

5-Yearly Review of the WA GSOO overview and role of GAB

Presented to the Gas Advisory Board by
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Agenda

1. Introduction
2. Findings
3. Discussion and Input request from the GAB
4. Next steps

Introduction

Why are we doing this?

GSI Rules requirements

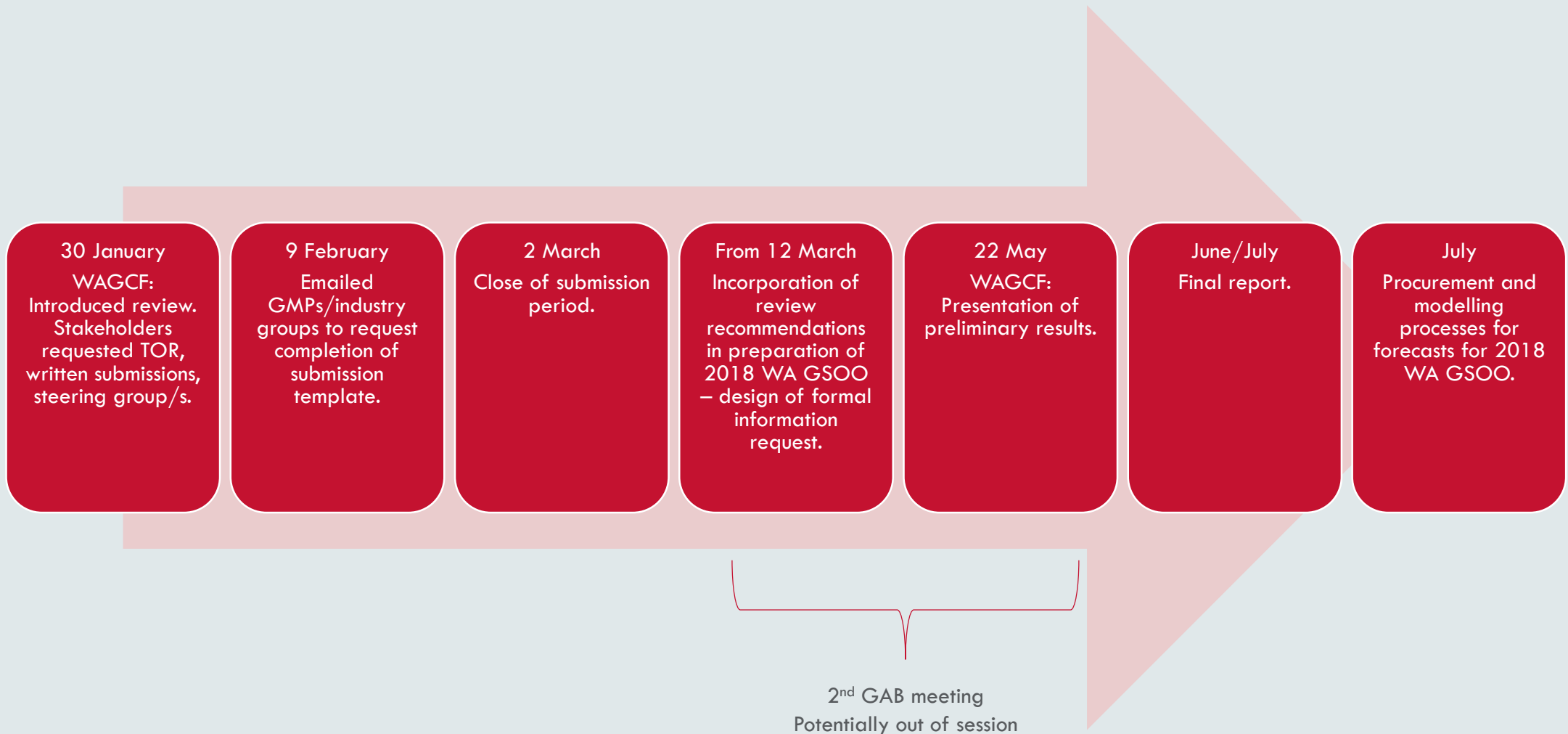
Clause 105 of the GSI Rules (WA) (“Consultation on GSOO Information”):

- (1) AEMO must, at least once in every five year period, conduct a review of the GSOO information.
- (2) The review must be carried out in consultation with Gas Market Participants and gas industry groups.
- (3) The review of the GSOO information may consider any of the following:
 - a) the regions (if any) to be specifically considered in a GSOO;
 - b) assumptions upon which a GSOO is developed;
 - c) scenarios to be considered by a GSOO;
 - d) the general methodologies to be used in developing a GSOO;
 - e) the types of information to be collected for a GSOO; and
 - f) any other inputs that AEMO considers relevant.

Key points

- First WA GSOO 5 yearly review since first GSOO publication in 2013.
- In consultation with Gas Market Participants (GMPs) and industry groups.
- Participation is voluntary/optional.
- GSI Rules not prescriptive on review.
 - Latitude for AEMO.

Timeline



Steps so far

- TOR developed:
Confidentiality.
- Submission template developed:
Addressed each area outlined in subrule 105(3)(a)-(f).
Focused quantitative, categorical, and open-ended responses.
- TOR/submission template sent to WAGCF email list:
GMPs, government and industry bodies, and GAB.
144 non-AEMO contacts.
- Preliminary analysis carried out:
Frequency tables – quantitative and categorical questions.
Classification and tally of open-ended responses.

