



Government of Western Australia
Energy Policy WA

Draft Rule Change Report: Publication of Tanker Gas Information on the Gas Bulletin Board (GRC_2022_01)

Standard Rule Change Process

22 June 2022

Working together for a **brighter** energy future.

*An appropriate citation for this paper is: Draft Rule Change Report:
Publication of Tanker Gas Information on the Gas Bulletin Board
(GRC_2022_01)*

Energy Policy WA

Level 1, 66 St Georges Terrace
Perth WA 6000

Locked Bag 11 Cloisters Square WA 6850

Main Switchboard: 08 6551 4600

www.energy.wa.gov.au

ABN 84 730 831 715

Enquiries about this report should be directed to:

Telephone: 08 6551 4600

Email: energymarkets@energy.wa.gov.au

Contents

1.	The Rule Change Proposal, Process and Timeline	3
2.	The Coordinator's Decision	4
2.1	Reason for the Coordinator's Decision	4
2.2	Proposed Commencement	4
3.	Call for Second Round Submissions	5
4.	Proposed Amendments	6
4.1	The Rule Change Proposal	6
4.2	The Coordinator's Initial Assessment of the Proposal	6
5.	Consultation	7
5.1	Pre-Rule Change Proposal	7
5.2	The Gas Advisory Board	11
5.3	The Coordinator's Response to the Gas Advisory Board	11
5.4	Submissions Received during the First Submission Period	11
5.5	The Coordinator's Response to the Submissions Received during the First Submission Period	12
5.6	Public Forums and Workshops	12
6.	The Coordinator's Draft Assessment	13
6.1	Assessment of the Rule Change Proposal	14
6.1.1	Treatment of Late or Missing Data	14
6.1.2	GSI Fees	15
6.2	Additional Amendments to the Proposed Amending Rules	17
6.3	GSI Objectives	17
6.4	Protected Provisions	18
6.5	Civil Penalty Provisions	18
6.6	Reviewable Decisions	19
6.7	Cost and Practicality of Implementation	19
6.7.1	Cost	19
6.7.2	Practicality	19
6.7.3	Assessment	20
7.	Amending Rules	21

1. The Rule Change Proposal, Process and Timeline

On 29 March 2022, AEMO submitted a Rule Change Proposal titled “Publication of Tanker Gas Information on the Gas Bulletin Board” (GRC_2022_01). This Rule Change Proposal seeks to require:

- Registered Production Facility Operators to provide data to AEMO on the volume of Liquefied Natural Gas (**LNG**) that Production Facility Operators transport from their Registered Production Facilities by Tankers;
- AEMO to publish these gas volumes on the Gas Bulletin Board (**GBB**); and
- the data to be provided and published on a monthly basis.

This proposal is being processed using the Standard Rule Change Process, described in Part 8, Division 4 of the GSI Rules.

The Rule Change Notice and all other documents related to this Rule Change Proposal can be found on the Coordinator’s website at <https://www.wa.gov.au/government/document-collections/rule-change-grc202201>.

The key dates for progressing this Rule Change Proposal are:



This Draft Rule Change Report is developed under rule 136 of the GSI Rules on the basis that the reader has read all the related documents, including the Rule Change Notice, Rule Change Proposal, minutes and papers from the relevant Gas Advisory Board (**GAB**) meetings and first period submissions.

2. The Coordinator's Decision

The Coordinator's draft decision is to accept the Rule Change Proposal in the proposed form.¹ The proposed Amending Rules are set out in section 7 of this report.

2.1 Reason for the Coordinator's Decision

The Coordinator has made its draft decision on the basis of the proposed Amending Rules because:

- the GSI Rules, as amended by the Amending Rules, will better achieve the GSI Objectives and will ensure that the GBB better meets its primary purpose;
- the overall implementation costs are low (at \$30,000 to \$45,000) and there are no additional operational costs;
- there are no outstanding practicality concerns with implementing the Amending Rules because the proposal provides for:
 - monthly reporting and publication of the LNG trucking data, which:
 - accounts for how Woodside measures and invoices trucked LNG data; and
 - minimises AEMO's costs to receive the data and publish reports, with no changes needed to the IT systems that support the GBB; and
 - data to be submitted to AEMO via the GBB WA website portal but with email submission to be permitted for an interim period;
- the GAB reached consensus that:
 - the trucked LNG volumes should be reported on the GBB because this will provide increased transparency on gas flows in the State; and
 - the transparency benefits from reporting the trucked LNG will outweigh the costs because the costs are low (as indicated above).

The detailed analysis supporting the Coordinator's decision is provided in section 6 of this report.

2.2 Proposed Commencement

The Amending Rules are proposed to commence at **8:00am** on **1 December 2022**.

Please note that the commencement date is provisional and may change in the Final Rule Change Report.²

¹ As noted in sections 6.2 and 7 of this Draft Rule Change Report, a note will be inserted under the new sub-rule 73A(1) to clarify treatment of the this sub-rule as a civil penalty provision, but such notes are only for informational purposes.

² As noted in:

- section 6.1.2, the Coordinator's draft decision is to not amend rule 116 to account for the trucked LNG volumes in the allocation of GSI Fees; and
- section 6.5, if the Coordinator's final decision is to amend rule 116 following feedback from stakeholders in response to section 6.1.2, then the Coordinator would need to seek approval of the Amending Rules from the Minister, in accordance with rule 144.

