

REDESIGNING AUSTRALIA'S EAST COAST GAS MARKET

JULY 2016

A roadmap of reforms to deliver the Energy Council's vision for the development of the east coast gas market to respond to the changing dynamics in global markets

Market redesign recommendations

Recommendations made to the COAG Energy Council to develop more efficient market trading arrangements to improve price discovery and increase flexibility of gas exchange between buyers and sellers, make unused pipeline capacity more readily available across the entire east coast, and increase transparency by increasing the amount of information available to the market

Redesigning wholesale markets



Concentrating wholesale gas trading at two hubs – a Northern Hub at Wallumbilla in Queensland and a Southern Hub in Victoria, the key points of demand and supply on the East Coast.



Transition to exchange-based trading arrangements in Victoria to improve price discovery and allow development of more risk management tools. More closely align the market arrangements across the east coast.



Reduce costs and complexity by simplifying Adelaide, Sydney and Brisbane short-term trading hubs to become balancing hubs.

Improving access to pipeline capacity



Day ahead auction for unused capacity.



Improved capacity trading platforms to facilitate short-term gas trading.



Development of standard products and information on all trades.

Increasing transparency

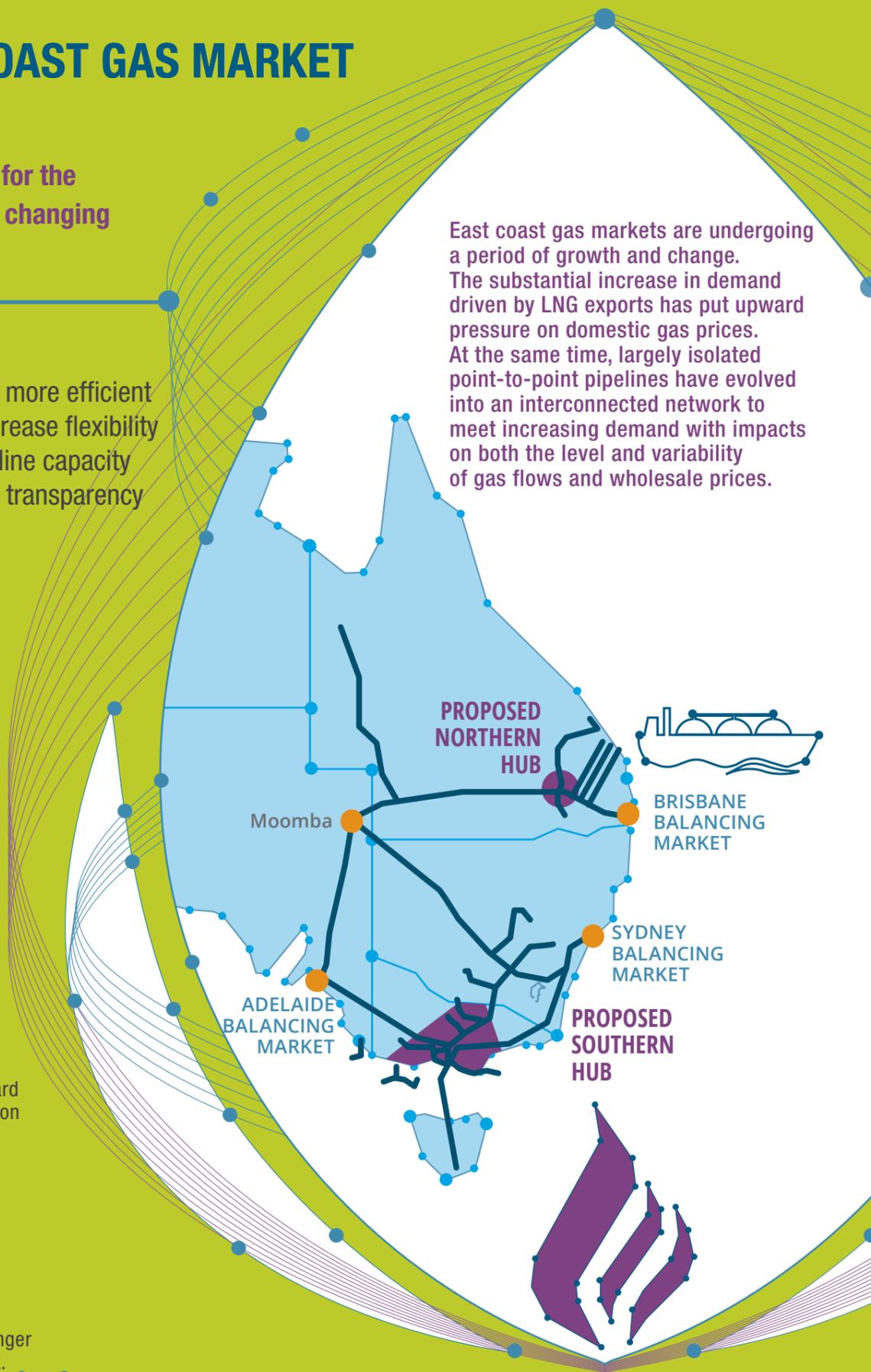


Increased amount and frequency of data reported on the Gas Bulletin Board to enable market participants to make more informed production, consumption, trading and investment decisions.



Greater data accuracy requirements and stronger compliance framework.

East coast gas markets are undergoing a period of growth and change. The substantial increase in demand driven by LNG exports has put upward pressure on domestic gas prices. At the same time, largely isolated point-to-point pipelines have evolved into an interconnected network to meet increasing demand with impacts on both the level and variability of gas flows and wholesale prices.



Benefits of reform

Implemented in full, the reforms have the potential to increase Australia's GDP by \$8.7 billion in net present value terms by 2040 through improved viability of gas-using industries and flow-on benefits to employment and tax revenues.

Increased access to gas



Consumers, producers and trading markets are connected to infrastructure that enables participants to readily trade between locations and arbitrage trading opportunities.



Trading is focused at a point the best services the needs of participants.



Strengthens market's ability to keep supplying customers while adjusting to changes in supply and international trade.

Lower barriers and costs



Consistent pricing mechanisms and trading arrangements will make it easier to source gas from anywhere on the east coast with increased competitive pressure on prices



Provides new market entrants with the same opportunities as incumbents to access markets and information



Maximises benefits for all states buying and selling gas on the east coast.