

## Rule Change Notice

### GSI Fee Arrangements – Inclusion of Registered Production Facility Operators (GRC\_2014\_01)

This notice is given under rule 132 of the Gas Services Information (GSI) Rules.

**Submitter:** Natalia Kostecki, Public Utilities Office (PUO), on behalf of the Minister for Energy

**Date Submitted:** 9 July 2014

#### The Proposal

The PUO proposes to amend the GSI Fee allocation methodology to recover the cost of providing GSI Services from both Registered Shippers and Registered Production Facility Operators. Currently, the cost of providing GSI Services is recovered from Registered Shippers only. The PUO considers that it should be recovered from participants across the gas supply chain. This is on the basis that the costs should be allocated to those who benefit from the GSI Services. The PUO notes that both buyers and sellers of gas are likely to benefit from the information provided by the GSI Services.

The PUO proposes to:

1. allocate the total GSI Fees equally between Registered Shippers and Registered Production Facility Operators;
2. allocate the Registered Shippers' share between individual Registered Shippers on the basis of the individual share of the sum of the Aggregated Shipper Delivery Quantities for all Registered Shippers; and
3. allocate the Registered Production Facility Operators' share between individual Registered Production Facility Operators on the basis of the individual share of the sum of total gas produced, which is proposed to be defined as the sum of each GBB Production Facility's Daily Actual Flow Data for the relevant GSI Invoice Period.

The PUO also recognises that the current definition of Aggregated Shipper Delivery Quantity does not prevent the double counting of natural gas shipped via Storage Facilities as it does with GBB Pipelines. The PUO notes that this disadvantages Registered Shippers storing gas in Storage Facilities. The PUO therefore also proposes to amend the definition of Aggregated Shipper Delivery Quantity to remove the double counting of gas transferred through a Storage Facility.

Appendix 1 contains the Rule Change Proposal and gives complete information about:

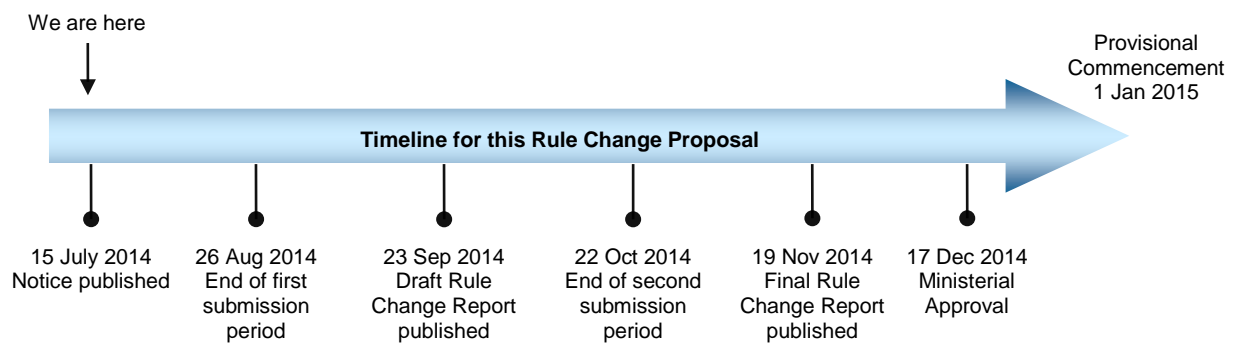
- the proposed amendments to the GSI Rules;
- relevant references to the GSI Rules and any proposed specific amendments to those rules; and
- the submitter's description of how the proposed amendments would allow the GSI Rules to better address the GSI Objectives.

## Decision to Progress the Rule Change

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

## Timeline

The projected timelines for processing this proposal are:



## Call for Submissions

The IMO invites interested stakeholders to make submissions on this Rule Change Proposal. The submission period is 30 Business Days from the Rule Change Notice publication date. Submissions must be delivered to the IMO by **5.00pm on Tuesday, 26 August 2014**.