In this case, the timeline indicated in section 1 would need to be amended to include the Ministerial approval step, and the commencement date would be delayed accordingly.

3. Call for Second Round Submissions

The Coordinator invites interested stakeholders to make submissions on this Draft Rule Change Report.

While the Coordinator seeks feedback on all aspects of the Draft Rule Change Report, the Coordinator specifically seeks stakeholders' views on:

- (1) whether the cross-subsidies resulting from not accounting for the trucked LNG volumes in the GSI Fee allocation methodology in rule 116 are material enough to warrant changes to rule 116 (see section 6.1.2).

The submission period is 20 Business Days from the Draft Rule Change Report publication date. Submissions must be delivered to the Coordinator by **5:00pm** on **20 July 2022**.

The Coordinator encourages stakeholders to use the submission form available at <https://www.wa.gov.au/government/document-collections/rule-change-process> and to send the completed form by email to energymarkets@energy.wa.gov.au.

Submissions may also be sent to the Coordinator by post, addressed to:

Coordinator of Energy

Attn: Director, Wholesale Markets Branch
Energy Policy WA
Locked Bag 11 Cloisters Square WA
PERTH BC WA 6850

4. Proposed Amendments

4.1 The Rule Change Proposal

This section provides a summary of Rule Change Proposal GRC_2022_01. The full Rule Change Proposal can be found on the Coordinator's website.

LNG is currently drawn from Woodside's Pluto production facility and loaded onto Tankers for transport to end-users. This gas does not enter the pipeline network and the GSI Rules do not currently require Register Production Facility Operators to report information to AEMO about gas that is transported from a Facility to end-users by Tankers, so this gas is not currently reported on the GBB.

AEMO submitted GRC_2022_01 on 29 March 2022. This Rule Change Proposal proposes amendments to the GSI Rules to enable publication of trucked LNG information on the GBB. GRC_2022_01 proposes changes to:

- Part 3, Division 4 of the GSI Rules to require a Registered Production Facility Operator to report information to AEMO on the volume of gas that is transported from each of its GBB Production Facilities to end-users by Tankers;
- Part 4, Division 2 of the GSI Rules to require AEMO to publish information on the volume of gas that is transported by Tankers from GBB Production Facilities on a monthly basis;
- the Glossary to:
 - amend the definition of the term 'Production Facility';
 - insert the new term 'Monthly Trucked Gas Data'; and
 - insert the new term 'Tankers'.

4.2 The Coordinator's Initial Assessment of the Proposal

The Coordinator decided to progress the Rule Change Proposal using the Standard Rule Change Process on the basis of its preliminary assessment that the proposal addresses a valid issue, appears to be consistent with the GSI Objectives and, based on preliminary estimates, will have minimal cost impost on AEMO and Gas Market Participants.

The Rule Change Notice and Rule Change Proposal were published on the Energy Policy WA website on 7 April 2022 and the first submission period closed on 24 May 2022.

5. Consultation

Section 5 of this Draft Rule Change Report provides summaries of:

- the consultation that has been conducted on the Rule Change Proposal with the GAB and the Coordinator's response to the views of the GAB; and
- submissions made in the first submission period and the Coordinator's response to the issues raised in those submissions.

The Coordinator has considered and taken into account each matter raised in these consultations in making this draft decision on GRC_2021_01.

5.1 Pre-Rule Change Proposal

GAB Meeting 27 September 2018

The issue was first raised at the GAB meeting on 26 September 2018, following a presentation by Woodside at the 2018 Energy in WA Conference about trucking LNG in the Pilbara region. Several GAB members expressed views that information on trucked LNG volumes should be reported on the GBB even though the volume of trucked LNG would be relatively small in comparison to gas transported on the pipelines.

GAB Meeting 26 September 2019

The Public Utilities Office – now Energy Policy WA – indicated that capturing trucked LNG volumes on the GBB is consistent with government policy.

AEMO gave a presentation that identified five options for capturing information about trucked LNG volumes on the GBB, including:

- (1) treating the trucked LNG volumes as a virtual pipeline;
- (2) requiring end-users to register as Large User Facilities;
- (3) expanding the definition of Registered Shippers;
- (4) putting a new framework in place for Truck Load-Out Facilities; or
- (5) expanding reporting by Production Facility Operators.

The GAB reached consensus on Option (5) as the preferred option because it is the simplest and lowest cost option.

The GAB discussions included that:

- reporting obligations could be onerous depending on the option chosen, and should be minimised so that they do not dissuade smaller businesses from using trucked LNG;
- about 15 TJ/day of gas would be trucked from the Pluto facility, which would not impact the emergency management plan;
- the intent is to capture the volume of gas that enters the market, not to focus on end-users;
- some gas market participants would see value in capturing trucked LNG volumes on the GBB and others would not, but the GBB has led to significant improvements in gas market transparency, and this should be extended to trucked LNG volumes; and
- the benefits to the market from the increased transparency depend on the volume of trucked LNG and it will be worth capturing the trucked LNG volumes on the GBB if the costs to do so are in the tens of thousands of dollars.

