

Draft Rule Change Report:
GBB Zones (GRC_2018_01)

Standard Rule Change Process

7 December 2018

Contents

- 1. Rule Change Process and Timeline3**
- 2. Call for Second Round Submissions3**
- 3. Proposed Amendments4**
 - 3.1 The Rule Change Proposal4
 - 3.2 The Rule Change Panel’s Initial Assessment of the Proposal4
- 4. Consultation4**
 - 4.1 The Gas Advisory Board.....4
 - 4.2 Submissions Received During the First Submission Period4
 - 4.3 The Rule Change Panel’s Response to Submissions Received in the First Submission Period.....5
 - 4.4 Public Forums and Workshops6
- 5. The Rule Change Panel’s Draft Assessment6**
 - 5.1 Assessment Criteria.....6
 - 5.2 Assessment of the Proposed Changes6
 - 5.2.1 Removal of GBB Zones from the GSI Rules6
 - 5.2.2 Development of guidelines for the allocation of new pipelines to the GBB Zones and the revision of GBB Zones7
 - 5.3 Additional Amendments to the Proposed Amending Rules.....8
 - 5.4 GSI Objectives8
 - 5.5 Practicality and Cost of Implementation9
 - 5.5.1 Cost.....9
 - 5.5.2 Practicality.....9
- 6. The Rule Change Panel’s Draft Decision.....9**
 - 6.1 Reasons for the Rule Change Panel’s Draft Decision.....9
 - 6.2 Proposed Commencement Details9
- 7. Proposed Amending Rules9**
- Appendix A: Responses to Submissions Received in the First Submission Period..... 14**

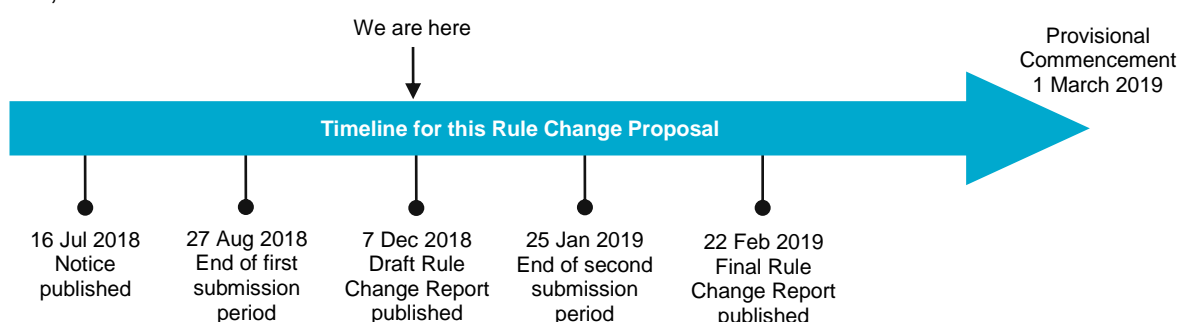
1. Rule Change Process and Timeline

On 6 July 2018, the Australian Energy Market Operator (**AEMO**) submitted a Rule Change Proposal seeking to remove Gas Bulletin Board (**GBB**) Zones from the Gas Services Information (**GSI**) Rules (**GSI Rules**).

The Rule Change Proposal is being progressed via the Standard Rule Change Process described in Division 4 of Part 8 of the GSI Rules.

On 28 August 2018, the Rule Change Panel extended the timeframe for the publication of the Draft Rule Change Report in accordance with subrule 141(1) of the GSI Rules. Further details of the extension are available on the Rule Change Panel's website.

The key dates for progressing the Rule Change Proposal, as amended in the extension notice, are:



All documents related to the Rule Change Proposal can be found on the Rule Change Panel's website at https://www.erawa.com.au/rule-change-panel/gsi-rule-changes/rule-change-grc_2018_01.

