



INDEPENDENT  
MARKET  
OPERATOR

## Gas Advisory Board Minutes

<b>Meeting No.</b>	15
<b>Location</b>	IMO Board Room Level 17, Governor Stirling Tower, 197 St Georges Terrace, Perth
<b>Date</b>	Tuesday, 20 May 2014
<b>Time</b>	1.00pm – 3.30pm

<b>Attendees</b>	<b>Class</b>	<b>Comment</b>
Allan Dawson	Chair	
Kate Ryan	Independent Market Operator (IMO)	
John Jamieson	Pipeline Owner/Operator	(1:00pm-3:10pm)
Mark Cooper	Pipeline Owner/Operator	
Mike Shaw	Large Gas User	
Pete Di Bona	Gas Producer	
Stewart Gallagher	Gas Producer	(1:40pm-3.30pm)
Andrew Sutherland	Gas Shipper	
Stan Reid	Gas Shipper	
Bryon McLaughlin	Coordinator of Energy	Proxy
Natalia Kostecki	Small End Users, Minister's Appointee	Proxy
Nerea Ugarte	Minister's Appointee – Observer	
Natalie Jackson	Economic Regulation Authority – Observer	Proxy
Trent Morrow	Market Reform	Presenter
Laura Koziol	IMO	Presenter
Erin Stone	IMO	Observer
Michael Smythe	Alinta	Observer
Chris Campbell	Alinta	Observer
Allan MacDougall	Gas Trading	Observer (1:25pm-3:30pm)
Hans Niklasson	Kleenheat	Observer
Ian Mumford	BHP	Observer
Joachim Tan	IMO	Observer
Martin Maticka	IMO	Observer
Anne-Marie Foo	IMO	Observer
Tim Middlehurst	IMO	Observer

Alex Penter	IMO	Observer
Courtney Roberts	IMO	Minutes
<b>Apologies</b>	<b>Class</b>	<b>Comment</b>
Ray Challen	Coordinator of Energy	Proxy attended
Aden Barker	Small End Users, Minister's Appointee	Proxy attended
Elizabeth Walters	Economic Regulation Authority – Observer	Proxy attended

Item	Subject	Action
1.	<p><b>WELCOME</b></p> <p>The Chair opened the meeting at 1:00 PM and welcomed all members to the 15th Gas Advisory Board (GAB) meeting.</p>	
2.	<p><b>MEETING APOLOGIES / ATTENDANCE</b></p> <p>The following apologies were received:</p> <ul style="list-style-type: none"> <li>• Ray Challen (Coordinator of Energy);</li> <li>• Aden Barker (Small End User); and</li> <li>• Elizabeth Walters (Economic Regulation Authority – Observer).</li> </ul> <p>The following proxies were noted:</p> <ul style="list-style-type: none"> <li>• Bryon McLaughlin for Ray Challen (Coordinator of Energy);</li> <li>• Natalia Kostecki for Aden Barker (Small End User); and</li> <li>• Natalia Jackson for Elizabeth Walters (Economic Regulation Authority – Observer).</li> </ul> <p>The following presenters/observers were noted:</p> <ul style="list-style-type: none"> <li>• Chris Campbell (Alinta);</li> <li>• Michael Smythe (Alinta);</li> <li>• Allan MacDougall (Gas Trading);</li> <li>• Ian Mumford (BHP);</li> <li>• Hans Niklasson (Kleenheat Gas);</li> <li>• Trent Morrow (Market Reform);</li> <li>• Tim Middlehurst (IMO);</li> <li>• Alex Penter (IMO);</li> <li>• Joachim Tan (IMO);</li> <li>• Erin Stone (IMO);</li> <li>• Anne-Marie Foo (IMO);</li> <li>• Laura Koziol (IMO);</li> <li>• Martin Maticka (IMO); and</li> <li>• Courtney Roberts (IMO).</li> </ul>	
3.	<p><b>MINUTES OF PREVIOUS MEETING</b></p> <p>The minutes of GAB Meeting No. 14, held on 18 February 2014 were circulated prior to the meeting.</p> <p>No further comments were raised and the minutes of the previous meeting were accepted as a true record.</p> <p><i>Action Point: The IMO to publish the final version of minutes taken from GAB Meeting No 14.</i></p>	<b>IMO</b>
4.	<p><b>ACTIONS ARISING</b></p> <p>Ms Kate Ryan advised the GAB that action item 36 had been completed and action item 41 would be presented at the meeting in Agenda Item 6.</p>	

**5a. GPRC\_2014\_01: GSI FEE ARRANGEMENTS**

The Chair introduced Dr Natalia Kostecki to present the discussion paper outlining the options proposed to allocate a proportion of the Gas Services Information (GSI) Fees to Registered Production Facility Operators, on behalf of the Minister for Energy.