GAB Meeting 12 March 2020

The following matters were discussed at the GAB meeting on 12 March 2020:

- AEMO indicated that it would cost about \$65,000 to implement option (5);
- Woodside indicated that, given how it tracks and invoices for the trucked LNG volumes, it is not geared up to provide daily trucked LNG volume data to AEMO;
- the GAB noted that the practicalities of how Woodside measures and invoices its trucked LNG volumes mean that it will be much simpler and more cost effective for:
 - Woodside to report trucked LNG volumes to AEMO on a monthly basis; and
 - AEMO to publish a monthly report on the GBB rather than modifying the GBB to report daily volumes.

GAB Meeting 17 September 2020

The following matters were discussed at the GAB meeting on 17 September 2020:

- AEMO indicated that the cost to implement option (5) would be lower if reporting was done on a monthly basis and volumes were reported as a static number;
- Woodside indicated that monthly reporting of trucked LNG volumes is feasible; and
- Woodside raised concerns with information confidentiality and suggested that all trucked LNG volumes should be reported on an aggregated basis.

The GAB discussed reporting of trucked LNG volumes on an aggregated basis, and noted:

- two other companies were trucking LNG in Western Australia – Wesfarmers and EDL;
- the Wesfarmers and EDL trucked LNG volumes are first transported by pipelines before they are trucked to customers, so these volumes are already reported on the GBB; and
- the Wesfarmers and EDL trucked LNG volumes should not be aggregated with the Woodside volumes because this would lead to the double counting of these volumes.

The GAB generally supported reporting trucked LNG volumes on the GBB on a monthly basis and agreed that the Rule Change Panel³ and AEMO should develop a discussion paper for GAB feedback.

GAB Meeting 23 September 2021

AEMO gave a presentation summarising the status of the issue and:

- suggested that data could be reported to AEMO as a csv file;
- provided the GAB with an example of a report that could be published on the GBB;
- proposed a 3 TJ/month reporting threshold for GBB Production Facilities;
- proposed that Production Facilities should report to AEMO two weeks from the end of the month and that AEMO should publish the report three weeks from the end of the month; and
- indicated that it would cost about \$25,000 for AEMO to implement option (5), with monthly reporting.

³ The Rule Change Panel was abolished on 1 July 2021 and its functions were transferred to the Coordinator.

The GAB discussed the following:

- the intent is to provide information on the trucked LNG volumes that enter the market that is not currently visible on the GBB;
- whether there should be any new registration requirements on Large Users;
- trucked LNG volumes should not be aggregated to avoid the double counting issue; and
- there is no need for the 3 TJ/month reporting threshold.

The GAB supported the following:

- disaggregated data reporting;
- all separate trucked LNG terminals are to make separate submissions to AEMO; and
- the benefit of doing this work outweighs the cost, which AEMO estimates will be about \$25,000.

GAB Meeting 28 October 2021

AEMO and Energy Policy WA indicated that they were developing a pre-rule change proposal for discussion at the GAB meeting on 24 March 2022 and that they would then commence a formal Rule Change Process.

The Pre-Rule Change Proposal

Following the 28 October 2021 GAB meeting, AEMO developed a pre-rule change proposal in consultation with Energy Policy WA. On 31 January 2022, Energy Policy WA circulated the pre-rule change proposal to the GAB for review and comment. The GAB was asked the following questions:

- (1) Do GAB members have any general or specific comments on the pre-rule change proposal, including the description of the issue, the proposed solution, or the proposed rule drafting?
- (2) Should changes be made to Part 7, Division 5 of the GSI Rules (GSI Fees) to account for the trucked LNG volumes?
 - GSI Fees are apportioned 50/50 between Registered Shippers and Registered Production Facility Operators, and the portion allocated to Registered Production Facility Operators is apportioned to specific operators in proportion to their Facilities' contribution to Aggregated Daily Actual Gas Flow Data [see rule 116(3)], where Aggregated Daily Actual Gas Flow Data is the amount of gas that has been injected from a Facility into a GBB Pipeline.
 - If changes are not made to rule 116 and to some defined terms, trucked LNG volumes will not be included in allocating GSI Fees to Registered Production Facilities.
 - GAB members had previously indicated that trucked gas volumes are about 15-25 TJ/day, and AEMO has indicated that the sum of quantities for all Registered Production Facility Operators averaged about 95,000 TJ/quarter between Q1 2019 and Q4 2021, which suggests the trucked volumes would make up about 1.4% to 2.3% of total gas volumes from Registered Production Facility Operators.
 - GAB members were asked if this is sufficiently material to warrant changing the rules on fee allocation.
 - GAB members were advised that GSI Fees are Protected Provisions, so changing these rules would require Ministerial approval, which would add a step to the rule change process.

(3) Should the proposed new rule 73A be a civil penalty provision?

- The rules in Part 3, Division 4 of the GSI Rules (Information requirements for Production Facility Operators) place requirements on Production Facility Owners to provide data to AEMO for posting on the GBB, and these rules are generally civil penalty provisions.
- This leads to the question of whether the proposed new rule 73A should also be made a civil penalty provision. If so, then changes would need to be made to the *Gas Services Information Regulations 2012 (GSI Regulations)* to make this new rule a civil penalty provision.
- Given the materiality of these trucked LNG volumes (see question 2), GAB members were asked whether it is worth the effort to make the regulation changes.