2. Call for Second Round Submissions

The Rule Change Panel invites interested stakeholders to make submissions on this Draft Rule Change Report. The submission period is required to be at least 20 Business Days from the publication date of this report. Submissions must be delivered to the RCP Secretariat by **5:00 PM** on **Friday 25 January 2019**.

The Rule Change Panel prefers to receive submissions by email, using the submission form available at: <https://www.erawa.com.au/rule-change-panel/make-a-rule-change-submission> sent to support@rcpwa.com.au.

Submissions may also be sent to the Rule Change Panel by post, addressed to:

Rule Change Panel
Attn: Executive Officer
C/o Economic Regulation Authority
PO Box 8469
PERTH BC WA 6849

3. Proposed Amendments

3.1 The Rule Change Proposal

The GSI Rules require AEMO to publish and display certain information on the GBB by Zone. The Zones include specified GBB Pipelines (or parts of GBB Pipelines) and all Receipt Points and Delivery Points connected to those pipelines (or parts of pipelines).

The Zones are currently specified in Schedule 2 of the GSI Rules, which means that a rule change is required to allocate a new GBB Pipeline to a Zone, or to reallocate existing GBB Pipelines to different Zones.

In the Rule Change Proposal, AEMO seeks to:

- remove the Zones from the GSI Rules and instead specify the Zones in the GSI Procedure: GBB Registration, Deregistration, Exemptions and Transfer (**Registration Procedure**); and
- develop guidelines for the allocation of a GBB Pipeline to a Zone and the revision of Zones to accommodate future gas market developments, and include those guidelines in the Registration Procedure.

Full details relating to the Rule Change Proposal are available on the Rule Change Panel's website at <https://www.erawa.com.au/rule-change-panel/gsi-rule-changes/rule-change-grc-2018-01>.

3.2 The Rule Change Panel's Initial Assessment of the Proposal

The Rule Change Panel decided to progress the Rule Change Proposal based on its preliminary assessment that the proposal is consistent with the GSI Objectives.

4. Consultation

4.1 The Gas Advisory Board

The Gas Advisory Board (**GAB**) commonly considered the administrative complexities and costs associated with managing the GBB Zones, which resulted in the development of a Pre-Rule Change Proposal by AEMO. AEMO's Pre-Rule Change Proposal was circulated to the GAB on 15 May 2018. No comments or issues were raised on the proposal, so AEMO submitted the Rule Change proposal on 6 July 2018.

This issue was initially identified in a review of the GBB Zones by the Independent Market Operator (**IMO**) in 2015. The IMO engaged Marsden Jacob Associates to assist it in undertaking the GBB Zones Review.¹ For present purposes, the review, which included a public consultation process to obtain feedback from Gas Market Participants, concluded that prescribing the GBB Zones in the GSI Rules was unnecessary, and added to the regulatory burden of the IMO and Gas Market Participants.

4.2 Submissions Received During the First Submission Period

The first submission period for the Rule Change Proposal was held between 16 July 2018 and 27 August 2018. The Panel received submissions from Alinta Energy (**Alinta**) and AGL Energy (**AGL**).

¹ See <http://www.aemo.com.au/Stakeholder-Consultation/Consultations/2015-Review-of-the-Gas-Bulletin-Board-Zones> for the Marsden Jacob Associates Final Report and the IMO Final Report.

