

Meeting Agenda

Meeting Title: Gas Advisory Board

Meeting Number: 2018-03-28

Date: Wednesday 28 March 2018

Time: 1:00 pm – 3:00 PM

Location: Training Room 2, Albert Facey House
469 Wellington Street, Perth

Item	Item	Responsibility	Duration
1	Welcome	Chair	2 min
2	Meeting Apologies/Attendance	Chair	3 min
3	Review of Minutes from previous meeting	Chair	5 min
4	Actions Arising	Chair	10 min
5	AEMO 5 Yearly Review of the WA Gas Statement Of Opportunities	AEMO	60 min
6	GSI Rule Changes		
	(a) IMO Dissolution	PUO	10 min
	(b) GSI Rules Reconciliation	RCP Support	10 min
7	GAB Composition Review	RCP Support	10 min
8	Meeting Schedule	RCP Support	10 min
9	General Business	Chair	5 min

Next Meeting: 27 September 2018

Please note this meeting will be recorded.

Minutes

Meeting Title:	Gas Advisory Board (GAB)
Date:	20 September 2017
Time:	1:05 PM – 2:10 PM
Location:	Ken Michael Room, Level 4, Albert Facey House 469 Wellington Street, Perth

Attendees	Class	Comment
Jenny Laidlaw	Chair	
Matthew Martin	Small-Use Consumer Representative	Minister's Appointee
Martin Maticka	AEMO	
Natalie Robins	Economic Regulation Authority (ERA)	Observer
Dave Rafferty	Gas Producers	
Pete DiBona	Gas Producers	
Collin Slattery	Pipeline Owners and Operators	Proxy
Mike Lauer	Gas Shippers	
Amanda Rudd	Gas Shipper	Proxy

Apologies	Class	Comment
Chris Campbell	Gas Users	Proxy attended
John Jamieson	Pipeline Owners and Operators	
John Cleary	Pipeline Owners and Operators	Proxy attended
Julie Anne Simmons	Gas Users	
Zaeen Khan	Coordinator of Energy	

Also in attendance	From	Comment
Joachim Tan	AEMO	Presenter
Noelle Leonard	AEMO	Presenter
Sandra Ng Wing Lit	RCP Support	Observer
Laura Koziol	RCP Support	Presenter, minutes

Item	Subject	Action
1	<p>Welcome</p> <p>The Chair opened the meeting at 2:06 PM and welcomed members and observers to the 20 September 2017 GAB meeting.</p> <p>The Chair noted that this was the first meeting since the completion of the review of the GAB composition on 24 July 2017. The Chair acknowledged outgoing members and observers and welcomed new and reappointed members and observers.</p> <p>Outgoing members are:</p> <ul style="list-style-type: none"> • Kylie O’Keeffe (Chair); • Ray Challen (Coordinator of Energy); • Andrew Sutherland (Gas Users); and • Aden Barker (Minister’s appointee – small-use customers). <p>Reappointments are:</p> <ul style="list-style-type: none"> • John Jamieson (Pipeline Owner and Operators); • Chris Campbell (Gas Shippers); and • Pete DiBona (Gas Producers). <p>New members are:</p> <ul style="list-style-type: none"> • Julie Anne Simmons (Gas Users); • Zaeen Khan (Coordinator of Energy); and • Matthew Martin, now representing small-use customers, previously Observer appointed by Minister. 	
2	<p>Meeting Apologies/Attendance</p> <p>The Chair noted the apologies, attendance, and proxies, as listed above.</p>	
3	<p>Actions Arising</p> <p>Action 72 (2015): The Chair noted that the Rule Change Panel has no function to undertake a cost-benefit analysis and proposes to close the action item. The GAB agreed to close the action item.</p> <p>Action 75 (2015): Mr Martin Maticka asked if the GAB still supported to move the definition of the GBB Zones from the GSI Rules to a Procedure. This had been suggested in 2015 to reduce the current administrative burden of going through the Rule Change Process every time a new Pipeline is registered and therefore needs to be included in the definition of the GBB Zones. Mr Maticka noted that such a Rule Change had been required once, for the registration of the Fortescue River Gas Pipeline in 2015, and was now necessary again for the registration of the Wheatstone Ashburton West Pipeline. The GAB supported the development of a Rule Change Proposal to move the definition of the GBB Zones into a GSI Procedure. Mr Maticka noted that AEMO would develop a Pre-Rule Change Proposal for</p>	

