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PG/KM/N-3

Paul Goodsall

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Productivity Commission
LB 2, Collins Street East
MELBOURNE VIC 8003

Dear Presiding Commissioner,

Review of the Gas Access Regime

Murrumbidgee Shire Council would like to make a submission to the above Review.

Council has been endeavouring, since 1992, to have natural gas extended to Darlington Point and Coleambally. Discussions have been held with gas utilities on numerous occasions but the outcome has always been that the existing demand does not justify the necessary investment in the pipeline.

A number of potential developments have been lost to the Shire because natural gas is not available. Such losses were associated with processing tomatoes, onions and fruit. Negotiations with the companies was very positive in relation to all issues except energy and natural gas was the preferred option.

Of more concern to Council is the potential loss of existing industries associated with prune and tomato drying. Employment in these areas is very significant for at least four months of each year and there is potential for major expansion of prune drying and further value-adding to the product given the major planting's that have taken place in recent years.

Discussions between Coleambally Irrigation Co-operative Ltd and an ethanol producer have been taking place for some time regarding construction of an 80megalitre plant in Coleambally. Natural gas is a major component and the proposal will not get past first base if this form of energy is not available in a timely manner.

Council has recently commissioned a study into the cost of providing infrastructure to pipe gas to the two towns. The study was funded by Council and the New South Wales Department of State and Regional Development.

The study revealed that the estimated cost to run a pipeline from the existing supply near Griffith is in the order of \$10m. In addition to the cost of the pipeline an additional \$4m will have to be invested to upgrade the Australian Pipeline Trust infrastructure. To construct this pipeline it would be necessary to go through the arduous competitive tendering process because a utility would be too restricted by current regulatory practices.

Council has raised a number of options with gas utilities, such as a plastic pipeline to Darlington Point. Indications were that the utility would be prepared to give serious consideration to constructing the pipeline given the potential demand. However, due to the return on investment allowed by the ACCC and the manner in which the asset is valued for this purpose made it a non viable proposition for the company.

Council strongly supports the relaxation of controls currently placed on extensions of gas pipelines by the ACCC and on the network in New South Wales by IPART to allow investment in this infrastructure to be based not only an actual but also on potential demand that can be identified as a possible outcome, given that natural gas is available. Small communities will continue to lose out to regional centres that already have access to this form of energy unless investment is made more conducive to green field sites.

Yours faithfully

P.J. Goodsall
General Manager