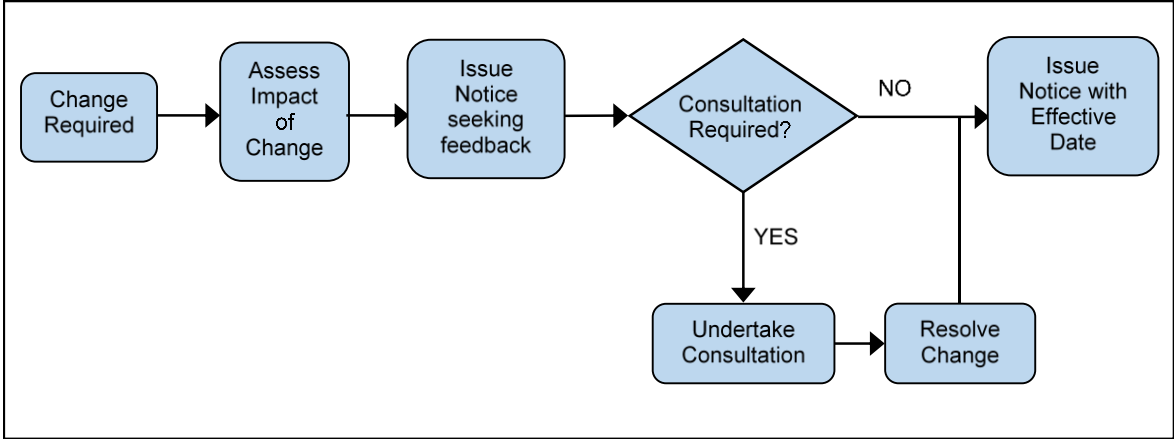
The submissions generally supported the proposed Amending Rules.

Alinta suggested minor changes to the drafting of the proposed Amending Rules regarding the proposed obligation on AEMO to develop guidelines for allocating pipelines to Zones and reviewing Zones. Alinta expressed the view that the Registration Procedure should set out the process AEMO needs to follow, and not just outline some high-level guidelines that AEMO needs to take into account when allocating, or reallocating GBB Pipelines to Zones.

AGL expressed support for measures to reduce unnecessary regulatory burden, but noted that a pre-set consultation process and timelines will still need to be followed to amend GBB Zones if GBB Zones are placed in a GSI Procedure. AGL proposed that the GBB Zones be considered as administrative information, and published in a separate reference document that is not subject to the same regulatory change processes as the GSI Rules or the GSI Procedures.

AGL proposed that the GBB Zones could be published in a separate reference document that is not directly subject to consultation. AGL proposed that the GSI procedure could include a decision-making framework for GBB zones that should enable minor changes, which Gas Market Participants do not raise issues with, to be made quickly and with minimal regulatory burden. AGL suggested that amendments that are contentious or have a substantial impact would require AEMO to undertake an appropriate consultation process. AGL’s suggested framework is set out in Diagram 1.

Diagram 1: AGL’s suggested decision-making framework



AGL’s proposed approach involves AEMO publishing an initial notice seeking feedback on a proposed change to the GBB Zones reference document. If no issues are raised by Gas Market Participants, AEMO would proceed immediately to a final notice with an effective date that commences the amendments to the GBB Zones reference document. If Gas Market Participants raise issues regarding a proposed amendment, AEMO would be required to undertake an appropriate consultation process.

4.3 The Rule Change Panel’s Response to Submissions Received in the First Submission Period

The Rule Change Panel’s response to each of the specific issues raised in the first submission period is presented in Appendix A of this report. A more general discussion of the proposal, which includes the Rule Change Panel’s assessment of the Rule Change Proposal and submissions, is available in section 5 of this report.

4.4 Public Forums and Workshops

No public forums or workshops were held in regard to the Rule Change Proposal.

5. The Rule Change Panel's Draft Assessment

5.1 Assessment Criteria

In preparing its Draft Rule Change Report, the Rule Change Panel must assess the Rule Change Proposal in light of rules 127 and 128(1) of the GSI Rules.

Rule 127 outlines that the Rule Change Panel “*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(1) of the GSI Rules states that when deciding whether or not to make Amending Rules, the Rule Change Panel must have regard to:

- any applicable statement of policy principles given to the Rule Change Panel under rule 126;
- the practicality and cost of implementing the Rule Change Proposal;
- the relevant views expressed in any submissions received by the Rule Change Panel 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 Rule Change Panel on the Rule Change Proposal;
- the relevant views expressed by the Gas Advisory Board where it met to consider the Rule Change Proposal; and
- any information that the Rule Change Panel considers necessary to assess the Rule Change Proposal.