	<p>consideration by the GAB and that AEMO would provide an update about the development at the next GAB meeting.</p> <p>Action 77 (2015): Mr Maticka noted that AEMO was currently collating the requested information and would circulate it to GAB members before the next meeting.</p> <p>Action 78 (2015): Remains open</p> <p>Action 79 (2015): Mr Maticka asked if the GAB still supported development of a Rule Change Proposal to remove the time lag between the submission of information by Gas Market Participants and publication of the relevant reports. The GAB agreed that if final information was submitted to AEMO, there should be no time lag for the publication of the information in the relevant reports. The Chair noted that the time lag for some of the reports had originally been implemented to mitigate the concern of Large Gas Users that the information in question could be commercially sensitive if published earlier. Mr Maticka suggested that, as a next step, AEMO would prepare a presentation on the issue to obtain feedback from Large Gas Users before undertaking further work. Mr Pete DiBona suggested to also look at the practice for the Natural Gas Services Bulletin Board (NBB) on the east coast. The Chair sought clarification if individual consumption of Large Gas Users was actually published on the NBB. Mr Joachim Tan clarified that AEMO was planning to introduce the publication of individual consumption of Large Users on the NBB.</p>	
4	<p>Presentation: Gas Statement of Opportunities</p> <p>Ms Noelle Leonard and Mr Tan gave a presentation focusing on the high level assumptions and key messages of the 2017 Western Australian Gas Statement of Opportunities (WA GSOO) as per the current status and the forecast accuracy of the previous GSOOs. The complete presentation is available on the Rule Change Panel's website.</p> <p>The following points were discussed:</p> <ul style="list-style-type: none"> Mr Tan noted that, under one of the many scenarios, in the medium term (from around 2020) the contracted gas supply could fall dramatically under the 2016 WA GSOO's forecasted Base and Peak demand. Mr Tan noted that the development of new gas reserves must be underpinned by long term supply contracts, and that based on the firm quantity of contracted gas supply, new reserve development would be required from 2020. Mr Tan indicated that gas prices could increase if gas consumers did not react in the near future by signing new contracts. <p>Mr Mike Lauer noted that a decline in contracted gas supply does not equal a decline in capacity available to the market. The current decline in contracted gas supply from 2020 onwards cannot be seen as an indicator for a shortfall in capacity or increasing gas prices. Mr Lauer further noted that the more reasonable conclusion would be that there will be new contracts from 2020 onwards unless the demand destruction from the early 2000s continues.</p> <p>Mr Tan agreed that the available processing capacity as well as underlying gas reserves each exceed the peak demand forecast for the entire horizon of the 2016 WA GSOO.</p>	

	<p>Mr DiBona noted that no conclusions about the gas processing capacity or gas reserves could be drawn from the quantity of contracted gas supply. Ms Amanda Rudd agreed with Mr DiBona and added that there should be no inference from the contracted supply on gas prices.</p> <p>Mr Dave Rafferty noted that the quantity of contracted gas supply would just roll forward in the near future, but drew attention to a recent presentation from the Department for Jobs, Tourism, Science and Innovation; in which a reserve shortfall was predicted from the mid-2020s. Mr Rafferty added that it is foreseen that current reserves will run out within the timeframe of the 2017 WA GSOO. Mr Rafferty suggested that AEMO includes an analysis in the WA GSOO about the cost (per GJ) of the development of new reserves (tied back to an existing production facility). Mr Rafferty noted that the costs of such a project would give indications on new price dynamics and whether there will be any demand destruction. Mr Lauer indicated that inclusion of such an example in the WA GSOO is a good idea, but that caution must be used to avoid frightening people.</p> <ul style="list-style-type: none"> • There was some discussion that the current prices were too low to incentivise the development of new reserves, that the quantity of gas contracted in the long term was decreasing, and which factors could lead to demand destruction. • Mr Tan noted that there would be one more consultative forum before the finalisation of the GSOO. This forum was planned to be held in early November 2017. 	
5	<p>Discussion: Future meeting frequency and agenda items</p> <p>The Chair noted that the purpose of the GAB had changed since the transfer of functions from the IMO to the Rule Change Panel. In particular, the Rule Change Panel has no function to develop the GSI Rules, which the IMO used to have. The Rule Change Panel's primary function is to process but not to develop Rule Change Proposals.¹ The Rule Change Panel needs the expert advice of the GAB to assess Rule Change Proposals, but this advice would be needed on an ad hoc basis, as the Rule Change Panel will not proactively develop the GSI Rules.</p> <p>The Chair asked the GAB how frequently the GAB meetings should be scheduled and if there are any topics that should be discussed. The GAB agreed that it should meet every six months and that additional meetings should be scheduled if needed.</p> <p>Mr Rafferty suggested that a representative of RCP Support should explain the functions of the Rule Change Panel and how Gas Market Participants can engage with the Rule Change Panel at one of AEMO's upcoming industry forums. Mr Maticka agreed that this was a good idea.</p>	

