



INDEPENDENT
MARKET
OPERATOR

Gas Services Information Submission to Rule Change Proposal

GRC_2014_01 GSI Fee Allocation - Inclusion of Registered Production Facility Operators

Submitted by

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Submission

Submissions for Gas Rule Changes should be submitted to:

Independent Market Operator

Attn: Group Manager, Development and Capacity

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- Please provide your views on the proposal, including any objections or suggested revisions.**

Background

The Gas Services Information (GSI) Rules outline the process and methodology by which the Independent Market Operator (IMO) can recover its costs associated with providing GSI Services. These costs are currently recovered on a pro-rata basis based on each shipper's share of the total gas deliveries by all GBB Pipelines during the invoicing period.



Summary of the Rule Change Proposal

The Rule Change Proposal seeks to:

- amend the GSI Rules to allocate the total GSI Fees equally between shippers and gas producers; and
- remove the double counting of volumes through a storage facility.

Synergy's¹ views on the Rule Change Proposal

During the development of the GSI regime, both Verve Energy and Synergy submitted on the proposed cost allocation methodology. Specifically:

- Synergy recognised the benefits of using an efficient charging approach, noting that the proposed design suggested that this was achieved by applying the cost only to shippers. Synergy was not convinced that this was an efficient charging mechanism as opposed to a more comprehensive (equitable) charging mechanism. As such, Synergy suggested that, given others besides shippers will gain benefit from the GSI regime, options for also charging these participants should be recognised by the IMO; and
- Verve Energy did not support the recommendation that the costs of the GSI be apportioned solely to shippers. Verve Energy considered that participants across the whole supply chain would derive benefit from the GSI regime, and as such, should also contribute to the costs. Further, Verve Energy considered that the GSI Regime would also deliver a broader public benefit to the State in terms of gas market development and energy security. Verve Energy noted that in an ideal world the costs of the GSI regime would be shared across the entire gas industry – including production, transport, distribution, shippers, market traders and their customers, as well as government. However, Verve Energy was cognisant that such a model may provide administrative complexities. Therefore, Verve Energy recommended that the IMO apportion ongoing costs to both producers and shippers.

Noting the views outlined above, Synergy¹ is supportive of the Rule Change Proposal. Synergy considers that the proposal provides for a more equitable allocation of costs across the supply chain, while remaining relatively simple for the IMO to administer.

Further, Synergy agrees with the assessment from the Public Utilities Office that the removal of the double counting of volumes through a storage facility promotes GSI Objective (d)² in that participants who utilise a storage facility are not competitively disadvantaged against those participants who use traditional pipeline storage services.

¹ Effective from 1 January 2014, the Electricity Generation Corporation trading as Verve Energy changed its name to Electricity Generation and Retail Corporation trading as Synergy. This name change was instituted to reflect the merger of Verve Energy and the Electricity Retail Corporation trading as Synergy, as detailed in the Electricity Corporations Amendment Bill 2013 (WA) (passed by the Parliament of Western Australia on 12 December 2013 and received Royal Assent on 18 December 2013).

² The GSI Objectives are to promote the long term interests of consumers of natural gas in relation to:

...

(d) the facilitation of competition in the use of natural gas services in the State.