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

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## Gas Services Information Rule Change Proposal

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**Rule Change Proposal ID:** GRC\_2014\_01  
**Date received:** 9 July 2014

**Change requested by:**

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<b>Address:</b>	Level 1, Albert Facey House, 469 Wellington St Perth WA 6000
<b>Date submitted:</b>	9 July 2014
<b>Urgency:</b>	2-medium
<b>Change Proposal title:</b>	GSI Fee arrangements – Inclusion of Registered Production Facility Operators
<b>GSI Rule(s) affected:</b>	Subrules 114, 115A(1) (new) 115A(2) (new), 115A(3) (new), 116(1), 116(2) (new), 116(3) (new), 117(3) (new), 117(4) (new), 118(1), 118(3), 118(4), 119(2), 119(4), 119(5), 119(6), 119(7), 120(1), 120(2), 120(3), 120(4) and Schedule 1.

### Introduction

Rule 129 of the Gas Services Information (GSI) Rules provides that any person (including the IMO) may make a Rule Change Proposal by completing a Rule Change Proposal form that must be submitted to the Independent Market Operator.

This Rule Change Proposal form can be posted, faxed or emailed to:

**Independent Market Operator**

Attn: Group Manager, Development and Capacity  
PO Box 7096  
Cloisters Square, Perth, WA 6850  
(08) 9254 4339  
Email: [market.development@imowa.com.au](mailto:market.development@imowa.com.au)

The IMO will assess the proposal and, within five business days of receiving this Rule Change Proposal form, will notify you whether the Rule Change Proposal will be further progressed.

In order for the proposal to be progressed, all fields below must be completed and the Rule Change Proposal must explain how it will enable the GSI Rules to better contribute to the achievement of the GSI Objectives.

The objectives are to promote the long-term interests of consumers of natural gas in relation to:

- (a) the security, reliability and availability of the supply of natural gas in the State;
- (b) the efficient operation and use of natural gas services in the State;
- (c) the efficient investment in natural gas services in the State; and
- (d) the facilitation of competition in the use of natural gas services in the State.

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## **Details of the Proposed Rule Change**

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### **1. Describe the concern with the existing GSI Rules that is to be addressed by the proposed rule change**

The GSI Rules (Part 7, Division 4) currently provide for GSI Fees, which recover the IMO's costs of providing GSI Services (the Gas Bulletin Board (GBB) and Gas Statement of Opportunities), to be charged to Registered Shippers (that is, shippers). This arrangement does not recover GSI Fees from Registered Production Facility Operators (that is, producers) who may also benefit from GSI Services.

The proposed Rule Change is to amend the GSI Fee arrangements so that fees paid under the GSI Rules for the performance of the functions of the operator are also paid by producers of natural gas in Western Australia.

It is considered that the amended GSI Fee arrangements should aim to:

- share the costs of providing the services more equitably across the gas market supply chain;
- recognise that both buyers and sellers of natural gas are likely to benefit from the information provided by the GSI Services established under the GSI Rules; and
- transparently identify the basis upon which the GSI Fee for shippers and producers is calculated.

The total cost for the performance of GSI functions is therefore to be allocated equally (fifty-fifty) between shippers and producers and then apportioned on a volumetric basis within each of these two groups.

Daily Actual Flow Data representing actual production volumes is the logical approach to apportioning costs on a volumetric basis to producers as this information is already collected by the IMO under GSI Rule 73(1) as part of GBB information.

The proposed Rule Change will also rectify, with respect to shippers, a potential issue pertaining to the apportioning of the GSI Fee in regard to gas delivered into the Mondarra gas storage facility.

The current definition of Aggregated Shipper Delivery Quantity in Schedule 1 of the GSI Rules includes all volumes of gas delivered to any delivery point, including Mondarra. This means that gas taken from Dampier Bunbury Pipeline (DBP) and delivered into Mondarra, and then subsequently taken from Mondarra and delivered to a point of

consumption on the DBP or the Parmelia Gas Pipeline in the same invoice period is effectively counted twice.

Under a strict equal (fifty-fifty) allocation between producers and shippers there is no impact. However in volumetric terms, shipped quantities would appear slightly higher than produced quantities.

