

## Independent Market Operator

### Gas Advisory Board

## Minutes

<b>Meeting No.</b>	3
<b>Location:</b>	IMO Board Room
<b>Date:</b>	15 May 2012
<b>Time:</b>	1:00 PM – 2:20 PM

<b>Attendees</b>	<b>Class</b>	<b>Comment</b>
Allan Dawson	Chair	
Ben Coetzer	Producer	
Natalie Wallace	Producer	Proxy for Pete Ryan
Stephen Livens	Pipeline	
Nenad Ninkov	Shipper	
Geoff Gaston	Shipper	
Mike Shaw	Major User	
Suzanne Frame	Independent Market Operator (IMO)	
Wana Yang	Observer, Economic Regulation Authority (ERA)	
<b>Apologies</b>	<b>Class</b>	<b>Comment</b>
Paul Hynch	Observer, Public Utilities Office (PUO)	
Pete Ryan	Producer	Proxy sent
Gordon Rule	Major User	
Steve Lewis	Pipeline	
<b>Resigned</b>	<b>Class</b>	<b>Comment</b>
Paul Biggs	Small End Users (PUO)	No longer at PUO
<b>Also attended</b>	<b>From</b>	<b>Comment</b>
Kate Ryan	IMO	Presenter
Natalia KostECKI	PUO	Presenter
Courtney Roberts	IMO	Minute-taker

<b>Item</b>	<b>Subject</b>	<b>Action</b>
1.	<p><b>WELCOME</b></p> <p>The Chair opened the meeting at 1:00 PM and welcomed members to the third Gas Advisory Board (GAB) meeting.</p>	
2.	<p><b>APOLOGIES</b></p> <p>Steve Lewis (Pipeline), Gordon Rule (Major User) and Paul Hynch (PUO observer) all sent their apologies.</p> <p>Natalie Wallace attended the meeting as a proxy for Pete Ryan (Producer).</p> <p>The Chair also noted that the GAB member representing small end users, Dr Paul Biggs, was no longer at the PUO and that the IMO is waiting for the Department of Finance to advise who will replace Dr. Biggs on the GAB.</p>	

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3	<p><b>MINUTES OF PREVIOUS MEETINGS</b></p> <p><i>Minutes from GAB Meeting No. 1</i></p> <p><b>Agenda Item 5 – Options for Gas Bulletin Board (GBB) System pg 3, 2<sup>nd</sup> paragraph</b></p> <ul style="list-style-type: none"> <li>In response to Mr Lewis’ suggestion at GAB Meeting No. 2, the GAB agreed to make the following addition to the Minutes of Meeting No. 1:</li> </ul> <p><u>“The Chair stated it was the IMO’s intention to, as far as possible, maintain the same interface for the WA GBB as participants currently use to access the [National Bulletin Board] NBB, recognising that some participants operate both in WA and the Eastern States.”</u></p> <p><i>Minutes from GAB Meeting No. 2</i></p> <p><b>Agenda Item 7 – Gas Bulletin Board IT Strategy Pg 7, 6<sup>th</sup> paragraph</b></p> <ul style="list-style-type: none"> <li>In response to a suggestion by Mr Livens, the GAB agreed to make the following amendment:</li> </ul> <p>“Mr Coetzer re-stated that the main purpose of the GAB was related to the development of the rules for the GBB, and the technology platform used was a <del>relatively minor concern</del> <b>matter for the IMO.</b>”</p> <p><i>Action Point: Minutes of Meeting No. 2 to be amended to reflect this.</i></p>	IMO
4	<p><b>ACTIONS ARISING</b></p> <p>Ms Ryan provided an update on the action points from the last GAB meeting.</p> <p>Ms Ryan notified the GAB that the IMO had received some questions from Mr Lewis regarding the capability of the Australian Energy Market Operator (AEMO) to operate the WA GBB system, which have been sent to AEMO. Ms Ryan advised the GAB that AEMO’s response will be circulated to GAB members when it is received.</p> <p>The Chair informed the GAB that the IMO supplemented Mr Lewis’ questions with the issues that were uncovered by the consultant when they looked at the GBB. The Chair offered to circulate to the GAB the email that was sent to AEMO to the GAB.</p> <p>Mr Ninkov questioned if it was worthwhile circulating the correspondence to date between the IMO and AEMO to the GAB. The Chair advised that the email chain between the IMO and AEMO will be circulated to GAB members.</p> <p><i>Action Point: The IMO to circulate correspondence with AEMO to GAB members.</i></p>	IMO

