



INDEPENDENT
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IMO Final Report on the 2015 Gas Bulletin Board Zones Review

2 November 2015

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1. Background

The Gas Bulletin Board¹ (GBB) commenced operation in 2013 to improve the transparency of information, security of supply and to facilitate competition in the Western Australian natural gas market. To show where natural gas is being supplied and used across the state, much of the information on the GBB is published by geographic Zones.

Under subrule 82(2) of the Gas Services Information (GSI) Rules, the IMO is required to review the GBB Zones at least once every five years.

Following the recent completion of the Fortescue River Gas Pipeline, and the ongoing construction of the Eastern Goldfields Gas Pipeline and the Gorgon and Wheatstone domestic gas Production Facilities, the IMO decided to undertake the first review of the GBB Zones to consider whether any changes were required to accommodate these (and other) new facilities.

The IMO engaged Marsden Jacob Associates (Marsden Jacob), an independent consultant, to assist the IMO in undertaking the '2015 GBB Zones Review' (Review).

As part of the Review, the IMO undertook a public consultation process to obtain feedback from Gas Market Participants and interested stakeholders on the consultant's draft report (including recommendations).

The key steps of the Review are as follows:

- Publication of Marsden Jacob's draft report – 2 June 2015;
- Public consultation period – closed on 30 June 2015;
- Publication of Marsden Jacob's final report – 3 August 2015;
- Publication of the IMO's final report in November; and
- Development of any necessary rule changes.

2. Marsden Jacob's draft report

In its draft report², Marsden Jacob made six recommendations, summarised in the following table.

Table 2.1: Draft report recommendations

Draft report recommendations	
1.	Remove definition of the GBB Zones from the GSI Rules to give the IMO greater flexibility in amending the Zones.
2.	Publish nominations and forecasts for individual facilities.
3.	Capture Large User Facility data for Facilities connected to non-GBB Pipelines.
4.	Divide the current Dampier Zone into two separate Zones.
5.	Adopt new guidelines for allocation of new pipelines to GBB Zones.

¹ The IMO's Gas Bulletin Board is available at: <https://gbb.imowa.com.au>.

² Available at: <http://www.imowa.com.au/2015-gbb-zones-review>.

Draft report recommendations

6. Adopt new guidelines for the revision of GBB Zones.

3. Public consultation process

On 2 June 2015, the IMO published Marsden Jacob's draft report on its website and invited submissions over a period of four weeks. Over that period, the IMO received nine submissions on Marsden Jacob's draft report. The IMO published copies of the submissions on its website³.

The following stakeholders provided submissions during the public consultation process:

- Alinta Energy;
- APA Group;
- Australian Petroleum Production and Exploration Association;
- Citic Pacific Mining Management;
- Chamber of Minerals and Energy;
- DBNGP (WA) Transmission;
- Energy Supply Association of Australia;
- Santos; and
- BHP Billiton.

The majority of submissions were supportive of recommendation 1 in Marsden Jacob's draft report (the removal of the definition of Zones from the GSI Rules) on the basis that it will allow the IMO greater flexibility in amending the Zones to suit market needs.

Recommendation 4 of the draft report (division the Dampier Zone into two separate Zones) received mixed support in the consultation period, and ultimately Marsden Jacob removed it on the basis that recommendation 2 (publication of individual facility nominations and forecasts) appears to be a better solution to this issue.

Submissions were generally supportive of recommendation 2, and a number of stakeholders indicated that this information, both for production and large user facilities, would be valuable and would support short term trading in WA.

Submissions were generally supportive of recommendation 3 (capture of Large User Facility data for non-GBB Pipelines), although Marsden Jacob noted the situation is yet to emerge, and the recommendation is considered a lower priority.

Submissions were generally supportive of recommendations 5 and 6 of the draft report but feedback from the IMO and stakeholders suggested combining the two recommendations into a single recommendation.

³ Available at: <http://www.imowa.com.au/2015-gbb-zones-review>.

Further details of submitter’s specific concerns are examined in Marsden Jacob’s final report⁴ and the IMO’s responses to each of the issues can be found below in Table 5.1.

4. Marsden Jacob’s final report

In its final report⁵, Marsden Jacob made four recommendations and presented a number of additional findings about the use of the GBB Zones and other related issues.

Marsden Jacob made two major changes to the recommendations in its final report due to stakeholder feedback received in the consultation period:

1. Removal of recommendation 4 (division of the Dampier Zone into two separate Zones).
2. Combination of recommendations 5 and 6 into a single recommendation.