Energy Policy WA received two responses to the pre-rule change proposal, as indicated in Table 1:

Table 1: Comments on the Pre-Rule Change Proposal

Submitter	GSI Objective Assessment
APA Group	<p>(1) Proposed rule 73A(2) seems unnecessary given the likelihood of trucking volumes not changing from month to month – suggestion would be to delete proposed clauses 73A(2) and (3). Alternative would be to add a materiality threshold around the monthly volumes i.e. if volumes do not materially change month to month then the Producer is not required to submit data to AEMO.</p> <p>(2) The current trucked LNG volumes are not material enough to warrant changing the allocation of GSI Fees.</p> <p>(3) Given the nature of the trucked LNG volumes, it is not worth making proposed rule 73A a civil penalty provision.</p>
Woodside	<p>(1) Woodside provided the following comments on the drafting of the pre-rule change proposal:</p> <ul style="list-style-type: none"> ○ consider using consistent terminology in relation to “trucked gas”, “trucked LNG” and “tanker gas”; ○ include a clarification to ensure that trucked LNG facilities already connected to the pipeline gas network and that are already reporting gas consumption are excluded; ○ the definition of GBB Production Facility needs to be clarified; and ○ the rule change proposal needs to be clarified to indicate that the intent is to provide an indication of where and how much gas is being supplied from facilities within the State.

The comments on the initial pre-rule change proposal were discussed at the GAB meeting on 24 March 2022.

GAB Meeting 24 March 2022

AEMO considered the comments that were received on the initial pre-rule change proposal and tabled a revised pre-rule change proposal for discussion at the GAB meeting on 24 March 2022. The revised pre-rule change proposal:

- proposed revised draft Amending Rules;
- proposed that Gas Market Participants submit information on gas transported by Tankers to AEMO via the GBB WA website portal;
- advised that AEMO's implementation costs would be less than \$25,000;
- did not propose to make the proposed new rules 73A and 89A civil penalty provisions; and
- suggested that the Coordinator consider if Part 7, Division 4 of the GSI Rules should be amended so that the proportion of GSI Fees allocated to Register Production Facility Operators accounts for the Tanker gas quantities and noted that feedback on the initial version of the pre-rule change proposal was that the volume of gas transported via Tankers did not warrant a change in the GSI Fee allocations.

The GAB:

- agreed that data should be submitted to AEMO via the GBB WA website portal but that email submission should be permitted for an interim period;
- confirmed that the intent is to capture gas that comes out of the GBB Production Facilities, not gas that is delivered to end-users; and
- confirmed that the trucked LNG should be allocated to the same region that it is trucked from.

The GAB agreed that AEMO should formally submit GRC_2022_01 to the Coordinator and to advise the Coordinator that GRC_2022_01 should be progressed.

5.2 The Gas Advisory Board

The GAB did not provide advice to the Coordinator regarding the evolution or development of the GSI Rules that is relevant to the issue addressed in GRC_2022_01.

The GAB did not provide advice to the Coordinator regarding Rule Change Proposal GRC_2022_01 subsequent to publication of the proposal on 7 April 2022.

5.3 The Coordinator's Response to the Gas Advisory Board

The Coordinator notes that the Rule Change Proposal that AEMO submitted on 29 March 2022 reflects the GAB's advice from the pre-rule change proposal discussions (see section 5.1).

5.4 Submissions Received during the First Submission Period

The first submission period for this Rule Change Proposal was held between 7 April 2022 and 24 May 2022.

The Coordinator received one submission from AEMO on 20 May 2022 in which AEMO:

- provided an updated estimate of its costs for development, testing and project management associated with the implementing the Rule Change Proposal as \$30,000 + 50% contingency = \$45,000; and

- indicated that it will take about three months to implement the Rule Change Proposal, but that it anticipates staff shortages in December 2022 and January 2023, so its recommended commencement dates are as indicated in Table 2.

Table 2: AEMO’s Suggested Commencement Dates

Final Rule Change Report Published	Suggested Rule Commencement Date
August 2022	1 December 2022
September 2022	1 February 2023
October 2022	1 March 2023

A copy of AEMO’s submission is available in full on the Coordinator’s website.

5.5 The Coordinator’s Response to the Submissions Received during the First Submission Period

The Coordinator’s overall assessment of the cost and practicality issues raised by AEMO in the first period submissions is presented in section 6.7 of this report.

5.6 Public Forums and Workshops

The Coordinator did not hold a public forum or workshop for this Rule Change Proposal.

6. The Coordinator's Draft Assessment

Subrule 134(2) indicates that, in preparing its Draft Rule Change Report, the Coordinator must assess the Rule Change Proposal having regard to the rule making test in rule 127 and the factors listed for consideration in subrule 128(1).

Rule 127 states:

The Coordinator must not make Amending Rules unless it is satisfied that the [GSI] Rules, as proposed to be amended or replaced, are consistent with the GSI Objectives.