In regard to the allocation of the GSI Fee *between* shippers, where the allocation is based on the volume of gas delivered, any gas going through the Mondarra storage facility is effectively double-counted. Shippers who choose to park gas in a storage facility are effectively put at a disadvantage to those who choose to park gas in another GBB pipeline.

The proposed Rule Change will therefore also amend the definition of Aggregated Shipper Delivery Quantity in Schedule 1 of the GSI Rules so that the exception pertaining to "Delivery Points feeding into another GBB Pipeline" will be extended to a GBB Storage Facility.

It should be noted that under the equal (fifty-fifty) allocation of the GSI Fee between shippers and producers, the quantities of gas produced and consumed is roughly the same as if the GSI Fee was allocated on a purely volumetric basis. At present, double-counting has a negligible effect as the quantities passing through Mondarra are small. However, any increase in turnover of gas stored at Mondarra would necessarily mean that shipped quantities would be higher than the quantities produced at Registered Production Facilities so that the volume split would no longer reflect an equal (fifty-fifty) allocation.

The requirement for producers to provide Daily Actual Flow Data is already captured under existing subrule 73(1), and it is this rule that will be used by the IMO to calculate the GSI Fee apportioned to producers. This subrule is a civil penalty provision for the purposes of the GSI Regulations. The analogous requirement with regard to shippers (that is, the requirement to provide Aggregated Shipper Delivery Quantities) is captured under existing subrule 115(1), which is also a civil penalty provision.

The proposed Rule Change identifies a new subrule 115A(3) as a civil penalty provision for the purposes of regulation 15 and Schedule 1 of the GSI Regulations. The new subrule requires a producer to notify the IMO of any change to Daily Actual Flow Data (that it is aware of) for a particular GSI Invoice Period.

Making subrule 115A(3) maintains consistency with existing subrule 115(3), which prescribes a civil penalty where a Registered Pipeline Operator fails to notify the IMO of any change to Aggregated Shipper Delivery Quantities (that it is aware of) for a particular GSI Invoice Period.

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## **2. Explain the reason for the degree of urgency**

There is a "medium" level of urgency attached to GRC\_2014\_01: GSI Fee arrangements – Inclusion of Registered Production Facility Operators.

The proposed Rule Change has been submitted on behalf of the Minister for Energy, who in May 2013 requested that amendment be made to the GSI Fee arrangement to extend the GSI Fee to Registered Production Facility Operators. At the time, the Minister indicated that the proposed Rule Change should be progressed with some priority.

Subsequent to stakeholder feedback following discussion of the proposed Rule Change as a Pre-Rule Change Proposal at the Gas Advisory Board meeting of 20 May 2014, the Public Utilities Office has amended the proposed Rule Change to include an updated definition of Aggregated Shipper Delivery Quantity to remedy the issue of double-

counting.

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**3. Provide any proposed specific changes to particular GSI Rules** (for clarity, please use the current wording of the Rules and place a ~~strikethrough~~ where words are deleted and underline words added)

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**114 IMO may recover GSI Services costs**

For each Financial Year, the IMO may recover from Registered Shippers and Registered Production Facility Operators an amount equal to the Approved Annual Revenue for that Financial Year.

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**115A Calculation of Aggregated Daily Actual Flow Data**

- (1) The IMO must calculate the Aggregated Daily Actual Flow Data for each Registered Production Facility Operator for each GSI Invoice Period, within 20 Business Days after the end of the period.
- (2) Aggregated Daily Actual Flow Data must include the quantities injected for each Gas Day that starts in that GSI Invoice Period.
- (3) If a Registered Production Facility Operator or the IMO becomes aware of a change to the Daily Actual Flow Data for a particular GSI Invoice Period (but no later than one year after the end of that period) then the operator must provide the IMO with an updated version of the relevant quantities for that period as soon as practicable.

