Review of Gas Bulletin Board Zones

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DBP Transmission (DBP) is the owner and operator of the Dampier to Bunbury Natural Gas Pipeline (DBNGP), Western Australia's most important piece of energy infrastructure.

The DBNGP is WA's key gas transmission pipeline stretching almost 1600 kilometres and linking the gas fields located in the Carnarvon Basin off the Pilbara coast with population centres and industry in the south-west of the State

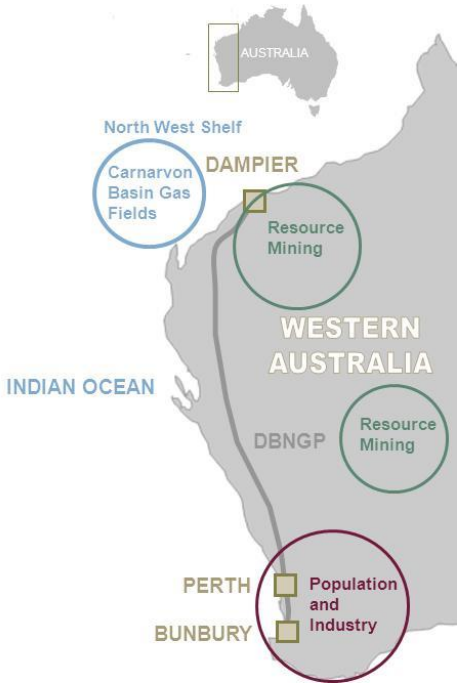

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Table of Contents

1. INTRODUCTION.....1

2. LINEPACK ADEQUACY INDICATORS.....2

3. DBP'S RESPONSE TO DRAFT REPORT QUESTIONS 5

4. DBP'S POSITION ON DRAFT RECOMENDTATIONS 10

List of Boxes

BOX 1: QUESTION ON AWARENESS, UNDERSTANDING AND ACCESS OF GBB ZONE DATA 5
BOX 2: QUESTIONS ON USE AND PUBLICATION OF GBB ZONE INFORMATION AND DATA 5
BOX 3: QUESTIONS ON GOVERNANCE OVERSIGHT FOR NEW PIPELINES 6
BOX 4: QUESTIONS ON GUIDELINES TO ALLOCATE NEW PIPELINES TO ZONES 7
BOX 5: QUESTIONS ON THE SEGMENTATION OF THE CURRENT DAMPIER ZONE 7
BOX 6: QUESTIONS ON GUIDANCE FOR REVISION OF GBB ZONES (ALL FACILITIES) 8
BOX 7: QUESTIONS ON OTHER POTENTIAL REFORM OPTIONS 8
BOX 8: QUESTIONS ON RECOMMENDATIONS 9
BOX 9: RECOMMENDATION 1: REMOVE THE DEFINITION OF ZONES FROM THE GSI RULES 10
BOX 10: RECOMMENDATION 2: PUBLISH NOMINATIONS AND FORECASTS FOR INDIVIDUAL FACILITIES (IN PARTICULAR GAS PRODUCTION FACILITIES) 10
BOX 11: RECOMMENDATION 3: CAPTURE LARGE USE FACILITY DATA FROM NON-GBB PIPELINES 11
BOX 12: RECOMMENDATION 4: DIVISION OF THE CURRENT DAMPIER ZONE 12
BOX 13: RECOMMENDATION 5: ADOPT GUIDELINES FOR ALLOCATION OF NEW PIPELINES TO GBB ZONES 13
BOX 14: RECOMMENDATION 6: IMO ADOPT GUIDELINES FOR REVISION OF GBB ZONES 13

1. INTRODUCTION

1.1 DBP appreciates the opportunity to participate in the IMO's Review of the Gas Bulletin Board (**GBB**) Zones and make comment on the Draft report prepared by Marsden Jacob *Associates Review of the Gas Bulletin Board Zones* (**Draft Report**).

1.2 DBP understands that the review has undertaken in accordance with subrule 82(2) of the Gas Services Information (**GSI**) Rules.

1.3 As an overarching comment, DBP would like the IMO to carefully consider market participants use of zone information. DBP suspects zone information and data isn't a highly utilised feature of the GBB. DBP notes that the Draft Report recognised that market participants who value the information are likely to already have better alternatives. There is also little to no substantiation in the Draft Report that zone information is used outside those who have a direct role in the physical and commercial aspects of the gas market.

