Information Requirements for Gas Bulletin Board and Gas Statement of Opportunities

The Australian Pipeline Industry Association (APIA) welcomes the opportunity to comment on the draft recommendations paper (the paper) prepared for the Office of Energy by Marchment Hill Consulting.

Before commenting on specific issues raised in the paper, APIA notes that there is substantial detailed work that needs to be undertaken prior to the commencement of the Gas Bulletin Board (BB) and Gas Statement of Opportunities (GSOO) in Western Australia. APIA understands that the Bill currently being drafted will outline broad heads of powers with respect to which the Independent Market Operator (IMO) will be able to make rules. Accordingly, it is imperative that there be engagement with industry to ensure that the structure of the GBB is effective. The Office of Energy needs to either provide for this in the Bill or to make it clear to the IMO that this is the government's expectation. APIA suggests that there be established (either by the IMO or the OOE) and facilitated a number of working groups to oversee the development of key aspects of the BB and GSOO. The three broad areas that could be covered by working groups are:

- Legislation and rules – covering the legislative requirements to establish the BB and GSOO and the rules and procedures to ensure appropriate management of them.
- BB and GSOO Design – covering design details of the BB and GSOO such as exact information requirements, hub definition and other matters.
- IT implementation – covering the IT system requirements of participants and the BB operator.

This would largely be in line with the process used to establish the existing Gas Bulletin Board and GSOO in place for Australia's eastern gas markets.

Western Australian Gas Bulletin Board

APIA's comments on the Gas Bulletin Board are concentrated in two main areas that cover:

- General design and principles; and
- Gas bulletin board information requirements for transmission pipeline operators.

1. General Design Principles

1.1 BB Design

Subject to the following points in this section of the paper, it is APIA's position that the design of the WA BB leverages off the work completed in developing the AEMO BB wherever possible. It is APIA's concern that with each deviation from this established platform, additional costs will be incurred that must ultimately be borne by the Western Australian gas market.

As was raised at the forum convened by the Office on 31 August 2011, the introduction of the BB is coming at a time where the industry is facing significant additional cost pressure, not the least of which is through the introduction of new government imposts. Accordingly, if the government's policy is for the costs of the BB and the GSOO to also be borne by industry, it is imperative that they are kept to the absolute minimum.

APIA wishes to emphasise a point that is reflected in the Marchment Hill Draft Recommendations paper, that many participants in the WA gas market have arrangements already in place to interact with the AEMO BB.

APIA considers that appropriate steps are taken to enable the WA BB to fulfill its requirement emergency management role, but with this exception there is little need for deviation from the AEMO BB.

The APIA's preference for leveraging off the AEMO BB is conditional upon the following issues being addressed:

- it is vital that, in the event AEMO is responsible for managing WA BB data, the necessary protections are put in place to ensure this information cannot be made available to or accessed by any third parties and is used only for WA BB purposes.
- The cost sharing regime established for any operator infrastructure and systems that may be shared between the WA BB and the east coast BB operators must be acceptable to industry.

- There must be an acceptable level of input from all WA BB participants before any changes are made to platform/systems already in use by AEMO in the east coast BB

1.2 Production and demand hubs/zones

Several of the proposed information requirements are directly dependent on the determination of hubs/zones. In particular, it is possible that several pipelines will cross hubs/zones and the consequences of this on information provision must be thought through.

To ensure simplicity and usability, it is important that as much data as possible is aggregated in each zone. For example, to provide capacity information, all of a pipeline's delivery points in a zone should be aggregated. In addition, to ensure that the information is relevant, zones/hubs must be appropriately located and sized, otherwise information such as name plate capacity will be relatively meaningless.

The appropriate determination of hubs/zones is critical to the usefulness of the WA BB and GSOO. APIA recommends that an industry working group be established to ensure the required details are settled before the WA BB is implemented.

1.3 Exemption criteria

It is likely that individual pipelines will need to be assessed on their relevance to a particular hub/zone once these have been determined. A simple flow magnitude criterion, such as that used in the AEMO BB and GSOO, is not appropriate in WA.

APIA considers it appropriate to exclude all pipelines that have only one or two shippers. The inclusion of these pipelines would provide observers with access to commercial information of shippers.

1.4 Timing of information provision

Proposed timing arrangements should not be finalised until more detailed analysis can be undertaken. It is essential that information requirements are aligned with current organisational practices (e.g., IT system development) and current contractual regimes (such as nomination and scheduling provisions in gas supply contracts, gas transportation contracts and the retail market rules) and information that is already released to existing stakeholder (i.e shippers and REMCo).

APIA recommends that an industry working group be established to ensure the required details are settled before the WA BB is implemented.

1.5 Development process management

It is vital that the WA Government give due consideration to the timing of processes required to establish the WA BB. Whilst there is a clear focus on the regulatory and legislative processes required, it is the east coast pipeline's experience that the process most vital to the actual operation of the BB will be the IT systems development process. This process cannot be completed until the others are finalised, and there is a real risk that there will be insufficient time between the finalisation of the IT Build Pack and the operational commencement of the BB for companies to accommodate system changes in a timely and cost-efficient manner.

Most gas market participants that are required to provide data to the AEMO BB have substantially automated systems that have been modified to meet AEMO BB reporting requirements in the east. Any further changes required for the WA BB need to be known with sufficient time to properly accommodate changes to systems and processes. If the final IT requirements are not known until relatively late in the process, there will be an undue cost to industry with a requirement to rapidly change systems.