Subrule 128(1) sets out the matters that the Coordinator must have regard to in deciding whether to make Amending Rules, including:

- (a) any applicable statement of policy principles given to the Coordinator by the Minister under rule 126;
- (aa) any advice by the GAB regarding the evolution or the development of the GSI Rules;
- (b) the practicality and cost of implementing the Rule Change Proposal;
- (c) the relevant views expressed in any submissions received by the Coordinator on the Rule Change Proposal;
- (d) the relevant views expressed at any public forums or workshops, or in other consultation with Gas Market Participants, held by the Coordinator on the Rule Change Proposal;
- (e) the relevant views expressed by the GAB where it met to consider the Rule Change Proposal;
- (ea) whether any advice from the GAB reflects a consensus view or a majority view, and, if the latter, any dissenting views included in or accompanying the advice and how these views have been taken into account by the Coordinator; and
- (f) any information that the Coordinator considers necessary to assess the Rule Change Proposal.

When making its draft decision, the Coordinator has had regard to each of the matters identified in rule 127 and subrule 128(1), as follows:

- the Coordinator's overall assessment of the Rule Change Proposal is presented in section 6.1;
- the Coordinator's assessment of the Rule Change Proposal against the GSI Objectives is in section 6.3;
- the Minister has not provided a statement of policy principles to the Coordinator in respect of this Rule Change Proposal;
- the Coordinator's assessment of the practicality and cost of implementing the Rule Change Proposal is in section 6.7;
- a summary of the views expressed by the GAB is in sections 5.1 and 5.2 and the Coordinator's responses to these views are in sections 5.3 and 6.1; and
- a summary of the first period submissions is in section 5.4 and the Coordinator's responses to these submissions are in sections 5.5 and 6.1.

6.1 Assessment of the Rule Change Proposal

6.1.1 Treatment of Late or Missing Data

AEMO has developed two sets of drafting for the new rule 73A.

The ‘initial drafting’ of rule 73A was in the initial pre-rule change proposal that was distributed to the GAB for comment on 31 January 2022.

As indicated in section 5.1, the GAB was consulted on this initial drafting by email, and only one GAB members commented on the drafting – APA Group suggested that sub-rules 73A(2) and (3) are unnecessary and should be deleted because trucked LNG volumes are unlikely to change from month-to-month (see Table 1).

AEMO then provided the ‘current drafting’ in the revised pre-rule change proposal that was discussed at the GAB meeting on 24 March 2022.

A table was provided to the GAB in the papers for its meeting on 24 March 2022 to compare the initial and current drafting of rule 73A – this table is replicated in Table 3.

Table 3: Comparison of the Initial and Current Drafting of Proposed Rule 73A

	Initial Drafting	Current Drafting
Rule 73A(1)	A Registered Production Facility Operator must provide Monthly Trucked Gas Data to AEMO.	
73A(2)	A Registered Production Facility Operator is not required to provide Monthly Trucked Gas Data to AEMO this month if its volume for this month is the same as last month.	A Registered Production Facility Operator is not required to provide Monthly Trucked Gas Data to AEMO if its volume is zero.
73A(3)	If AEMO does not receive Monthly Trucked Gas Data from a Registered Production Facility Operator, then AEMO is to deem the same volume for this month as last month.	If AEMO does not receive Monthly Trucked Gas Data from a Registered Production Facility Operator, then AEMO is to deem a zero volume.
Impact on Registered Production Facility Operators that do not truck LNG	All Registered Production Facility Operators must make at least one data submission – those that do not truck LNG would submit a zero volume and then rely on rules to deem continued zero volumes.	Registered Production Facility Operators that do not truck LNG do not need to make a submission.
Ongoing reporting requirements	Registered Production Facility Operators do not need to submit data if their volumes do not change from month-to-month.	Registered Production Facility Operators must submit non-zero data every month.

The Coordinator is of the view that the preferred drafting of the new rule 73A depends on what would be the best estimate of the trucked LNG volume shipped from a Facility for AEMO to publish on the GBB if AEMO does not receive a Monthly Trucked Gas Data submission from a Registered Production Facility Operator before the deadline for submissions:

- the current drafting of rule 73A is preferred if a zero volume is the best estimate; and
- the initial drafting of rule 73A is preferred if the previous month's volume is the best estimate.

The GAB did not discuss whether it prefers the initial or current drafting of rule 73A and AEMO submitted the Rule Change Proposal with the current drafting for rule 73A. Further, the Coordinator did not receive any submissions on this matter in the first submission period.

Since Woodside is the only current Registered Facility Operator that will be required to submit Monthly Trucked Gas Data to AEMO upon commencement of rule 73A, the Coordinator sought advice from Woodside on 30 May 2022 as to which would be the best estimate in the event of late or missing Monthly Trucked Gas Data submission (zero or the previous month's volume).

Woodside subsequently advised by email that the current drafting is acceptable. As a result, the Coordinator accepts the proposed drafting of rule 73A.

6.1.2 GSI Fees

Rule 116 provides the basis for calculating GSI Fees, as follows:

- GSI Fees are to be set to recover the budgeted costs for AEMO, the Coordinator and the Economic Regulation Authority to undertake their functions under the GSI Rules;
- half of the budgeted costs are to be recovered from Registered Shippers and half from Registered Production Facility Operators;
- the Registered Shippers' share of the budgeted costs is to be allocated to specific Registered Shippers in proportion to their Aggregated Shipper Delivery Quantities; and
- the Registered Production Facility Operators' share of the budgeted costs is to be allocated to specific Registered Production Facility Operators in proportion to their Aggregated Daily Actual Flow Data.

