



INDEPENDENT  
MARKET  
OPERATOR

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## Gas Services Information Submission to Rule Change Proposal

GRC\_2014\_01

### GSI Fee Arrangements – Inclusion of Registered Production Facility Operators

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#### Submitted by

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<b>Date submitted:</b>	10 September 2014

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#### Submission

Submissions for Gas Rule Changes should be submitted to:

##### Independent Market Operator

Attn: Group Manager, Development and Capacity

PO Box 7096

Cloisters Square, Perth, WA 6850

Fax: (08) 9254 4399

Email: [market.development@imowa.com.au](mailto:market.development@imowa.com.au)

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#### 1. Please provide your views on the proposal, including any objections or suggested revisions.

North West Shelf Gas (“NWSG”), on behalf of the NWS domestic gas sellers, does not support the proposal to amend the GSI Fee allocation methodology to recover the cost of providing GSI Services from both Registered Shippers and Registered Production Facility (currently it is recovered from the Registered Shippers only) on the following grounds:

1. Misaligned with the objectives of the Gas Services Information Act 2012 (“GSI Act”)



NWSG notes that the objectives of the Gas Bulletin Board (“GBB”) and Gas Statement of Opportunities (“GSOO”) under Section 6 of the GSI Act are:

“to promote the long term interests of consumers of natural gas...”<sup>1</sup>.

As Registered Shippers are the group most proximate to “consumers of natural gas”, it is thus reasonable that they pay for the costs associated with these services. This was acknowledged as part of the reasoning for the current GSI Fees Rule by the IMO, who wrote

“...in the absence of a mechanism to directly charge all end-users it, the IMO has sought to charge fees as close as possible to consumers to reduce the degree to which costs may be absorbed by other parties as they are passed through the supply chain”<sup>2</sup>

## 2. Increased complexity & administrative burden

Under many gas sales agreements between gas producers (Registered Production Facility Operators) and their customers (Registered Shippers), additional imposts, taxes, etc can be recovered by the gas producers from their customers.. GSI Fees are likely to qualify as an additional impost, tax, etc. Therefore, a result of the proposed rule change will be that Registered Production Facility Operators will, in accordance with their gas sales agreements, seek to recover GSI Fee costs from their customers (Registered Shippers). This process increases complexity in the gas market (disputes over payment, etc), leads to additional administration costs for both Registered Production Facility Operators and Registered Shippers to deal with this issue, whilst potentially not changing the end result for either party (i.e. the Registered Shipper will still pay the GSI Fees, half directly to the IMO and half indirectly via invoices from the Registered Production Facility Operators).

The proposal thus increases complexity and administrative burden for no net benefit.

## 3. Inequity

Registered Shippers can, by seeking an exemption, provide a very limited set of Gas Bulletin Board data to the IMO to meet their obligations. Conversely Registered Production Facility Operators (along with Pipeline Operators) are required to provide an array of information to meet their ongoing obligations. This requirement has led to costs, both upfront and ongoing, for the Registered Production Facility Operators that are not borne by the Registered Shippers.

Separately Registered Shippers, as the main consumers of gas in WA, are in the best position to be able to ultimately ensure that any GSI Fees are passed along to their own customer base. This would again be in alignment with the costs of the GSI Act being borne by those whose interests it was targeted at (consumers of natural gas).

Given the discrepancy in compliance cost burden & the ability of Registered Shippers to pass on their costs to end consumers it would be unfair to require Registered Production Facility Operators to bear further costs.

## 4. Existing GSI Fee Arrangements were adopted following extensive consultation

The existing GSI Fee allocation methodology was adopted after extensive consultation with all industry participants (Shippers, Producers, Pipeline Operators and Government Departments). The IMO itself concluded that:

- “the ultimate beneficiaries of the GBB and GSOO are gas consumers. In the absence of an effective way of directly charging all end-users, the IMO has sought to charge fees as close as possible to consumers to reduce the degree to which the costs may be absorbed by other parties as they are passed through the supply chain;
- Shippers are not required to provide information for the GBB, but should derive some benefit from the information provided. By contrast all other key participant categories (Production and Storage Facility Operators, Pipeline Operators and Large Users) are required to provide information and while these parties should also share some of the benefits, they face costs associated with complying with their obligations and providing regular information to the IMO;”<sup>3</sup>

Given that the current rules were adopted following this extensive consultation (over 1 year) there is no case for now seeking to amend the rules in this substantive manner.

#### References

1. <http://www.imowa.com.au/gas-information-services-project---gisp/overview>
2. [http://www.imowa.com.au/docs/default-source/gisp/response\\_to\\_submissions\\_on\\_the\\_second\\_consultation\\_draft\\_of\\_the\\_gsi\\_rulesfinal.pdf?sfvrsn=2](http://www.imowa.com.au/docs/default-source/gisp/response_to_submissions_on_the_second_consultation_draft_of_the_gsi_rulesfinal.pdf?sfvrsn=2)
3. [http://www.imowa.com.au/docs/default-source/gisp/second\\_consultation\\_draft\\_gsi\\_rules\\_-\\_consultation\\_pack.pdf?sfvrsn=2](http://www.imowa.com.au/docs/default-source/gisp/second_consultation_draft_gsi_rules_-_consultation_pack.pdf?sfvrsn=2)

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## **2. Please provide an assessment whether the change will better facilitate the achievement of the Market Objectives.**

NWSG notes that the justification provided by the PUO for their Rule Change Proposal is that “costs should be allocated to those who benefit from the GSI Services” and that Registered Production Facility Operators “are likely to benefit from the information provided by the GSI Services”.

Separately it is detailed that this Rule Change Proposal seeks to reinforce the GSI Objective related to the “facilitation of competition in the use of natural gas services” and that “the GBB aims to identify current opportunities for gas trades, which benefits sellers of gas...”.

In NWSG’s view there has been no evidence provided that supports these claims of the benefits to gas producers from the introduction of GSI Services, and in any case the Rule Change Proposal does not facilitate achievement of the Market Objectives and is thus not justified.

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## **3. Please indicate if the proposed change will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.**

If the proposed rule change is adopted it will require NWSG to take the following actions:

- Set up a mechanism to apportion the relevant GSI Fee costs between the individual North West Shelf domestic gas sellers.
  - Review our agreements to determine which of our gas sales agreements we can charge this additional impost onto and then advise these customers of the process under which this will occur.
  - Update our Gas Management Billing System to enable the billing of these charges to the required customers.
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**4. Please indicate the time required for your organisation to implement the change, should it be accepted as proposed.**

NWSG would request that any change to the GSI Fees, if approved by the Minister, be implemented from the start of 2015 at the earliest. This is to enable the required changes in our invoicing system and discussions to be held with customers on the additional charges that will be recovered.

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