

Reforming Australia's East Coast Gas Market



AUSTRALIAN ENERGY MARKET COMMISSION
APER Korea – 28 September 2016

National Gas Rules made by the Australian Energy Market Commission apply to three natural gas spot markets.

The markets are currently managed by the Australian Energy Market Operator with separate price-setting arrangements

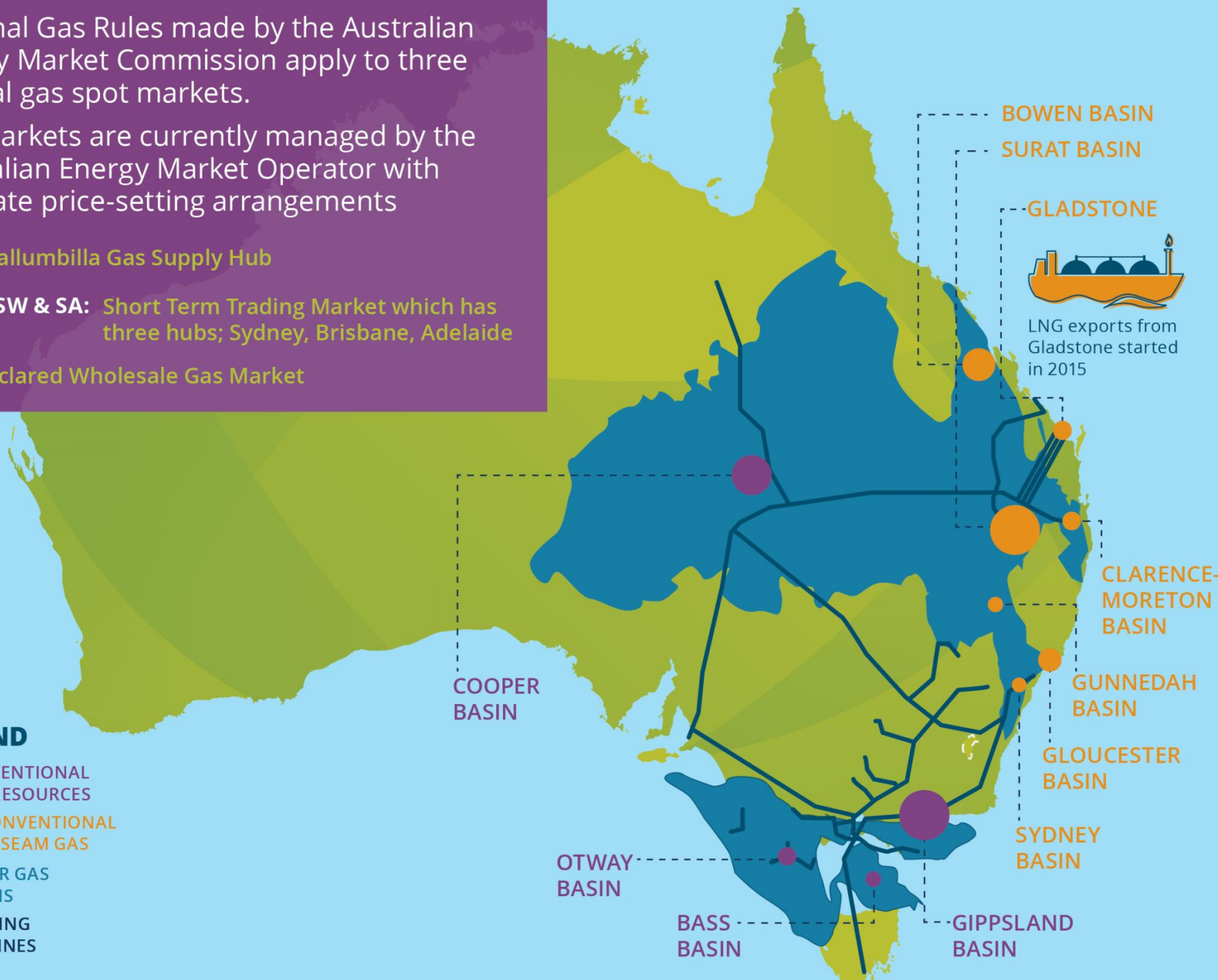
QLD: Wallumbilla Gas Supply Hub

QLD, NSW & SA: Short Term Trading Market which has three hubs; Sydney, Brisbane, Adelaide

