

Gas Advisory Board

Agenda

Meeting No.	15
Location:	IMO Board Room Level 17, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date:	Tuesday 20 th May 2014
Time:	1.00pm – 3.00pm

Item	Subject	Responsible	Time
1.	WELCOME	Chair	2 min
2.	MEETING APOLOGIES / ATTENDANCE	Chair	2 min
3.	MINUTES OF PREVIOUS MEETING	Chair	5 min
4.	ACTIONS ARISING	Chair	5 min
5.	GSI RULES		
	a) Discussion Paper - GPRC_2014_01: GSI Fee Arrangements	PUO	20 min
6.	PRESENTATION: WALLUMBILLA SUPPLY HUB DEVELOPMENT	John Jamieson	20 min
7.	DEVELOPMENT OF A WA GAS MARKET	IMO	60 min
8.	GENERAL BUSINESS	IMO	5 min
	a) GSOO Information Request - Reserves	IMO	10 min
9.	NEXT MEETING: Wednesday 16th July 2014		

GAS ADVISORY BOARD MEETING

Discussion Paper

20 May 2014

GPRC_2014_01

GSI Fee arrangement: Inclusion of Registered Production Facility Operators

The GSI Rules (Part 7, Division 4) currently provide for GSI Fees, which recover the IMO's costs of providing GSI Services (the Gas Bulletin Board and Gas Statement of Opportunities), to be charged to Registered Shippers. This arrangement does not recover GSI Fees from Registered Production Facility Operators who may also benefit from GSI Services.

The Public Utilities Office proposes the Rule Change to amend the GSI Fee arrangements so that fees and charges to be paid under the GSI Rules for the performance of the functions of the operator are also paid by Registered Production Facility Operators of natural gas in Western Australia.

The sharing of costs between Registered Shippers and Registered Production Facility Operators will promote equity between producers and consumers across the gas market supply chain.

Amendment of the proposed GSI Fee methodology

It is proposed that any new formula to determine how the GSI Fee is to be apportioned to Registered Production Facility Operators would logically have (some or all of) the following parts:

- a) A method for calculating the total cost to be recovered.
- b) A description of how the total cost should be allocated across specified groups of participants (ie. between Registered Shippers and Registered Production Facility Operators).
- c) A (volumetrically based) method for calculating how much each production facility must pay as part of the costs allocated for production facilities as a group.

In terms of a) above, the GSI Rules already enable this calculation.

In terms of b) above, the total cost may be allocated according to criteria of equity or on the basis of who is likely to benefit most from the gas information services (the Gas Bulletin Board and Gas Statement of Opportunities).

In terms of c) above, the Daily Actual Flow Data representing the actual production volumes is considered to be the best approach to apportion the total cost and this information is already collected by the IMO as part of Gas Bulletin Board information.

It is also proposed that the split is determined by calculating the share on the basis of the number of Producers rather than (specifically) Registered Production Facility Operators as these two descriptors yield two different numbers. (For example, Apache has two Production Facilities, so that there are five Registered Producers with six Registered Production Facilities).

In this proposal, the number of Producers is used in calculations rather than the number of Production Facilities on the basis that the ratio of Participants that are Producers to Participants that are Shippers appears more consistent than the ratio of Participants that are Production Facilities to Participants that are Shippers.

Three options are proposed for calculating the GSI Fee as it relates to Producers, or, Registered Production Facility Operators:

- *Option 1: Allocation of the total cost between Shippers and Producers based on number of participants, then volumes*
 - Under this option, the total cost is allocated first by the share of Participants each group contains and then gets distributed by volume within each Participant group.
 - This option will impose a relatively smaller cost on Producers (compared to Option 2 or Option 3).

- *Option 2: Allocation of the total cost between Shippers and Producers based on 50/50, then volumes.*
 - Under this option, the total cost is allocated 50/50 between Shippers and Producers in line with the principle of linking the payment to the share of volume.
 - In the long run, the volume produced is the same as the volume shipped.
 - A split of 50/50 may be considered fairer in terms of equity.
 - This option will markedly reduce the direct financial impact on Shippers.

- *Option 3: A purely volumetric allocation.*
 - A purely volumetric allocation would be very close to the 50/50 split shown above, as the volumes shipped are almost the same as volumes produced.
 - Aggregated Shipper Quantities include all volumes delivered to any delivery point, including the delivery point of Mondarra Storage Facility. This means that any volumes that go through the Storage Facility are counted twice. At the moment this has negligible impact, but should there be an increase in turnover of storage gas in future, the shipped volumes would be higher than the volumes produced at the Production Facilities and the volume split would no longer equal the 50/50 allocation.

A table of the indicative cost of Options 1 and 2, based on figures supplied by the IMO, are shown overleaf. Please note that the calculations reflect that there are five Producers.

The GAB is asked to consider and form a view with regard to:

- 1) Whether the GSI Fee calculation should be based on Producers rather than Registered Production Facility Operators.
- 2) The preferred Option for apportioning the GSI Fee that is attributable to Producers, or, Registered Production Facility Operators.

General Data						Fees Allocated Only to Shippers (Current Method)				Split of fees between Shippers and Producers Based on Number of Participants, then volumes				Split of fees between Shippers and Producers based on 50/50, then volumes			
Quarter	Budget	No Shippers	No Producers	Volumes Shipped (TJ)	Volumes Produced (TJ)	Share for Shippers	Share for Producers	Shipper Fee (\$/TJ)	Producer Fee (\$/TJ)	Share for Shippers	Share for Producers	Shipper Fee (\$/TJ)	Producer Fee (\$/TJ)	Share for Shippers	Share for Producers	Shipper Fee (\$/TJ)	Producer Fee (\$/TJ)
Oct-Dec 2013	\$619,869.83	37	5	94,642	94,629	1.00	0.00	\$ 6.55	\$ -	0.88	0.12	\$ 5.77	\$ 0.78	0.50	0.50	\$ 3.27	\$ 3.28
Jan-Mar 2014	\$606,394.40	38	5	88,107	88,265	1.00	0.00	\$ 6.88	\$ -	0.88	0.12	\$ 6.08	\$ 0.80	0.50	0.50	\$ 3.44	\$ 3.44