Aggregated Shipper Delivery Quantity is defined as:

...for a Registered Shipper and a GBB Pipeline, the delivery quantities for that shipper aggregated for all Delivery Points on the GBB Pipeline, except those Delivery Points feeding into another GBB Pipeline of GBB Storage Facility (see rule 115).

Aggregated Daily Actual Flow Data is defined as:

...for a Registered Production Facility Operator, the quantity of natural gas that has been injected from that Facility into the GBB Pipelines for the relevant GSI Invoice Period determined from data provided under rule 60 or subrule 73(1).

The concept is to allocate GSI Fees to shippers and producers in proportion to their gas flows. Currently, the allocation methodology in rule 116 and the related defined terms do not account for the trucked LNG volumes, which has the following implications:

- **Allocation of GSI Fees between Registered Shippers and Registered Production Facility Operators:**

Subrules 116(2) and (3) equally allocate the GSI Fees between Registered Shippers and Registered Production Facility Operators because it is assumed that all gas used in the State is injected from Facilities into GBB Pipelines. This assumption is incorrect because LNG is

trucked to end-users without entering the GBB Pipeline, which leads to over-allocation of GSI Fees to Registered Shippers.

- **Allocation GSI Fees amongst Registered Production Facility Operators:**

Subrule 116(3) allocates the 50% share of GSI Fees to each Registered Production Facility Operator in proportion to the gas that it injects into GBB Pipelines. This approach under-allocates GSI Fees to Registered Production Facility Operators that truck LNG to end-users without first injecting it into a GBB Pipeline.

The GSI Fee allocation methodology could be amended to account for the trucked LNG volumes that are not first injected into GBB Pipelines as follows:

- include Monthly Trucked Gas Data in the definition of Aggregated Daily Actual Flow Data;
- amend subrule 116(2) to replace the 50% allocation of GSI Fees to Registered Shippers with a ratio to be calculated annually as:

$$\text{Shipper Allocation} = \frac{\left(\begin{array}{c} \text{Sum of the Aggregated} \\ \text{Shipper Delivery Quantity} \\ \text{for all Registered Shippers} \end{array} \right)}{\left(\begin{array}{c} \text{Sum of the Aggregated} \\ \text{Shipper Delivery Quantity} \\ \text{for all Registered Shippers} \end{array} \right) + \left(\begin{array}{c} \text{Sum of the Aggregated} \\ \text{Daily Actual Flow Data for} \\ \text{all Registered Facility Operators} \end{array} \right)}$$

- amend subrule 116(3) to replace the 50% allocation of GSI Fees to Registered Production Facility Operators with a ratio to be calculated annually as:

$$\text{Producer Allocation} = \frac{\left(\begin{array}{c} \text{Sum of the Aggregated} \\ \text{Daily Actual Flow Data for} \\ \text{all Registered Facility Operators} \end{array} \right)}{\left(\begin{array}{c} \text{Sum of the Aggregated} \\ \text{Shipper Delivery Quantity} \\ \text{for all Registered Shippers} \end{array} \right) + \left(\begin{array}{c} \text{Sum of the Aggregated} \\ \text{Daily Actual Flow Data for} \\ \text{all Registered Facility Operators} \end{array} \right)}$$

This issue was raised with the GAB when the pre-rule change proposal was distributed to the GAB for comment on 31 January 2022 (see section 5.1). The APA Group was the only GAB member to address this matter and indicated that the current trucked LNG volumes are not material enough to warrant changing the allocation of GSI Fees.

The Coordinator has analysed the materiality of this issue, as follows:

- the budgeted costs for AEMO, the Coordinator and the Economic Regulation Authority to undertake their functions under the GSI Rules in 2021/22 was \$1.99 million;⁴
- based on the average of the Aggregated Daily Actual Flow Data for Q3 2019 to Q1 2022⁵ and an assumed trucked LNG volume of 15 TJ/d to 25 TJ/d:
 - the total cross-subsidy from Registered Shippers to Registered Production Facility Operators would be about \$6,800/annum to \$11,300/annum (there are 55 Registered Shippers, so on average, this would be \$124/shipper/year to \$206/shipper/year); and
 - the total cross-subsidy from Registered Production Facility Operators that do not truck LNG to those that do would be about \$13,500/annum to \$22,400/annum (there are nine

⁴ https://aemo.com.au/-/media/files/about_aemo/energy_market_budget_and_fees/2021/fy22-gsi-budget-and-fees.pdf?la=en

⁵ Data provided by AEMO.

Registered Production Facility Operators that do not truck LNG, so on average, this would be \$758/operator/year to \$1,257/operator/year).

Based on this analysis and the comments from the GAB, the Coordinator's draft decision is to not amend the rule 116 to account for the trucked LNG volumes.

Based on the additional information provided in this report, the Coordinator invites comments from stakeholders on whether they are still of the view that the cross-subsidies inherent in the GSI Fee allocation methodology are not material enough to warrant changes to rule 116.