¹ The Rule Change Panel may only develop Rule Change Proposals to address a manifest error in the GSI Rules or to make changes that are administrative or procedural in nature.

	<p>Action: RCP Support to explain the functions of the Rule Change Panel and how Gas Market Participants can engage with the Rule Change Panel at AEMO's next industry forum.</p> <p>Mr Matthew Martin asked if it would be useful that the GAB would further discuss the scope of the WA GSOO. Mr Tan noted that AEMO's five-yearly review of the scope of the WA GSOO was due in 2018.</p>	RCP Support
6	<p>General Business</p> <p><u>Rule Change Proposal to facilitate the registration of the Wheatstone Ashburton West Pipeline</u></p> <p>Mr Maticka noted that AEMO would develop a Rule Change Proposal to facilitate the registration of the Wheatstone Ashburton West Pipeline. AEMO was planning to request that this Rule Change Proposal would be processed under the Fast Track Rule Change Process. Mr Maticka noted that AEMO would provide a Pre-Rule Change Proposal to RCP Support to be distributed to the GAB for feedback prior to the formal submission of the proposal.</p> <p>Action: AEMO to provide a Pre-Rule Change Proposal to RCP Support for the distribution to the GAB with request for feedback.</p>	AEMO

The meeting closed at 3:07 PM.

Agenda Item 4: GAB Action Items

Meeting 2018-03-28 – 28 March 2018

Shaded	Shaded action items are actions that have been completed since the last GAB meeting.
Unshaded	Unshaded action items are still being progressed.
Missing	Action items missing in sequence have been completed from previous meetings and subsequently removed from log.

Item	Action	Responsibility	Meeting Arising	Status/progress
72	The Rule Change Panel to assess the value of a GSI cost benefit study in mid-2017	Rule Change Panel	July 2015	Closed
75	AEMO to develop a Pre-Rule Change Proposal to transfer the GBB Zones definition from GSI Rules to a Procedure.	AEMO	October 2015	Open
77	AEMO to provide submission timelines for AEMO's Bulletin Board – to be circulated before March 2018 meeting.	AEMO	October 2015	Open
78	AEMO to investigate Gas Market Participant's individual submission times for GBB data.	AEMO	October 2015	Open
79	Prior to AEMO developing a Rule Change proposal to remove the time lag between data submission and publication of GBB reports, AEMO will prepare a presentation on the issue to obtain feedback from Large Gas Users.	AEMO	October 2015	Open
80	RCP Support to explain the functions of the Panel and how the Gas Market Participants can engage with the Panel at AEMO's next industry forum	RCP Support	September 2017	Open



5-Yearly Review of the WA GSOO overview and role of GAB

Presented to the Gas Advisory Board by
Neetika Kapani, Manager, Reserve Capacity (WA)
Noelle Leonard, Senior Analyst, Reserve Capacity (WA)

March 2018

Agenda

1. Introduction
2. Findings
3. Discussion and Input request from the GAB
4. Next steps

Introduction

Why are we doing this?

