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PO Box 7039
Cloisters Square WA 6850

Independent Market Operator
Attn: Group Manager, Development and Capacity
PO Box 7096
Cloisters Square
PERTH WA 6850

p: +61 8 9426 7200
e: perth@appea.com.au
w: www.appea.com.au

(Via email: market.development@imowa.com.au)

Dear Ms Ryan

RE: GSI FEE ARRANGEMENTS – INCLUSION OF REGISTERED PRODUCTION FACILITY OPERATORS – GRC_2014_01

The Australian Petroleum Production & Exploration Association (APPEA) is the peak national body representing Australia's oil and gas exploration and production industry. In Western Australia, APPEA represents the interests of the owners and operators of all current and known future gas production facilities participating on the WA Gas Bulletin Board.

APPEA welcomes the opportunity to provide comments on Gas Rule Change (GRC) 2014_01 – GSI Fee Arrangements – Inclusion of Registered Production Facility Operators. APPEA makes the following observations on the proposed Rule Change:

1. The existing cost recovery arrangements only recently went through considerable stakeholder engagement and were considered appropriate and consistent with the *Gas Services Information Act 2012* focus on gas consumers as the beneficiary of the GSI initiatives and consistent with the approach taken by the AEMO.
2. The Rule Change Proposal fails to adequately outline any benefits that Gas Producers allegedly receive from the GSI initiatives.
3. The Rule Change Proposal may have the unintended consequence that Shippers continue to pay 100 per cent of the GSI fees as Gas Producers pass on these costs in existing and future contracts.
4. In addition, Shippers may also bear the costs of Gas Producers compliance with the GSI Fees, leading to Shippers being potentially in a worse position than they are now.

Existing Cost Recovery Arrangements

The existing cost recovery arrangements for the GSI functions are appropriately placed on Gas Shippers. More than two years of stakeholder and public consultation on cost recovery arrangements concluded that¹:

- the ultimate beneficiaries of the GBB and GSOO are gas consumers;
- Shippers are not required to provide information for the GBB, but should derive some benefit from the information provided (by contrast all other key participants are required to provide information and face costs associated with complying with these obligations); and
- the total cost of operating the GBB and GSOO are not significant in the context of the WA natural gas market.

¹ IMO, *GIS Design and Draft Rules: Second Consultation Draft GSI Rules*, January 2013.

Case for Change

The Rule Change Proposal fails to adequately outline any benefits that Gas Producers allegedly receive from the GSI initiatives. Throughout the Rule Change Proposal, the justification for placing a cost recovery burden on Gas Producers is that they “may also benefit from GSI Services”. There is also a claim that “the GBB aims to identify current opportunities for gas trades”.

APPEA’s members consider that there is no evidence or analysis that quantifies any benefits accruing to Gas Producers from the introduction of the GSI Services. In the absence of any such evidence, the Rule Change Proposal must be rejected on the grounds that it does not identify or address a failure in the current GSI Rules.

It is also worth noting that the GBB objectives² do not mention gas trading as a purpose, primary or otherwise, of the GBB. APPEA understands that it was a policy decision by government at the time of the GSI being developed that gas trading not be included in the functions of the GSI Services.

Impacts of Proposed Rule Change

The Rule Change Proposal will have the unintended consequence that Shippers will continue to pay 100 per cent of the GSI fees through Gas Producers passing on these costs in existing and future contracts. Advice from APPEA’s members is that any Rule Change may trigger ‘change of law’ provisions in existing gas sales agreements and allow Gas Producers to pass on the full costs to gas purchasers.

In addition, APPEA understands that Shippers are also likely to bear the costs of Gas Producers administrative compliance with the GSI Fees cost recovery arrangements. This is likely to lead to a significant and unintended consequence that Shippers will potentially pay more for the GSI Services than they do now.

Conclusion

APPEA appreciates the opportunity to provide comments on the Rule Change Proposal. It is clear from our submission that the Rule Change Proposal is not justified and will lead to an economically inefficient outcome. To discuss any aspect of APPEA’s submission, please contact Mr Adam Welch – Senior Policy Adviser at awelch@appea.com.au or 9426 7205.

Yours sincerely



Damian Dwyer
Director – Economics

² See: www.imowa.com.au/gas-information-services-project---gisp/overview