

AEMC Review of the Declared Wholesale Gas Market

APA Group presentation



energy. connected.



APA is arguably the disinterested “honest broker” in this reform process

- APA anticipates that the VTS will remain heavy regulated after this reform process
- An Access Arrangement (of some form) will still apply,
 - APA VTS' prices will continue to be regulated by the AER.
 - Other reforms (capacity trading, day-ahead auction of CBU capacity) are expected to apply
- APA therefore has the least to gain, and the least to lose, of any participant in this process.
- APA has therefore focused on the needs of its shippers within the context of the CoAG policy objectives.

We're listening

DWGM Review submissions and workshops have identified that different shippers value different features:

Retailers

- Do not want to commit to unutilised capacity
 - GPG also values this feature
- Value the DWGM's bundling of gas purchase and pipeline capacity
- New entrant retailers value the easy entry to the Vic market

Traders

- Struggle with the DWGM's scope for uncontrollable and unpredictable price variations
- Want to be able to trade gas between hubs – different market models make this difficult

Direct-connect customers and "through" shippers

- Have signalled a desire for firm capacity rights
- Are prepared to commit to capacity for capacity expansion

APA's proposal



APA's capacity access proposal in a nutshell



1. A contract carriage model

All VTS pipelines converted to contract carriage
An Access Arrangement applies to the entire VTS

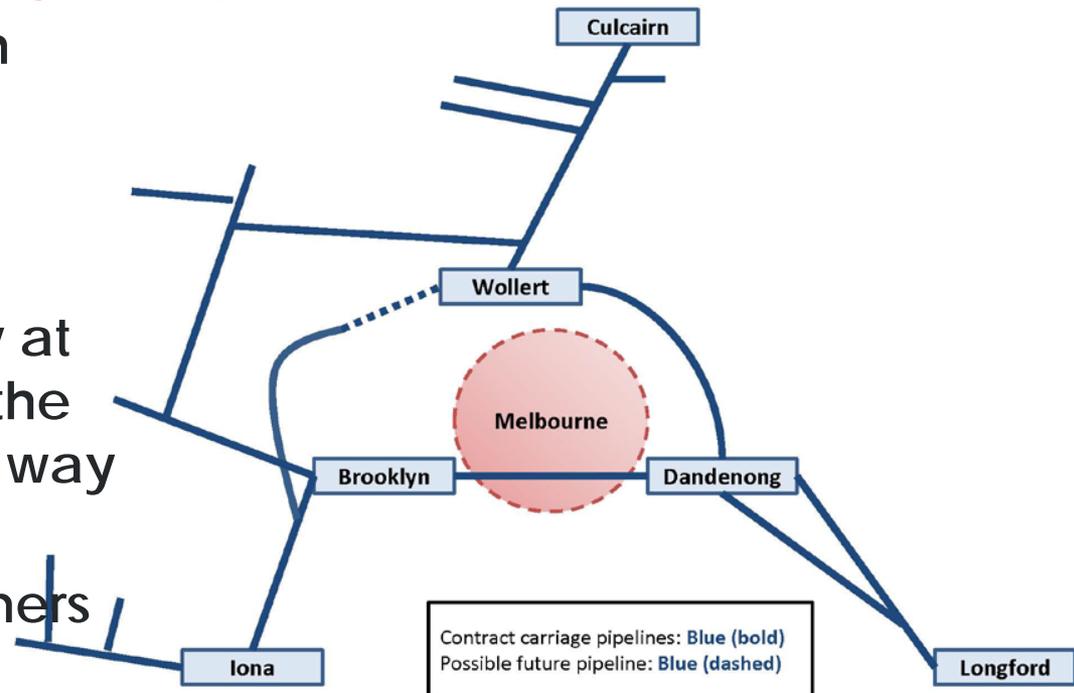
2. Direct-connect and "Through Shippers"

Contract for capacity with
firm rights

3. AEMO

Buys capacity for delivery at
city gates etc to operate the
DWGM in much the same way
as today