VIC: Declared Wholesale Gas Market

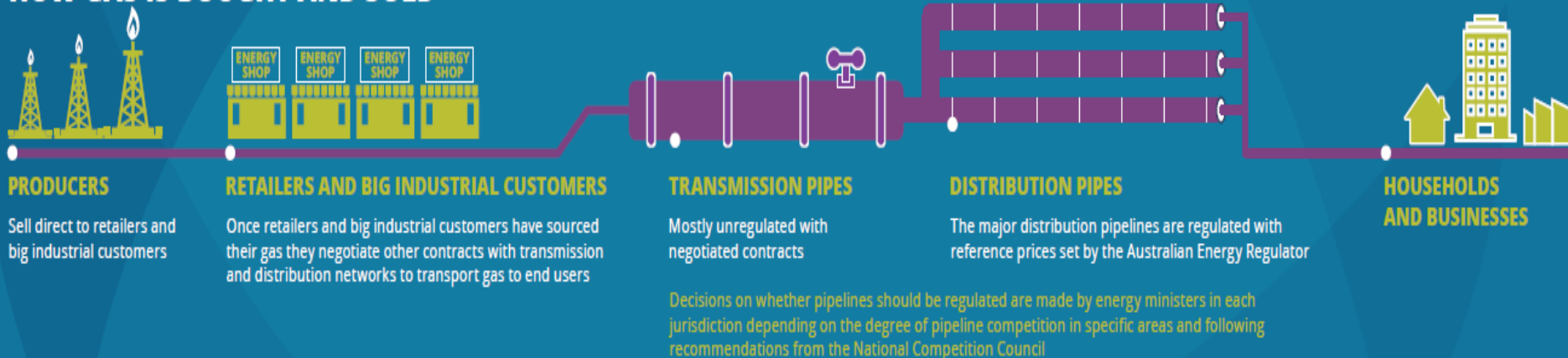
LEGEND

- CONVENTIONAL GAS RESOURCES
- UNCONVENTIONAL COAL SEAM GAS
- MAJOR GAS BASINS
- EXISTING PIPELINES



How gas is bought and sold

HOW GAS IS BOUGHT AND SOLD



Australia's gas markets are evolving



The east coast market is now interconnected and natural gas flows are more dynamic, moving across the entire network in response to demand



Long term contracts between gas producers and their customers are coming up for renewal