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5	<p><b>GAS INFORMATION SERVICES PROJECT – UPDATE</b></p> <p>Ms Ryan provided a brief update on the Gas Information Services Project (GISP).</p> <p>Mr Ninkov queried the overall budget for the GISP. Ms Ryan advised that the total budget for the project was around \$3.3 million and the Chair noted this amount has not changed. The Chair also noted that the IMO would only spend what it needed to from that budget, recognising that any savings in project implementation costs would reduce the cost to participants in the future.</p> <p>Mr Shaw questioned the interaction between the GAB and the regulations and whether the GAB will have any say in developing the regulations and if there will be a consultation once the regulations are out. Ms Kostecki informed the GAB that the operational detail and the content that matters to gas market participants which will be located in the rules and that the GAB provides the forum in which members can provide their input as to what is to be included in the rules. The regulations enable the link between the heads of power in the legislation and setting out the broad areas of responsibility and the matters to be covered in the rules.</p> <p>Ms Kostecki clarified that the regulations set out broadly the types of information that needs to be included whereas the rules will specify what types of information, when it needs to be provided, in what format, and by whom, etc. Mr Ninkov questioned what would be in regulations and what would be in the rules. Ms Kostecki responded that regulations could cover all matters, but it is more difficult to change regulations down the track unlike the rules and for that reason the operational detail would be covered in the rules.</p>	
6	<p><b>GISP TIMELINE AND PROPOSED CONSULTATION</b></p> <p>Ms Ryan provided a brief update on the GISP timeline and noted that the key phase for developing the rules would occur from around September 2012 until the end of the year.</p> <p>The Chair clarified that there will likely be a governance section in the rules and separate sections for each of the GBB and Gas Statement of Opportunity (GSOO). Mr Gaston questions when a high level outline of the rules will be available to the GAB to get an idea of the structure as it will tie into the regulations. The Chair agreed the IMO would provide a high level outline of the rules to the GAB.</p> <p>Ms Ryan presented the different stages of the drafting of the rules and the timelines, including the likely consultation throughout the process. Ms Wallace questioned, on behalf of Mr Ryan, the merits of working groups to work through the consultation process and whether it would be necessary given that there stakeholder workshops are already proposed. The Chair responded if the GAB saw the need that different skills or more intensive work were required to consider an issue, then GAB could either invite observers to attend the meeting or a working group could be formed. The GAB Constitution empowers the GAB to establish working groups.</p> <p><i>Action Point: The IMO to provide GAB members with an outline of the draft</i></p>	<p><b>IMO</b></p>

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	<i>rules for the gas market.</i>	
7	<p><b>GOVERNANCE FRAMEWORK FOR THE GIS RULES</b></p> <p>Ms Ryan provided a brief update on the governance framework for the GIS rules.</p> <p>Ms Ryan presented a paper which outlined differences and similarities in the expected governance arrangements for the WA gas market compared to the WA Wholesale Electricity Market (WEM) and the national gas market.</p> <p>Mr Ninkov queried whether the immunity from liability arrangements would be the same as those applying under the National Gas Law (NGL). Ms KostECKI advised that there were slightly different models for immunity under the NGL and the WEM arrangements which were being looked at. Mr Livens added that under the eastern states arrangements the potential liability of a participant is capped, provided the participant is not negligent and acts in good faith. The Chair noted that the IMO's protection from liability also only applied when the IMO acted in good faith and as a reasonable Market Operator.</p> <p>Mr Livens identified a difference between the primary purpose of the WA GBB and NBB, namely that short-term demand positions are included in the WA GBB but not in the NBB. The Chair responded that the WA gas market would be looking at equitable disclosure of demand and supply.</p> <p>GAB members also discussed the extent to which the demand side can be seen from the trading market arrangements in some (but not all) eastern states markets. Mr Livens noted that in the development of the NBB, there was considerable push back from demand side participants in relation to providing information to the NBB.</p> <p>Ms Ryan outlined the key role that the Electricity Review Board (ERB) plays in compliance and enforcement in the electricity market which will be the same for the gas market. The Chair clarified that the ERB is typically made up of a senior judicial or a senior legal representative who are appointed by the Attorney-General and two technical experts with specific energy experience. The ERB is independent of both the IMO and market participants, providing an important protection for participants. Ms KostECKI confirmed that this arrangement was also proposed for the GIS.</p>	
8	<p><b>GAS SERVICES INFORMATION REGULATIONS</b></p> <p>The Chair invites Ms KostECKI to present on the Gas Services Information (GSI) Regulations (Regulations).</p> <p>Ms KostECKI explained that the Regulations will draw on the NGL in terms of the information, provision requirements for the GBB and GSOO and draw on the WEM arrangements when looking at compliance arrangements, governance structures, etc. The way that the Regulations are to be drafted broadly follows the 'flow' of provisions of the <i>Gas Services Information Act 2012</i> (GSI Act).</p> <p>Ms KostECKI advised the GAB that the PUO has proposed to draft the Regulations in at least two tranches as outlined in the paper provided. The</p>	

