



INDEPENDENT
MARKET
OPERATOR

Draft Rule Change Report

Submission of Medium Term Capacity Outlook

GRC_2014_02
Standard Rule Change Process

Date: 17 April 2014

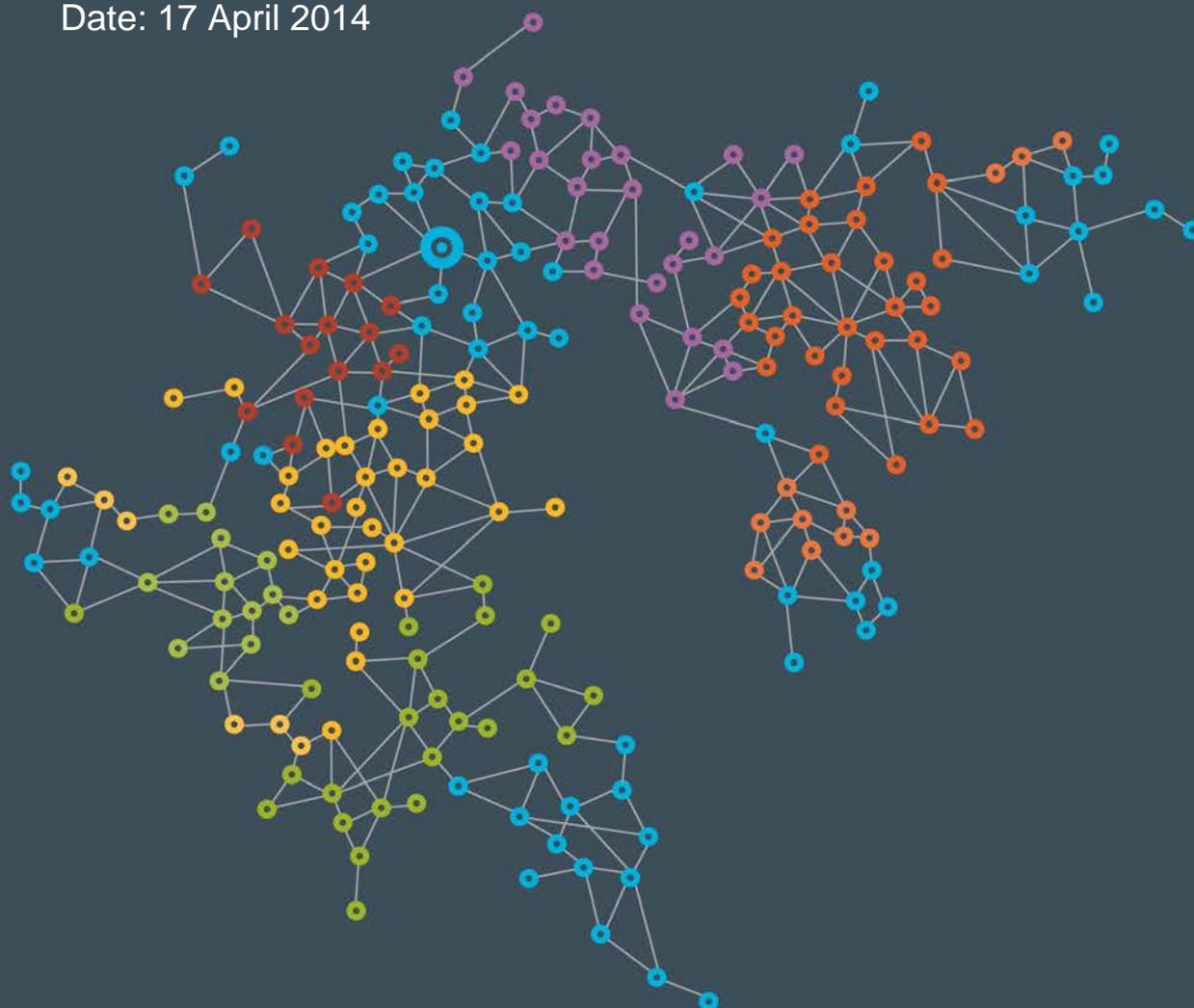


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Executive Summary

Proposed Amendments

The IMO identified an inconsistency between the Gas Services Information Rules (GSI Rules) and the GSI Procedure: Operation of the Gas Bulletin Board and the Emergency Management Facility (GSI Procedure) with respect to the time by which Gas Market Participants must submit a Medium Term Capacity Outlook to the IMO.