1.4 Notwithstanding, DBP's response to the specific recommendations made by Marsden Jacob Associates (**MJA**) can be summarised as follows:

(a) Recommendation 1: The definition of GBB Zones should not be removed from the GSI Rules;

(b) Recommendation 2: DBP agrees that the GBB should include gas nominations and production facilities forecasts that would allow for greater visibility of gas production outages;

(c) Recommendation 3: Wheatstone Ashburton West Pipeline (**WAWP**) and the Ashburton to Onslow Gas Pipeline (**AOGP**) should not be registered as GBB Pipelines unless they meet the current criteria in the GSI Rules for GBB pipelines.

(d) Recommendation 4: DBP does not agree to segmenting the Dampier Zone on the GBB and further more suggests that MJA has not substantiated the case for options discussed in the Draft Paper;

(e) Recommendation 5: While DBP does not agree with the GBB Zones definition being removed from the GSI Rules there is scope for the use of proposed guidelines for the allocation of new pipelines to GBB Zones; and

(f) Recommendation 6: Proposed guidelines for the revision of GBB Zones are not adequate and require further consultation if they are to be meaningfully used by the IMO.

1.5 DBP is also concerned that Draft Report has over stated the role Linepack Adequacy Indicators (**LCA**) flags do or can have on the GBB. In DBP's view, the general misunderstanding surrounding LCA flags has likely led to incorrectly recommending the segmentation of the Dampier Zone.

1.6 Before addressing the specific questions and outlining DBP's response to recommendations contained in the Draft Report, DBP outlines a number of concerns with LCA flags and MJA's findings in the Draft Report. Therefore the structure of the submissions is as follows:

(a) Section 2: DBP's view on Linepack Capacity Adequacy flags;

(b) Section 3: Response to questions contained in Draft Report;

(c) Section 4: DBP's position on recommendations made by MJA in the Draft Report.

2. LINEPACK ADEQUACY INDICATORS

2.1 DBP is concerned with how the current arrangements in the GSI Rules for LCA flags have been used to substantiate some of the findings and recommendations in the Draft Report, including those proposing the further segmentation of the Dampier Zone. Furthermore, it is apparent to DBP that there is an over-reliance on proposed changes to the arrangements in the GSI Rules for zones and LCA flags as the solution for many of the perceived issues with the current arrangements, such as the difficulties in facilitating short term trading opportunities.

2.2 Instead, DBP submits that a more appropriate change to the GSI Rules in order to address such issues as facilitating short term trading opportunities would be to require stakeholders to provide more information on the causes of supply disruptions in the WA gas market on a timely basis.

2.3 If however, the IMO believes that changes to the LCA flag arrangements in the current GSI Rules is warranted, DBP submits that changes should be made to better reflect the commercial and operational arrangements in place on pipelines. In particular, DBP submits that:

(a) The criteria for each LCA flag colour needs changing;

(b) There is a strong case for requiring only a single LCA flag for all zones on the DBNGP;

(c) there is no demonstrated case for requiring more zones on the DBNGP to enable different LCA flags to be issued for each zone.

2.4 The GSI Rules define LCA flag for as gas day as a green, amber or red flag indicating the actual or expected capability of the pipeline to meet the relevant delivery nominations with the Zone for that gas day based on the pipeline's linepack and capacity, where:

(a) a green flag indicates normal operation;

(b) an amber flag indicates likely curtailment of interruptible gas flows; and

(c) a red flag indicates likely curtailment of firm gas flows.

2.5 There are a number of issues with the current criteria. Firstly, linepack on a natural gas pipeline is the asset of the pipeline owner used to ensure reliability and safe operation of the pipeline. Without it, the pipeline operator cannot make capacity available to users of the pipeline. It is also used in appropriate circumstances to respond to short term gas production disruptions (where gas is not being delivered into the pipeline for users) but can only be done so for a finite period of time if linepack is not replaced.

2.6 It is also important to note that only the pipeline operator is in a position to prudently manage linepack in an incident impacting the pipeline and will do so in accordance with its contractual commitment to shippers. At best LCA flags can provide an alert to market participants of an issue that may affect services (non-firm in the case of amber and firm in the case of a red LCA flag). Gas users should not be encouraged to make decisions as to their ongoing gas usage solely based on the status of LCA flags on the GBB. LCA flags suggest there may be a symptom to deal with but says nothing as to the cause.

2.7 The second set of issues relate to the actual criteria themselves. There is a high level of uncertainty inherent in the current design of LCA flags. This is because the criteria used to define which coloured flag to be used merge three distinct concepts:

(a) Linepack status – as implied by the name, the flag might be an indicator of linepack health. Linepack is usually measured by cubic metres of commodity available in the pipeline but is not likely to be useful information to anyone other than the pipeline operator. Low linepack may not necessarily mean curtailment of interruptible or firm gas flows in a zone for a gas day if the pipeline operator is certain that linepack is going to be promptly replaced. In the incidents since the inception of the GBB where linepack has changed to amber or red they have been a result of low linepack resulting from either production outages or a combination

of higher than usual higher heating value (**HHV**) specification gas (resulting in lower than normal gas volumes) and production outages.