*Note: This subrule is a civil penalty provision for the purposes of the GSI Regulations. (See the GSI Regulations, regulation 15 and Schedule 1).*

**116 Basis for calculation of GSI Fees ~~for Registered Shipper~~**

- (1) The GSI Fee F for a Registered Shipper s for GSI Invoice Period p in Financial Year y is calculated as:

$$F(s,p) = ((\text{Budget}(y) * \text{days in } p / \text{days in } y) + U(p) - UR(p)) * DG(s,p) / TG(p)$$

The GSI Fees F for the GSI Invoice Period p in Financial Year y is calculated as:

$$F(p) = \text{Budget}(y) \times \frac{\text{days in } p}{\text{days in } y} + U(p) - UR(p)$$

Where:

Budget(y) ~~Budget (y)~~ is:

- (a) if the Minister has approved the GSI Budget Proposal for Financial Year y, the Approved Annual Revenue for Financial Year y; or
- (b) if the Minister has not yet approved the GSI Budget Proposal for Financial Year y, the Approved Annual Revenue for the previous Financial Year;

U(p) ~~U(p)~~ is the sum of any GSI Fees invoiced for preceding GSI Invoice Periods but unpaid at the time GSI Fees for GSI Invoice Period p are invoiced and which the IMO reasonably believes it will not be able to recover from the party invoiced (and has not been previously reallocated to ~~Registered Shippers~~ as a U(p) amount); and

UR(p) ~~UR(p)~~ is the sum of any amounts included in the calculation of U for a preceding GSI Invoice Period which have been recovered since the GSI Fees for GSI Invoice Period p-1 were invoiced;

(2) The GSI Fee for the GSI Invoice Period p for a Registered Shipper s is calculated as:

$$f(s, p) = 0.5 \times F(p) \times \frac{DG(s, p)}{TDG(p)}$$

Where:

DG(s, p) ~~DG(s, p)~~ is the total of the Aggregated Shipper Delivery Quantities for each Registered Shipper s and GSI Invoice Period p from all GBB Pipelines that provided the shipper with a pipeline service in GSI Invoice Period p; and

TDG(p) ~~TG(p)~~ is the sum of the ~~DG(s, p)~~ DG(s, p) quantities for all Registered Shippers ~~s~~ for GSI Invoice Period p.

(3) The GSI Fee for the GSI Invoice Period p for a Registered Production Facility Operator x is calculated as:

$$f(x, p) = 0.5 \times F(p) \times \frac{PG(x, p)}{TPG(p)}$$

Where:

PG(x, p) is the total of the Aggregated Daily Actual Flow Data for Registered Production Facility Operator x and for the GSI Invoice Period p as calculated by the IMO under rule 115A; and

TPG(p) is the sum of the PG(x, p) quantities for all Registered Production Facility Operators and for the GSI Invoice Period p.

## 117 IMO to issue GSI Invoice

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- (3) Where the IMO is able to calculate the Aggregated Daily Actual Flow Data under rule 115A within 20 Business Days after the end of the relevant GSI Invoice Period, the IMO must, within 30 Business Days of the end of that period:
- (a) calculate the GSI Fee for each Registered Production Facility Operator for that period in accordance with rule 116; and
  - (b) issue a GSI Invoice to each Registered Production Facility Operator for that period.
- (4) Where the IMO is not able to calculate the Aggregated Daily Actual Flow Data under rule 115A within 20 Business Days after the end of the relevant GSI Invoice Period, the IMO may:
- (a) issue a GSI Invoice later than the time specified in subrule (3); or
  - (b) calculate the GSI Fees and issue GSI Invoices in accordance with subrule (3) based on the best data available to the IMO.

## 118 Obligation to pay GSI Invoice

- (1) Subject to subrules (2) and (4), a Registered Shipper or Registered Production Facility Operator must pay a GSI Invoice within 10 Business Days after the receipt of the invoice, regardless of whether there is a dispute regarding the invoice under rule 120.

*Note: This subrule is a civil penalty provision for the purposes of the GSI Regulations. (See the GSI Regulations, regulation 15 and Schedule 1).*

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- (3) A Registered Shipper or Registered Production Facility Operator must pay a replacement invoice within 10 Business Days after receipt of the invoice, regardless of whether there is a dispute regarding the invoice under rule 120.