In making its draft decision, the Rule change Panel has had regard to each of the matters identified in rules 127 and 128(1) of the GSI Rules as follows:

- the Rule Change Panel's assessment of the Rule Change Proposal against the GSI Objectives is available in section 5.4 of this report;
- the Rule Change Panel notes that there has not been any applicable statement of policy principles from the Minister in respect of this Rule Change Proposal;
- the Rule Change Panel's assessment of the practicality and cost of implementing the Rule Change Proposal is available in section 5.5 of this report;
- a summary of the views expressed in submissions and by the GAB is available in section 4 of this report. The Rule Change Panel's response to these views is available in section 5 and Appendix A of this report; and
- the Rule Change Panel notes that it did not require additional information in respect of the Rule Change Proposal.

5.2 Assessment of the Proposed Changes

5.2.1 Removal of GBB Zones from the GSI Rules

The Rule Change Proposal seeks to remove the GBB Zones listed in Schedule 2 of the GSI Rules and specify them in the Registration Procedure. The Rule Change Panel agrees with

AEMO in that moving the list of GBB Zones out of the GSI Rules will allow greater flexibility to amend the GBB Zones to suit market needs. However, the Rule Change Panel notes that if the GBB Zones are specified in the Registration Procedure, any amendments to the GBB Zones, including for minor or administrative and non-contentious changes, will require AEMO to follow the Procedure Change Process specified in the GSI Rules.² The Rule Change Panel also notes that the process would take at least 20 business days from the date of publication of the Procedure Change Proposal to complete.³

As outlined in section 4.2 of this report, AGL has proposed an approach that involves AEMO publishing an initial notice seeking feedback on a proposed change to the GBB Zones reference document, and if no issues are raised by Gas Market Participants, AEMO would proceed immediately to a final notice with an effective date for the commencement of the amendments to the GBB Zones reference document. If Gas Market Participants raised issues regarding a proposed amendment, AGL suggests that AEMO would be required to undertake an appropriate consultation process. The Rule Change Panel agrees that this proposed framework would better address the unnecessary regulatory burden of the current framework in the GSI Rules, and would not require the Procedure Change Process to be followed in the first instance, particularly for minor or administrative and non-contentious changes. AGL has not suggested what an appropriate consultation process would entail. However, the Rule Change Panel considers the process prescribed in the GSI Consultation Procedure would be suitable.

The Rule Change Panel also notes that AGL's proposed framework, as proposed to be modified by the Rule Change Panel as outlined in section 5.3 of this report, will move the administrative burden of deciding changes to GBB Zones from the Rule Change Panel to AEMO. The Rule Change Panel supports this change as the allocation, or reallocation, of GBB Pipelines to Zones is primarily an operational matter.

Therefore, the Rule Change Panel supports the introduction of the framework proposed by AGL, but in a modified form as outlined in section 5.3 of this report.

5.2.2 Development of guidelines for the allocation of new pipelines to the GBB Zones and the revision of GBB Zones

The Rule Change Proposal seeks to introduce a requirement for AEMO to develop and maintain a GSI Procedure that includes guidelines for the allocation of new GBB Pipelines to the GBB Zones and the revision of GBB Zones.

Alinta expressed the view that the Registration Procedure should set out the process AEMO needs to follow, and not just outline high-level guidelines that AEMO needs to take into account when allocating, or reallocating, GBB Pipelines to Zones. The Rule Change Panel does not consider that guidelines in a GSI Procedure are necessary, or appropriate, on the basis that the decision-making criteria for AEMO to amend the GBB Zones should be consistent with the criteria that the Rule Change Panel must consider when deciding whether to amend the GSI Rules, as specified in rules 127 and 128(1) of the GSI Rules. Further, by including the proposed framework in the GSI Rules, there will be appropriate governance oversight of the proposed framework.