For retail & "opt-in" customers

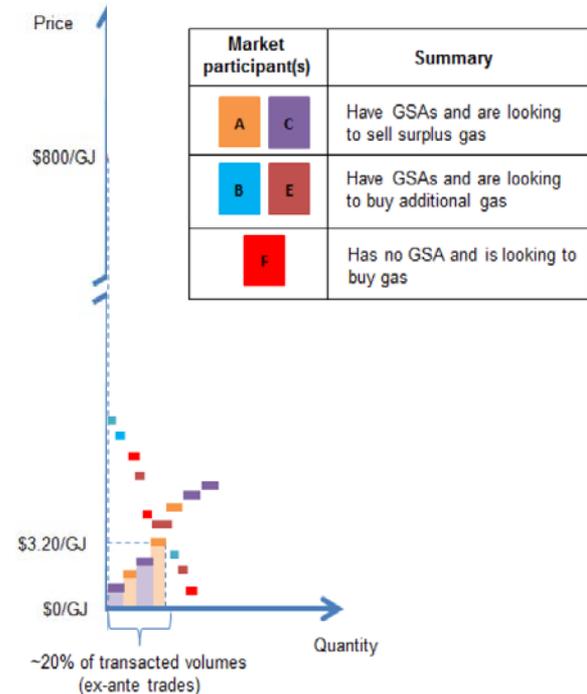
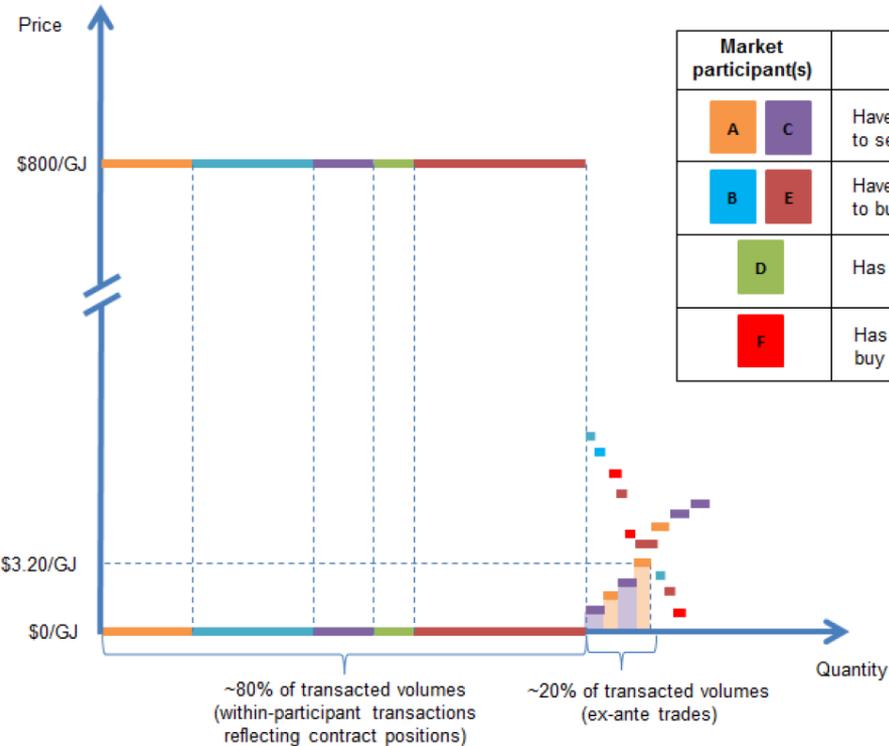


The "Opt-in" DWGM

Current mandatory pool features a significant majority of gas self-traded through the market

- This does not provide any useful price signals

An optional DWGM would only report volumes that are genuinely available to trading



Other components of the package

1. A physical gas trading market

A physical gas market (at Wollert or Dandenong?)
Operating on the same procedures as Wallumbilla
Allows trading between markets

2. Financial and forward markets

Can be allowed to develop

3. Ability to manage risk

Direct connect and “through” shippers tend to have stable loads
“Uplifts” would apply to DWGM and GPG shippers

Characteristic	APA Proposal
1. Credible reference price	Physical market
2. Timely & efficient investment	Firm capacity rights
3. Readily available market information	Relevant market price
4. Ability to manage risk	Uplifts to GWGM and GPG
5. Minimise barriers to entry	New entrants
6. Minimise transaction costs	Systems already in place

There remains work to be done

This outline is a sketch of APA's proposal

As always, the devil is in the detail

APA commits to working with industry participants to develop a viable solution

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