



INDEPENDENT
MARKET
OPERATOR

Gas Advisory Board Minutes

Meeting No.	16
Location	IMO Board Room Level 17, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date	Wednesday, 16 July 2014
Time	3.00 PM – 5.00 PM

Attendees	Class	Comment
Allan Dawson	Chair	
Kate Ryan	Independent Market Operator (IMO)	
John Jamieson	Pipeline Owner/Operator	
Mark Cooper	Pipeline Owner/Operator	
Pete Di Bona	Gas Producer	
Stewart Gallagher	Gas Producer	
Andrew Sutherland	Gas Shipper	
Mike Lauer	Gas Shipper	
Ian Mumford	Large Gas User	
Michael Smythe	Large Gas User	Proxy
Ray Challen	Coordinator of Energy	
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
Kevin Vas	Santos	Observer
William Pham	Santos	Observer
Carole Clare	Synergy	Observer
Tim Middlehurst	IMO	Observer
Laura Koziol	IMO	Observer
Erin Stone	IMO	Observer
Joachim Tan	IMO	Observer
Courtney Roberts	IMO	Minutes
Apologies	Class	Comment
Mike Shaw	Large Gas User	Proxy attended
Stan Reid	Gas Shipper	

Aden Barker	Small End Users, Minister's Appointee	Proxy attended
Elizabeth Walters	Economic Regulation Authority – Observer	Proxy attended

1.	<p>WELCOME</p> <p>The Chair opened the meeting at 3:00 PM and welcomed all members to the 16th Gas Advisory Board (GAB) meeting.</p> <p>The Chair welcomes all new members to the GAB and thanked the departing members for their contribution over the past year.</p> <p>The Chair also provided a brief introduction to the 2014/15 GAB members, outlined the GAB's role and reminded members that they have been appointed as individual members to represent their class and to act in the best interests of the Western Australian gas industry.</p>			
2.	<p>MEETING APOLOGIES / ATTENDANCE</p> <p>The following apologies were received:</p> <ul style="list-style-type: none"> • Aden Barker (Small End User); • Stan Reid (Gas Shipper); • Mike Shaw (Large Gas User); and • Elizabeth Walters (Economic Regulation Authority – Observer). <p>The following proxies were noted:</p> <ul style="list-style-type: none"> • Natalia Kostecki for Aden Barker (Small End User); • Michael Smythe for Mike Shaw (Large Gas User); and • Natalie Jackson for Elizabeth Walters (Economic Regulation Authority – Observer). <p>The following presenters/observers were noted:</p> <table style="width: 100%; border: none;"> <tr> <td style="vertical-align: top;"> <ul style="list-style-type: none"> • Trent Morrow (Market Reform); • Carole Clare (Synergy); • Kevin Vas (Santos); • William Pham (Santos); </td> <td style="vertical-align: top;"> <ul style="list-style-type: none"> • Erin Stone (IMO); • Tim Middlehurst (IMO); • Joachim Tan (IMO); • Laura Koziol (IMO); and • Courtney Roberts (IMO). </td> </tr> </table>	<ul style="list-style-type: none"> • Trent Morrow (Market Reform); • Carole Clare (Synergy); • Kevin Vas (Santos); • William Pham (Santos); 	<ul style="list-style-type: none"> • Erin Stone (IMO); • Tim Middlehurst (IMO); • Joachim Tan (IMO); • Laura Koziol (IMO); and • Courtney Roberts (IMO). 	
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3.	<p>MINUTES OF PREVIOUS MEETING</p> <p>The minutes of GAB Meeting No. 15, held on 20 May 2014 were circulated prior to the meeting.</p> <p>Mr Mark Cooper requested a minor amendment to Agenda Item 5a (GPRC_2014_01: GSI Fee Arrangements) to clarify that end-users <u>should</u> be the ultimate beneficiaries of the GSI and therefore <u>should</u> bear the costs.</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 amend the minutes from Meeting No. 15 to reflect the agreed change and publish the final version.</i></p>	IMO		

4.	<p>ACTIONS ARISING</p> <p>Ms Kate Ryan advised the GAB that action item 43 had now been completed and would be discussed under Agenda Item 5a and outstanding action item 49 would be discussed under Agenda Item 6. Ms Ryan noted that all other action items had been completed.</p>	
5a.	<p>GRC_2014_01: GSI FEE ARRANGEMENTS</p> <p>The Chair introduced Dr Natalia Kostecki to present the changes to the Rule Change Proposal to allocate a proportion of the Gas Services Information (GSI) Fees to Registered Production Facility Operators, on behalf of the Minister for Energy.</p> <p>Dr Kostecki noted that the Rule Change Proposal contained a new Civil Penalty Provision which would require changes to the GSI Regulations.</p> <p>Dr Kosteki also highlighted that the Rule Change Proposal included a new amendment to the definition of Aggregated Shipper Delivery Quantity to remove the double counting of gas transported through a Storage Facility.</p> <p>The Chair noted that the Public Utilities Office had formally submitted the Rule Change Proposal on 9 July 2014 and the IMO had published the Rule Change Notice on 15 July 2014.</p> <p>The Chair noted that the IMO had canvassed opinions on the methodology for allocating fees during the development of GSI Rules. The Chair reiterated the IMO's previously stated view, that it considered the approach proposed in this Rule Change Proposal would also be consistent with the GSI Objectives.</p> <p>GAB members questioned the next steps in the rule change process. The Chair clarified that the proposal was being progressed under the Standard Rule Change Process and would therefore involve two submission periods, after which the IMO would produce a report outlining the issues and responding to any submissions.</p> <p>Mr Mike Lauer noted that many Production Facility Operators would be able to pass the costs on to Shippers as there were provisions in most contracts for this pass-through.</p> <p>Mr Pete Di Bona questioned how the decision to accept the proposed changes was made. The Chair explained that, the IMO made its decision in the Final Rule Change Report but, as the proposal contained changes to Protected Provisions, the proposed Amending Rules would also require Ministerial approval. Mr Stewart Gallagher asked whether this was the Minister for Energy. The Chair confirmed that it was.</p> <p>The Chair offered to provide GAB members with an overview of the rule change process at the next GAB meeting. Ms Ryan also offered the IMO's support to Gas Market Participants with respect to the rule change process as any questions arise.</p> <p><i>Action Point: The IMO to provide an overview of the rule change process at the next GAB meeting.</i></p>	IMO

