

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

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Question: aet 69

Topic: Marketing of Natural Gas by the North West Shelf Project

Hansard Page: Written

Senator EGGLESTON asked:

1. How do you judge the size of the Australian electricity market?
2. Does the national electricity market extend to Western Australia?
3. How much does natural gas contribute to the Western Australian energy market?
4. Does this suggest that perhaps the partners of the North West Shelf project could reasonably sell gas as independent sellers rather than selling on block to the domestic market?

Answer:

1. One measure for considering the size of an electricity market is electricity consumption. ABARE releases information on Australian electricity consumption on a yearly basis. Total electricity consumption in Australia for 2007-08 was 257,246 GWh. A state by state breakdown of this consumption is provided below.

Australian consumption of electricity by state, 2007-08 (GWh)

State / Territory	GWh
New South Wales (including ACT)	80 599
Victoria	59 090
Queensland	56 675
Western Australia	29 398
South Australia	14 889
Tasmania	12 620
Northern Territory	3 974
Australia	257 246

2. No. The National Electricity Market (NEM) covers six participating jurisdictions – Queensland, New South Wales, the Australian Capital Territory,

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Victoria, South Australia and Tasmania – which are physically linked by an interconnected electricity transmission network.

When Australian governments decided to create the NEM in the early 1990s, consideration was given to whether Western Australia should join. However, it was considered impractical for Western Australia to join the NEM, because it could not physically interconnect with the other jurisdictions.

3. The Western Australia Office of Energy notes that Western Australia possesses abundant coal and natural gas reserves. Black coal accounts for around 49 per cent of total fossil fuel resources within Western Australia, with natural gas accounting for around 40 per cent and growing as more resources are identified.

In Western Australia, natural gas is principally used in resource processing and electricity generation. Natural gas accounts for approximately 60 per cent of fuel used for Western Australian electricity generation.

At the national level, the state of Western Australia consumes the most natural gas, accounting for 39 per cent of all Australian natural gas consumption in 2007-08.

4. The fact that natural gas comprises a significant proportion of the total Western Australian energy market is not in itself indicative of whether it is feasible for the North West Shelf Project participants to market gas separately. Other potentially relevant factors might be the number of buyers and sellers of gas in Western Australia, the proportion of gas sold on a short term or spot basis, the extent of associated financial and secondary markets and the range of gas transportation and storage options available.