(b) Nominations – or more specifically 'the actual or expected capability of the pipeline to meet the relevant delivery nominations'. Nominations on the DBNGP are not required to be provided to the pipeline operator by users and even if they are provided, they are only required to be provided on a best endeavours basis and may not closely reflect the actual situation of the pipeline during the gas day. Similarly, during an incident such as a producer outage, the behaviour of users in relation to their gas usage on the pipeline is likely to change rapidly from the normal course of activity or that indicated by nominations at the beginning of the gas day.

(c) Curtailment – it is noted that an "amber/red flag is required to be used where there is a likely curtailment of interruptible/firm gas flows". There are two issues with this criterion. Firstly, this requires the pipeline operator to make an assessment where there may be very limited information to do so particularly if the origin of the incident is unrelated to the physical status of the pipeline i.e. an unplanned production outage. Secondly, if an unplanned production outage occurs, in the case of the DBNGP, the pipeline operator is unlikely to curtail any gas flows to users at any outlet points. The gas transportation agreements (**GTAs**) that are in place with all shippers on the DBNGP are such that shippers are only entitled to have an amount of gas delivered at any outlet point on a gas day if they deliver a corresponding amount for receipt at the inlet points to the DBNGP on that gas day (subject to imbalance arrangements that apply). If a shipper does not deliver gas for receipt into the pipeline, it is not entitled to take any gas out of the pipeline at any outlet point. This however, is not a curtailment. None of the incidents since the inception of the GGB where the LCA flags have changed have resulted in curtailment of transport.

2.8 Thirdly, the name Linepack Capacity Adequacy may also imply to some market participants that linepack is available or otherwise while the criteria are based on actual or expected curtailment. Generally, linepack health is linked to the availability of commodity while curtailment is an issue with transportation on the pipeline. While the ability to provide transport can be impacted by the availability of commodity, it could also have other causes, such as a pipeline rupture or failure of a compressor station.

2.9 Additionally, a green LCA flag does not mean a shipper can simply draw down gas from the pipeline. It must have adequate GSA and GTA arrangements in place and be prudently managing its imbalance rights within those arrangements. The pipeline owner will manage its linepack by issuing imbalance notices if the shipper draws down from linepack that is not being replaced under the relevant GSA at the relevant inlet.

2.10 Likewise under an amber or red LCA flag, the flag status is unlikely to be constrained to a single zone or within localised segments due to the demand profile on the DBNGP. Approximately 70% of all deliveries are made to the South West requiring the vast majority of the gas to be transported the entire length of the pipeline. It is for this reason, if there is a pipeline operational issue in the north and there are is a possibility for curtailment of pipeline services DBP is almost always going to be required to update all LCA flags along the length of the DBNGP.

2.11 Similarly, the GTAs that are in place with all shippers on the DBNGP are such that if there is a system wide pipeline operational issue (as opposed to a point specific pipeline operational issue – eg a meter station issue) which requires the pipeline operator to curtail pipeline services, all firm shippers, regardless of where they are located on the DBNGP, are required to be curtailed in accordance with the curtailment plan outlined in the Standard Shipper Contract[1]. So, this effectively means that, under the current Rules, all LCA flags will be required to be changed

[1] http://www.dbp.net.au/wp-content/uploads/2015/03/DBNGP-T1-Standard-Shipper-Contract-February-2015.pdf

Will more LCA flags help market participants?

2.12 Each pipeline, even very long ones like the DBNGP, should be thought of a single system. They are not easily segmented. Disruptive incidents on a pipeline itself, although uncommon, are not usually localised to discrete areas (other than an incident at a meter station that regulates the delivery of gas to a shipper's downstream operations). It is conceivable that equipment failure or rupture of a loopline, that could easily be bypassed, may have a localised impact but it could just as likely have an impact downstream from that point causing a more wide spread issue on the pipeline system. Production outages are even more than likely to have a system wide impact as discussed above. Moreover, because of the contractual arrangements on the pipeline (as outlined in paragraph 2.10) will mean that in most cases, all shippers on the pipeline will need to be curtailed.