GSI Rules requirements

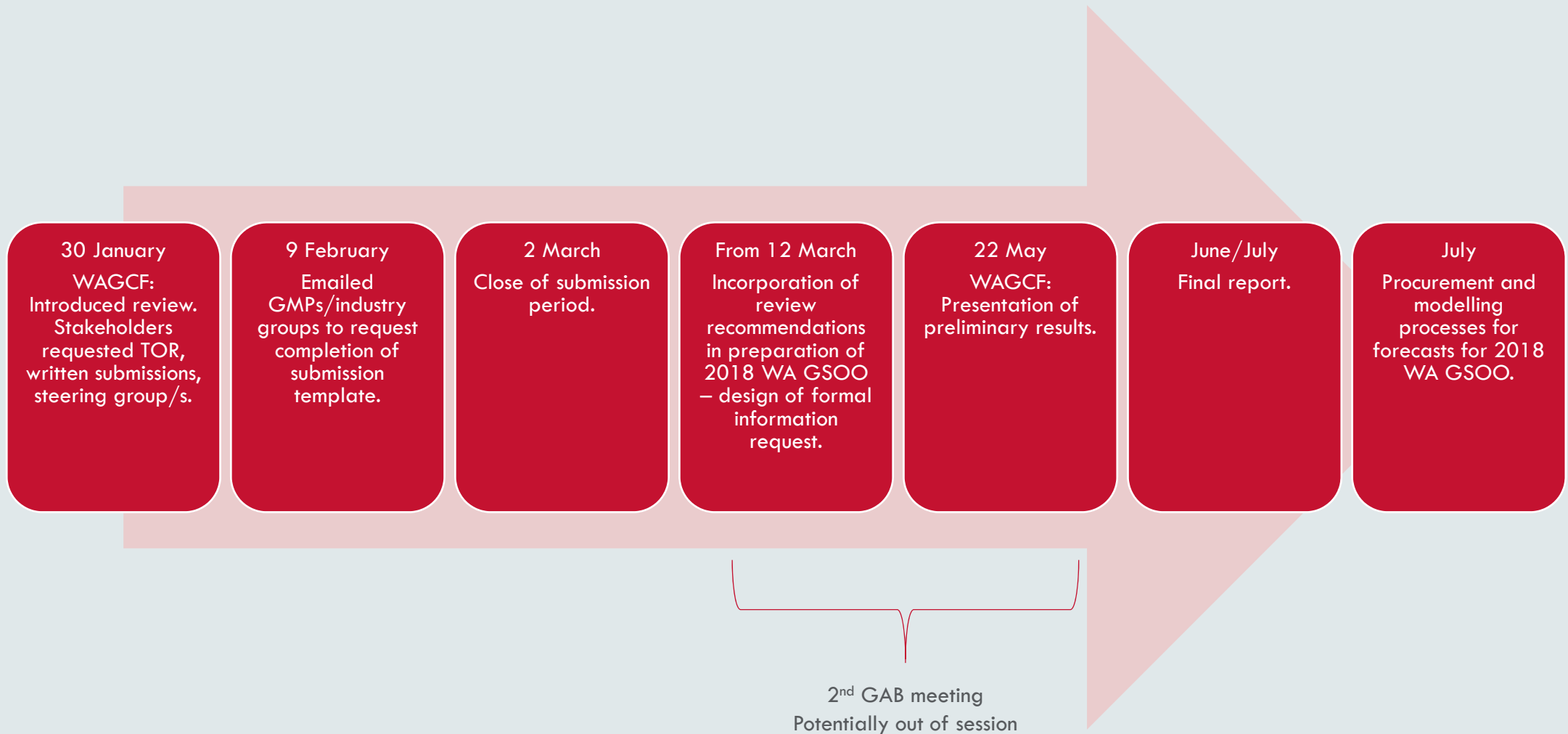
Clause 105 of the GSI Rules (WA) (“Consultation on GSOO Information”):

- (1) AEMO must, at least once in every five year period, conduct a review of the GSOO information.
- (2) The review must be carried out in consultation with Gas Market Participants and gas industry groups.
- (3) The review of the GSOO information may consider any of the following:
 - a) the regions (if any) to be specifically considered in a GSOO;
 - b) assumptions upon which a GSOO is developed;
 - c) scenarios to be considered by a GSOO;
 - d) the general methodologies to be used in developing a GSOO;
 - e) the types of information to be collected for a GSOO; and
 - f) any other inputs that AEMO considers relevant.

Key points

- First WA GSOO 5 yearly review since first GSOO publication in 2013.
- In consultation with Gas Market Participants (GMPs) and industry groups.
- Participation is voluntary/optional.
- GSI Rules not prescriptive on review.
 - Latitude for AEMO.

