

Submission from: Origin Energy

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Origin is a major Australasian integrated energy company, listed on the Australian Stock Exchange, focused on gas and oil exploration and production, energy retailing, power generation and utility network management. As both a producer and retailer of energy, Origin's strengths come from its integration across the supply chain, providing opportunities for growth while effectively managing risks associated with major changes occurring in the energy industry.

In summary, Origin:

- is the second largest retailer of natural gas, electricity and LPG in Australia
- serves more than two million customers in Australia and New Zealand
- operates 10 oil and gas onshore production facilities and one offshore production facility
- has interests in more than 106,000km² of exploration permit areas in Australia and New Zealand.
- operates four power stations

Origin's activities in the New Zealand energy industry include:

- 51.4% ownership of Contact Energy Limited which operates 10 power stations and services over 0.5 million customers
- 100% ownership of the Liquefied Petroleum Gas retailer Rockgas
- exploration permits covering significant areas of New Zealand such as the Canterbury Basin
- 50% ownership and operator of the Kupe Gas Project

Origin is in a unique position to comment on the Gas Industry Committee's proposal for access to gas processing facilities, having investigated the use of third party facilities for the Kupe development. As mentioned in section 7.22 of GIC Discussion Paper, the Kupe Joint Venture ultimately decided to build a dedicated gas processing facility. Our responses to the questions raised in the consultation paper reflect this experience.

In addition to the specific questions raised in the consultation paper, in relation to the interview question on "Relative importance –regulatory", Origin wishes to make the point that it is far more concerned about potential constraints, other than in gas processing facilities, on its ability to get products to market. In particular, Origin's concern is that natural monopoly characteristics of some transfer pipelines and storage facilities, and gas transmission pipelines, can prevent efficient third party access. Without access to this infrastructure, liquids-rich gas may not be able to be processed to pipeline specification quality, thus hampering the development of the New Zealand gas market. This is an area where Origin believes light-handed regulatory intervention may be justified (using a similar assessment framework as has been applied to gas processing facilities) and necessary. We strongly encourage the Gas Industry Company to examine this issue.

QUESTION	COMMENT
<p>Q1: Do you agree that the overall objective of any protocols should be to facilitate access to gas processing facilities where that is both economically efficient and contributes to better achievement of Government's overall policy objective, taking account of the specific outcomes it expects of the sector? If not, what should the objective be?</p>	<p>Yes, that's a fair objective</p> <p>However, government intervention in what would normally be a commercial activity pre-supposes that if commercial parties cannot agree that a government intervention could more efficiently solve the impasse. Origin does not agree with this supposition.</p> <p>To some extent, the notion of access to gas processing facilities pre-supposes that there is such a thing as generic gas plant capacity. In practice, the varying composition of raw gas (in terms of hydrocarbons, liquid properties, inert gases and impurities) from various fields means that it would be a rare set of circumstances where one producer's raw gas could be processed at the rates required in another participant's facilities without significant modifications and/or additions.</p>
<p>Q2: Do you agree with the proposed definition of gas processing facilities for the purpose of considering access protocols?</p>	<p>Yes.</p>
<p>Q3: Do you agree that the framework outlined in section 5 is suitable for identifying whether there are substantial inefficiencies arising from current arrangements for access to gas processing facilities? If not, what alternative framework would provide a superior assessment?</p>	<p>Origin agrees that the framework is suitable.</p>
<p>Q4: Do you agree with the technical/economic assessment presented in section 6?</p>	<p>Origin agrees with the assessment as it has been applied to gas processing facilities as defined.</p>

QUESTION	COMMENT
Q5: Do you agree with the conclusion that there do not appear to be substantial inefficiency problems with access to gas processing facilities?	Yes. Origin's experience shows that inefficiency problems do not exist in relation to gas processing facilities.
Q6: Do you agree that alternatives to the status quo that may meet the objective are limited to low cost, light-handed measures?	Yes. Any mechanism other than least cost and light-handed is likely to distort investment decisions and deter efficient investment.
Q7: Do you agree with the assessment and that information disclosure is the preferred means of meeting the objective? If not, why not?	Origin agrees that any approach should be low cost and light-handed, and information provision is the preferred means of achieving this. Much of the information is already public.
Q8: Do you concur with Gas Industry Co's assessment that the industry be invited to adopt a voluntary information disclosure regime? If not, please give your reasons.	Yes