Findings

Submission responses

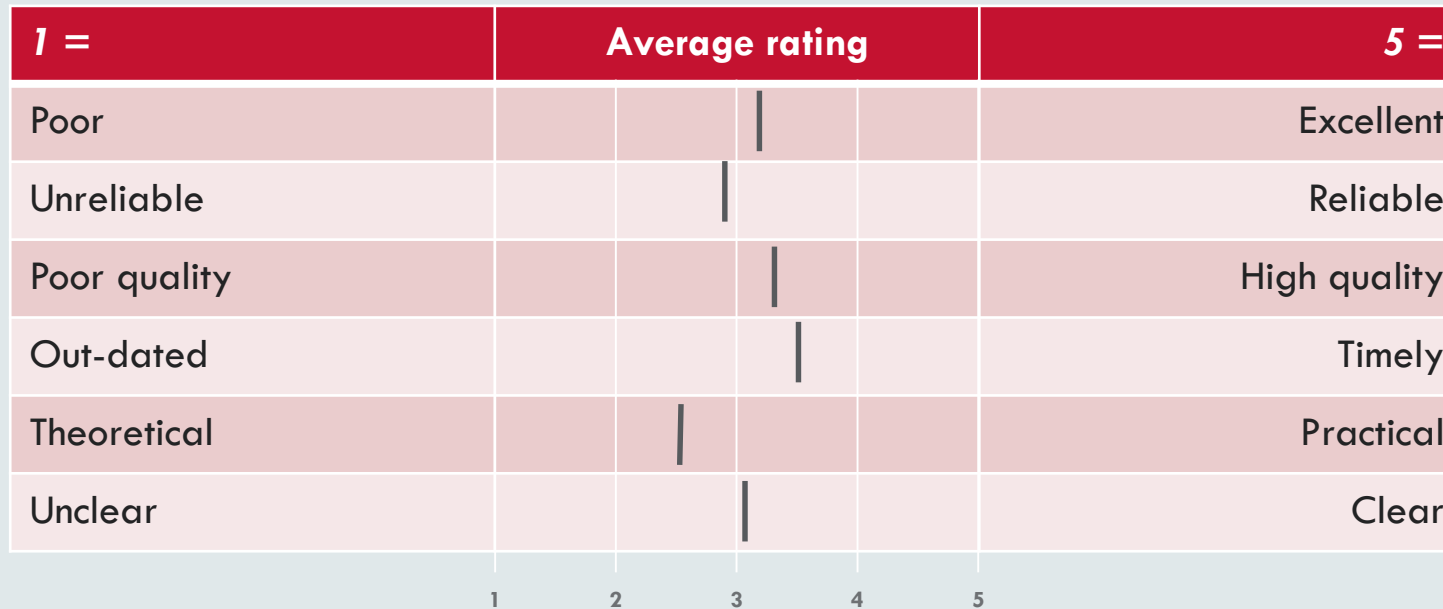
- 14 Full submissions received
 - 6 Gas consumers, distributors or retailers.
 - 6 Gas operators/suppliers.
 - 2 Government/industry bodies.
- 8 submissions received from discrete GMPs.
 - 65 Current # GMPs.
 - 12%: Response rate of GMPs.

Disappointing response given stakeholder engagement.

Ratings - Opinions

Table 2: How would you describe the 2017 WA GSOO?

Average ratings on a scale of 1 to 5.



GAB feedback request:

Why might the GSOO be seen as slightly unreliable?

Why might the GSOO be seen as somewhat theoretical?

Key issues identified

- Modelling issues
- Sensitivity analysis requests
- Granularity of data

Discussion and GAB input request

Modelling Issues- GAB input request

Should demand, supply and prices be modelled together (as a market), not separately?

Comments suggest this is the primary issue.

Why might gas price forecasts be viewed less favourably than gas supply and gas demand forecasts?

Should supply and price assumptions change?

Comments suggest supply assumptions “overly simplistic”, “illogical”.

Should the modelling of cost of production, and price index (LNG netback) be changed?

How can the modelling address the impact of the reservation policy?

Are there any other aspects AEMO is missing?

Should peak gas demand forecasts be provided?

Comments suggest GSOO forecast indicated a “very poor understanding”.

If keep, should the methodology be changed?

What value do these forecasts serve, noting they are NOT required under GSI rules.

Sensitivity Analysis- GAB input request

Should there be greater prospective/speculative analysis?

Comments suggest:

“Key uncertainties and contingencies need to be reflected”.

Should address “potential demand destruction”.

Need to “identify potential projects”.

Provide “insights to future market trends”.

“Events and challenges ahead for the market: new assets in the market, impact of renewable energy on gas supply”.

Granularity – GAB input request

Should there be greater granularity in forecasts?

Comments suggest:

Regional forecasts, eg. NW/Pilbara, Eastern, Metro, South West.

By usage category, eg. mining, minerals processing, GPG, etc.

Why might some stakeholders prefer that the GSOO provide fewer forecasts (eg. discontinue low/high scenarios) for gas price, total gas and peak gas demand?

Should we investigate other scenarios? If so, which ones?

Should there be further analysis of GBB data to address trends?

Comments suggest:

12-month lookback.

Actual gas consumption by large user facilities.

Next steps

Next steps

AEMO to provide GAB with the preliminary findings of the review including key issues – By 21 March 2018.

GAB to endorse key areas of focus by 28 March 2018.

Next GAB meeting –Suggest options to improve key components of GS00.