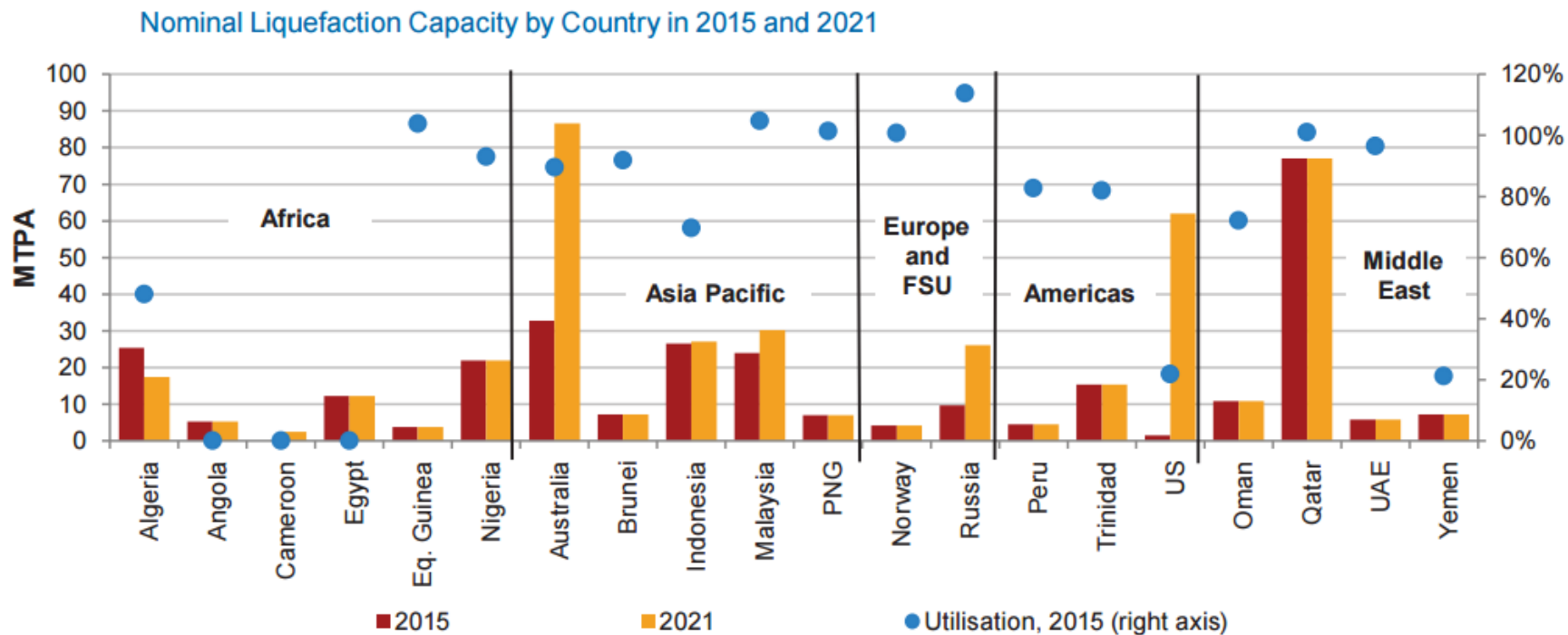


Customers today require more options around purchasing flexibility which can include a mix of long-term contracts and gas from spot markets



The domestic market is adjusting to emerging exposure to international gas prices