Dr Kostecki noted the three options to be discussed were:

1. an initial allocation of fees between Registered Shippers and Registered Production Facility Operators based on the number of participants and then an allocation within those groups on a volumetric basis;
2. an initial allocation of fees between Registered Shippers and Registered Production Facility Operators on a 50/50 basis and then an allocation within those groups on a volumetric basis; or
3. a purely volumetric allocation.

Mr Pete Di Bona sought clarification on the operation of the Rule Change Process and noted that the IMO had considered this issue in development of the GSI Rules and decided that it was more efficient to levy the fees on the Registered Shippers only. The Chair noted that the IMO had determined that both methods would be consistent with the GSI Objectives.

Mr Di Bona expressed his concern that the fee structure had only recently been established and that such a significant change early in the operation of the GSI Rules would set a precedent. Mr Stan Reid noted that rules were necessarily revisited regularly and changed over time.

GAB members discussed the options:

- Mr Mark Cooper noted that end-users should be the ultimate beneficiaries of the GSI and therefore should bear the costs. He further noted that shippers should be best placed to pass this cost on.
- Mr Ian Mumford said that the provision of information under the GSI Rules benefitted everyone and therefore he believed that a 50/50 split was reasonable.
- Mr Andrew Sutherland noted that the basis on which the current arrangement was made was that shippers were able to pass the cost on was an assumption that doesn't necessarily hold true.
- Mr Chris Campbell agreed with Mr Mumford that the whole market benefits from the GSI and therefore the fees should be split 50/50 between shippers and producers. Mr Sutherland noted that this would be similar to the current allocation of fees in the electricity market.
- Mr Di Bona questioned what method was used to allocate fees on the east coast and what the justification was. The Chair and Mr John Jamieson noted that the fees were similarly levied on shippers and that they expected that this was because shippers were perceived to be in the best place to pass the costs through to the end-users and the arrangement reduces the overall administrative burden.
- Mr Hans Niklasson noted that if there is value to both shippers

	<p>and producers, the cost should be split accordingly.</p> <p>Dr KostECKi informed the GAB that, given the discussion, the PUO would progress a Rule Change Proposal, on behalf of the Minister, on the basis of a 50/50 split between Registered Shippers and Registered Production Facility Operators and then allocated on a volumetric basis.</p> <p><i>Action Point: The PUO to submit GPRC_2014_01 into the formal rule change process.</i></p>	<b>PUO</b>
<b>6.</b>	<p><b>PRESENTATION: WALLUMBILLA SUPPLY HUB DEVELOPMENT</b></p> <p>The Chair introduced Mr Jamieson to present an overview of the Wallumbilla Gas Supply Hub and APA's experience through the development.</p> <p>GAB members discussed the operation, volume and price of trades and the development of APA's new services to facilitate trade at the Wallumbilla Supply Hub.</p> <p><i>Action Point: The IMO to publish the presentation on the Wallumbilla Supply Hub Development on the GSI Website.</i></p>	<b>IMO</b>
<b>7.</b>	<p><b>DEVELOPMENT OF A WESTERN AUSTRALIAN GAS MARKET</b></p> <p>The Chair welcomed Mr Trent Morrow from Market Reform to present a discussion of the high level design options considered for the development of a gas market in Western Australia (WA).</p> <p>Mr Morrow outlined the guiding principles proposed to underpin the development of a gas market in WA and requested feedback from GAB members. No comments were made.</p> <p>Mr Morrow provided an overview of the different elements of a market and discussed the 'base model' and extended options for each.</p> <p>The following points were noted with respect to the hub location:</p> <ul style="list-style-type: none"> <li>• Mr Cooper noted that the options should be considered in light of the opportunity to facilitate trade in the Pilbara area, which represented around 30 percent of the State's consumption. Mr Campbell noted that under the base model, these customers would need access to full-haul, part-haul and back-haul services to be able to receive gas from all of the producers in the hub. Mr Allan MacDougall recommended that the IMO undertake further consultation with Gas Market Participants on the Pilbara Energy Pipeline and the Goldfields Gas Pipeline.</li> <li>• Mr Stewart Gallagher asked whether there were examples showing how the proposed hub would operate. Mr Morrow noted that most supply hub arrangements were similar to the extended model discussed.</li> <li>• Mr Cooper considered there was value in the extended model, noting that it would cost the Registered Pipeline Operators to facilitate the necessary contract changes. Mr Cooper estimated that it would cost DBP around \$1 million to support these changes and indicated that it would be a slow process.</li> <li>• Mr Cooper noted that another potential hub location was around the Perth Basin. The Chair said that once the trading platform was</li> </ul>	