2.13 The Draft Report points to a scenario to illustrate the shortcomings of LCA flags based on anecdotal evidence. The scenario describes an event in January of this year where the three zones on the DBNGP had red LCA flags. In reviewing the historical GBB LCA data it is likely that that those consulted were recalling the event on 30 January 2015 where all zones of the DBNGP were amber[2]. For the reasons outlined above, DBP strongly disagrees with the conclusion that zones are too broadly defined rather stakeholders are expecting too much of LCA flags. DBP suggests that further information is required from production facilities not LCA flags.

2.14 The Draft Report also suggests that "pipeline zone information needs to be updated in a sufficiently timely manner in order for the signal to provide market insight and inform participant's activities in relation to a supply incident". Despite MJA noting that pipeline operators are required to update LCA flags at any time when there is a change in the supply capability of a pipeline it concludes that from a practical perspective signals to the market may be delayed or not occur at all.

2.15 DBP agrees that there are clear practical reasons for the apparent delays in the provision of LCA flag status. The current design of LCA flags only require update during the gas day if there is an expectation there is to be curtailment to either interruptible or firm capacity. Supply disruptions do not always lead to curtailment as outlined above.

2.16 In the event on 30 January used in the Draft Report, DBP had no knowledge of the severity or potential longevity of the production outage and made a decision to update the LCA flag changing the relevant flag in each zone from green to amber (not red as suggested) as there may have been the potential for curtailment of non-firm capacity to be curtailed anywhere along the pipeline. If the outage persisted as a result of low pressure due to a low linepack level due solely to withdrawals from the pipeline exceeding supply into the pipeline curtailments would have occurred.

2.17 The incident was an example of such an event where if the longevity of the outage was known then there would have been no need to update the LCA flags. It is also an example of the system wide impact production outages have on the pipeline.

2.18 DBP therefore suggest that further segmentation of zones should not be based on LCA flags it should look to improving the transparency of information from gas production facilities. Failing that, the design of LCA flags criteria in the GSI Rules should be revisited before pursuing segmentation of the GBB Zones.

[2] *IMO GBB link: https://gbb.imowa.com.au/#reports/linepackCapacityAdequacy*

3. DBP'S RESPONSE TO DRAFT REPORT QUESTIONS

3.1 DBP's response to each of the questions contained in the Draft Report is provided below.

Box 1: 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?
2. How often does your organisation access the GBB Zone data?
   - 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?
3. What information or presentation of data would improve your understanding and use of the GBB Zone data?

3.2 As a provider of a lot of the information, DBP has a good understanding of the GBB Zones. However, as an organisation, DBP rarely has the need to access the GBB.

Box 2: 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?
   - 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.
   - 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.
5. If the pipelines where further segmented:
   - Would result in any increased regulatory burden?
   - Would this information be beneficial to gas market activities? Please specify.
6. If nominations and forecasts for receipt points were to be published, would this have significant commercial implications for producers?
   - Would this information be beneficial to gas market activities? Please specify.
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?
   - Would result in any increased regulatory burden?
   - Would this information be beneficial to gas market activities? Please specify.

Question 4 – DBP does not rely on the GBB data to make decisions on its gas market activities. This is not due to the inadequacy in zone break down. Rather, it is because DBP provides the IMO with all information about the DBNGP that is placed on the GBB.

The Draft Paper recognises that most market participants who have use for it also have ready access to alternative sources of information such as metered flow data supplied by pipeline operators.

The Draft Paper contradicts itself by also suggesting that from a supply and demand perspective that the data 'may' facilitate identification of short term trading opportunities despite the WA gas market being dominated by long term commodity and transport contracts and that only a small proportion of total gas flow is traded in the short term market.

While DBP is unable to comment on the trade of commodity, DBP suggests that it is very unlikely that the GBB is facilitating short term trade of capacity in the secondary market and notes that if shippers or prospective shippers would like capacity on the DBNGP there is currently ample spare capacity in the primary market as advertised on DBP's Spare Capacity Register[3]. In addition if a shipper wants short term capacity DBP advertises spot capacity on a daily basis to shippers on CRS (Customer Reporting System) an online portal shippers use to manage pipeline services on the DBNGP.

[3] *See DBP's spare capacity register* http://www.dbp.net.au/wp-content/uploads/2015/05/20150527-DBNGP-Capacity-Register.pdf

DBP does not see that segmentation of the Dampier zone will change the very limited activity for short term trades either in the primary or secondary market for pipeline capacity as those who are likely to trade already have adequate information. Moreover, the creation of further segmentation of zones will be very unlikely to lead to different information being provided because of the contractual arrangements with shippers (as explained above) and the fact that, since the establishment of the GBB, the reason for changes to LCA flag colours has been for reasons due to upstream production outages, not pipeline reliability.

