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The Santos logo is displayed in a bold, blue, sans-serif font.

18 June 2015

Kate Ryan  
Group Manager, Development and Capacity  
Independent Market Operator  
PO Box 7096  
Cloisters Square WA 6850

**RE: 2015 Review of the Gas Bulletin Board Zones**

Dear Ms Ryan

Santos is grateful for the opportunity to provide comment on the 2015 review of the Gas Bulletin Board Zones

Background

Santos Ltd is one of Australia's largest producers of gas to the domestic market and has the largest exploration and production acreage position in Australia of any company. In Western Australia, Santos is the third largest provider of gas to the Western Australian market through its joint venture positions on Varanus Island and Devil Creek.

The spot and term gas domestic market in WA function well despite the lumpy nature of demand. Santos is of the view there is sufficient transparency and information 'line of sight' for those participants actively engaged in the market.

Gas Bulletin Board Zones

The Gas Bulletin Board (GBB) commenced operation in 2013 to improve the transparency of information, security of supply and to facilitate competition in the WA domestic gas market. The intention of the zone information was to provide information on the areas where gas was being produced and consumed across the state.

The IMO engaged a third party to prepare a report as part of the regulated five -yearly review of the GBB zones. The draft report made several recommendations.

Use of Zone Information

Rather than respond to the queries raised in the draft report, Santos believes there is a more important single query that should be addressed as part of this process, and that is "Does the zone information meet any of the objectives identified in the Gas Services Information (GSI) Act?" Santos believes the answer to this question is no.

The current information displayed on the GBB provides an extensive number of pages relating to gas flows across the state. The primary value of most of this information is to assist in the activities of the Emergency Management Facility as well as educating newcomers or interested parties on where the gas originates and where it is used. The zone information however does not appear to provide any useful information that is not already available

elsewhere on the website. Through discussions with a large number of industry participants, Santos is yet to identify a single party who utilises any of the zone information.

Santos believes that, rather than engage a third party to draft a report on the zone information, this time and money would be better spent identifying, after several years of operation, which parts of the GSI are useful and which are not. The industry itself is in the best position to provide feedback on what would improve the transparency of information, security of supply and facilitate competition in the WA natural gas market. This feedback loop could be used to streamline the GBB and trim it down to providing the information that will achieve the outcomes it was established for.

The IMO had an undertaking to carry out a cost benefit analysis of the operation of the GSI project 12 months after it was established. This has yet to occur. However, a better undertaking might be a broader review of the value of the information generated by the IMO with an eye to reducing unnecessary costs to industry.

### Conclusion

Santos believes the IMO should consider a broader review of the GBB to establish which parts of the service are meeting the objectives of the GSI. We believe the outcome of such a review will demonstrate that the GBB could be streamlined, without compromising the GSI objectives, thereby resulting in direct savings to the market participants who fund its operation.

Santos again thanks the IMO for the opportunity to provide comment on this matter and should you have any queries on this submission, please contact me on 9333 9607.

Yours sincerely



Dave Rafferty  
Senior Commercial Advisor  
Santos Ltd

## Response to Draft Report Queries

### **Question on awareness, understanding and access of GBB Zone data**

1. Does your organisation and the appropriate people within your organisation have a strong understanding of the GBB Zones, their purpose, and the data available for each Zone? **Yes**
2. How often does your organisation access the GBB Zone data? **Never**
  - How is that data accessed (e.g. downloaded manually or access via an automated system)? Is the GBB data provided to you via a third party? **N/A see above**
3. What information or presentation of data would improve your understanding and use of the GBB Zone data? **It's not required as it serves no purpose for our business as we have a strong understanding of the market**

### **Questions on use and publication of GBB Zone information and data**

4. Does your organisation rely on Zone information or data to make decisions on its gas market activities? **No**
  - If yes, which data is used and for which activities? Please specify.
  - If no, is this due to an inadequacy in the Zone break down – either from a pipeline segment perspective or on supply/demand opportunities, or the timeliness of data? Please comment. **It does not serve any purpose in our marketing activities. We engage directly with market participants through the various mechanisms that exist in the market such as trading platforms, spot agreements, swap agreements etc. and as a result trade freely.**
  - Would changes to any aspects of the Zones in relation to the level of disaggregation of information, or the timeliness of data provided change your use of the GBB Zone data? Please explain. **No. There are limited participants in this lumpy market and communication between buyers and sellers occurs simply without need to reference the GBB to establish outages etc.**
5. If the pipelines were further segmented:
  - Would result in any increased regulatory burden? **Yes**
  - Would this information be beneficial to gas market activities? Please specify. **No see Q4**
6. If nominations and forecasts for receipt points were to be published, would this have significant commercial implications for producers? **If producers have ullage in their facility for any reason, they engage with the market should they need to fill this capacity. There may also be valid reasons for not engaging such as maintenance, contractual obligations**

that mean that the capacity may not be used or reserves considerations. To be clear, there are no impediments to engaging with market participants as discussed in the points above.