The following tables summarise the recommendations and additional findings made by Marsden Jacob, with related issues grouped together for ease of consideration.

Table 4.1: Final report recommendations

Recommendations	
1.	Remove the definition of the GBB Zones from the GSI Rules and instead include it in a GSI Procedure.
2.	Publish nominations and forecasts for individual facilities.
3.	Capture Large User Facility data connected to non-GBB Pipelines.
4.	Adopt new guidelines for the allocation of new pipelines to GBB Zones and any future revision of GBB Zones.

Table 4.2: Final report findings

Findings	
1.	While the GBB Zones are used by some stakeholders, in particular smaller participants, new entrants and other stakeholders such as policy makers, they are not used by many Gas Market Participants.
2.	Linepack Capacity Adequacy (LCA) Flags should be provided for a pipeline as a whole rather than segmented by Zone. The IMO should consider a new requirement for Production Facilities to provide a reliability flag to indicate any issues with production at a facility, which would need to be updated closer to real time if an unplanned incident occurred.
3.	The IMO should consider reducing the threshold for inclusion of facilities on the GBB to 5TJ/day.
4.	The IMO should undertake incremental change to the GBB rather than a wholesale review.

⁴ Available at: <http://www.imowa.com.au/2015-gbb-zones-review>.

⁵ Available at: <http://www.imowa.com.au/2015-gbb-zones-review>.

5. Conclusion

Table 5.1 sets out the actions the IMO will undertake in regards to the Marsden Jacob's final report recommendations and findings.

Table 5.1: IMO's response to the final report's recommendations and findings

Recommendations and findings	IMO response
<p>Finding 1 – while the GBB Zones are used by some stakeholders (in particular smaller participants, new entrants and other stakeholders such as policy makers), they are not used by many Gas Market Participants.</p>	<p>The IMO notes this finding especially as it supports some of the other proposed changes in Marsden Jacob's final report.</p> <p>The role of Zones on the GBB was based on the National Gas Bulletin Board (NGBB) which publishes all flow information (forecast and actual) at the zonal level and does not provide much Facility-level data.</p> <p>This finding, and others below, indicate that users of the GBB generally value facility-level information over Zone information.</p>
<p>Recommendation 1 – remove the definition of the GBB Zones from the GSI Rules and insert this in a GSI Procedure.</p> <p>Recommendation 4 – the IMO should adopt guidelines for adding facilities to the Zones and/or modifying the Zones and these guidelines should also be included in a GSI Procedure.</p>	<p>The IMO intends to adopt these recommendations and progress a rule change to do so as soon as practicable.</p> <p>Given finding 1 above, the current level of oversight of the Zones appears to be an unnecessary administrative burden. Moving the definition of the Zones into a GSI Procedure will enable the Zones to be amended more easily if required.</p> <p>In implementing these recommendations, the IMO will also give consideration to:</p> <ul style="list-style-type: none"> • what modifications, if any, are required to the heads of power for GSI Procedures. Ideally the GSI Rules should not be too prescriptive about how the Zones are defined but perhaps use more general language about the Zones providing for aggregation in regions or locations, as doing so may enable different types of Zones to be established in the future (e.g. around trading hubs); and • whether the requirement for the IMO to undertake a review of the Zones at least once every five years is still appropriate. <p>Marsden Jacob has proposed guidelines for amending the Zones, however these are likely to need further consideration and development in consultation with stakeholders.</p>
<p>Recommendation 2 – nominations and forecasts should be published for individual facilities.</p> <p>In particular, Marsden Jacob recommends that this information should be published for Production Facilities. While Marsden Jacob indicated that it is likely that there are benefits from publishing this for</p>	<p>The IMO agrees with the Marsden Jacob's recommendation, and is currently undertaking further consultation on the proposed changes with the Gas Advisory Board (GAB) to enhance the information on the GBB. The scope of work for this consultation includes the publication of nominations and forecasts on a Facility basis as well as outage warnings for Facilities.</p> <p>A number of stakeholders have indicated that this information, both for Production and Large User Facilities, would be valuable and would support short term trading in the market.</p> <p>Publication of nomination and forecast information by Large User Facilities will require some large users to provide additional data to the</p>