Subrules 56(1), 64(1) and 71(1) of the GSI Rules require Gas Market Participants to submit a Medium Term Capacity Outlook to the IMO “by the start of each calendar month”. The IMO considers that these subrules could be interpreted to require a Medium Term Capacity Outlook to be submitted before 12:00 AM on the first day of each calendar month. However, step 2.4.12 of the GSI Procedure states that a Medium Term Capacity Outlook must be submitted “[b]y 6PM on the last day of the calendar month M”.

The IMO proposes to amend subrules 56(1), 64(1) and 71(1) of the GSI Rules to reflect the obligations in the GSI Procedure. The IMO considers that this would allow Gas Market Participants an adequate timeframe in which to submit a Medium Term Capacity Outlook and that it is consistent with the intention that the operation of the Gas Bulletin Board is within business hours.

In addition, the IMO has also taken the opportunity to correct a typographical error in subrule 130(2) of the GSI Rules.

Consultation

A pre Rule Change Proposal was presented to the Gas Advisory Board (GAB) at its 18 February 2014 meeting. At the meeting, GAB members agreed that the proposal should be submitted into the formal rule change process. The IMO formally submitted the proposal into the Standard Rule Change Process and published the Rule Change Notice on 24 February 2014.

The first submission period was held between 25 February and 8 April 2014. No submissions were received in this period.

Assessment Against GSI Objectives

The IMO considers that the proposed changes will remove the current ambiguity with respect to the time by which Gas Market Participants must submit a Medium Term Capacity Outlook to the IMO. In addition, the correction of the typographical error will improve the integrity of the GSI Rules.

The IMO therefore considers that the proposed Amending Rules in this Rule Change Proposal better achieve GSI Objective (b) on the basis that it would be economically inefficient, from an administrative perspective, if the Gas Bulletin Board operates under GSI Rules that are ambiguous.

The IMO considers that the proposed changes are consistent with the remaining GSI Objectives.

Practicality and Cost of Implementation

It is not anticipated this change will result in any additional expenses to the IMO or Gas Market Participants.

The IMO notes that subrules 56(1), 64(1) and 71(1) of the GSI Rules are Category A Civil Penalty Provisions and therefore Protected Provisions. Under rule 144 of the GSI Rules, amendments to Protected Provisions require the Amending Rules in this Rule Change Proposal to be approved by the Minister.

The IMO has engaged with the Public Utilities Office to progress these amendments.

The IMO's Proposed Decision

The IMO's proposed decision is to accept the Rule Change Proposal.

Next Steps

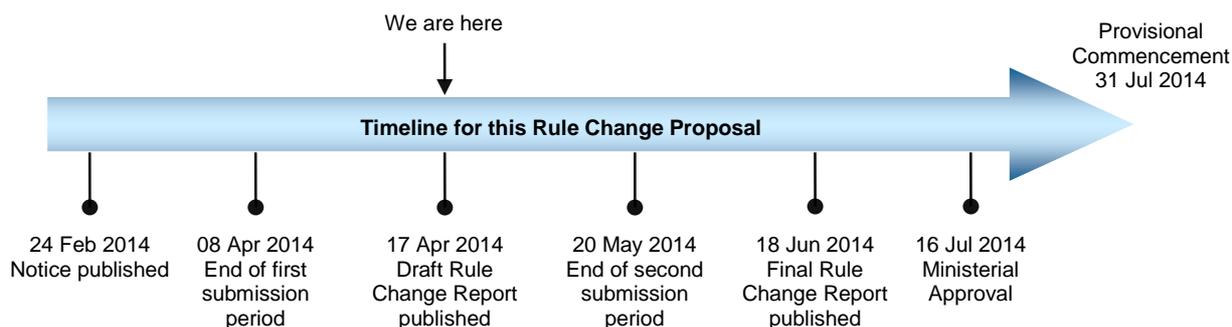
The IMO now invites interested stakeholders to make submissions on this Draft Rule Change Report by **5:00 PM, Tuesday 20 May 2014**.

1. Rule Change Process and Timetable

On 24 February 2014, the IMO submitted a Rule Change Proposal regarding amendments to subrules 56(1), 64(1) and 71(1) of the Gas Services Information Rules (GSI Rules).

This proposal is being processed using the Standard Rule Change Process, described in rules 135 to 137 of the GSI Rules.

