



HOUSE OF ASSEMBLY

WEDNESDAY 17th MAY 2017

NATIONAL GAS (SOUTH AUSTRALIA) (PIPELINES ACCESS-ARBITRATION) AMENDMENT BILL

Second Reading

Adjourned debate on second reading.

(Continued from 29 March 2017.)

Mr PEDERICK (Hammond) (16:57): I rise to speak to the National Gas (South Australia) (Pipelines Access-Arbitration) Amendment Bill introduced in this house on 29 March 2017. I make the point, as I have before, that I have worked in the Cooper Basin, the Alice Springs oilfields and in Jackson, Queensland, back in the early eighties.

This bill establishes the framework for arbitration, which we have already heard about today, for the non-scheme pipeline services, the non-regulated pipelines, where commercial negotiations between a user, or a prospective user, and the pipeline service provider break down. It also provides the framework for greater disclosure of information by non-scheme pipeline service providers.

There are two gas pipelines in South Australia that essentially are affected by this bill: the Moomba to Adelaide pipeline and the Port Campbell to Adelaide pipeline, which is the SEA Gas pipeline. It actually runs just outside Coomandook through to the back of Murray Bridge and Mannum through to the city. In fact, I talked in this place recently about the proposal for an Investec electricity generator a few years ago (I think it was 2010) just outside Mannum at Tepco.

This bill was the result of a report for the COAG Energy Council, which found that an uneven bargaining relationship existed around the transportation of gas. Given that transportation makes up 15 per cent of the price of gas, it is expected that costs will be lowered through mandating commercial arbitration and greater transparency of pipeline services. As part of their membership of the COAG Energy Council, all state and territory energy ministers support the draft legislation.

In regard to the arbitration process, this bill requires a user or prospective user of a pipeline and the pipeline service operator to negotiate in good faith, and only if negotiations between the parties break down can the arbitration process commence. The arbitration process is only to be used as a case of last resort. The Australian Energy Regulator is appointed as the scheme administrator. They can be notified by either the user or the provider that a dispute exists and then determine whether the matter be referred to the arbitrator.

An arbitrator for the dispute is to be appointed by mutual agreement of the parties involved. However, if they are unable to agree to an arbitrator, then the AER will appoint one for them. The

costs of the arbitrator will then be equally borne by both parties unless the arbitrator deems otherwise in accordance with the National Gas Rules. When a determination is being made, the arbitrator must take into account any pricing or other principle specified in the National Gas Rules. The arbitrator's determination is binding on the parties involved in the dispute.

As we have heard today, much of the detail will be outlined in the regulations. I also note that the firearms regulations have been in the process of being negotiated for nearly 18 months. The National Gas Rules will primarily specify the details of the arbitration process, and the bill only provides the high-level framework for the arbitration process to be established. In a briefing supplied to us, we were told that a draft NGR would be presented to the COAG Energy Council for approval at their next meeting in July 2017 and, if approved, the NGR will be implemented in South Australia.

In regard to transparency, the bill stipulates that the collection, disclosure and publication of information relating to services that may be provided by a non-scheme pipeline operator be specified in the NGR. This includes the terms and conditions on which the service provider is prepared to make a non-scheme pipeline available for use, the relevant cost prices and access contracts and arrangements used by the service provider.

We on this side support the general intent of the bill to improve the bargaining relationships that exist in the gas transportation industry and the potential for lower costs to the end user, but it is important to note that there is nothing in the bill that requires cost savings to a pipeline user to be passed on to gas consumers. During that COAG Energy Council process, submissions were received from the following stakeholders: the Australian Energy Regulator, the APA Group, the Australian Pipelines and Gas Association, Australia Pacific LNG, DBP Transmission (based in Western Australia), Epic Energy, Santos GLNG, Hydro Tasmania, Jemena, Major Energy Users Inc and the Energy Users Association.

In the main, the stakeholders were supportive of the intent of the legislation. Some stakeholder issues were raised around some parts of the bill, predominantly the potential structure of the arbitration process that is likely to be detailed in the National Gas Rules. That will come out in the regulation process. Most stakeholders raised no concerns with the requirement of greater transparency.

Certainly, back in the day in the Cooper Basin in the eighties, there were many work teams, mainly pipeline engineering teams, building many hundreds of kilometres of pipeline. The men would work shifts of four weeks in and one week out, and I salute all the men on those shifts because they did not get home very often. With full X-ray inspection, gas pipe welding has to be absolutely spot-on, and I take my hat off to what those people did in the field.

To improve the efficiency of gas pipelines, there are things called 'pipeline pigs and scrapers'. These improve system performance for greater profitability, and many companies have been doing this for many decades. You can get pigs that do cleaning, batching, gauging and liquid displacement. Specialty pigs are available in multiple diameters and designs to meet specific pipeline and product demands.