○ Would this information be beneficial to gas market activities? Please specify. **No See above**

7. If nominations and forecasts for delivery points (especially large user facilities) were to be published, would this have significant commercial implications for gas users? **No, see above**

○ Would result in any increased regulatory burden? **Yes**

○ Would this information be beneficial to gas market activities? Please specify. **No. As mentioned above, there are limited market participants and multiple avenues for buying and selling gas and these participants trade freely through them.**

### **Questions on governance oversight for new pipelines**

8. Is the prescriptive inclusion of Zones in a Schedule to the GSI Rules necessary? **No**

○ Does this provide an appropriate balance between regulatory oversight (through the Rule change process) and flexibility of definitions to meet market needs as the market develops? Please explain. **No. The market itself develops as it needs to and has always done so. It does not require, nor is it appropriate for regulatory oversight of a market. The zones do not result in any greater transparency to the market or increase competition.**

9. If the IMO were to propose a Rule Change to remove the prescription of the Zones from the GSI Rules, what regulatory oversight or consultation processes would you consider appropriate? **A simple survey of those active in the market to establish the value of the zones.**

○ Would it be appropriate (and preferable) to include Zone descriptions in a GSI Procedure? **Santos believes that the zones serve no value to the market and could be removed altogether thus reducing the cost to industry**

### **Questions on guidelines to allocate new pipelines to Zones**

10. Is there benefit in providing greater description (or guidance) as to how new pipelines would be included in GBB Zones? **No**

11. Are the Marsden Jacob guidelines for the allocation of new pipelines to GBB Zones appropriate and useful? **No**

○ Will they work in all future pipeline development scenarios? **No**

○ Are there additional factors that should be considered in the development of guidelines? **No, as mentioned above, the zones do not result in any greater transparency to the market or increase competition.**

12. Should guidance be formalised in a GSI Procedure? Or is the development of a separate information document appropriate? **See above**

### **Questions on the segmentation of the current Dampier Zone**

13. Is the Dampier Zone information useful in its current form? **See above**

○ If yes, which information is useful and why?

○ If no, is this as a result of the current level of transparency provided by Zone level data? Please comment. **The zones do not result in any greater transparency to the market or increase competition. See response in Q6**

14. Would the segmentation of the existing Dampier Zone result in information which is of benefit to gas market activities? Please specify. **No see above**

15. Should the Dampier Zone be segmented? If so, how should this be undertaken? Please comment. **The zones do not result in any greater transparency to the market or increase competition. See response in Q6**

○ Would any particular breakdowns pose issues for your organisation? Please specify. **This will not result in any benefit to the market as detailed above**

○ Would the amalgamation of the lower half of the Dampier Zone with the current Mid-West Zone (as per Option 1) cause participants any concerns? (e.g. loss of data continuity, insufficient geographical data breakdown) **This will not result in any benefit to the market as detailed above**

### **Questions on guidance for revision of GBB Zones (all facilities)**

16. Is there benefit in providing greater description (or guidance) as when GBB Zones should be revised than is currently available? **This will not result in any benefit to the market as detailed above**

17. Are the Marsden Jacob guidelines for the revision of GBB Zones appropriate and useful? **No**

○ Will they work in all future market development scenarios? **No**

○ Are there additional factors that should be considered in the development of guidelines? **See responses above**

18. Should guidance be formalised in a GSI Procedure? Or is the development of a separate information document appropriate? **See responses above**

### Questions on other potential reform options

19. Do any of the other potential reform options warrant further consideration as part of this review or by the IMO at a future date? **The IMO should consider a broad review of the information provided in the GBB in order to establish the benefit to the market and whether the information meets the objectives of the GSI particularly in light of the high cost to the industry of providing this information.**

○ If yes, please comment on the particular option and the rationale for any further investigation? **See above**

20. Are there any other concerns, issues or comments – particularly on the use and usefulness of Zone based information – which this Review should consider? Please specify. **It is concerning that those actively engaged in the market were not consulted prior to engaging a consultant to draft a report on how to reform the zone information. As discussed above, the IMO should have contacted participants directly to establish the value of the information and whether it meets the objectives of the GSI project.**

### Questions on recommendations

21. Are these recommendations appropriate and do they follow logically from the information provided? **The logical step should have been to consult per the response in Q 20. This would have been a far cheaper and more effective way of dealing with this matter.**

○ Is there any critical information that Marsden Jacob has missed which would alter the recommendations? **As discussed above, the zone information does not appear to meet the objectives of the GSI project and its removal should be considered in order to reduce the cost to industry.**

22. Is there any reason why these recommendations should not be adopted? Please specify which recommendations and the reasons.

23. Which recommendations cause your company the greatest concern? Please explain why. **The additional burden of providing forecast data and nominations is inappropriate and will not serve any benefit to industry for the reasons described in Q6. Additionally, this additional administrative burden will increase the cost to industry.**

24. Which recommendations are likely to provide the greatest benefit to your company? Please explain why.