

30 June 2015

Independent Market Operator
Level 17, 197 St Georges Terrace
Perth WA 600

Lodged (by email): market.development@imowa.com.au

2015 Review of the Gas Bulletin Board Zones – Draft Report

The Energy Supply Association of Australia (esaa) welcomes the opportunity to make a submission to the Independent Market Operator's (IMO) 2015 Review of the Gas Bulletin Board Zones Draft Report.

The esaa is the peak industry body for the stationary energy sector in Australia and represents the policy positions of the Chief Executives of 37 electricity and downstream natural gas businesses. These businesses own and operate some \$120 billion in assets, employ more than 59,000 people and contribute \$24.1 billion directly to the nation's Gross Domestic Product.

The esaa considers the Gas Bulletin Board (GBB) to be an important initiative that will assist with the delivery of a more efficient, competitive, secure and reliable wholesale gas market in Western Australia over time. It is important, therefore, to ensure the GBB Zones continue to provide market participants with meaningful information about supply and demand, noting the potential for future market changes (e.g. investment in new production facilities, development of new pipelines etc.).

Consistent with this, the Association is broadly supportive of implementing Recommendations 1, 5 and 6. Collectively, these reforms will assist with minimising regulatory burden and provide the IMO with greater flexibility to amend GBB Zones as required. They will also provide a set of transparent guidelines that can be applied to test when/where it may be appropriate to redefine GBB Zones in the future.

But the Association has some concerns around the proposal to enhance the level of information currently published on the GBB, particularly ahead of the IMO completing its review of the benefits and costs of the Gas Services Information (GSI). While information transparency is important from a market development perspective, increased information is only of value if it addresses relevant gaps in the market. Further, publication of highly disaggregated information also risks revealing commercial sensitive information and the inequitable treatment of certain end-users. It is in this context that the Association has provided specific commentary in response to Recommendations 2, 3 and 4 below.

Recommendation 2 – publication of nominated and forecast gas flows for individual facilities

The esaa is not supportive of publishing nominated and forecast gas flow data for individual facilities. This proposal risks revealing commercially sensitive information and the inequitable

treatment of certain supply and end-user facilities, the implications of which may extend beyond the wholesale gas market.

On the supply side, releasing gas producer information ex-ante has the potential to prejudice commercial negotiations. For example, if a particular supplier is unavailable and an end-user is required to seek an alternative supplier, this may hinder the negotiating power of the end-user. This issue is particularly relevant in the context of the Western Australian gas market given limited diversity of supply.

For the electricity generation sector, the publication of nominated and forecast gas flow data for gas-fired generation facilities risks revealing commercially sensitive information about production, an unintended consequence of which may be the introduction of distortions to the electricity market. This issue would arise due to the information asymmetry created between gas-fired generation facilities and those reliant on other fuels, particularly diesel fuelled peaking plant.

Balancing market forecasts are only available 36 hours ahead of time in the electricity market. As such, there is a risk non-gas-fired generation facilities would be able to adjust their short term trading positions in response to knowing gas has been nominated to a particular gas-fired generation facility. This could occur well in advance (and in private) of electricity market information being made available.

Recommendation 3 – capturing large user facility data connected to non-GBB pipelines

The esaa agrees there is merit in potentially capturing large user facility data for non-GBB pipelines. As noted by Marsden Jacob, this approach would ensure only major pipelines are classified as GBB pipelines and reduce reporting requirements for operators of smaller pipelines. But it is important to first understand whether this information would be meaningful for market participants. Further, the publication of this information should not result in the disclosure of any commercially sensitive data relating to these facilities.

Recommendation 4 – division of the current Dampier Zone

Given the Dampier Zone will soon represent almost 98 per cent of the gas production capability in Western Australia, examining options to further segment this zone with a view to providing more meaningful market information appears reasonable. It will be important to ensure this is achieved in a way that does not reveal commercially sensitive information. In addition to the Association's comments on Recommendation 2, this will require ensuring commercially sensitive information relating to large end-user facilities is aggregated to a sufficient level such that individual facility level data cannot be easily determined. Based on a high-level assessment of the IMO's proposal, Option 1 appears to be more consistent with this approach.

Any questions about our submission should be addressed to Shaun Cole, by email to shaun.cole@esaa.com.au or by telephone on (03) 9205 3106.

Yours sincerely

A handwritten signature in blue ink that reads "Kieran Donoghue". The signature is written in a cursive style with a long, sweeping tail on the final letter.

Kieran Donoghue
General Manager, Policy