Question 5 – Further segmentation would result in additional regulatory burden for DBP. While it already provides throughput information required in an un-aggregated form that the IMO can easily aggregate into new segmented zones DBP is concerned with the requirement to provide additional LCA flag indicators as discussed above.

Mandating additional LCA flags will add to DBP's regulatory burden when it has not been demonstrated that it will provide a benefit to market participants.

Operationally, there is an additional risk that reviewing each LCA flag during an incident will take time away from the same staff that are also responsible for responding to the needs of the shippers during incidents.

For the reasons outlined in section 2 of this submission, further segmentation of Zones will not be beneficial to gas market activities.

Question 6 – Question relevant to producers.

Question 7 – Question relevant to users.

Box 3: Questions on governance oversight for new pipelines

8. Is the prescriptive inclusion of Zones in a Schedule to the GSI Rules necessary?
   - 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.
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?
   - Would it be appropriate (and preferable) to include Zone descriptions in a GSI Procedure?

Question 8 – DBP believes that having zones defined in the GSI Rules affords the appropriate level of regulatory oversight. While DBP notes there are some changes occurring to energy infrastructure throughout the State that will require further rules changes to update the GBB zones these changes are very infrequent. Additionally, the IMO through the Gas Statement of Opportunities has a forward looking monitoring role that would allow it to plan required rules changes well in advance. Also the inclusion of the Fortescue River Gas Pipeline into the Pilbara Zone is evidence that the required rule change is not an overly burdensome process for the IMO or stakeholders. DBP would not expect future rule changes would be required to be completed on an urgent basis as the commissioning of new pipeline assets are well known by all participants well before inclusion is required on the GBB.

Question 9 – If the IMO does propose a rule change to remove prescription of the zones from the GSI Rules it should at a minimum:

(a) conduct a public consultation for each change it considers appropriate;

(b) outline the problem with the current arrangements;

(c) outline how proposed changes meet the GSI objectives; and

(d) outline how it addresses pre-determined guidelines set for the purposes of determining the allocation of new pipelines to zones.

Box 4: 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?
11. Are the Marsden Jacob guidelines for the allocation of new pipelines to GBB Zones appropriate and useful?
    - Will they work in all future pipeline development scenarios?
    - Are there additional factors that should be considered in the development of guidelines?
12. Should guidance be formalised in a GSI Procedure? Or is the development of a separate information document appropriate?

Question 10 – Yes, there is benefit in having greater guidance as to how new pipelines would be included in GBB Zones.

Question 11 –The proposed guidelines seem acceptable to DBP.

Question 12 – DBP considers that it would be valuable to have some degree of flexibility in the way pipelines are allocated to zones as it is hard to predict the circumstances of future pipeline developments. This would be best achieved by developing guidelines contained in separate documentation to procedures or rules. The development of guidelines for inclusion of new pipelines should be subject to a separate consultation process.

Box 5: Questions on the segmentation of the current Dampier Zone

13. Is the Dampier Zone information useful in its current form?
    - 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.
14. Would the segmentation of the existing Dampier Zone result in information which is of benefit to gas market activities? Please specify.
15. Should the Dampier Zone be segmented? If so, how should this be undertaken? Please comment.
    - Would any particular breakdowns pose issues for your organisation? Please specify.
    - 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)

Question 13 – In DBP's view, the current zones definition strikes an acceptable balance and avoids further over-reliance and confusion caused by LCA flags (for the reasons outlined in section 2 of this submission).

Question 14 – DBP does not agree segmentation of the Dampier zone is warranted and is concerned with the substantiation provided in the Draft Report for such segmentation:

- MJA suggests that about 97% of natural gas production capacity in WA is captured by the Dampier zone and this is increasing to almost 98%, less than 1% is not significant considering the original design accepted that most of the gas production in the State occurred in the Dampier Zone.
- MJA's suggestion that supply disruptions are 'extremely localised' and further segmentation will assist in LCA flag reporting by helping with the identification of imminent issues or trading opportunities related to the remedy of supply issues is incorrect. While it is unclear what is specifically meant by supply disruption they are generally not 'extremely localised' particularly when they result from unplanned outages of production plants. As outlined in Section 2 of this submission, LCA flags, are unable to do much more than provide early warning that there is a potential issue in the gas market, they do not provide information on cause, severity, location and they certainly do not provide information that would enable market participants to trade commodity or capacity to remedy the incident.
- MJA also suggest that there is an under-reporting of supply disruptions during the gas day and specifically that this is caused by the minimum requirement to update the LCA flag daily and nomination data. DBP notes that the current requirement is for pipeline operator to update LCA flags at any time. DBP disagrees that this is an issue that can be corrected with further use of LCA flags rather the issue is better dealt with by addressed the gap in information that for production facilities.
- Additionally, DBP does not consider that nomination data will by itself allow for market participant's to better deal with production outages or restraints on transportation capacity on pipelines. Nominations