1.6 Appropriate balance between information quality, use, cost and liability

It should be acknowledged during the development of the WA BB that the information to be presented on it is for the purpose of providing guidance to the market. It is not intended to be of market settlements quality. In acknowledging this, appropriate restraints must be placed around the liability of those providing the information, the expected quality of the information, the cost of providing the information and the penalty regime that applies to the information.

2. Gas bulletin board information requirements for gas transmission pipeline operators

APIA is generally supportive of the information proposed to be presented by the BB. However, there are some important distinctions in the Western Australian transmission market that mean the information requirements on the AEMO BB are not directly transferable.

2.1 Capacity information

A pipeline's nameplate capacity information will be impacted by the number of zones through which it passes. Unless a pipeline is considered to supply a single demand zone, there will be relationships between zones that must be considered.

2.2 Linepack/Capacity adequacy

It is important that the linepack/capacity adequacy (LCA) flags appropriately represent the reality of gas transmission arrangements in Western Australia. The LCA flags on the AEMO BB are not necessarily applicable, transferable or even relevant, depending on the pipeline.

On at least one major pipeline in WA, it is standard that interruptible gas customers will be interrupted on any given day. Load shedding of interruptible gas customers should not lead to an amber flag on any pipeline, as it is normal for interruptible gas customers to be interrupted in this manner.

2.3 Nomination information

The APIA is eager to ensure that information that is made available on the bulletin board is sufficiently accurate so as to facilitate the objectives of the BB. It is therefore important that the BB include information which provides a sufficiently accurate picture of both gas availability and pipeline capacity availability. It is noted that the paper only proposes that details of the nominations of shippers on gas transmission pipelines be posted on the BB. The APIA considers that because of the contractual arrangements that exist on gas transmission pipelines in Western Australia, relying solely on this data

set will not give a reliably accurate understanding of either gas availability or pipeline capacity availability.

For example, on the Dampier to Bunbury Natural Gas Pipeline (DBNGP), transporting the majority of gas used in WA, customers are not required under their gas transportation contracts, to provide nominations of capacity that they require on a day or even several days in advance. Even if a customer does provide a nomination, it is only provided on good faith. As a result, on most days, the deviationbetween nomination information provided to the DBNGP operator and actual utilisation of capacity can be over 50 TJ/day. Such significant deviation from real flows (which is between 5 and 10% variance) renders the provision of nominations received by the pipeline operator, as unreliable for the purposes of the WA BB, that is to provide a realistic picture of the short term gas flows in the state.

It is appropriate that an indication of short-term gas flow is provided by the BB, but it must be consistently determined across pipelines and have some resemblance to reality.

For the WA gas market, there are two alternatives that would be more appropriate:

- Producers, as receivers of nominations for production facilities, could provide aggregated nominations for each injection point to gas transmission pipelines; or
- Shippers themselves could provide expected gas requirements on each piece of BB infrastructure directly to the BB operator for aggregation.

2.4 Nameplate capacity information on gate stations

The suggestion that transmission pipelines should provide nameplate capacity information on all gate stations with multiple users appears to be a response to the correctly identified issue that it is problematic to declare a nameplate capacity for a pipeline traversing multiple hubs/zones. It is clear a solution is needed to address this, but the appropriate solution cannot be developed until the extent of hubs/zones is finalised. At that time, relevant infrastructure for each hub/zone can be determined and the required information assessed.

2.5 Planned maintenance information

Short-term maintenance information is already reflected in a pipeline's three day capacity outlook. Any longer-term information is highly flexible. Pipeline operators work in close co-operation with shippers to ensure maintenance minimises disruption and are very response to requests for change to plans. There is no value in providing long-term maintenance plans to the BB, which would lead to the expectations they can reasonably be relied upon by gas users to guide their own long-term gas usage forecasts.

Moreover, any information that is provided must not be more than what is already provided under contracts with customers.

3. Cost recovery principles

APIA supports the cost recovery principles presented in the paper for the BB subject to the costs of the BB and GSOO being kept as low as possible.

However, APIA recommends that the OOE give consideration to upfront and ongoing costs that will be borne by pipeline operators in the establishment of the interface with the BB and for the ongoing provision of information to the IMO for the purposes of the BB.

Western Australian Gas Statement of Opportunities

APIA considers there is no reason for the purpose of information presented in the WA GSOO to deviate from the AEMO Gas Statement of Opportunities (GSOO) and the two should be complimentary.

1. Information gathering powers

It is APIA's experience that the WA GSOO should be developed in close consultation with stakeholders and that information requirements are mutually agreed upon. The implementation and use of legislative information gathering powers, when the GSOO is to be based on publically available information, would ultimately undermine this co-operation.

Any information gathering powers deemed necessary should be limited for the purpose of meeting the specified objectives and information requirement s of the WA GSOO.

2. Supply and demand analysis

It is important that the GSOO focus on supply and demand analysis, and understand that pipeline capacity is not a substitute for supply. Pipeline capacity links supply and demand and is built as required by the market. Pipeline capacity does not constrain demand growth; it is built to meet actual demand.

3. Cost recovery principles

APIA considers there should be a single mechanism of cost recovery of the BB and GSOO. This would see gas shippers pay for these initiatives based on share of deliveries. Gas producers and transports respond to the needs of the shippers, and the GSOO will provide shippers with a better understanding of future market issues.

It is APIA understanding that would also be consistent with the cost recovery mechanism implemented for the east coast gas market.

To discuss any of these issues or for more information please contact Steve Davies on (02) 6273 0577.