6. DEVELOPMENT OF A WA GAS MARKET

The Chair provided the GAB with an overview of the views provided in the consultation to date, including the industry stakeholder workshop held prior to the GAB meeting.

GAB members discussed their views on the suitability of the existing exchange platforms to the industry's needs.

GAB members also discussed the IMO's proposal to initially recover any shortfall in revenue associated with the development and operation of a market through GSI Fees. Some members noted that the proposal was not on a user-pays basis but should be. Mr Lauer stated that he believed that Shippers would be supportive of the proposal if it was voluntary and it was on a user-pays basis.

Some GAB members expressed support for the IMO to undertake a cost benefit analysis prior to any further development. The Chair highlighted that a cost benefit analysis would not be meaningful without first undertaking a detailed design.

Mr Gallagher noted that he had heard concerns from industry with respect to the degree of change required for pipeline arrangements. The Chair noted that the IMO also understood these concerns but the level of change would depend on the hub design that was chosen. The Chair also noted that DBP Transmission currently has services in the Pilbara area that are not greatly utilised. Mr Lauer indicated that this was likely to be due to the high cost of the service. Mr Mark Cooper noted that the service was priced as a single service and that the large distance covered meant that there were parties both advantaged and disadvantaged by this pricing structure.

The Chair requested advice from GAB members on an appropriate timeframe to allow the broader industry to provide feedback on the proposal. GAB members generally considered that a six week period was sufficient. The Chair noted that the IMO could also extend this period if it overlapped with the Electricity Market Review consultation period.

Mr Michael Smythe questioned whether the IMO had received any submissions other than Alinta Energy's submission. The Chair responded that the IMO had not received any other formal submissions.

Mr Gallagher questioned what the IMO proposed to submit to Government. Ms Ryan clarified that the IMO had intended to, if GAB agreed, finalise the high level design and submit it to the Minister with a covering note similar to that circulated in the meeting papers. Mr Lauer reiterated the Chair's previous comment that it would be provided as a recommendation from the Chair of the GAB on behalf of the GAB. The Chair clarified that it was not necessarily a recommendation but rather a piece of advice for Government to consider.

Dr Ray Challen noted that the Electricity Market Review was underway and fuel markets were being considered due to the significant effect on downstream markets. He noted that the review would consider issues and recommendations at a high level rather than in detailed design. Dr Challen also noted the extensive process that the Government would be required to undertake to develop such a policy. Dr Challen advised

	<p>the GAB that members should raise the importance of the introduction of a market with Government before discussing detailed design options further.</p> <p>Mr Di Bona noted that various members of the gas industry had formed an informal working group to assess the opportunity of an industry led solution but noted that this work is still in its formative stages. He noted that he would support the message to the Minister that a new market was needed, however, the industry had not yet formed an opinion with respect to the most appropriate governance structure. The Chair offered the IMO's help to facilitate discussions by the industry working group.</p> <p>The Chair reiterated that the IMO would finalise the broader industry consultation as planned. The Chair noted that the IMO would summarise the industry views to date and those provided in response to the invitation for submission and would provide this to GAB members at the next meeting. Dr Challen also advised industry members to communicate their support for a market to Government and in discussions more broadly.</p> <p>Mr William Pham noted that Santos did not see a need for the development of a new market. Mr Di Bona stated that he did not agree and that others looked forward to a market that was suitable for all industry members to participate in. GAB members again discussed the costs and benefits of the proposal.</p> <p>Dr Kosteki noted that any proposal to Government should clearly articulate the impact on small-use customers. Mr Ian Mumford noted that this proposal was for a wholesale market. Dr Challen suggested that that the benefits could be discussed in terms of the impact on average prices. Mr Smythe noted that because the market was a wholesale spot market, the effect would be largely around risk management and would therefore be very difficult to translate into an impact on household bills.</p> <p>Mr Gallagher queried how much information households had access to, with respect to gas prices. The GAB agreed that the information at this level was limited and a market with transparent prices would be valuable.</p> <p><i>Action Points:</i></p> <ul style="list-style-type: none"> • <i>The IMO to publish an invitation for submissions on the high level market design to be open for a six week period.</i> • <i>The IMO to provide an anonymous summary of views to date to GAB members at the next meeting.</i> 	<p>IMO</p> <p>IMO</p>
<p>8.</p>	<p>GENERAL BUSINESS</p> <p>No general business was raised.</p>	
<p>CLOSED: The Chair declared the meeting closed at 4.00 PM.</p>		