for commodity can only provide half the picture nor is it likely that forecast information from production facilities will be adequate unless it is updated on a timely basis. In DBP's view, nomination data must be coupled with forecast production data from production facilities so that participants can readily see where commodity is available. Comparing timely nomination data with gas receipts at inlet points may allow for more opportunistic trading of commodity.

Question 15 – DBP does not consider that segmentation will improve the problem being sought to be addressed. DBP suggests that forecast production information from production facilities be provided to the GBB on a production facility basis or at least "LCA flag' equivalent for production facilities be established to indicate to market participants whether daily commodity nominations are likely to be met or not.

Box 6: 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?
17. Are the Marsden Jacob guidelines for the revision of GBB Zones appropriate and useful?
    - Will they work in all future market development scenarios?
    - Are there additional factors that should be considered in the development of guidelines?
18. Should guidance be formalised in a GSI Procedure? Or is the development of a separate information document appropriate?

Question 16 – Whilst DBP has suggested that market participants derive little value from zone information which would not be addressed by further segregation, DBP does not agree with the definition of zones being removed from the GSI Rules as they currently stand.

Notwithstanding, if the concept of zones are to remain a feature of the IMO's GBB there is likely to be benefit in there being greater guidance as to when GBB Zones should be revised and development of guidelines would be a better first step before segmenting the Dampier Zone.

Question 17 – The guidelines seem acceptable to DBP. It is difficult to imagine how future market development scenarios will roll out, but these guidelines are general enough to cover a range of scenarios.

Question 18 – Guidelines are best developed at separate documentation and not prescribed in procedures or rules.

Box 7: 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?
    - If yes, please comment on the particular option and the rationale for any further investigation?
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.

DBP does not see there merit in pursuing the other potential reform options discussed in the Draft Paper.

Box 8: Questions on recommendations

21. Are these recommendations appropriate and do they follow logically from the information provided?
    - Is there any critical information that Marsden Jacob has missed which would alter the recommendations?
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.
24. Which recommendations are likely to provide the greatest benefit to your company? Please explain why.

DBP suggests that the IMO should review the use of zones information by market participants and determine their usefulness. DBP suspects that Zones are not used and could be removed from the GBB reducing regulatory costs on all participants.

4. DBP'S POSITION ON DRAFT RECOMENDTATIONS

4.1 DBP's positions on each of the recommendations are provided below.

Box 9: Recommendation 1: Remove the definition of Zones from the GSI Rules

The prescription of the Zones within Schedule 2 of the GSI Rules is unnecessary and adds to the regulatory burden for the IMO and market participants. The inability for new transmission pipelines to be efficiently included within Zones results in the IMO being unable to publish intended Zone information following commission of the new pipelines in the absence of a Rule change. The Rule change process, while a relatively small regulatory burden in comparison to other regulatory costs, is still an unnecessary obligation. Further, the level of regulatory oversight is not warranted based on the type of information provided by the pipelines.

Marsden Jacob recommends removal of the Zones prescription from the GSI Rules (amendment to Rule 82) to allow the IMO greater flexibility in amending the Zones to suit market needs going forward.

4.2 DBP does not agree with recommendation 1 and considers that having zones defined in the GSI Rules affords the appropriate level of regulatory oversight. If the IMO does propose a Rule change to remove prescription of the zones from the GSI Rules it should at a minimum be required to:

(a) conduct a public consultation for each change it considers appropriate;

(b) outline how proposed changes meet the GSI objectives; and

(c) outline how it addresses pre-determined guidelines set for the purposes of determining the allocation of new pipelines to zones.

4.3 DBP also calls for the IMO to carefully consider the extent zone information is used by market participants. DBP suspects zone information is not a highly utilised feature of the GGB and therefore should at the very least not be developed further increasing regulatory burden.

Box 10: Recommendation 2: Publish nominations and forecasts for individual facilities (in particular gas production facilities)

The usefulness of current Zones is limited by the aggregate nature of the data. In the case of large user facilities, commercial sensitivity concerns in relation to the release of actual delivery data have been raised and adequate substantiation of these claims provided.