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	<p>drafting instructions for the first tranche are now completed and with the Minister for his approval.</p> <p>The first tranche is limited to conferring the functions of an operator and will include amendments to the Electricity Industry (IMO) Regulations, which will enable the IMO to have functions under the GSI Act and Regulations and to allow the IMO Board to accommodate a fourth director with gas industry experience. Ms KostECKI informed the GAB that it is likely to take a month from now for the Minister to approve these amendments to the regulations.</p> <p>Ms KostECKI explained that tranche two would include the majority of the remaining regulations required to establish the GBB and GSOO. There is also the potential for a third tranche which will include information specifically for the emergency management facility that will appear as part of the GBB. Ms KostECKI also added that tranche two (and any subsequent tranches) will be called 'Amendment Regulations', because there will be tranche one of the GSI Regulations gazetted by this stage. Tranche one regulations will also confer functions on other persons (e.g. Minister to approve changes to protected provisions in the rules, ERA to approve the IMO's allowable revenue) and outline permitted delegations.</p> <p>Mr Ninkov queried whether the gas market was defined in the regulations. Ms KostECKI clarified that a gas market participant is defined in GSI Act. The Chair added that the market is not limited geographically within the State; it is the entire WA gas market.</p> <p>Ms KostECKI outlined that the regulations would provide broadly for the making of rules and procedures, and also outlined that the regulations would place the obligations on a registered gas market participant to provide mandatory and requested information to the Operator. Mr Livens queried whether the Operator can only request information relevant to the performance of the functions. Ms KostECKI confirmed that this is the case and the GSI Act details that all information requirements have to specifically pertain to matters related to the GBB and GSOO.</p> <p>Mr Ninkov queried whether the information requirements for the GBB would override any confidentiality provisions in contracts. The Chair confirmed that they would need to if the GBB and GSOO implementation was to be successful.</p> <p>Ms KostECKI, addressing compliance arrangements, suggested that there was likely to be an amnesty period of approximately three months to allow sufficient time for GMP's to get reporting requirements in order. Civil penalties for breaches of the rules are categorised into Category A and Category B. There is also likely to be one infringement penalty, for a breach of regulations, where a gas market participant fails to register.</p> <p>Mr Livens queried why the ERB is named the 'Electricity Review Board' and not the 'Gas Review Board'. Ms KostECKI responded that the Board has both electricity and gas industry experience and the Chair suggested it may be more appropriate for this body to be renamed the 'Energy Review Board'.</p> <p>Mr Livens also queried whether the IMO would have discretion around applying penalties, or whether they would be automatic. Ms KostECKI confirmed that the IMO would have discretion.</p> <p>Ms KostECKI advised that amendments to the Gas Quality Specifications</p>	

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	<p>Regulations would also require gas specification information to be published on the GBB and that Tranche two Amendment Regulations will contain provisions to provide a nexus between the existing Gas Quality Specification Regulations and the GSI Regulations in terms of how the information flows between the Coordinator of Energy and the GBB/GSOO Operator.</p> <p>Ms KostECKi invited GAB members to contact herself or Ms Ryan if they have any queries on the drafting of the regulations. The Chair advised the GAB that the IMO will coordinate any questions from members and responses to be included in the papers for the next GAB meeting.</p> <p>Ms Yang requested that an electronic copy of the GSI Regulations Overview Paper be provided to GAB members, and Ms KostECKi agreed.</p> <p><i>Action Point: GAB members to provide any feedback/questions on the drafting of the GSI regulations to Ms KostECKi or Ms Ryan.</i></p> <p><i>Action Point: The PUO to consider renaming the 'Electricity Review Board' to the 'Energy Review Board'.</i></p> <p><i>Action Point: The PUO to circulate electronic version of GSI Regulations Overview Paper to GAB members.</i></p>	<p><b>GAB</b></p> <p><b>PUO</b></p> <p><b>PUO</b></p>
<b>9</b>	<p><b>GENERAL BUSINESS</b></p> <p>No further issues were raised.</p>	
<b>10</b>	<p><b>NEXT MEETING</b></p> <p>Tuesday, 10 July 2012.</p>	
<p><b>CLOSED</b></p> <p>The Chair declared the meeting closed at 2:20 PM</p>		