The key dates in processing this Rule Change Proposal are:



It should be noted that the IMO has published this Draft Rule Change Report three weeks before the due date. The IMO has therefore brought forward the subsequent steps in accordance with the new publication date for this report.

2. Call for Second Round Submissions

The IMO invites interested stakeholders to make submissions on this Draft Rule Change Report. The submission period is 20 Business Days from the publication date of this report. Submissions must be delivered to the IMO by **5:00 PM, Tuesday 20 May 2014**.

The IMO prefers to receive submissions by email (using the submission form available on the GSI Website: <http://www.imowa.com.au/rule-changes>) to: market.development@imowa.com.au

Submissions may also be sent to the IMO by fax or post, addressed to:

Independent Market Operator

Attn: Group Manager, Development and Capacity
PO Box 7096
Cloisters Square, PERTH, WA 6850
Fax: (08) 9254 4399

3. Proposed Amendments

3.1. The Rule Change Proposal

The IMO developed this Rule Change Proposal to remove an inconsistency between the GSI Rules and the GSI Procedure: Operation of the Gas Bulletin Board and the Emergency Management Facility (GSI Procedure) with respect to the time by which Gas Market Participants must submit a Medium Term Capacity Outlook to the IMO.

Subrules 56(1), 64(1) and 71(1) of the GSI Rules require Gas Market Participants to submit a Medium Term Capacity Outlook to the IMO “by the start of each calendar month”. The IMO considers that these subrules could be interpreted to require a Medium Term Capacity Outlook to be submitted before 12:00 AM on the first day of each calendar month. However, step 2.4.12 of the GSI Procedure states that a Medium Term Capacity Outlook for months M+1 to M+12 must be submitted “[b]y 6PM on the last day of the calendar month M”.

This inconsistency may raise a compliance investigation, where a Medium Term Capacity Outlook is submitted after 6:00 PM, but before 12:00 AM on the last day of the calendar month.

As the GSI Rules prevail over the steps in the GSI Procedure, currently, a Gas Market Participant may submit after 6:00 PM and before 12:00 AM on the last day of the calendar month and not be in breach of the GSI Rules. However, the IMO considers that this inconsistency should be removed to ensure that the obligations on Gas Market Participants are clear.

The IMO proposes to amend subrules 56(1), 64(1) and 71(1) of the GSI Rules to reflect the obligations in the GSI Procedure. The IMO considers that this would allow Gas Market Participants an adequate timeframe in which to submit a Medium Term Capacity Outlook and that it is consistent with the intention that the operation of the Gas Bulletin Board is within business hours.

In addition, the IMO has also taken the opportunity to correct a typographical error in subrule 130(2) of the GSI Rules.

For full details of the Rule Change Proposal please refer to the GSI Website: http://www.imowa.com.au/GRC_2014_02.

3.2. The IMO’s Initial Assessment of the Rule Change Proposal

The IMO decided to proceed with the proposal on the basis that Gas Market Participants should be given an opportunity to provide submissions as part of the Standard Rule Change Process.

3.3. Protected Provisions, Reviewable Decisions and Civil Penalties

The IMO notes that subrules 56(1), 64(1) and 71(1) of the GSI Rules are Category A Civil Penalty Provisions and therefore Protected Provisions under subrule 142(2)(b). Under rule 144 of the GSI Rules, amendments to Protected Provisions require the Amending Rules in this Rule Change Proposal to be approved by the Minister.

The IMO has engaged with the Public Utilities Office to progress these amendments.

4. Consultation

4.1. The Gas Advisory Board

A pre Rule Change Proposal was presented to the Gas Advisory Board (GAB) at its 18 February 2014 meeting. During the discussion, Mr Stewart Gallagher questioned whether it would be better reflected using the term ‘last working day’ rather than ‘last calendar day’. Ms Kate Ryan clarified that while it could be submitted ahead of the deadline to do so on a working day, the deadline is for last gas day of the month which need not be a business day. GAB members agreed that the proposal should be submitted into the formal rule change process.

Further details are available in the GAB meeting minutes available on the GSI Website: <http://www.imowa.com.au/GAB>.

4.2. Submissions Received During the First Submission Period

The first submission period was held between 25 February and 8 April 2014. No submissions were received in this period.

4.3. Public Forums and Workshops

No public forums or workshops were held with regard to this Rule Change Proposal.