Timeline



Steps so far

- TOR developed:
Confidentiality.
- Submission template developed:
Addressed each area outlined in subrule 105(3)(a)-(f).
Focused quantitative, categorical, and open-ended responses.
- TOR/submission template sent to WAGCF email list:
GMPs, government and industry bodies, and GAB.
144 non-AEMO contacts.
- Preliminary analysis carried out:
Frequency tables – quantitative and categorical questions.
Classification and tally of open-ended responses.

Findings

Submission responses

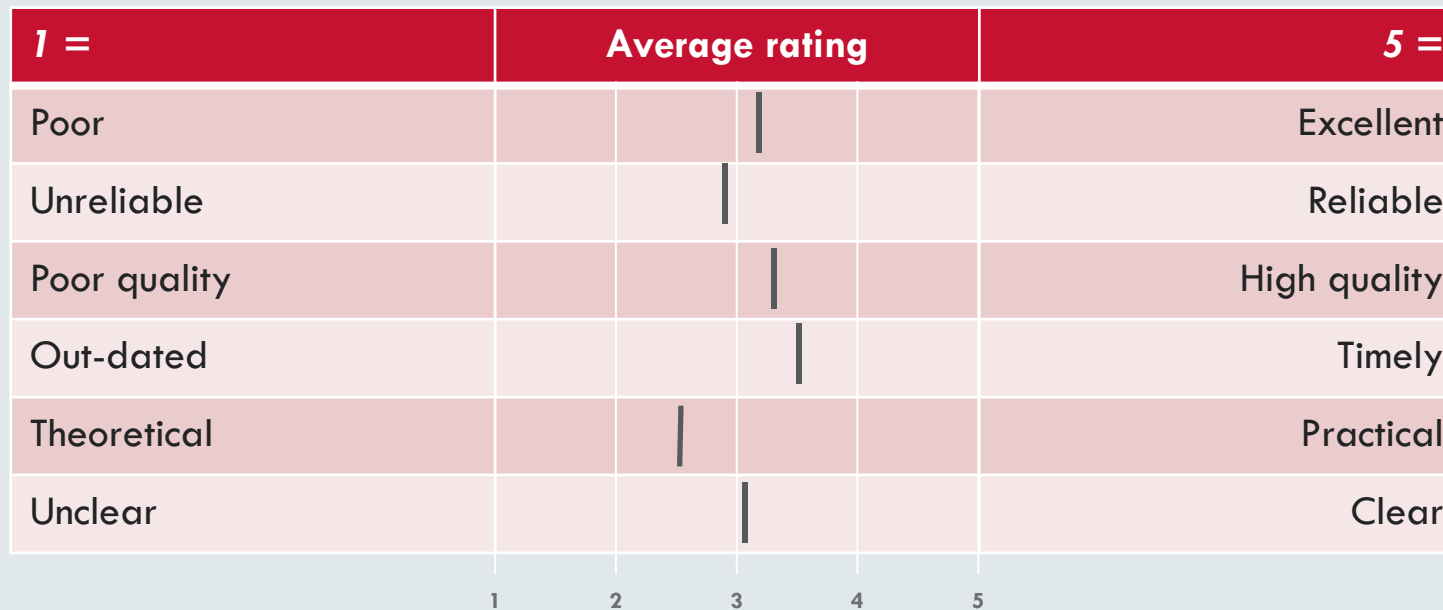
- 14 Full submissions received
 - 6 Gas consumers, distributors or retailers.
 - 6 Gas operators/suppliers.
 - 2 Government/industry bodies.
- 8 submissions received from discrete GMPs.
 - 65 Current # GMPs.
 - 12%: Response rate of GMPs.

Disappointing response given stakeholder engagement.

Ratings - Opinions

Table 2: How would you describe the 2017 WA GSOO?

Average ratings on a scale of 1 to 5.



GAB feedback request:

Why might the GSOO be seen as slightly unreliable?

Why might the GSOO be seen as somewhat theoretical?

Key issues identified

- Modelling issues
- Sensitivity analysis requests
- Granularity of data

Discussion and GAB input request

Modelling Issues- GAB input request

Should demand, supply and prices be modelled together (as a market), not separately?

Comments suggest this is the primary issue.

Why might gas price forecasts be viewed less favourably than gas supply and gas demand forecasts?

Should supply and price assumptions change?

Comments suggest supply assumptions “overly simplistic”, “illogical”.