*Note: This subrule is a civil penalty provision for the purposes of the GSI Regulations. (See the GSI Regulations, regulation 15 and Schedule 1).*

- (4) A Registered Shipper or Registered Production Facility Operator is not required to pay a GSI Invoice if the invoice is for an amount of less than one dollar.



## 119 Review of GSI Fee calculation

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- (2) The IMO may also, subject to subrule (3), recalculate the GSI Fees for a GSI Invoice Period at any other time if it considers it appropriate in all the circumstances.

*Note: For example, this could be a manifest error in the original calculations, or notification of a significant change to Aggregated Shipper Delivery Quantities or Aggregated Daily Actual Flow Data.*

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- (4) Where the IMO recalculates GSI Fees for a GSI Invoice Period, the IMO must send an Adjustment GSI Invoice to each Registered Shipper or Registered Production Facility Operator, as applicable.
- (5) A Registered Shipper or Registered Production Facility Operator must, within 10 Business Days of receiving an Adjustment GSI Invoice, pay any amounts owing.

*Note: This subrule is a civil penalty provision for the purposes of the GSI Regulations. (See the GSI Regulations, regulation 15 and Schedule 1).*

- (6) Where an Adjustment GSI Invoice reduces the amount payable by a Registered Shipper or Registered Production Facility Operator, the IMO must credit the relevant amount to the next GSI Invoice issued under rule 117 to ~~that shipper~~ the relevant Gas Market Participant.
- (7) Where a Registered Shipper or Registered Production Facility Operator is no longer registered with the IMO and has a credit balance, the IMO must, as soon as practicable, pay the amount to the shipper by direct bank transfer to an account nominated by ~~the shipper~~ the relevant Gas Market Participant.

## 120 Disputes regarding GSI Invoices

- (1) If a Registered Shipper or Registered Production Facility Operator wishes to dispute a GSI Invoice received from the IMO, it must notify the IMO of the disputed invoice within 10 Business Days after receiving the invoice and ~~the Registered Shipper~~ the relevant Gas Market Participant and the IMO must seek to resolve that dispute in accordance with the dispute resolution process set out in this rule.
- (2) To resolve the dispute:

- (a) ~~the Registered Shipper~~ the relevant Gas Market Participant must, when notifying the dispute to the IMO, inform the IMO of the reasons for it disputing the GSI Invoice;
  - (b) the IMO must provide sufficient information to ~~the Registered Shipper~~ the relevant Gas Market Participant regarding the calculation of the disputed amount, within 10 Business Days of the dispute being notified;
  - (c) a nominated representative of ~~each of the Registered Shipper~~ the relevant Gas Market Participant and the IMO must seek to resolve the dispute within 10 Business Days of the IMO providing the necessary information to ~~the Registered Shipper~~ the Gas Market Participant; and
  - (d) if the dispute is not resolved by the nominated representatives as referred to in subrule (2)(c):
    - (i) where the IMO and ~~the Registered Shipper~~ the relevant Gas Market Participant can agree on a means of resolving the dispute by mediation, expert determination or some other similar alternative dispute resolution mechanism, the IMO and ~~the Registered Shipper~~ the relevant Gas Market Participant must use that mechanism; or
    - (ii) in the event that the IMO and ~~the Registered Shipper~~ the relevant Gas Market Participant are unable to agree on a dispute resolution mechanism, either party may commence proceedings before a court of competent jurisdiction in relation to the dispute.
- (3) If, as a result of the resolution of a dispute regarding a GSI Invoice, the IMO is obliged to repay to a Registered Shipper or Registered Production Facility Operator part or the whole of an amount received under rule 118, then the IMO must repay the amount (at the option of ~~the Registered Shipper~~ the relevant Gas Market Participant) either:
- (a) by way of a credit on the next GSI Invoice issued under rule 117 for a GSI Invoice Period; or
  - (b) by a payment to ~~the Registered Shipper~~ the relevant Gas Market Participant within 10 Business Days after the day resolution is reached.
- (4) If as a result of the resolution of a dispute regarding a GSI Invoice, there is a finding that the GSI Invoices for one or more Registered Shippers or Registered Production Facility Operators were incorrectly calculated, the IMO must recalculate the GSI Fees for the relevant GSI Invoice Period for all Registered Shippers or Registered Production Facility Operators in accordance with rule 119.