If stakeholder feedback is that the cross-subsidies are sufficiently material to warrant amending rule 116, then the Coordinator may change this decision in the Final Rule Change Report. It should be noted that:

- before making such a decision, the Coordinator would need to first consult with AEMO on the impact of any amendments to rule 116 on its cost and time estimates to implement the Amending Rules; and
- such a change would mean that the Amending Rules would impact a Protected Provision, which would impact the timing for approval and implementation of the Amending Rules (see section 6.4).

6.2 Additional Amendments to the Proposed Amending Rules

The following note will be added after the new subrule 73A(1) to note the Coordinator's decision to make this clause a civil penalty provisions (see section 6.4):

Note: this subrule is not currently a civil penalty provision, but amendments are being progressed to Schedule 1 of the GSI Regulations to make this subrule a civil penalty provision under regulation 15 of the GSI Regulations.

Once the amendments to Schedule 1 of the GSI Regulations have been commenced, this note will be replaced with the following:

Note: this subrule is a civil penalty provision for the purposes of the GSI Regulations (see the GSI Regulations, regulation 15 and Schedule 1).

The Amending Rules are otherwise the same as proposed by AEMO in the Rule Change Proposal.

6.3 GSI Objectives

The GSI Objectives are stated in rule 2 of the GSI Rules as follows:

2 GSI Objectives

- (1) ...the objectives of the [GBB] and the Gas Statement of Opportunities (the **GSOO**) (the GSI Objectives) are to promote the long term interests of consumers of natural gas in relation to:
 - (a) the security, reliability and availability of the supply of natural gas in the State;
 - (b) the efficient operation and use of natural gas services in the State;
 - (c) the efficient investment in natural gas services in the State; and
 - (d) the facilitation of competition in the use of natural gas services in the State.
- (2) For the purposes of subrule (1):
 - (a) the primary purpose of the GBB is to include information relating to short and near term natural gas supply and demand and natural gas transmission and storage capacity in the State; and

- (b) the primary purpose of the GSOO is to include information and assessments relating to medium and long term natural gas supply and demand and natural gas transmission and storage capacity in the State.

AEMO's assessment of GRC_2022_01 against the GSI Objectives is stated in section 4 of its Rule Change Proposal as follows:

AEMO consider that this Rule Change Proposal will better achieve GSI Objectives (a) and (d).

...

AEMO considers this Rule Change Proposal supports GSI Objective (a) by ensuring that the amount of gas transported by tankers is published on the GBB. Publishing the data on the GBB may help to identify any potential gas supply issues, thereby helping to maintain the security, reliability and availability of supply in the State.

The publication of gas transported by tankers supports GSI Objective (d) by providing existing and prospective Gas Market Participants with a clear indication of where and how much LNG is being supplied from facilities within the State. This ensures that information is available to all participants, supporting competition between participants and potentially helping to identify opportunities for new participants.

The Coordinator notes the GBB provides benefits to Gas Market Participants by providing transparency on the flow of gas into the State and concurs with AEMO's assessment that the GSI Rules, as amended by the Amending Rules, will better achieve the GSI Objectives (a) and (d).

The Coordinator also notes that publication of the Monthly Trucked Gas Data is consistent with the primary purpose of the GBB, as stated in subrule 2(2)(a). If the Coordinator were to reject GRC_2022_01, then some trucked LNG transported into the State will not be captured on the GBB.

Further, the Coordinator notes that:

- GRC_2022_01 will not impact on the ability of the GSI Rules to achieve GSI Objectives (b) and (c); and
- AEMO was the only stakeholder that provided an assessment of GRC_2022_01 against the GSI Objectives.

6.4 Protected Provisions

The proposed Amending Rules would not result in changes to any rules that are Protected Provisions, nor does the Coordinator consider that the new rules should be Protected Provisions.

However, rule 116 is a Protected Provision, so if the Coordinator's final decision is to amend rule 116 following feedback from stakeholders in response to section 6.1.2, then the Coordinator would need to seek approval of the Amending Rules from the Minister, in accordance with rule 144. In this case, the timeline indicated in section 1 would need to be amended to include the Ministerial approval step, and the commencement date would be delayed accordingly (see section 5.4).

6.5 Civil Penalty Provisions

Part 3 of the GSI Rules places requirements on Pipeline Operators, Storage Facility Operators, Production Facility Operators and Large Users to provide AEMO with information. Part 4 of the GSI Rules requires AEMO to publish the information it receives under Part 3 on the GBB.

All of the rules under Part 3 of the GSI Rules that place information provision requirements on Pipeline Operators, Storage Facility Operators, Production Facility Operators and Large Users are

civil penalty provisions under Schedule 1 of the GSI Regulations. These rules are all Category A civil penalty provisions with a maximum civil penalty amount of \$5,000 plus a daily amount of \$1,000.

The Amending Rules insert a new rule 73A into Part 3 of the GSI Rules that will require Registered Facility Operators to provide Monthly Trucked Gas Data to AEMO, and a new rule 89A into Part 4 of the GSI Rules that will require AEMO to publish the Monthly Trucked Gas Data on the GBB.

Energy Policy WA noted this when it circulated the pre-rule change proposal to the GAB on 31 January 2021 and asked GAB members whether the new rule 73A should be made a civil penalty provision (see section 5.1). Energy Policy WA received one response to this question, from APA Group, indicating that given the nature of the trucked LNG volumes, it is not worth making proposed rule 73A a civil penalty provision.

