

EnergyAustralia

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A wise call

Reform drivers and benefits are generally clear

- **Forward trading** missing from the current market.
- Opportunity to **simplify the market** to perform a balancing role only.
- **Intra-day continuous exchange trading** allows instant decision making -> price on screen.
- This provides **national consistency** with comparable reference prices, aligned contract terms, and shared IT systems.



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National reforms should generally proceed

- Low cost reforms with clear benefits
 - Broader gas transmission reforms to improve access to under-utilised pipelines
 - Auctioning of interruptible capacity
 - Capacity trading platform for short term trades
 - Increased transparency by the provision of more detailed gas market information and improvements to the Bulletin Board



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The Vic Market reform is more challenging because

- Liquidity may not develop
 - The outlook for gas is tight. If you sell it now you may not be able to buy again later.
 - The best information not available until day-ahead that may **hold back sellers** of spare gas or capacity. Asymmetrical risk profile.
- And spot liquidity may be lost?
 - Combined Balancing-Commodity-Capacity market reduces workload , ensures full utilisation of the network, and **encourages hedging gas to be offered** to the spot market
- **Entry-exit** is complicated and allocation mechanism inflexible
- Requires **expensive** system and process changes



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