Should the modelling of cost of production, and price index (LNG netback) be changed?

How can the modelling address the impact of the reservation policy?

Are there any other aspects AEMO is missing?

Should peak gas demand forecasts be provided?

Comments suggest GSOO forecast indicated a “very poor understanding”.

If keep, should the methodology be changed?

What value do these forecasts serve, noting they are not required under GSI rules.

Sensitivity Analysis- GAB input request

Should there be greater prospective/speculative analysis?

Comments suggest:

“Key uncertainties and contingencies need to be reflected”.

Should address “potential demand destruction”.

Need to “identify potential projects”.

Provide “insights to future market trends”.

“Events and challenges ahead for the market: new assets in the market, impact of renewable energy on gas supply”.

Granularity – GAB input request

Should there be greater granularity in forecasts?

Comments suggest:

Regional forecasts, eg. NW/Pilbara, Eastern, Metro, South West.

By usage category, eg. mining, minerals processing, GPG, etc.

Why might some stakeholders prefer that the GSOO provide fewer forecasts (eg. discontinue low/high scenarios) for gas price, total gas and peak gas demand?

Should we investigate other scenarios? If so, which ones?

Should there be further analysis of GBB data to address trends?

Comments suggest:

12-month lookback.

Actual gas consumption by large user facilities.

Next steps

Next steps

AEMO to provide GAB with the preliminary findings of the review including key issues – By 21 March 2018.

GAB to endorse key areas of focus by 28 March 2018.

Next GAB meeting –Suggest options to improve key components of GS00.

Agenda Item 6(b): GSI Rules Reconciliation

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1. The Issue

There are two processes to make changes to the Gas Services Information Rules (**GSI Rules**):

- the rule change process run by the Rule Change Panel (**Panel**) process; and
- the Minister for Energy has the authority to make changes to the GSI Rules.

The Minister must publish any changes he makes to the GSI Rules in the Government Gazette, and the published GSI Rules must reflect any Gazetted changes.

The Rule Change Panel Support (**RCP Support**) has reviewed the GSI Rules to ensure that the rules published on the Panel website¹ accurately reflect the rule changes that have been made by the Panel and by the Minister via the Government Gazette.

A comparison has been conducted between the GSI Rules published on the website² on 3 January 2018 against the combined:

- the 20 March 2015 version of the GSI Rules (the base document);
- the changes imposed by the 27 November 2015 Government Gazette;
- the changes imposed by the 25 November 2016 Government Gazette;
- the changes imposed by the 30 June 2016 Government Gazette; and
- the changes imposed by the GRC_2017_01 – Amendments to Schedule 2 – GBB Zones.

RCP Support has identified a number of discrepancies between the current GSI Rules, as published on the Panel website, and how the GSI Rules should appear after applying the rule changes listed above. That is, it appears that the GSI Rules does not accurately reflect the changes that have been made by the Government Gazette:

- There is one relatively material discrepancy in clause 7(2) of the GSI Rules.
 - The error is such that clause 7(2) of the published GSI Rules specifies that the Independent Market Operator (**IMO**), the Panel, the Australian Energy Market Operator (**AEMO**), and the Economic Regulation Authority have responsibilities under the GSI Consultation Procedure; but if the Gazette is strictly applied, clause 7(2) should only specify that the IMO and AEMO have responsibilities under this procedure.
 - Clause 7(2) of the GSI Rules will be affected by the dissolution of the IMO, as discussed under Agenda Item 6(a). RCP Support has liaised with the Public Utilities Office (**PUO**), and the PUO will correct this error as part of its process to amend the GSI Rules to dissolve the IMO.

¹ The GSI Rules are available at <https://www.erawa.com.au/rule-change-panel/gas-services-information-rules>.

² The GSI Rules as at 3 January 2018 are available at <https://www.erawa.com.au/rule-change-panel/gas-services-information-rules>.

- There are a number of other minor issues that need to be corrected in the GSI Rules, such as incorrect punctuation, extra spaces in sentences, italicised versus non-italicised terms, and replacing dashes with colons (this list is non-exhaustive).

