

**Submission
No 20**

DOWNSTREAM GAS SUPPLY AND AVAILABILITY IN NSW

Organisation: Upper Lachlan Shire Council
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31 May 2013

Mr Andrew Gee
Chair
State and Regional Development Committee
Parliament House
Macquarie St
Sydney NSW 2000

Dear Mr Gee,

Re: Inquiry into downstream gas supply and availability in NSW

Thank you for the opportunity to contribute to the Inquiry into downstream gas supply and availability in NSW.

Upper Lachlan Shire Council understands the Terms of Reference to be:

- (a) the adequacy of transmission pipeline systems and distribution networks for future downstream gas needs and supply challenges;
- (b) barriers to the expansion of downstream gas supply and distribution networks;
- (c) the effectiveness of competition in the downstream gas market and consumer pricing implications;
- (d) the effectiveness of existing protections for consumers and measures to facilitate access to gas connection and supply; and
- (e) possible measures to encourage gas network operators to extend existing distribution networks, including financial incentives of license obligations, particularly in regional centres that do not have access to reticulated gas.

Please be advised that Upper Lachlan Shire has the following gas energy generating projects either approved or in the approval process:

Four Gas Fired Power Stations

- TRUenergy at Big Hill near Marulan (approximately \$1B project) – approved;
- AGL at Dalton near Gunning (approximately \$1.5B project) – approved;
- Snowy Hydro at Bannaby near Taralga (approximately \$1B project) - early planning stages; and
- Origin Energy at Kerrawary near Marulan (approximately \$1B project) - early planning stages.

The gas fired power stations are State Significant Development Projects and are determined by the Minister for Planning. It is recognised that in some circumstances minor improvements are made to public infrastructure directly affected by the proposed development, e.g. road repairs, but unfortunately there are no ongoing contributions towards other community infrastructure/facilities.

Such major projects generally only provide nominal continuing employment opportunities and contribute minimally to local communities in the long-term and connection to natural gas for the 12 towns and villages in the Upper Lachlan Shire would, at least, ensure some level of commitment is made to the local communities.

Terms of Reference:

- (a) the adequacy of transmission pipeline systems and distribution networks for future downstream gas needs and supply challenges;

The main Sydney – Moomba gas pipeline runs through the Upper Lachlan Shire LGA and as accordingly, the transmission pipeline system is already in place. There are a number of junction points along the pipeline that could be utilized to distribute gas to all of the towns and villages of Upper Lachlan Shire Council if the Government has the initiative, drive and strategic planning necessary.

- (b) barriers to the expansion of downstream gas supply and distribution networks;

Upper Lachlan Shire Council is unaware of any barriers to expansion of downstream gas supply and distribution networks.

- (c) the effectiveness of competition in the downstream gas market and consumer pricing implications;

Upper Lachlan Shire Council is unaware of the level of competition in the downstream gas market but assumes that expansion of the market to supply natural gas would be advantageous to both the consumer and the supplier.

- (d) the effectiveness of existing protections for consumers and measures to facilitate access to gas connection and supply; and

Centroc have no issues with existing protections for consumers but are aware that there are any number of smaller villages and towns along the gas pipeline that are connected to natural gas. Which begs the question as to why Upper Lachlan Shire Council's towns and villages are not connected, especially when 4 gas fired power generators are slated for construction within Upper Lachlan Shire Council?

- (e) possible measures to encourage gas network operators to extend existing distribution networks, including financial incentives of license obligations, particularly in regional centres that do not have access to reticulated gas.

Upper Lachlan Shire Council is very concerned as there is no gas being supplied even to the larger communities including Gunning, Crookwell and Taralga.

Where attraction and retention of businesses to a community rely on infrastructure and utilities provision, Upper Lachlan Shire Council argues that energy such as gas supply should have some type of universal service obligation component to ensure that rural communities can be competitive on international markets.

Council has been advised that at least one company (who are pipe layers and owners) require 10,000 users before considering connecting a town. This figure may be a fairly arbitrary figure but if it has any truth attached, it would mean that no town or village within the Upper Lachlan Shire Council (a Council that is located right in the middle of the NSW Planning's "Sydney-Canberra Corridor Strategy") will ever have natural gas supplied.

Further, consider that Crookwell is a relatively large population at quite a high altitude for Australia (946 metres) and as such is an industrial size user of energy for heating. A household in Crookwell may use at least three times as much energy in winter compared to a residence in Sydney. That is to say that a Crookwell household is very likely to use more natural gas than an average customer on a retailers books.

The pipe installers and owners are a separate company to the gas supplier and receive a percentage of the bill as a 'flow tariff'. When they are looking at connecting an area on purely commercial grounds they look at how long it will take in flow tariff returns to pay for the outlay and begin making a profit.

There is room at this point for state and/or federal regional infrastructure funding to close the gap where pipe companies may consider it would take too long for a repayment on the infrastructure to be made.

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There are serious competitive disadvantages for towns and regions currently excluded from the natural gas network both nationally and internationally, especially for a Council that is located in the middle of the NSW Planning’s “Sydney- Canberra Corridor Strategy”.

There has been massive green energy investment in our region for wind turbines (12 wind farms constructed, under construction, approved or in the approval process – all State Significant projects). Funding for natural gas roll out assistance would be a drop in the bucket compared to wind farm investments and would also be very beneficial in reducing emissions, the general intention.

For further advice please contact the Upper Lachlan Shire Council General Manager, John Bell on (02) 48301000.

Yours sincerely,



Cr John Shaw
Mayor
Upper Lachlan Shire Council