

Public Submission
by CITIC Pacific Mining Management Pty Ltd
in response to
the Independent Market Operator's *draft report*
on 2015 Review of the Gas Bulletin Board
(GBB) Zones

1 Background

In May 2015 the Independent Market Operator (**IMO**) produced a draft report “Review of the Gas Bulletin Board Zones” (**Report**) setting out detail behind the review of zones and options (**GBB Zones**) to change zones areas on the IMO’s Gas Bulletin Board (**GBB**).

On 2nd of June 2015 the IMO issued an invitation to the Western Australian gas industry to make submissions on the Report (**Invitation**).

Accordingly, this submission is made by CITIC Pacific Mining Management Pty Ltd (**CPMM**) in relation to the IMO’s Report to satisfy the Invitation (**Submission**).

2 About CPMM

CPMM is a gas market participant and is currently registered as a Large User on the GBB. CPMM operates a world-class magnetite mine and processing facilities at Cape Preston in the Pilbara, utilising natural gas for on-site generation of electricity.

When completed, the Sino Iron project will have six processing lines, producing 24 million tonnes of magnetite concentrate annually. Significant progress has already been made with the construction and operation of the first two lines, along with large-scale supporting infrastructure including the Pilbara’s first greenfield port development in 40 years. All six lines are targeted for completion by the end of 2016.

The Sino Iron project is China’s largest-ever overseas investment in the resources sector, delivering wide-ranging socio-economic benefits including the creation of a new downstream processing industry for Australia, significant long-term revenue streams to government, local employment, international technology transfer, and an overall strengthening of the Sino-Australian economic relationship.

Production of magnetite concentrate is energy intensive. To meet project requirements, CPMM has invested in a 450MW, low-emission combined cycle gas-fired power station. The provision of economically efficient and reliable gas haulage services is critical to the Sino Iron project.

3 Submission Content

CPMM requests that the IMO consider this Submission in its decision making in relation to implementation of all recommendations set out in the Report.

In general CPMM supports the implementation of recommendations set out in the Report and respectfully suggests “option 2” adoption of zone changes.

CPMM believes the change of the GBB Zones will benefit gas market participants who have a direct role in commercial aspects of the Western Australian gas market. These benefits should also extend to policy makers and investment institutions which also have a role in facilitating gas market outcomes, by providing an appropriate breakdown of gas supply and consumption within the state.

From a supply and demand perspective, the reformed GBB Zones data are likely to play a role in identification of short term trading opportunities and helping to ensure the efficient management of any temporary supply and demand imbalance in the market. CPMM considers this another small step forward in maturing the short term

gas trading market so that a more reasonable segment of zones and more transparency of data is available to all gas market and reliant industries. Getting improved transparency into the future of the Gorgon and Wheatstone production volumes separate to other gas producer's data will enable gas market participants to have a greater understanding of key gas production facility capacity's which will aid in information transparency and have a positive influence on competition and developing commercial gas transactions over the long term.

In respect to the modification of the Dampier Zone, CPMM notes that this currently accounts for 97% of gas production in the state. The concentration of production in the Dampier Zone is significant and is expected to grow to about 98% with the commencement of the Gorgon and Wheatstone production by the end of 2020. The disproportion of gas production within a single zone is not likely to provide useful data on WA gas production and supply status. Therefore we support the reformation of the zones and we consider that Option 2: Dampier Zone split at CS1, and CS2 on the DBNGP provides a more detailed and sensible breakdown of production supply. Accordingly, CPMM considers this option can drive toward better market outcomes than not changing the zones.

CPMM further notes that the current data provision obligations are only applied to pipelines, production facilities, storage facilities and large users. Individual facilities which produce or consume less than 10 TJ/day and pipelines with capacity less than 10 TJ/day are currently exempt from the obligation to provide volume data. CPMM believes this exemption and the current market information/output was initially designed to provide sufficient gas information to meet GSI Objectives without imposing undue reporting and registration requirements on all market participants/stakeholders. CPMM considers that the 10 TJ/day threshold is now too high and should be lowered to 5 TJ/day. The additional data is a natural progression in improved volume accuracy, transparency and industry completeness and so that data accuracy can be relied on more which may in turn enhance gas trading activities in the short term gas supply market. This will be particularly relevant for the small gas participants who may not be fully committed to contract for long term gas or long term gas transport arrangements.

Contact

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