Therefore, the Rule Change Panel supports basing the assessment criteria that AEMO must use in deciding whether to change the GBB Zones reference document on the

² The Procedure Change Process is set out in Part 9 of the GSI Rules.

³ Rule 157 requires there to be a submission period of at least 20 business days from the date the Procedure Change Proposal is published.

decision-making criteria specified in rules 127 and 128(1) of the GSI Rules, as outlined in section 5.3 of this report.

5.3 Additional Amendments to the Proposed Amending Rules

The Rule Change Panel proposes to support the introduction of the framework proposed by AGL, but in a modified form as set out below.

- AEMO is to be required to develop, maintain and publish on the GSI Website a reference document, to be known as the GBB Zone List. The initial version of the GBB Zone List is to be based on the Zones specified in Schedule 2 of the GSI Rules.
- In deciding whether to make a change to the GBB Zone List, AEMO is required to have regard to the following matters, which are based on the relevant decision-making criteria specified in rules 127 and 128(1) of the GSI Rules:
 - (a) the proposed change is to be consistent with the GSI Objectives;
 - (b) the practicality and cost of making the proposed change;
 - (c) the views expressed in any submissions received by AEMO on the proposed change; and
 - (d) any information that AEMO considers necessary to assess whether or not to make the proposed change.
- If AEMO proposes to make a change to the GBB Zone List, AEMO will be required to follow the steps below:
 1. AEMO is required to publish a notice on the GSI Website that:
 - gives details of the proposed change;
 - states why the proposed change is required and the effects of the proposed change; and
 - invites submissions objecting to the proposed change within a period specified in the notice, being at least five business days.
 2. If no objections are raised, then AEMO can proceed to issue a notice stating the date from which the change will take effect; and
 3. If an objection is raised, AEMO will be required to undertake consultation in accordance with the GSI Consultation Procedure.⁴

The proposed Amending Rules that reflect the above proposed framework are outlined in section 7 of this report.

5.4 GSI Objectives

The Rule Change Panel considers that the Rule Change Proposal, subject to the proposed modifications outlined in section 5.3 of this report, will better achieve GSI Objectives (a), (b) and (d), and are consistent with the remaining GSI Objective (c). This is because:

- GBB Pipelines will be able to be allocated, or reallocated, to GBB Zones via a simple framework that means, for minor or administrative and non-contentious changes in

⁴ The GSI Consultation Procedure is specified in rule 7 of the GSI Rules, and states that if the GSI Rules require AEMO to make an instrument in accordance with the GSI Consultation Procedure, then AEMO must publish a draft instrument and invite written submissions on the draft. The submission period must be at least 20 business days and AEMO must publish submissions on the GSI website, and consider each submission in developing the instrument in its final form. AEMO must prepare a written notice stating the reasons for making the instrument in its final form.

particular, AEMO will be able to publish and display the relevant information for each of the GBB Zones more appropriately and quickly (GSI Objectives (a) and (d)); and

- reducing the administrative effort and time required to update the GBB Zones will reduce the costs to Gas Market Participants, and promote the efficient operation and use of natural gas services in the State (GSI Objective (b)).

5.5 Practicality and Cost of Implementation

5.5.1 Cost

AEMO has confirmed that it does not anticipate any costs will arise with respect to implementing the proposed Amending Rules, as any work required will be minimal and will be managed under its business as usual operations.

5.5.2 Practicality

AEMO has confirmed that the GBB already contains the required functionality to manage changes to the GBB Zones, so no systems changes will be required.

AEMO expects that changes will be required to AEMO's internal procedures and work instructions to reflect the proposed Amending Rules, but the changes are expected to be very minor and will be managed under its business as usual operations.

6. The Rule Change Panel's Draft Decision

The Rule Change Panel's draft decision is to accept the Rule Change Proposal in a modified form, as set out in section 7 of this report.

