

MAKING IT EASIER TO BUY AND SELL GAS IN VICTORIA

REVIEW OF THE VICTORIAN DECLARED WHOLESALE GAS MARKET: FINAL REPORT 14 JULY 2017

At the request of the Victorian Government, the AEMC has made recommendations on the next steps to deliver the COAG Energy Council's vision for a well-functioning gas market

OUR RECOMMENDATIONS FOR VICTORIA



A clean and simple wholesale price

Will make it easier for buyers and sellers to manage risk and lower transaction costs, lowering costs for consumers.



New forward trading exchange

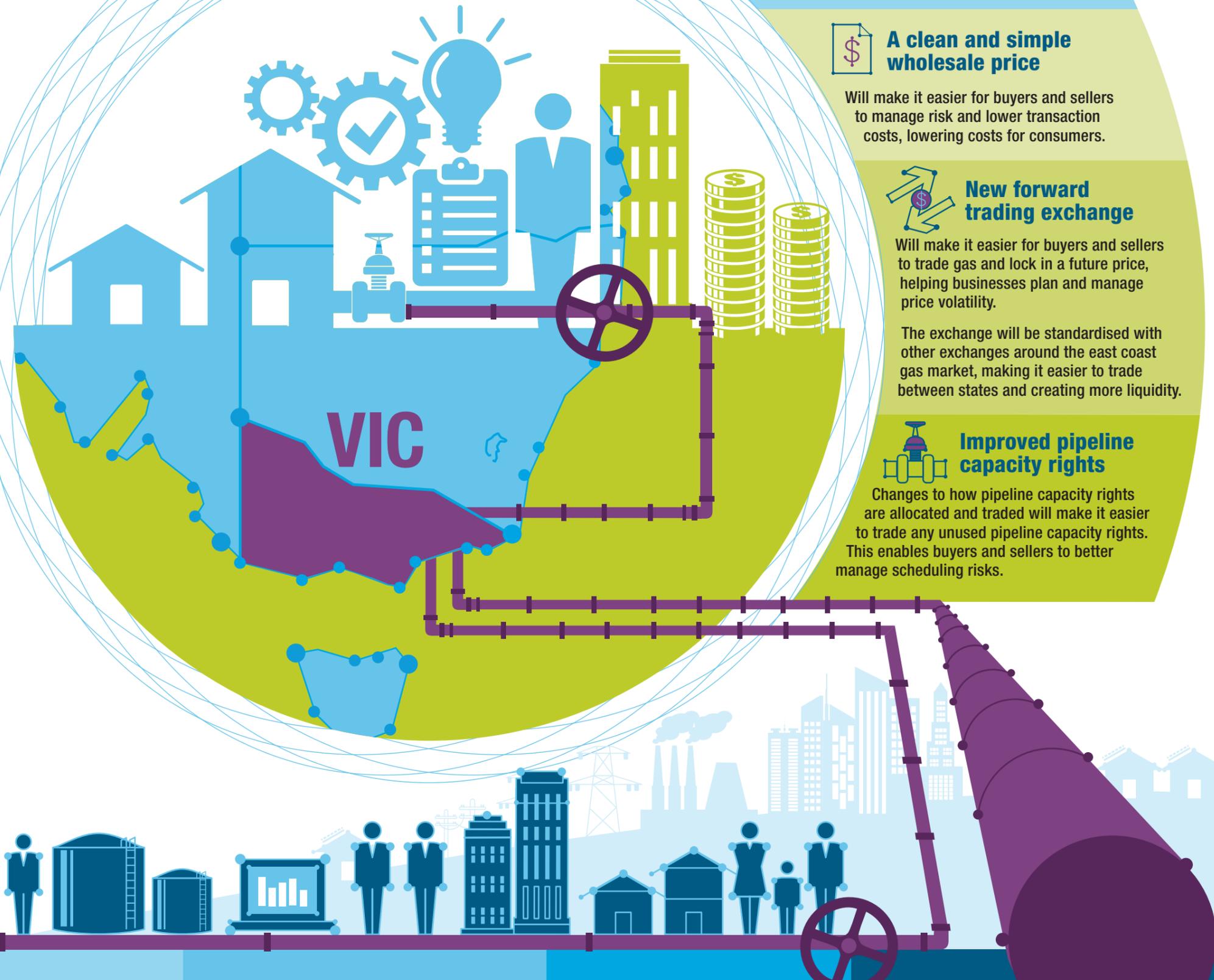
Will make it easier for buyers and sellers to trade gas and lock in a future price, helping businesses plan and manage price volatility.

The exchange will be standardised with other exchanges around the east coast gas market, making it easier to trade between states and creating more liquidity.



Improved pipeline capacity rights

Changes to how pipeline capacity rights are allocated and traded will make it easier to trade any unused pipeline capacity rights. This enables buyers and sellers to better manage scheduling risks.



NEXT STEPS

If the recommendations are accepted, the Victorian Government will submit rule change requests to the AEMC.

LONGER TERM REFORMS

In time, more substantial reforms could be implemented which allow for the continuous trading of gas and explicit, tradable capacity rights.

The AEMC will use its biennial report into the liquidity in gas markets to advise whether more substantial reforms would be beneficial, building upon the short term recommendations.

BENEFITS OF REFORM

Implemented in full, reforms to the Victorian gas market have the potential to increase Australia's GDP by up to

\$1.7b

in net present value terms by 2040.

ABOUT THE REVIEW

East coast gas markets are undergoing structural change, driven by growth of the LNG export industry. Given this new market dynamic, the COAG Energy Council tasked the AEMC with developing a roadmap for gas market development. In addition, the Victorian government asked the AEMC to look in detail at specific arrangements in Victoria.

REDESIGNING GAS MARKETS

The AEMC's review of the Victorian gas market sets a staged approach towards harmonisation with the wider east coast market reforms, which include:



concentrating wholesale gas trading at two key hubs in Queensland and Victoria



making unused pipeline capacity more readily available across the entire east coast



increasing transparency by making more information available to the market.