In contrast, the IMO cannot cite any evidence from large users, producers or storage facilities in relation to the commercial sensitivity of the release of individual receipt or delivery nominations and forecasts as this issue was not expressly considered in the design of the GBB.

In particular, the publication of gas nominations and forecasts for receipt points for production facilities would enable opportunities for trade with various productions facilities to be more readily identified by large gas users. Particularly within the Dampier Zone which currently accounts for 97% of gas production in the State, and will grow to almost 98% with the commencement of the Gorgon and Wheatstone gas production facilities.

In addition, it would also give market participants greater visibility of gas production outages, which would improve both the preparation and management of actual or potential gas supply disruption events.

The publication of gas nominations and forecasts for large user facilities may also benefit the market, however, most participants indicated that this is relatively less important given the significantly lower concentration of large user facilities relative to producers. It could be more meaningful to publish aggregate nominations and forecasts for common owners and/operators of large user facilities exceeding 100 TJ/day, such as Alcoa, Synergy or Alinta.

4.4 DBP agrees that the GBB information should include gas nominations and forecast for production facilities if it is to be aggregated for each production facility. DBP believes that the GBB should also post timely delivery information at each inlet point as forecasts are not likely to account for unplanned outages. It is production forecast information on a timely basis in unplanned production outages that will allow market participants to make arrangements accordingly to best manage situations as they occur. This information would address the current overreliance on the LCA flags as currently employed on the GBB.

Box 11: Recommendation 3: Capture Large Use Facility data from non-GBB Pipelines

The proposed location of the Onslow Power Station and the construction of a pipeline that directly connects the power station to the Ashburton West Facility (interconnection between a gas lateral and gas production facilities), highlighted that gas flow information could be lost if gas pipelines (i.e. WAWP and the Ashburton to Onslow Pipeline) are not registered as GBB Pipelines. Although this issue is not strictly related to the definition of GBB Zones, it does relate to the completeness of the information on the Gas Bulletin Board generally.

Such a situation could also arise in other regions in Western Australia.

As discussed in section 3.3, the specific issue for the Onslow Power Station could be overcome by requiring that WAWP and the Ashburton to Onslow Pipelines register as GBB Pipelines. If they were registered as GBB Pipelines, given the location of the pipelines, in Marsden Jacob's opinion, they should be allocated to the Dampier Zone. However, if Recommendation 4 (Division of the Dampier Zone) is adopted, then the pipelines could be allocated to a New Zone (Gascoyne/Mid-West) under Option 1, or New Zone Lower under Option 2.

Rather than registering the WAWP and the Ashburton to Onslow Pipeline as GBB Pipelines, which Marsden Jacob would regard as gas laterals, an alternative approach would be to change the definition of large user facilities to include facilities connected to non-GBB Pipelines. This is recommended by Marsden Jacob as it would ensure that only major pipelines (with multiple users, interconnections to other major pipelines etc.) are classified as GBB Pipelines and would reduce reporting requirements for operators of smaller pipelines (e.g. updating LCA Flags).

4.5 DBP does not agree with MJA's proposal to require WAWP and AOGP pipelines to be registered as GBB pipelines unless they meet the current criteria in the GSI Rules for GBB pipelines. It is also appropriate for the facility to report its own gas usage if it is required by the GBB at all.

4.6 Also DBP would like the IMO to note that the AOGP is not directly linked to the WAWP which is a factual error in the Draft Report. The AOGP will connect with the DBNGP and so will be directly connected to a GBB pipeline.

Box 12: Recommendation 4: Division of the current Dampier Zone

As outlined earlier, gas production, pipeline interconnections and large user facilities are highly concentrated within the current Dampier Zone.

The locations and nature of production and user facilities along the DBNGP pipeline mean that supply disruption events, which would be indicated to the market via LCA Flags, or short term trading opportunities can be extremely localised.

The current segmentation for the pipeline as defined by the Dampier Zone is too high level in comparison to the localised nature of operational decisions and trading opportunities within that Zone. As such, the Zone based data is unlikely to provide appropriate signals to participants in the way intended under the GBB purpose.

Further, the short term nature of potential issues (e.g. gas plant outages) and the ability for issues to be remedied within a localised area within the Zone, means that gas supply disruption events within the Dampier Zone can be identified and remedied within the Gas Day. In these cases, the daily update of the LCA Flag and nomination data may result in the underreporting of gas supply incidents in this Zone to all gas market participants (acknowledging that much of this information will at least be provided to shippers by pipeline operators and producers).

For these reasons, Marsden Jacob suggests that the usefulness of the LCA Flag for the Dampier Zone and the aggregate level of the receipt and delivery forecast and nomination data are unlikely to be of assistance in managing risks, facilitating trade or providing information which enables market participants, policy makers and regulators to understand supply risks in this critical gas region of the State.