6.1 Reasons for the Rule Change Panel's Draft Decision

The Rule Change Panel has made its draft decision on the basis that the proposed Amending Rules, as modified in this report:

- will remove unnecessary administrative costs to Gas Market Participants by placing the GBB Zones in a reference document that is not subject to the same regulatory processes as the GSI Rules or GSI Procedures, and therefore will cost less to update and maintain;
- will enable administrative amendments to be addressed quickly and easily;
- will change the decision-maker from the Rule Change Panel to AEMO, which is appropriate because the GBB Zones are primarily an operational matter;
- will better achieve GSI Objectives (a), (b) and (d); and are consistent with the remaining GSI Objective (c); and
- impose no significant costs on Gas Market Participants.

6.2 Proposed Commencement Details

The Amending Rules are proposed to commence at **8:00 AM** on **1 March 2019**. This date is provisional and may be subject to change in the Final Rule Change Report.

7. Proposed Amending Rules

The Rule Change Panel proposes to implement the following Amending Rules (~~deleted text~~, added text, clauses that are included for context but not amended):

...

82 Zones

- (1) Schedule 2 lists the Zones used for the GBB information display. AEMO must develop and maintain the GBB Zone List.
- (2) The Zones listed in the table at Part 5 of Schedule 3 of the Rules must be the Zones specified in the initial version of the GBB Zone List.
- (3) AEMO must publish the latest version of the GBB Zone List on the GSI Website.
- (4) AEMO must not make a change to the GBB Zone List unless it is satisfied that the proposed change is consistent with the GSI Objectives.
- (5) If AEMO proposes to make a change to the GBB Zone List, AEMO must publish a notice on the GSI Website:
 - (a) giving details of the proposed change;
 - (b) stating why the proposed change is required and the effects of the proposed change;
 - (c) inviting submissions objecting to the proposed change within a period stated in the notice, which must be at least five Business Days; and
 - (d) stating the proposed commencement date of the change, if no objections are received.
- (6) On the same day that the notice under subrule (5) is published, AEMO must inform Gas Market Participants that the notice has been published.
- (7) If AEMO does not receive an objection in response to a notice published under subrule (5) within the time specified in the notice, AEMO must make the change specified in the notice to the GBB Zone List and publish the amended GBB Zone List on the GSI Website, together with the date the change will take effect.
- (8) If AEMO receives an objection in response to a notice published under subrule (5) within the time specified in the notice, then AEMO must consult on the proposed change to the GBB Zone List in accordance with the GSI Consultation Procedure.
- (9) In deciding whether or not to make a change to the GBB Zone List, AEMO must have regard to the following:
 - (a) the practicality and cost of making the proposed change;
 - (b) the views expressed in any submissions received by AEMO on the proposed change; and

(c) any information that AEMO considers necessary to assess whether or not to make the proposed change.

~~(2)(10)~~ AEMO may review the Zones, and must do so at least once in each five year period.

~~(3)(11)~~ A review of the Zones must be carried out in consultation with Gas Market Participants and gas industry groups.

...

Schedule 1 - Glossary

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GBB Storage Facility means a Storage Facility that is registered as a GBB Storage Facility under the Rules.

GBB Zone List means the list of Zones used for GBB information display developed and maintained under subrule 82(1).

...

Zone means a ~~zone set out in Schedule 2 to these Rules~~ category used for GBB information display, comprising one or more specified Transmission Pipelines (or parts thereof) and all Receipt Points and Delivery Points connected to those pipelines (or parts of pipelines).

...

~~Schedule 2 - Zones~~

~~(Subrule 82(1))~~

~~(1) Schedule 2 specifies the Zones for which information is published on the GBB.~~

~~(2) The Zones listed in the table below include the specified Transmission Pipeline (or part thereof) and all Receipt Points and Delivery Points connected to those pipelines (or parts of pipelines).~~

Zone Name	Description
Dampier	The Dampier to Bunbury Natural Gas Pipeline (DBNGP) upstream of Compressor Station 7 (CS7), the Burrup Extension Pipeline and the Wheatstone Ashburton West Pipeline (WAWP).
Metro	The DBNGP from CS7 to CS10.
Parmelia	The Parmelia Gas Pipeline.