The Coordinator has considered this and cannot see any reason why the provision of trucked LNG volumes under rule 73A should be treated differently to any other information provision under Part 3 of the GSI Rules. Therefore, the Coordinator is of the view that rule 73A should be made a civil penalty provision.

However, the Coordinator also considers that it is not critical for rule 73A to be made a civil penalty provision as a matter of urgency, given the current relatively low volumes of trucked LNG.

Therefore, the Coordinator's decision is to commence the new rule 73A on 1 December 2022, as indicated in section 2.2, and to amend Schedule 1 of the GSI Regulation to include clause 73A(1) as a civil penalty provision the next time that changes are made to the GSI Regulations.

This means that the new rule 73A will commence on 1 December 2022 and that rule 73A(1) will not be a civil penalty provision upon commencement of the rule but will become a civil penalty provision at a later date.

Energy Policy WA is currently working on amendments to the GSI Regulations, so the period during which rule 73A(1) is not a civil penalty should be relatively short. Further information on timing for these arrangements will be provided in the Final Rule Change Report.

6.6 Reviewable Decisions

The proposed Amending Rules do not include changes to any rules that contain Reviewable Decisions, and the Coordinator does not consider that any of the Amending Rules should be made Reviewable Decisions.

6.7 Cost and Practicality of Implementation

6.7.1 Cost

AEMO has identified its expected costs to implement the Amending Rules as \$45,000 (\$30,000 + 50% contingency). AEMO has indicated that it can manage the operating costs of receiving and publishing the Monthly Trucked Gas Data within its current budget.

No other Gas Market Participants has indicated that it would incur any material costs to implement the Amending Rules.

6.7.2 Practicality

As discussed by the GAB on 12 March 202 (see section 5.1), the practicalities for how Woodside measures and invoices its trucked LNG volumes mean that it will be much simpler and cost effective for:

- Woodside to report trucked LNG volumes to AEMO on a monthly basis; and
- AEMO to publish a monthly report on the GBB rather than modifying the GBB to report daily volumes.

As a result, AEMO has proposed monthly rather than daily submission and publication of the trucked LNG data.

AEMO has indicated that it will take about three months to implement GRC_2022_01, but that it anticipates staff shortages in December 2022 and January 2023, so its recommended commencement dates are as indicated in Table 2 (see section 5.4).

No other Gas Market Participants have indicated that they have any practical concerns with the Rule Change Proposal or that they require any time to implement the Amending Rules.

6.7.3 Assessment

The Coordinator has assessed that there will be a net benefit to approving the Amending Rules because:

- the overall implementation and ongoing costs are low – see section 6.7.1;
- all identified concerns with the practicality of implementing the Amending Rules have been addressed – see section 6.7.2;
- the GAB has reached consensus that the increased transparency benefits to the gas market from reporting the trucked LNG are worth capturing because the costs to do so are low (in the tens of thousands of dollars) – see section 5.1; and
- the GSI Rules, as amended by the Amending Rules, will better achieve the GSI Objectives and will ensure that the GBB better meets its primary purpose – see section 6.3.

7. Amending Rules

The Coordinator proposes to implement the following Amending Rules (~~deleted text~~, added text, rules that are included for context but not amended):

73A Registered Production Facility Operators to provide Monthly Trucked Gas Data

- (1) Subject to subrule (2), a Registered Production Facility Operator must provide AEMO with Monthly Trucked Gas Data for each of its GBB Production Facilities within 10 Business Days after the last day of each calendar month.

Note: this subrule is not currently a civil penalty provision, but amendments are being progressed to Schedule 1 of the GSI Regulations to make this subrule a civil penalty provision under regulation 15 of the GSI Regulations.

- (2) A Registered Production Facility Operator is not required to provide Monthly Trucked Gas Data for a GBB Production Facility for a calendar month if that Monthly Trucked Gas Data is a zero quantity.
- (3) If AEMO does not receive Monthly Trucked Gas Data for a GBB Production Facility for a calendar month within 10 Business Days after the last day of that calendar month, then AEMO must deem the Monthly Trucked Gas Data provided to be a zero quantity.

...

89A Publication of Monthly Trucked Gas Data on GBB

AEMO must publish on the GBB, for each GBB Production Facility and each calendar month, the information provided under rule 73A(1) or deemed to be provided under rule 73A(3).

...

Schedule 1 – Glossary

...

Production Facility means a facility at which natural gas is produced for injection into one or more GBB Pipelines, or from which liquified natural gas is transported by a Tanker.

...

Monthly Trucked Gas Data means the total quantity of natural gas that is injected from a GBB Production Facility into Tankers to be transported to end users during a calendar month, determined on the basis of operational metering data where available or otherwise, where such data is not available, estimated by the Registered Production Facility Operator.

...

Tanker means a specialist truck tanker used to transport liquified natural gas.



Government of **Western Australia**
Energy Policy WA

Energy Policy WA

Level 1, 66 St Georges Terrace, Perth WA 6000

Locked Bag 11, Cloisters Square WA 6850

Telephone: 6551 4600

www.energy.wa.gov.au

*We're working for
Western Australia.*