2. Next Steps

Once the PUO has Gazetted the changes to the GSI Rules to dissolve the IMO, RCP Support will take the following steps to clean up the current version of the GSI Rules:

1. update the GSI Rules that are currently published on the Panel's website to make sure that they accurately reflect the changes that have been made via the Government Gazettes; and
2. prepare an "omnibus" rule change to the GSI Rules to address some minor drafting errors in the GSI Rules that have been introduced by the Government Gazettes. This "omnibus" Rule Change Proposal will be added to RCP Support's work plan in the appropriate order of priority.

Agenda Item 7: GAB Composition Review

Meeting 2018_03_28

1. Composition Review

Under clause 4.9 of the Gas Advisory Board (**GAB**) Constitution, the Rule Change Panel (**Panel**) is required to undertake an annual review of the composition of the GAB. These reviews are to assess the performance and attendance of all GAB members.

2. GAB Membership

As per the GAB Composition Review in 2016, the two-year terms of the following four GAB members are expiring in July 2018:

Member	Representing
Dave Rafferty	Gas Producers
Jon Cleary	Pipeline Owners and Operators
Mike Lauer	Gas Shippers
Ian Mumford	Gas Users

The Panel will run a process to fill these vacancies as part of the 2018 Composition Review, in accordance with the GAB Appointment Guidelines.¹ This process will be similar to the 2017 GAB Composition Review.²

An individual may be nominated in more than one group but can only be appointed to represent one group (GAB Constitution, section 4.3), and an industry organisation can only have one individual on the GAB at any one time (GAB Constitution, section 4.7).

The following is a brief overview of the GAB Composition Review process:

- the Panel will review the performance and attendance of GAB members;
- nominations will be sought from 'Discretionary Class' members whose tenure has lapsed;
- nominations will be evaluated;
- nominees will be advised on the outcomes of the Review; and
- a GAB meeting will be convened with both new and old members.

¹ See <https://www.erawa.com.au/cproot/17916/2/GAB%20Appointment%20Guidelines%20-%20May%202017.pdf>.

² See <https://www.erawa.com.au/rule-change-panel/gas-advisory-board/annual-gas-advisory-board-composition-reviews>.

3. Timeline

As per the GAB Appointment Guidelines, the call for nominations for the GAB will occur around May to June 2018, and the process is to be completed in late June 2018. Successful nominees will be notified in July 2018.

The proposed timeline for the 2018 annual composition review is as follows:³

Stage	Proposed Time
GAB Composition Review commences	April/May 2018
Panel calls for nominations for GAB vacancies	May/June 2018
Nominations for GAB Membership due to the Panel	June 2018
Assessment Period	June 2018-July 2018
Nominees advised of the outcomes of the appointment process	July 2018
GAB meeting – new and old members invited	The GAB Appointment Guidelines indicate that this meeting will be in August 2018, ⁴ but the likely next GAB meeting is proposed for September 2018

³ See <https://www.erawa.com.au/cproot/17916/2/GAB%20Appointment%20Guidelines%20-%20May%202017.pdf>.

⁴ August is stated in the GAB Appointment Guidelines however this should be the month of the next scheduled GAB meeting – GAB Appointment Guidelines clause 6.8.

Agenda Item 8: GAB Meeting Schedule

GAB Meeting 2018_03_28

This paper presents the proposed schedule for meetings of:

- Rule Change Panel (Panel)** For information Meetings are scheduled for the third Thursday of every month, except that no meeting is proposed for January 2018, and the March and November meetings will be on the fourth Thursday of the month.
- Gas Advisory Board (GAB)** For decision Two meeting are scheduled per year, on the last Thursday of the month in March and September.

The GAB is asked whether this meeting frequency and timing is appropriate.
- Market Advisory Committee (MAC)** For information Meetings are scheduled for the second Wednesday of every month, except that no meeting proposed for January 2018.

All meetings will be held at Albert Facey House, 469 Wellington Street, Perth.

Month	Panel	GAB	MAC
January 2018			
February 2018	15/02/2018		14/2/2018
March 2018	22/03/2018	28/03/2018	14/03/2018
April 2018	19/04/2018		11/04/2018
May 2018	17/05/2018		09/05/2018
June 2018	21/06/2018		13/06/2018
July 2018	19/07/2018		11/07/2018
August 2018	16/08/2018		08/08/2018
September 2018	20/09/2018	27/09/2018	12/09/2018
October 2018	18/10/2018		10/10/2018
November 2018	15/11/2018		14/11/2018
December 2018	20/12/2018		12/12/2018