Recommendations and findings	IMO response
<p>large users (either by Facility or user), they noted that there are issues that may need to be resolved prior to doing so (principally concerns raised were about commercial sensitivity for some users).</p>	<p>IMO, so the costs and benefits of this additional information need to be considered.</p>
<p>Recommendation 3 – require Large User Facilities not connected to GBB Pipelines to be reported on the GBB.</p>	<p>While this recommendation was supported by some submissions, the IMO does not consider that this change is required and will not undertake any further action on this recommendation.</p> <p>There are currently no Large User Facilities or Production Facilities that are not (or will not be) connected to GBB Pipelines.</p> <p>The GBB has also been designed to ensure this situation does not arise by requiring that all relevant pipelines are registered GBB Pipelines.</p> <p>There are currently two situations in which a pipeline does not need to be registered:</p> <ol style="list-style-type: none"> 1. if a pipeline has a capacity of less than 10TJ/day, then the Facilities connected must also be less than 10TJ/day. The GBB has been designed to capture the vast majority of gas flows throughout the State and uses the 10TJ/day threshold (about 1 per cent of total daily gas consumption) to exempt Facilities for which the burden of reporting likely exceeds the benefits; and 2. if a pipeline has a capacity of greater than 10TJ/day but is not a Transmission Pipeline (as defined in the GSI Rules). This is most likely where the pipeline has only one facility connected to it, it can be considered a ‘lateral’ pipeline or simply a connection asset. In this case, the pipeline will generally be connected to another GBB Pipeline and data about the pipeline and the Facility connected to it will be captured by virtue of the registration of the other GBB Pipeline. <p>In the event there was a pipeline similar to a lateral but with more than one facility connected to it (production, user or storage) and that had a capacity of greater than 10TJ/day, the current GBB design would capture this and require it to be registered.</p>
<p>Finding 2 – LCA flags should be provided for a pipeline as a whole rather than segmented by Zone and the IMO should consider a new requirement for production facilities to provide a ‘reliability flag’ to indicate any issues with production at a facility, which would need to be updated closer to real time if</p>	<p>This finding is not strictly within the scope of the GBB Zones Review. The IMO is currently consulting on this matter with GAB regarding enhancements to the GBB in conjunction with recommendation 2.</p> <p>Based on feedback from DBP Transmission, Marsden Jacob concluded that LCA flags for pipelines are not providing clear information to GBB users when an incident occurs. This is because the LCA flag could indicate an issue with a Production Facility, a physical issue on the pipeline and/or a contractual limitation on deliveries to some users.</p> <p>In addition, for pipelines that are in multiple Zones, DBP indicates it is very unlikely that a different LCA flag would apply in different Zones.</p>

Recommendations and findings	IMO response
<p>an unplanned incident occurred.</p>	<p>This is because users along the pipeline have different rights and those with interruptible supplies will always be curtailed ahead of those with firm supplies, regardless of their location on the pipeline.</p> <p>The proposal of a separate reliability flag for Production Facilities resolves one aspect of this issue. A reliability flag could be provided ex-post (ideally close to real time) which may identify risks to production and therefore deliveries on the day and may support various risk-management activities including opportunities for short term trading. The IMO has proposed further consultation with GAB at the October meeting in relation to the proposal of a reliability flag.</p> <p>Submissions to the Marsden Jacob draft report and recent GAB discussions have both highlighted concerns with the lack of information available when an incident occurs at a Production Facility.</p>
<p>Finding 3 – the IMO should consider reducing the threshold for inclusion of Facilities on the GBB to 5TJ/day.</p>	<p>The IMO will not lower the threshold for Large User Facilities from the current threshold level of 10 TJ/day.</p> <p>This finding, while also out of scope of the GBB Zones Review, was made in response to one submission which suggested the threshold should be lowered.</p> <p>The IMO does not consider this to be a priority issue, given that such Facilities account, individually, for less than 1 per cent of total gas flows and are included in aggregate figures reported on the GBB.</p> <p>In addition, at the July 2015 GAB meeting, various stakeholders expressed the view that it would not be beneficial to lower the threshold due to the small number of Facilities that would be affected by the change.</p>
<p>Finding 4 – the IMO should undertake incremental change to the GBB rather than a wholesale review.</p>	<p>The IMO notes this finding.</p> <p>Some submissions indicated the IMO should not be considering changes to the GBB Zones without undertaking a comprehensive review of the GBB.</p> <p>However Marsden Jacob considered that, given the maturity of current market arrangements and use of the GBB, incremental change is likely to be preferable to enable the GBB to better achieve the GSI Objectives. This view is consistent with discussions at the May 2015 GAB meeting, where several members questioned the benefit of undertaking a cost-benefit review of the GSI at this stage. GAB members confirmed this view at the July 2015 GAB meeting and it was agreed to review this decision in 24 months.</p>