5. The IMO's Draft Assessment

In preparing its Draft Rule Change Report, the IMO must assess the Rule Change Proposal in light of rules 127 and 128 of the GSI Rules.

Rule 127 outlines that the IMO "must not make Amending Rules unless it is satisfied that the Rules, as proposed to be amended or replaced, are consistent with the GSI Objectives".

Additionally, rule 128 states, when deciding whether to make Amending Rules, the IMO must have regard to the following:

- any applicable policy direction given to the IMO under rule 126;
- the practicality and cost of implementing the Rule Change Proposal;
- the relevant views expressed in any submissions received by the IMO on the Rule Change Proposal;
- the relevant views expressed at any public forums or workshops, or in other consultation with Gas Market Participants, held by the IMO on the Rule Change Proposal;
- the relevant views expressed by the GAB where it met to consider the Rule Change Proposal; and
- any information that the IMO considers necessary to assess the Rule Change Proposal.

The IMO notes that there has not been any applicable policy direction from the Minister in respect of this Rule Change Proposal. A summary of the views expressed in submissions, workshops and public forums and by the GAB is available in section 4 of this report.

The IMO's assessment is outlined in the following sub-sections.

5.1. Additional Amendments to the Proposed Amending Rules

The IMO has made no additional amendments to the proposed Amending Rules.

5.2. Assessment Against GSI Objectives

The IMO considers that the GSI Rules as a whole, if amended as presented in section 7, will not only be consistent with the GSI Objectives but also allow the GSI Rules to better achieve

GSI Objective (b).

The IMO's assessment is presented below:

(b) the efficient operation of and use of natural gas services in the State

The IMO considers that it would be economically inefficient, from an administrative perspective, if the Gas Bulletin Board operates under GSI Rules that are ambiguous. Furthermore, the improved clarity with respect to Gas Market Participants' obligations will ensure that no unnecessary compliance investigations arise because of an inconsistency between the GSI Rules and the GSI Procedure.

The IMO considers that the proposed changes are consistent with the remaining GSI Objectives.

5.3. Practicality and Cost of Implementation

5.3.1. Cost:

The IMO has not identified any costs associated with implementing the proposed changes.

5.3.2. Practicality:

The IMO does not consider that there are any issues with the practicality of implementation of the proposed changes as they are consistent with the existing obligations in the GSI Procedure.

The IMO notes that subrules 56(1), 64(1) and 71(1) of the GSI Rules are Category A Civil Penalty Provisions and therefore Protected Provisions. Under rule 144 of the GSI Rule, amendments to a Protected Provision require the Amending Rules in this Rule Change Proposal to be approved by the Minister.

5.3.3. Amendments to Associated GSI Procedures:

The IMO considers that there are no GSI Procedures that require updating as a result of this Rule Change Proposal.

6. The IMO's Proposed Decision

The IMO's proposed decision is to accept the Rule Change Proposal as specified in the Rule Change Notice and Proposal.

6.1. Reasons for the Decision

The IMO made its proposed decision on the basis that the Amending Rules:

- better achieve GSI Objective (b);
- are consistent with the remaining GSI Objectives; and
- have the general support of the GAB.

6.2. Proposed Commencement Details

The proposed Amending Rules are proposed to commencement at **8:00 AM** on **31 July 2014**.

7. Proposed Amending Rules

The proposed Amending Rules as presented in the Rule Change Proposal have not been amended and are as follows (~~deleted text~~, added text):

56(1) A Registered Pipeline Operator must submit a Medium Term Capacity Outlook to the IMO for each of its GBB Pipelines by ~~the start of each calendar month~~ 6:00 PM on the last day of each calendar month, and that outlook must cover the period of 12 months from the start of ~~that month~~ the next calendar month.

...

64(1) A Registered Storage Facility Operator must submit a Medium Term Capacity Outlook to the IMO for each of its GBB Storage Facilities by ~~the start of each calendar month~~ 6:00 PM on the last day of each calendar month, and that outlook must cover the period of 12 months from the start of ~~that month~~ the next calendar month.

...

71(1) A Registered Production Facility Operator must submit a Medium Term Capacity Outlook to the IMO for each of its GBB Production Facilities by ~~the start of each calendar month~~ 6:00 PM on the last day of each calendar month, and that outlook must cover the period of 12 months from the start of ~~that month~~ the next calendar month.

...

130(2) The form must include:
(a) contact details for proposing ~~R~~rule changes; and

...

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