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## Schedule 1- Glossary

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**Adjustment GSI Invoice** means an invoice that is sent to a Registered Shipper or Registered Production Facility Operator after:

- (a) recalculation of the GSI Fees payable for a GSI Invoice Period under rule 119; or
- (b) an adjustment to the GST amount payable for a GSI Invoice Period under rule 124.

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**Aggregated Daily Actual Flow Data** means, for a Registered Production Facility Operator, the quantity of natural gas that has been injected from that Facility into GBB Pipelines for the relevant GSI Invoice Period determined from data provided under subrule 73(1).

...

**Aggregated Shipper Delivery Quantity** means, for a Registered Shipper and a GBB Pipeline, the delivery quantities for that shipper aggregated for all Delivery Points on the GBB Pipeline, except those Delivery Points feeding into another GBB Pipeline or GBB Storage Facility (see rule 115).

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**Daily Actual Flow Data** means, for a Gas Day:

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- (c) for a GBB Production Facility, the quantity of natural gas that ~~is metered (based on operational metering data) as having been, or estimated by the Registered Production Facility Operator to have been,~~ has been injected from the Facility into each relevant Receipt Point on a GBB Pipeline on that Gas Day determined on the basis of operational metering data where available or otherwise estimated by the Registered Production Facility Operator.

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**GSI Fee** means the fee payable by a Registered Shipper or Registered Production Facility Operator to the IMO and calculated under rule 116.

**GSI Invoice** means an invoice issued to a Registered Shipper or Registered Production Facility Operator by the IMO, and includes an Adjustment GSI Invoice.

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### **3. Describe how the proposed GSI Rule change would allow the Rules to better address the GSI Objectives**

The current method of calculating GSI Fees assumes the ultimate beneficiaries of the GSI Services are gas consumers. In the absence of an effective way of directly charging all consumers, fees were charged as close as possible to end-users to minimise the absorption of costs by other parties along the supply chain. Registered Shippers (shippers) are either end-users themselves or sell gas to end-use customers (retailers).

There are approximately 38 shippers to whom costs may be charged under the GSI Rules. GSI Fees are calculated on a pro-rata basis determined by each shipper's share of total gas deliveries by all GBB Pipelines.

This GSI Rule change proposal seeks to reinforce the objective given at (d) above – the facilitation of competition in the use of natural gas services.

Of the two GSI Services, the GBB aims to identify current opportunities for gas trades, which benefits sellers of gas as well as gas buyers. The sharing of costs equally between shippers and producers promotes equity between consumers and producers across the gas market supply chain.

In addition, rectifying the matter of double-counting improves the accuracy with which the GSI Fee is apportioned to shippers and remedies the situation of a storage facility being placed at a competitive disadvantage against conventional pipeline storage services.

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#### ***GSI Fee***

The GSI Fee paid by Registered Shippers (shippers) as a portion of the total cost of the operator for the performance of its GSI functions, will reduce as the consequence of Registered Production Facility Operators (producers) contributing to the recovery of the total cost.

Under the proposed fifty-fifty split between shippers and producers, the cost to shippers will halve from around \$6.88 per TJ to \$3.44 per TJ (based on figures calculated by the IMO for January - March 2014).

There are currently five producers that will be affected by the amendments recommended by this GSI Rule Change Proposal.

Due to the limited number of producers, there is unlikely to be a material impact on the IMO's cost of administering the amended GSI Fee arrangements, so that the total cost of providing the GSI Services by the IMO is unlikely to be materially affected.

#### ***Compliance costs***

The method of calculating the share of the operator's costs apportioned to producers is directly derived from information already collected for the Gas Bulletin Board by the IMO from Registered Production Facility Operators, ensuring that there is no additional cost to market participants in regard to providing information.

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