Marsden Jacob recommend that the Dampier Zone be further segmented to provide greater transparency, more useful warning signals, and enable greater understanding of the market opportunities in this region. Two proposed options to reform the Zone breakdown for this region were considered in this report:

- Option 1: Dampier Zone split at CS1 on the DBNGP; and
- Option 2: Dampier Zone split at CS1, and CS2 on the DBNGP.

Marsden Jacob considers that Option 2 provides a more detailed breakdown of the supply, demand and pipeline health and therefore this option is likely provide for better market outcomes. However, any commercial confidentiality concerns of individual market participants in this region also needs to be identified and considered.

To this end, Marsden Jacob's second recommendation – to publish nominations and forecasts for both delivery and receipt points – is relevant. Should this recommendation be adopted, then the further breakdown of the Dampier Zone may still better achieve the GSI Objectives. This is because the breakdown of the Zone would allow LCA Flags for individual segments of the DBNGP to highlight localised gas supply problems.

However, it is noted that the commercial sensitivity of publishing both production and large user facility data (by virtue of publishing receipt and delivery point data) is currently untested. Depending on comments and evidence provided by participants in relation to the release of this data, it may not be appropriate to recommend release of data from certain categories of participants.

Unless participants can demonstrate that there are significant commercial confidentiality concerns, Marsden Jacob recommends that Option 2 should be adopted. Option 1 or alternative Options should be considered if evidence of commercial sensitivity is cited by gas market participants.

4.7 As addressed in sections 2 and 3, DBP does not consider that further segmentation for the Dampier zone will improve the ability of market participants to respond to supply disruptions events or better identify short terms trading opportunities. It is more likely that recommendation 2 will go some way to addressing market participants need for further information in unplanned production outages.

Box 13: Recommendation 5: adopt Guidelines for allocation of new pipelines to GBB Zones

That the IMO adopts the Marsden Jacob's Guidelines for the allocation of new pipelines to GBB Zones:

If a gas pipeline has the following characteristics:

- is located within a single economic region of Western Australia where gas production and/or consumption occurs e.g. Pilbara, Perth, South West;
- is adjacent to an existing GBB Zone;
- is connected directly to an existing GBB pipeline;
- has only gas production receipt points or only user delivery points connected to the pipeline (not a mix of both) – implying that gas flows are typically one-way;

Then, allocate the pipeline to an existing GBB Zone. If not, consider creating a GBB Zone for the new pipeline or allocating the pipeline across multiple Zones (as is the case for the DBNGP and GGP).

4.8 DBP does not agree with the recommendation to remove the GBB zones definition from the GSI Rules. However, the MJA guidelines could become the basis for the IMO in outlining future rule changes required to amend the definition of zone along with how it sees the new inclusion meets the GSI objectives.

4.9 If the IMO does propose a Rule change to remove prescription of the zones from the GSI Rules it should at a minimum:

(a) conduct a public consultation for each change it considers appropriate;

(b) outline how proposed changes meet the GSI objectives; and

(c) outline how it addresses pre-determined guidelines set for the purposes of determining the allocation of new pipelines to zones.

Box 14: Recommendation 6: IMO adopt Guidelines for revision of GBB Zones

That the IMO adopts the Guidelines for the revision of GBB Zones:

If the addition of new facilities to a GBB Zone implies the following:

- receipt points (e.g. production, pipelines, storage) and/or delivery (pipelines, storage and or User) are highly concentrated with a GBB Zone;
- the clustering of various facilities in a region enable a gas disruption event to be remedied within a sub-region of an existing GBB Zone (no impacts on other gas production/consumption regions);

Then, consider disaggregating the GBB Zone into multiple Zones to ensure that participants receive accurate information on the supply status of that gas production/consumption region.

4.10 DBP does not consider that the MJA guidelines are adequate enough to address the future revision of GBB zones, are highly subjective and are likely to lead to the continual segmentation of zones.

4.11 If the IMO does pursue a rule change to completely remove the zones definition from the GSI Rules it should undertake a consultative process on the development of appropriate guidelines in a more fulsome way to ensure all issues are addressed.

4.12 In the event the IMO does pursue a rule change to completely remove the GBB zones definition for the GSI Rules DBP suggests that the IMO should at a minimum:

- conduct a public consultation for each change it considers appropriate;
- outline how proposed changes meet the GSI objectives; and

- outline how it addresses pre-determined guidelines set for the purposes of determining the allocation of new pipelines to defined zones.