Mr van Holst Pellekaan interjecting:

Mr PEDERICK: You can. Customisation and configuration options ensure tailored solutions can be found for different pipeline diameters. Pigs are used to achieve maintenance and integrity goals, reduce downtime, maximize throughput and mitigate operational risk.

Mr Picton interjecting:

The DEPUTY SPEAKER: Do you need my protection, member for Hammond?

Mr PEDERICK: Absolutely, Independent Deputy Speaker. Chuck him out. He has been at it all day, ma'am. Pigs are best used for cleaning to maintain line efficiency and control corrosion; batching operations to prevent product mixing and contamination in multiproduct pipelines; gauging operations to prove pipeline roundness and help detect obstructions and defects; displacement of air ahead of hydrostatic testing and water after the test, as well as displacement of hydrocarbons prior to field repairs; recovery of natural gas liquids; and application of corrosion inhibitors.

Pigs come in a wide range of pipeline diameters, and multiuse, bidirectional and dual diameter capabilities are available. There are standard and custom configurations for maximum flexibility. Pigs have tough, long-lasting original components and replacement parts. Pigs can be combined to perform a broad variety of functions.

The reasons pigs are used in the industry include removing construction debris, hydrotesting and gauging and, in terms of operation, they are used for commission, cleaning, condensate/water removal, batching and application of inhibitors. They are used for maintenance and repair, pre-inspection cleaning and isolation. They are also used for renovation and rehabilitation, including chemical pigging, removal of contaminants, pre-product conversion cleaning, decommissioning and recommissioning.

Pigs can be used offshore, but they may require special design features. Generally, pigs used offshore must be able to accommodate very heavy wall pipe and large variations in wall thicknesses due to different design codes for platform and riser piping versus subsea mainline pipe. In addition, offshore applications often require extra-long pigs. These can be used and supplied by various companies.

Mr Hughes: How long have you been waiting to talk about pigs?

The DEPUTY SPEAKER: I am going to have to protect you again, member for Hammond.

Mr PEDERICK: They just keep harassing me, Deputy Speaker.

The DEPUTY SPEAKER: Back off, member for Giles.

Mr PEDERICK: Batching pigs are used to provide a highly reliable barrier between dissimilar products in the pipeline, such as jet fuel and gasoline, protecting pipeline owners and operators from the significant costs associated with product mixing and contamination. Cleaning pigs provide one of the simplest, most cost-effective ways for pipeline owners and operators to optimise flow, reduce corrosion and minimise the presence of foreign matter in products.

Gauging pigs offer pipeline owners and operators a fast, cost-effective way to determine whether there is an obstruction or pipe diameter reduction in their pipeline, whether it is in the pre-commissioning phase or in service. Liquid displacement pigs capture valuable natural gas liquids to filling dewatering pipelines after hydrotesting, displacing liquids essential to optimising production, performance and profitability.

Obviously, you need replacement components for pigs, such as cups, blades and brushes, which can help pipeline owners and operators extend the overall life, efficiency and cost effectiveness of their pigs. As their name suggests, special application pigs enable pipeline owners and operators to perform unique cleaning or maintenance services.

Members interjecting:

Mr PEDERICK: That's it.

The DEPUTY SPEAKER: I am going to have to protect you again.

Mr PEDERICK: Throw them out, Independent Deputy Speaker. That was a brief overview of the use of pigs in the gas industry.

Mr Picton: Tell us more!

Mr PEDERICK: I could, but we are limited by time. I was not the lead speaker, but I would have loved to. What I would like to reflect on is that it is an expensive industry: you do not just put gas into a pipe and it flows to the house, the industry or the business. Over the Christmas period, Epic Energy spent a considerable amount of money at Port Pirie, and they had to have gas stored there for industry. Obviously, they used the downtime for industry at Port Pirie, and a lot of people worked a lot of overtime.

It cost them a lot of time to check the stability of pipelines after a recent issue with a pipeline breaking down while in service. They had to put large storage tanks in place to store enough gas so that industry in Port Pirie could keep operating. They then did their testing, and obviously part of that testing was to run different pigs to make sure that those pipelines were operating effectively and efficiently.

It is a very complex business. It is not as simple as looking at a pipeline and hoping that everything works well. Way back in the day in the eighties, I was home on leave from working in the Cooper Basin. There was a break in the Adelaide-Moomba line—an explosion—and they reckoned there was one heck of a fire that took some time to bring under control. Certainly, gas is vital to the community, it is vital for power generation, it is vital for industry and it will be vital for a long time into the future to keep the energy needs of our state going.