

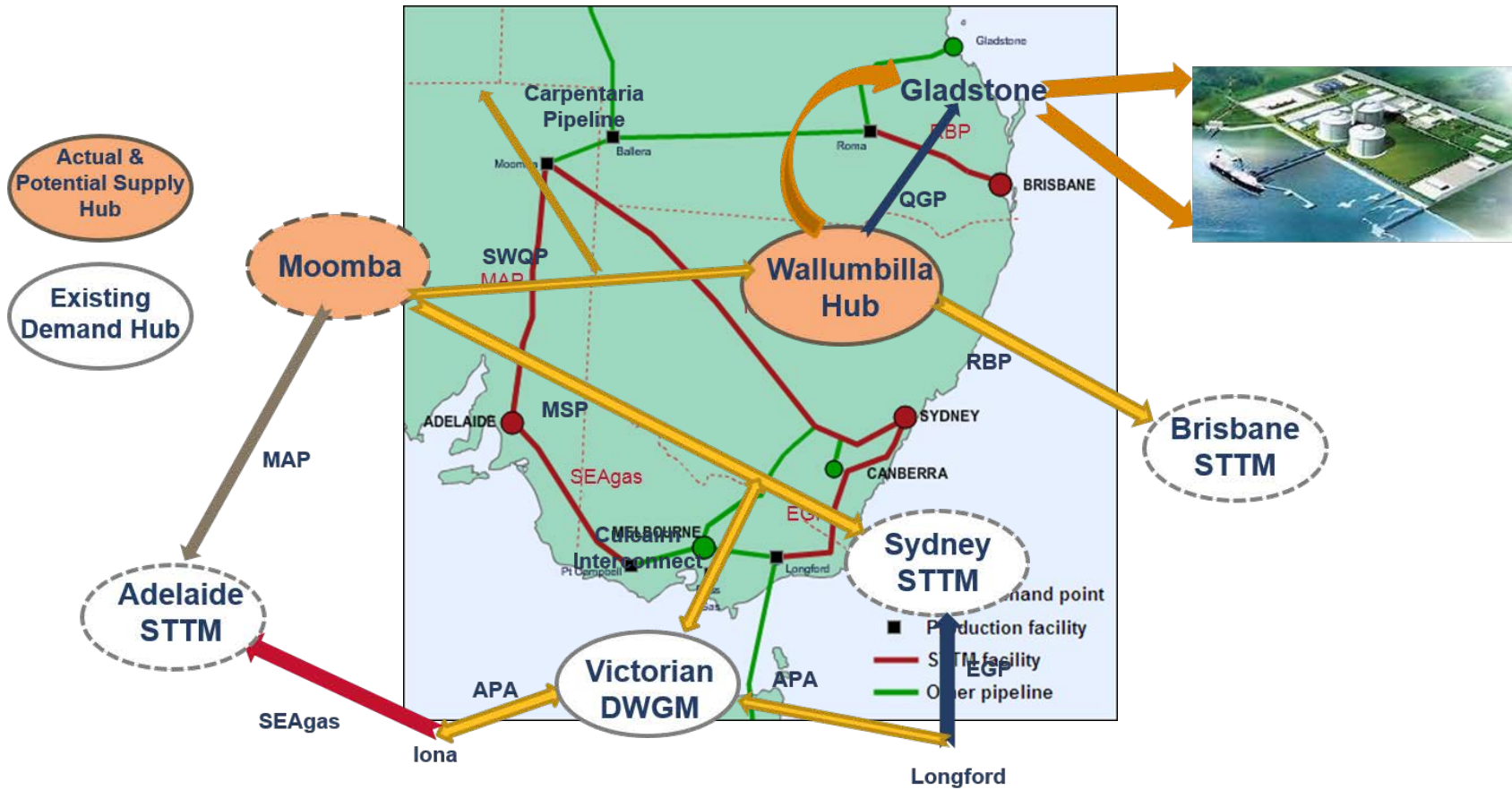
AEMC EAST COAST GAS REVIEW

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TERRY GRIMWADE,
GROUP MANAGER, WHOLESALE



AUSTRALIAN EAST COAST GAS MARKET



SUMMARY OF WHERE WE ARE AT



- Vic DWGM and STTM
 - Functioning OK most of the time?
 - Arguably meeting some, but not all original objectives
 - Support retail competition, provide essential balancing service
 - Provide short term trading mechanisms
 - Facilitate market entry
 - 33 registered participants in DWGM,
 - 16 STTM registration applications in past 4-5 months
 - Provide some price transparency and demand side response when system under stress
- \$160M expansion of Vic-NSW connection via Culcairn by APA in 2014/15
 - Increasing capacity from 46TJ/day to 116TJ/day
 - Exports at 70%capacity factor in 2013/14
- But, some known issues
- Objectives have probably changed

- Market ‘wheel-thru’ flows more common
- Volatile flows, including reverse flows, especially due to Queensland LNG export operations

Issues (for entire east-coast):

- Price separation between hubs, when pipelines not constrained
- Integrated “east coast” approach more desirable
- Pricing and cost recovery mechanisms optimal for inter-pipeline trade?
- Information transparency sufficient to monitor gas balance in a national/interregional scale?
- Access to short term pipeline capacity/capacity trading?

- Known issues with each of the markets
 - What makes a sensible next step?
 - Incremental changes to support east coast operations and gas flows?
 - Alignment of gas days/prudentials/price settings?
 - Larger investment to reshape specific areas:
 - Complexity - some unhedgeable risks
 - uplift in DWGM, MOS in STTM
 - Multiple/complex pricing signals
 - Pipeline investment/capacity rights in DWGM

- Commenced operation on 20 March 2014
- 9 trading participants
- 11 viewing participants
- Trading outcomes (to 23 Feb 2015):
 - 572 trades, 2,862 TJ.
 - \$7.45M traded
 - Prices in the range \$0.18 - \$8.50/GJ
 - Volume weighted average price = \$2.60/GJ.

•End of Day Reference Price (end March 2015)

- To assist in the development of a cash settled derivative market
- ASX to commence offering monthly/quarterly futures from Q2 2015

•Listing of Monthly Product (by June 2015)

- Further price transparency through the extension of physical forward curve
- Complement ASX financial monthly/quarterly products

•Hub Services Review/Single Trading Product

- To pool potential buyers and sellers together within a single market generating the highest potential for trading liquidity

•Investigating Additional Trading Location - Moomba

- Would potentially support short-term balancing outcomes between northern and southern gas markets in eastern Australia
- Examining design options/business case

- Enhanced appearance and functionality (Completed – Dec '2014)
- Enhanced information & redesign of pipeline zones (2015/16)
 - New domestic/LNG demand zones in Queensland
 - Enhanced information to support capacity trading (COAG rule changes expected)
 - Redefinition of existing zones



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