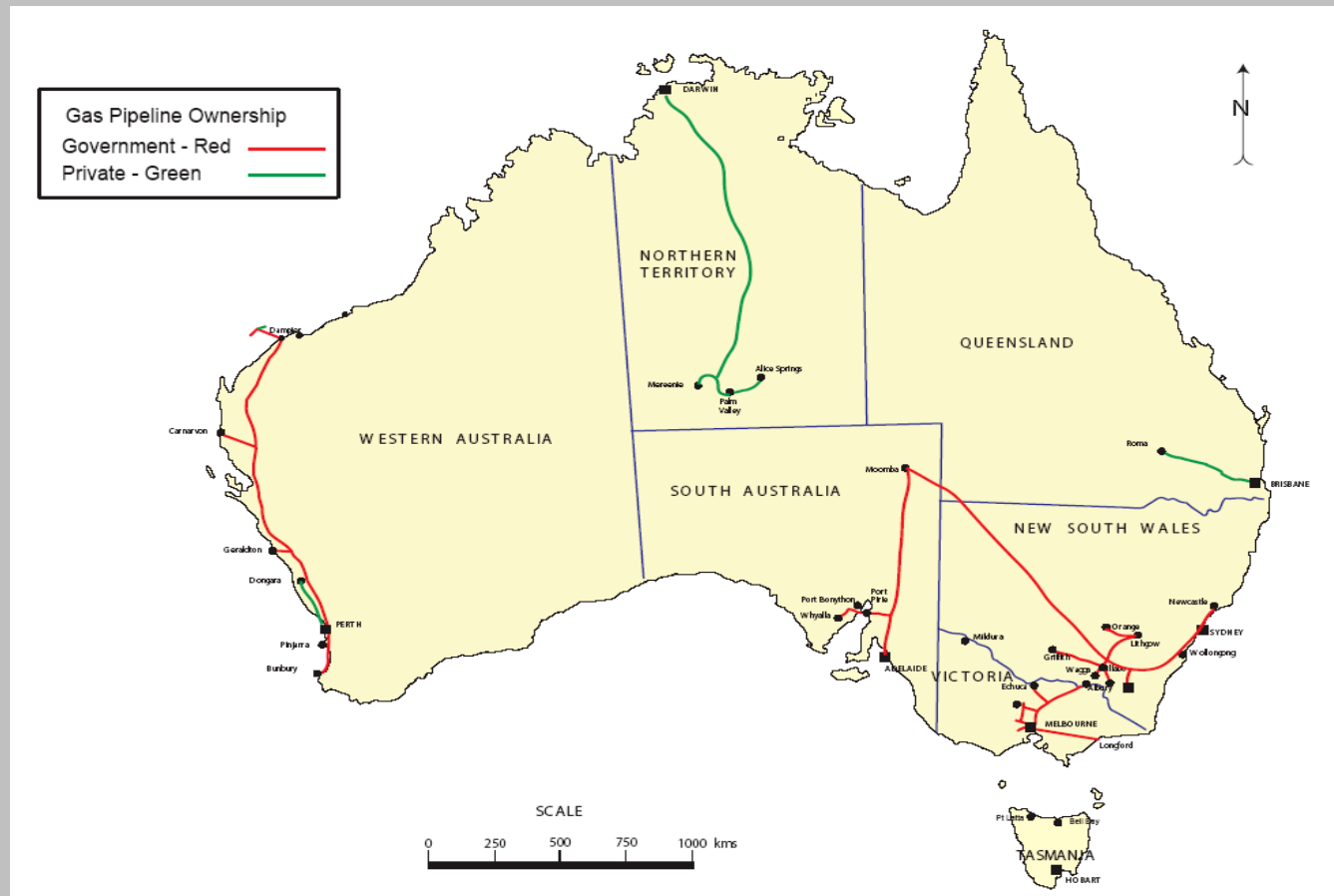




- **Background to regulatory reform**
- **Pipeliners' observations**
- **The pipeline industry - a changing dynamic**
- **A future perspective**
- **Committing to mature the industry**

