



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

STANDING COMMITTEE ON ECONOMICS

Reference: Gas explosion at Varanus Island, Western Australia

WEDNESDAY, 26 NOVEMBER 2008

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**SENATE STANDING COMMITTEE ON
ECONOMICS**

Wednesday, 26 November 2008

Members: Senator Hurley (*Chair*), Senator Eggleston (*Deputy Chair*), Senators Bushby, Cameron, Furner, Joyce, Pratt and Xenophon

Participating members: Senators Abetz, Adams, Arbib, Barnett, Bernardi, Bilyk, Birmingham, Mark Bishop, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Cash, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Ellison, Farrell, Feeney, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Hanson-Young, Heffernan, Humphries, Hutchins, Johnston, Kroger, Ludlam, Lundy, Ian Macdonald, McEwen, McGauran, McLucas, Marshall, Mason, Milne, Minchin, Moore, Nash, O'Brien, Parry, Payne, Polley, Ronaldson, Ryan, Scullion, Siewert, Stephens, Sterle, Troeth, Trood, Williams and Wortley

Senators in attendance: Senators Bushby, Eggleston, Furner, Hurley, Pratt and Johnston

Terms of reference for the inquiry:

To inquire into and report on:

- a. the economic impact of the Western Australian gas crisis, including but not limited to:
 - i. the extent of losses faced by business and industry failing to meet production targets due to the lack of gas supplies,
 - ii. the disproportionate disruption to industry in the south west of Western Australia, and
 - iii. the nature of contractual arrangements forced on business and industry during the gas crisis and their status since the resumption of gas supplies from Varanus Island; and
- b. the government response to the Western Australian gas crisis, including but not limited to:
 - i. the adequacy of the crisis management response,
 - ii. the adequacy of reliance on one source supplies of gas for domestic markets,
 - iii. the provision of reliable and affordable supplies of alternative energy,
 - iv. the feasibility of developing emergency storage facilities of gas in depleted reservoirs or other repositories, and
 - v. the justification for any refusals to release relevant facts and documents publicly.

WITNESSES

BROWN, Mr Chris, Acting Assistant Director, Electricity Market Surveillance, Economic Regulation Authority, Western Australia 2

DAWSON, Mr Allan, Chief Executive Officer, Independent Market Operator, Western Australia..... 2

KOLF, Mr Peter, General Manager, Economic Regulation Authority, Western Australia 2

PULLELLA, Mr Robert, Executive Director, Competition, Markets and Electricity, Economic Regulation Authority, Western Australia 2

Committee met at 4.30 pm

CHAIR (Senator Hurley)—I declare open this meeting of the Senate Standing Committee on Economics for its inquiry into matters relating to the gas explosion at Varanus Island, Western Australia. This is the fifth public hearing of the inquiry. The Senate referred this inquiry to the committee on 28 August 2008 and the committee has received over 30 submissions. The committee is due to report to the Senate by 3 December 2008.

We will begin the hearing in public session for a short time and then move into an in camera hearing for the remainder of the afternoon. I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee. If a witness objects to answering a question the witness should state the ground upon which the objection is taken and the committee will determine whether it will insist on an answer having regard to the ground which is claimed.

The Senate has resolved that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanation of policies or factual questions about when and how policies were adopted.

[4.32 pm]

BROWN, Mr Chris, Acting Assistant Director, Electricity Market Surveillance, Economic Regulation Authority, Western Australia

KOLF, Mr Peter, General Manager, Economic Regulation Authority, Western Australia

PULLELLA, Mr Robert, Executive Director, Competition, Markets and Electricity, Economic Regulation Authority, Western Australia

DAWSON, Mr Allan, Chief Executive Officer, Independent Market Operator, Western Australia

Evidence was taken via teleconference—

CHAIR—I welcome representatives of the Economic Regulation Authority and the Independent Market Operator. Please make your public opening statement and advise us when you are finished, then we will move to in camera evidence.

Mr Kolf—I would like to make the committee aware of the functions of the Economic Regulation Authority. The authority has two primary functions: regulatory functions and those of an inquiry nature. On the regulatory side, the authority has responsibility for administering access to gas pipelines, electricity networks and also the rail network in Western Australia. It also has a licensing function, licensing water, gas and electricity service providers. It also has a responsibility in monitoring the wholesale electricity market. Its other main function is an inquiry function, which is similar to that of the Productivity Commission at the Commonwealth level. The work of the authority is dependent on the government referring a matter for inquiry to the authority.

In relation to the inquiry of this committee, the authority has made a submission to the committee and has provided some information about its activities following the incident at Varanus Island. Shortly after the incident occurred the authority stepped up its normal monitoring function and examined on a day-by-day basis all the relevant information that we were able to source directly from the Independent Market Operator in relation to the transactions that were taking place both in the short-term energy market and in the energy balancing market operating in the Western Australian wholesale electricity market.

The conclusion of the authority's analysis was that there did not appear to be any anomalous or untoward behaviour of the participants. The market actually seemed to be functioning fairly well. That is not to say that there were no issues, but, by and large, the market seemed to work fairly effectively throughout that period.

CHAIR—Thank you. As agreed, we will now proceed to hear evidence in camera.

Evidence was then taken in camera—

Committee adjourned at 5.07 pm