

Petroleum and Gas (Production and Safety) Amendment Regulation (No. 1) 2016

Explanatory notes for SL 2016 No. 64

made under the

Petroleum and Gas (Production and Safety) Act 2004

General Outline

Short title

This regulation may be cited as the *Petroleum and Gas (Production and Safety) Amendment Regulation (No. 1) 2016*.

Authorising law

Sections 423 and 859 of the *Petroleum and Gas (Production and Safety) Act 2004* (P&G Act).

Policy objectives and the reasons for them

The objective of the *Petroleum and Gas (Production and Safety) Amendment Regulation (No. 1) 2016* (amendment regulation) is to enable recovery of Queensland's portion of the cost of funding the Australian Energy Market Commission's (AEMC) national gas-related work program for 2016-17, through adjustment of the prescribed annual fee for calculating a levy on gas pipeline licence holders that are regulated under the national energy laws.

Achievement of policy objectives

On 21 May 2014, the Queensland Parliament passed the *Electricity and Other Legislation Amendment Act 2014*, which included amendments to the *Electricity Act 1994* and the P&G Act to introduce a levy on certain holders of gas and electricity transmission authorities to recover Queensland's annual AEMC funding contribution. This levy commenced on 1 July 2014.

Section 423 of the P&G Act provides for the imposition of the levy on covered gas pipeline licence holders to recover Queensland's contribution to the annual costs of the AEMC in relation to its gas-related work program. It also provides for an annual fee for calculating the levy to be prescribed in a regulation.

Item 4A of Part 4 of Schedule 9 of the *Petroleum and Gas (Production and Safety) Regulation 2004* (P&G Regulation) prescribes the annual fee per kilometre of pipeline based on the proportion of the cost of the State's annual commitment to funding the AEMC's gas functions. Amendment of the fee prescribed is necessary annually to ensure the correct amount is collected from obligated parties.

The draft regulation seeks commencement of the amendment by 1 July 2016 to enable cost-reflective recovery of funding for the 2016-17 financial year. This will facilitate invoicing of the obligated parties in early July 2016, as Section 134AAA of the P&G Regulation requires the fees to be paid on or before 31 August each year.

Consistency with policy objectives of authorising law

The amendment regulation is consistent with the main objectives of the related provisions in the P&G Act which establish a framework to collect a national energy market regulation levy as a condition of holding a pipeline licence (for a covered pipeline).

Inconsistency with policy objectives of other legislation

The amendment regulation is not inconsistent with policy objectives of any other legislation.

Benefits and costs of implementation

The amendments will be implemented by the Government from within existing resources.

Queensland's total contribution to AEMC funding for 2016-17 is \$4.833 million, of which \$4,204,710 relates to national regulation of electricity (87 per cent); \$386,640 to gas (8 per cent); and \$241,650 to the Retail Law (5 per cent).

Under the proposed amendment, the prescribed fee per kilometre of pipeline for calculation of the levy will be reduced to \$225.18 (currently \$276.81). This 18.4% reduction is due to the redistribution of the higher overall cost (the AEMC funding requirement increased by 9.1% since last financial year) across a much greater increase in the length of covered pipelines (34.1% increase in the total reported length of the relevant pipelines).

Upon implementing the levy in 2014, imposition on transmission entities was considered the most appropriate method of recovering the gas related component of Queensland's AEMC payment from industry, as these entities are subject to the National Gas Rules, and therefore benefit most directly from these AEMC functions. They also have the widest reach of customers that benefit from the work of the AEMC and are administratively the simplest point at which to implement a levy.

The cost of the levy will flow through to energy prices but the impact on gas prices paid by customers will be negligible.

Consistency with fundamental legislative principles

The amendment regulation has been drafted having regard to the Fundamental Legislative Principles (FLPs) outlined in the *Legislative Standards Act 1992* and there are no matters that are inconsistent with the FLPs.

Consultation

The Office of Best Practice Regulation has been consulted regarding the need for a Regulatory Impact Statement (RIS) and confirmed a RIS is not necessary.

The Department of Natural Resources and Mines (DNRM) was consulted during development of the proposed adjustment to the annual fee.

Relevant pipeline licensees have been advised of the intention to amend the prescribed annual fee. They also provided up to date information on the kilometre length of relevant covered pipelines to DNRM, which is an input to the fee calculation.

No objections were raised by these parties.

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