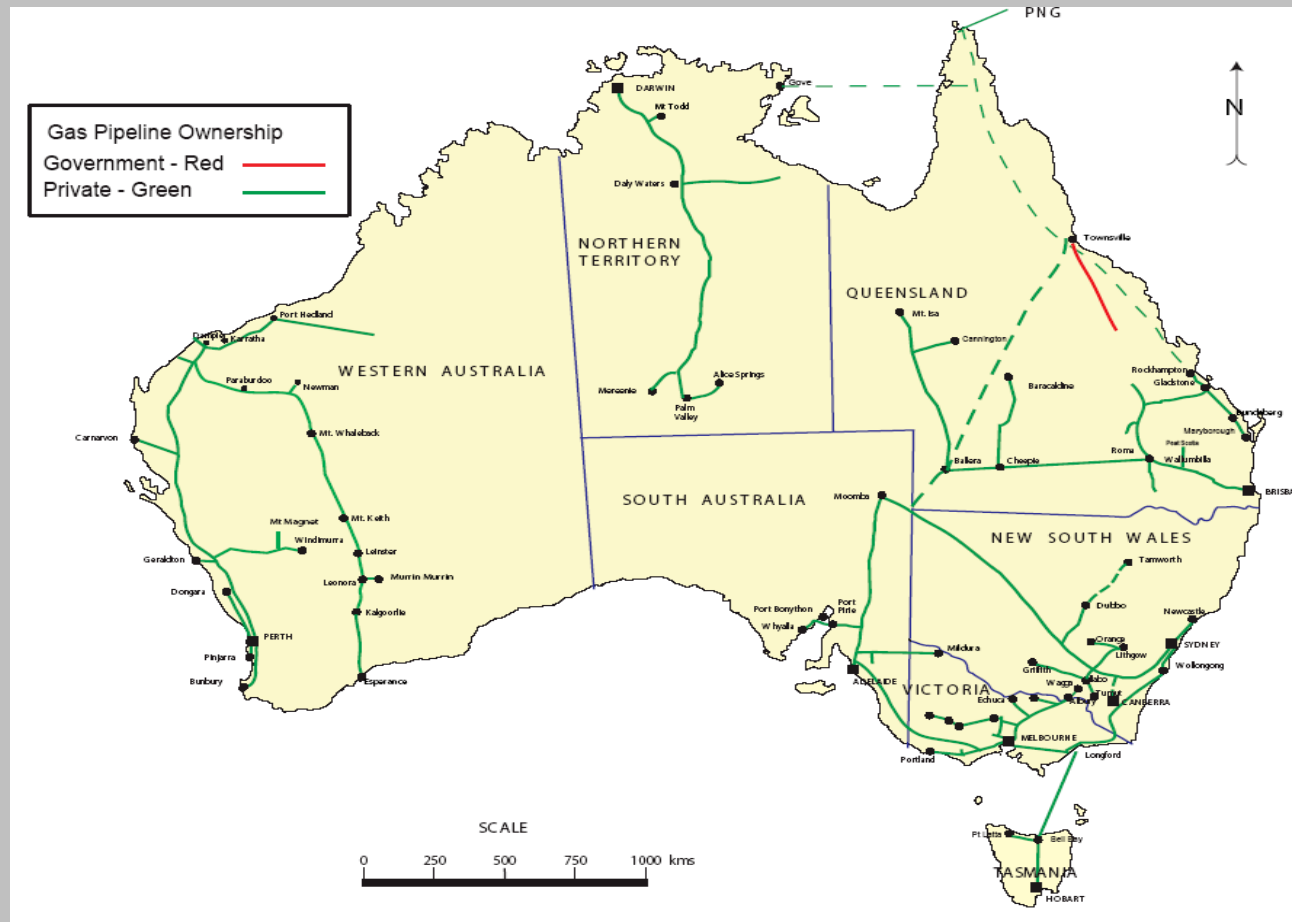
***Maturing the approach will provide balance  
for all stakeholders***

## Australian Gas Pipelines Prior to Privatisation Reform Early/Mid 1990's





## Australian Gas Pipelines Now - 2005



# Observations - Response to Code by Regulators



- **Regulation has undone negotiated risk allocation**
- **Real effect seems to have been to move rents up or down stream**
- **Increasing risk for pipeliners if they invest, with much less comfort in their return**



- **Conservative response to risk of retrospective review**
- **Result has been to limit capacity in pipeline developments**
  - **Conservative spend to exactly match contractual requirements**
  - **less efficient development - consumer loses?**
- **Acrimony, lawyers, assorted consultants and grief**



## Things need to change:

- **“truth seeking” approach isn’t best**
- **process adversarial**
- **better way needed to benefit Australia**



- **Regulation only where there is demonstrated market power**
- **Recognition of the commercial drivers that affect development and expansion of pipelines**
- **No risk of regulators rewriting a transaction negotiated by parties of equal bargaining position**
- **Right of review**





## **Government, regulators and users need to:**

- **see access regulation as about reasonable terms, not lowest price**
- **accept that many pipelines don't have market power**
- **allow profits to encourage infrastructure investment**

## **Pipeline operators need to accept:**

- **some level of oversight of major pipelines**
- **regulation where pipelines have market power**
- **regulators' need for information**



- **Equal consideration of all perspectives in regulatory reform is critical**
- **Regulation has an important role**
- **Growth is imperative to support Australia's progress**
- **Thinking longer term and more strategically will benefit broader stakeholder interests**

***Mature the industry with balanced reform***



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