South West	The DBNGP downstream of CS10.
Karratha	The Pilbara Energy Pipeline.
Telfer	The Telfer Pipeline and Nifty Lateral Pipeline.
Pilbara	The Goldfields Gas Pipeline (GGP) upstream of and including the Delivery Point connecting the GGP to the Newman Lateral and the Fortescue River Gas Pipeline.
Goldfields	The GGP downstream of the Newman Lateral to, and including, the Leonora Delivery Point.
Mid-West	The Midwest Pipeline.
Kalgoorlie	The GGP downstream of the Leonora Delivery Point and the Kalgoorlie to Kambalda Interconnect Pipeline.

...

Schedule 3 - Savings and Transitional Rules

...

Part 5 Transitional rules for GBB Zones

The Zones listed in the table below are the Zones for the purposes of the initial version of the GBB Zone List established under subrule 82(1).

Zone Name	Description
Dampier	The Dampier to Bunbury Natural Gas Pipeline (DBNGP) upstream of Compressor Station 7 (CS7), the Burrup Extension Pipeline and the Wheatstone Ashburton West Pipeline (WAWP).
Metro	The DBNGP from CS7 to CS10.
Parmelia	The Parmelia Gas Pipeline.
South West	The DBNGP downstream of CS10.
Karratha	The Pilbara Energy Pipeline.
Telfer	The Telfer Pipeline and Nifty Lateral Pipeline.
Pilbara	The Goldfields Gas Pipeline (GGP) upstream of and including the Delivery Point connecting the GGP to the Newman Lateral and the Fortescue River Gas Pipeline.
Goldfields	The GGP downstream of the Newman Lateral to, and including, the Leonora Delivery Point.
Mid-West	The Midwest Pipeline.

Kalgoorlie	The GGP downstream of the Leonora Delivery Point and the Kalgoorlie to Kambalda Interconnect Pipeline.
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Appendix A. Responses to Submissions Received in the First Submission Period

Issue	Submitter	Comment/ Issue Raised	Rule Change Panel's Response
1	Alinta	<p>Alinta suggested altering the proposed drafting to read:</p> <p>82 Zones</p> <p>(1) AEMO must develop and maintain a Procedure that specifies:</p> <p>(a) the Zones, including the specified GBB Pipelines (or parts of pipelines) and all Receipt Points and Delivery Points connected to those pipelines (or parts of pipelines), for which information is published on the GBB;</p> <p>(b) guidelines<u>the process</u> for the allocation of new pipelines to the Zones; and</p> <p>(c) guidelines<u>the process</u> for the revision of the Zones.</p>	Please refer to sections 5.2.2 and 5.3 of this report.
2	Alinta	<p>Alinta considers that guidelines are general statements which are broadly designed to achieve a policy objective. Whereas procedures are used to describe a process and should outline who does what, when they do it and under what criteria.</p> <p>The reason for Alinta's proposed amendment to the drafting is to make it clear that the Registration Procedure should step out the process AEMO needs to follow, and not just outline some high-level guidelines which AEMO just needs to take into account when allocating pipelines to zones and/or revising zones (which is what the proposed drafting infers).</p>	
3	AGL	AGL notes that under the Rule Change Proposal, amending the GBB Zones in the GSI Procedures will still require following set consultation process and timeframes.	Please refer to section 5.2.1 of this report.
4	AGL	AGL suggests that the Rule Change Panel consider whether the Gas BB Zones could be considered as administrative information that could be published in a separate reference document that is not directly subject to consultation. Instead, the GSI procedure could include a decision-making framework for Gas BB zones. Such a framework should enable minor changes, which do not raise issues with participants, to be made quickly and with minimal regulatory burden. Amendments that are contentious or have a substantial impact would require AEMO to undertake an appropriate consultation process.	Please refer to sections 5.2.1 and 5.3 of this report.