	<p>developed additional locations could be added cheaply and easily.</p> <ul style="list-style-type: none"> <li>Mr Cooper questioned the value of locating a hub at the Mondarra Storage Facility, noting that this gas would ultimately have been bought from the Pilbara.</li> </ul> <p>The Chair welcomed Ms Laura Koziol to present the analysis that the IMO had undertaken on gas market fees. The Chair offered to provide a copy of the model used to determine the impact of different underlying assumptions with respect to fees to GAB members.</p> <p>Mr Cooper also noted that he expected that DBP would incur around \$100,000 to implement the system changes necessary under the base model.</p> <p>The Chair invited GAB members to provide feedback on the proposal once they had a chance to consider it in more detail. Mr Di Bona asked what the next steps were. The Chair noted that the IMO would finalise the proposal and draft a letter to escalate the proposal to the Government to consider as part of the Electricity Market Review. Ms Ryan also noted that the IMO would engage more broadly with stakeholders before the next GAB meeting, as suggested by Mr MacDougall. Mr Campbell agreed that this would be useful.</p> <p><i>Action items:</i></p> <ul style="list-style-type: none"> <li><i>The IMO to publish the presentation on the high level design options considered for the development of a gas market on the GSI Website.</i></li> <li><i>GAB members to provide feedback on the proposal to develop a gas market in WA by 17 June 2014.</i></li> <li><i>The IMO to consult with the gas industry more broadly with respect to the proposal to develop a gas market in WA.</i></li> <li><i>The IMO to provide to GAB members a copy of the model used to determine the impact of different underlying assumptions with respect to fees.</i></li> <li><i>The IMO to prepare a draft proposal for Government to consider, incorporating any feedback provided by GAB members for the consideration at the next GAB meeting.</i></li> </ul>	<p>IMO</p> <p>GAB</p> <p>IMO</p> <p>IMO</p> <p>IMO</p>
<p>8.</p>	<p><b>GENERAL BUSINESS</b></p> <p><b><i>Gas Statement of Opportunities Information Request – Reserves</i></b></p> <p>Ms Ryan outlined the IMO's request for information about gas reserves to be used in the Gas Statement of Opportunities (GSOO) and asked the GAB for any feedback. Mr Joachim Tan reiterated that intention was to use the data to improve the modelling for the GSOO and verify the estimates provided by external consultants. It was not the IMO's intention to publish any disaggregated reserves data.</p> <p>Mr Di Bona noted the complexity of reserve calculations and noted the criticality of confidentiality of the information being requested.</p> <p>Mr Di Bona and Mr Gallagher also noted that this information is currently provided to the Department of Mines and Petroleum (DMP) and suggested that the IMO should seek it from them for consistency and to minimise the administrative burden. Ms Ryan agreed that this would be preferable but that the IMO understood that DMP doesn't collect this information for all producers covered by the GSOO. Mr Tan also noted that the IMO had previously requested the data from DMP</p>	

	<p>and the Commonwealth's National Offshore Petroleum Title Administrator (NOPTA), but was told that the information was confidential for DMP and is only to be used for the purposes of complying with the relevant legislation.</p> <p>Mr Tan asked GAB members whether DMP provided specifications for the data or whether individual producers adjusted the data in accordance to the requested specifications prior to providing it. Mr Di Bona said he would find out and confirm with the IMO.</p> <p><b>GISP Final Budget Summary</b></p> <p>Ms Ryan provided attendees with a copy of the GISP final budget summary. Ms Ryan noted that the project had been completed around \$300,000 under budget and that these savings would reduce future GSI Fees.</p> <p><b>Other</b></p> <p>Ms Ryan reminded GAB members that nominations for 2014/15 GAB membership close at 4.00pm on Thursday 22 May 2014.</p> <p><i>Action:</i></p> <ul style="list-style-type: none"> <li>• <i>The IMO to discuss the GS00 information request further with Mr Di Bona and Mr Gallagher.</i></li> </ul>	<p><b>IMO/PD/ SG</b></p>
<p><b>CLOSED:</b> The Chair declared the meeting closed at 3.30pm.</p>		