

East Coast Wholesale Gas Market and Pipeline Frameworks Review

Public Forum, 25 February 2015



East Coast Wholesale Gas Market and Pipeline Frameworks Review

- The COAG Energy Council's Gas Market Vision outlined its commitment to gas market development in light of a rapidly changing gas landscape
- The Council tasked the AEMC to review the design, function and roles of facilitated gas markets and gas transportation arrangements to meet the vision
- The AEMC review will:
 - build on knowledge gained from:
 - › *AEMC Gas Market Scoping Study*
 - › *Australian Government Eastern Australian Domestic Gas Market Study*
 - › *Victorian Gas Market Taskforce (Reith Review)*
 - › *Productivity Commission research on gas markets (ongoing)*
 - make recommendations on areas where regulatory changes may be required

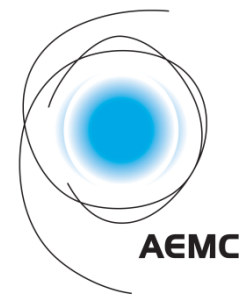
Terms of Reference - summary

- 1. Facilitated markets: enhancing transparency and price discovery in the wholesale markets, and reducing barriers to entry**
 - The appropriate structure, type and number of facilitated markets on the east coast, including options to enhance transparency and price discovery, and reduce barriers to entry
- 2. Improving effective risk management in Australian gas markets**
 - Opportunities to improve effective risk management, including through liquid and competitive wholesale spot and forward markets which provide tools to price and hedge risk
- 3. Signals and incentives for efficient access to and use of pipeline capacity**
 - Any changes to strengthen signals and incentives for efficient access to, use of and investment in pipeline capacity

Timing for the Review

The AEMC has been asked to provide a report to the first Council meeting in 2015 on actions that can be implemented to strengthen the structure and competitiveness of the east coast gas market.

Key Date	Milestone
February 2015	Public forum seeking written submissions
April 2015	Stage 1: Draft Report for consultation
June 2015	Stage 1: Final Report
August 2015	Stage 2: Directions paper
December 2015	Stage 2: Draft Report for consultation, including request for COAG response on any significant adjustments or longer term initiatives identified
Following response from COAG Energy Council	Stage 2: Final report



COAG Energy Council's Gas Market Vision



Chantelle Bramley
Senior Director

AUSTRALIAN ENERGY MARKET COMMISSION

COAG Energy Council's Gas Market Vision

The Council's vision is for the establishment of a liquid wholesale gas market that provides market signals for investment and supply, where responses to those signals are facilitated by a supportive investment and regulatory environment, where trade is focused at a point that best serves the needs of participants, where an efficient reference price is established, and producers, consumers and trading markets are connected to infrastructure that enables participants the opportunity to readily trade between locations and arbitrage trading opportunities.



**COAG
Energy Council**

COAG Energy Council Gas Market Vision: speakers

- **Mark Feather**

- Executive Director, Department of Economic Development, Jobs, Transport and Resources (Victoria)

- **Tim Nelson**

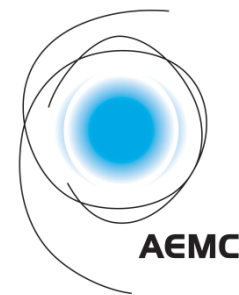
- Head of Economics, Policy and Sustainability, AGL Energy

- **Greg Houston**

- Partner, HoustonKemp

Discussion Questions

1. How have Forum participants interpreted the Vision?
2. What are the key issues we need to resolve in this Review?



East Coast Wholesale Gas Market



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Senior Director

AUSTRALIAN ENERGY MARKET COMMISSION

East Coast Wholesale Gas Market: speakers

- **Terry Grimwade**
 - Group Manager, Wholesale, AEMO
- **Royce DeSousa**
 - General Manager, Energy and Sustainability, Visy
- **Todd Bessemer**
 - Principal, Market Reform

Discussion Questions

1. Given their performance to date, are the existing markets able to facilitate the transactions required to manage current and future conditions?
2. Are there barriers to using the wholesale markets (eg for new entrant retailers or large users)?
3. What opportunities are there for improved integration between the markets?
4. Are the original objectives for the STTM and DWGM still relevant and compatible with the new Council vision?
5. What design features of the STTM and DWGM could be improved (eg to reduce costs or allow for better management of risk)?
6. Would establishing a GSH at Moomba facilitate additional trade?

Transmission pipelines



Chantelle Bramley
Senior Director

AUSTRALIAN ENERGY MARKET COMMISSION

Transmission Pipelines: speakers

- **Peter Bolding**

- General Manager, Energy and Sustainability, APA Group

- **Jamie Lowe**

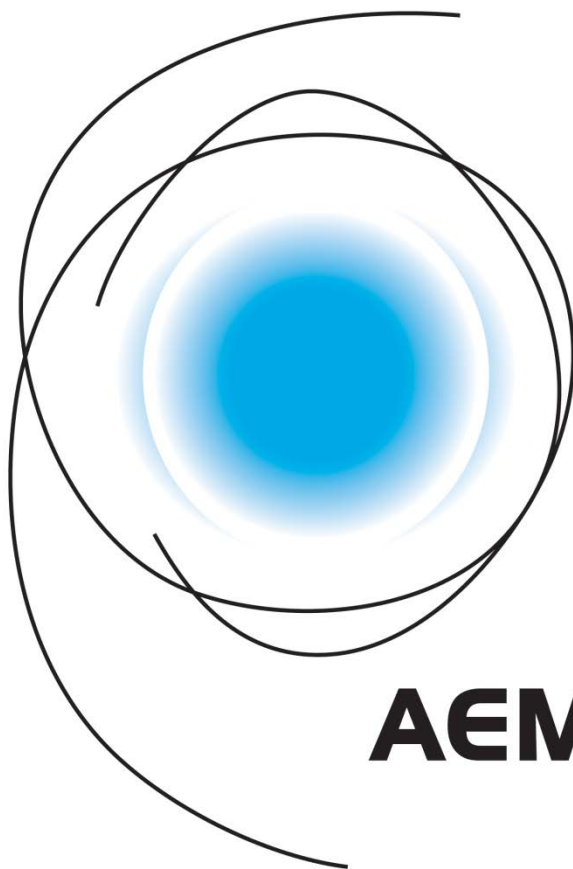
- Head of Regulation, GDF Suez (representing Simply Energy)

- **Mark Dalton**

- Supply and Optimisation Director, QGC

Discussion Questions

1. Are the original objectives of the gas access regime still relevant and compatible with the Council's vision?
2. Is the current low number of covered transmission pipelines a cause for concern or a measure of competition?
3. Are there impediments to short term trading of pipeline capacity? If so, how should they be addressed?
4. Is investment in the Declared Transmission System occurring in a timely and efficient manner?
5. Does the increasingly interconnected nature of gas pipelines and markets on the east coast form a driver for a more harmonised and integrated set of market and regulatory arrangements?



AEMC