



27 May 2015

Australian Energy Markets Commission

PO Box A2449

Sydney South, NSW 1235

Email: [aemc@aemc.gov.au](mailto:aemc@aemc.gov.au)

Dear Sirs,

**Re: AEMC East Coast Wholesale Gas Market and Pipeline Frameworks Review  
Comments on Stage 1 Draft Report**

**Background**

As a large gas user, Orora Ltd welcomes the AEMC's review of the East Coast Gas Market and appreciates the opportunity to provide comments on AEMO's Stage 1 Draft Report.

Gas is a significant input cost for Orora's Glass and Paper making operations in SA and NSW respectively; hence these operations have been impacted by the recent large rise in gas prices in Eastern Australia.

In order to contain costs over the longer term, Orora Ltd has entered into a Gas Supply Agreement with Strike Energy, a small prospective gas producer.

Strike Energy's prospective gas field lies approximately 100 Km south of Moomba, adjacent to the Moomba to Adelaide Pipeline (MAP).

This gas field is expected to be producing gas from 2017 and hence it is important to Orora that there is an adequate gas market framework in place to enable:

- Access to gas transmission pipelines (including MAP and MSP).
- Trading of gas pipeline capacity, including on laterals such as the Angaston Lateral.
- Access to the proposed Moomba Gas Hub to trade daily imbalances and purchase any make-up gas required on a daily, weekly and monthly basis.
- Transparency of pricing for the above-mentioned products.
- Minimised transactional costs for buying and selling of gas at gas hubs.
- Harmonisation of the gas day start times across all east Coast jurisdictions.
- Less complexity and cost surrounding the Sydney and Adelaide Short Term Trading Markets.

## **Access to Gas Transmission Pipelines and Capacity Trading**

Orora requires access firm access to gas transmission pipelines in order to deliver the gas that it has purchased for its major gas consuming facilities.

At present this capacity is currently held by Orora's gas retailers and there is no market mechanism available to re-allocate this capacity right directly from Orora's gas retailers to Orora. Trading of gas pipeline capacity should be available to allow for this to take place relatively simply, and for minimal cost.

The same is true for trading of capacity on the laterals to gas transmission pipelines.

At present the Gas Market Bulletin Board does not even display nominations and capacity on laterals. This needs to be introduced as soon as possible.

## **Moomba Gas Hub**

AEMO has developed a model for a Moomba gas trading hub based on many months of consultation. It could be in operation within 12 months.

The need for a Moomba gas trading hub has been demonstrated and the majority of parties involved (all except one party) agreed that it should be developed.

The Wullumbilla gas trading hub does not serve large gas users in SA, NSW or Victoria. Due to pipeline capacity constraints on the QSN it simply cannot supply gas to Moomba and if large users procured gas at Wullumbilla it could not be delivered physically to Moomba or south of Moomba.

A gas hub at Moomba could enable gas users to contract for gas without having to pay any for any back haul from Wullumbilla (assuming it was available) and thus deliver a far more efficient price outcome.

As stated above, Orora has entered into a gas supply agreement with Strike Energy. Their gas field is close to Moomba and Strike will also need a market to sell their gas; as will other smaller gas producers in the Cooper Basin.

There are many other small prospective gas fields in the Cooper Basin that are expected to be developed in the near future so having a gas trading hub at Moomba makes good sense.

It is therefore difficult to understand the AEMC's reluctance to support a Moomba gas trading hub. This just plays into the hands of existing gas producers and serves as a barrier to competition.

It is not logical that the development of a Moomba gas hub would lessen liquidity of the Wullumbilla gas hub.

### **Short Term Trading Markets (STTM)**

STTMs are no replacement for gas trading hubs. They should be used only for balancing gas on a daily basis. They are overly complicated, risky and add significantly to the cost of gas.

There should be no need to trade all gas through a STTM, just balancing gas. This would greatly reduce the costs of STTMs to gas users and retailers alike.

It is difficult to see how STTM gas prices would have any relevance to a long term gas contract price.

Yours sincerely,



Peter Dobney

GM Resources and Energy

Orora Limited

109 Burwood Road, Hawthorn VIC 3122

E: Peter.Dobney@ororagroup.com

T: +61398117454

M: +61418320539

[www.ororagroup.com](http://www.ororagroup.com)