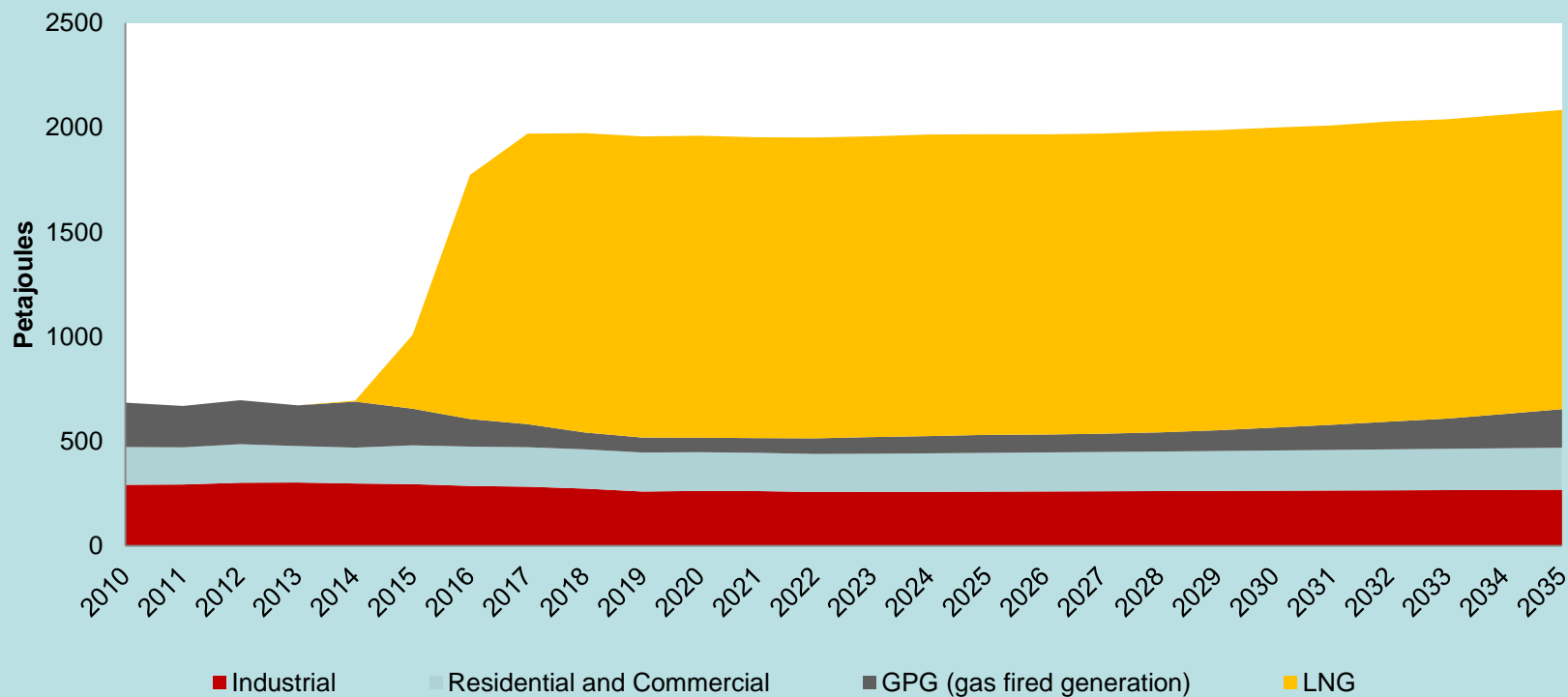
Changing market dynamics



Sources: IHS, Company Announcements

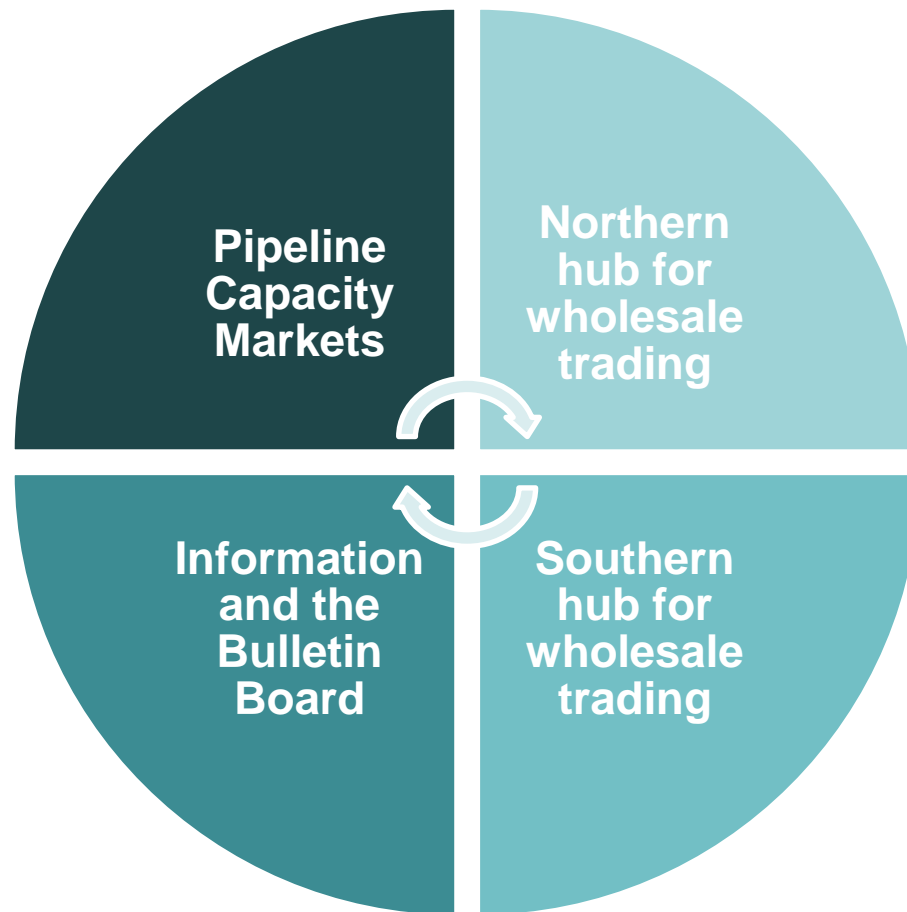
A structural shift in the gas market

FORECAST DEMAND FOR EAST COAST GAS



Source: AEMO 2015 Gas Forecasting Report

A balanced package of recommended reforms



Redesigning wholesale markets

- Concentrating wholesale gas trading at two hubs
- Transition to exchange-based trading arrangements in Victoria
- Simplify 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

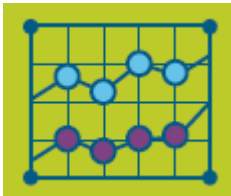


Development of standard products and information on all trades

Increasing transparency



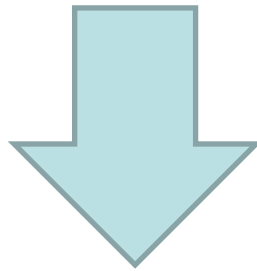
Increased amount and frequency of data reported on the Gas Bulletin Board



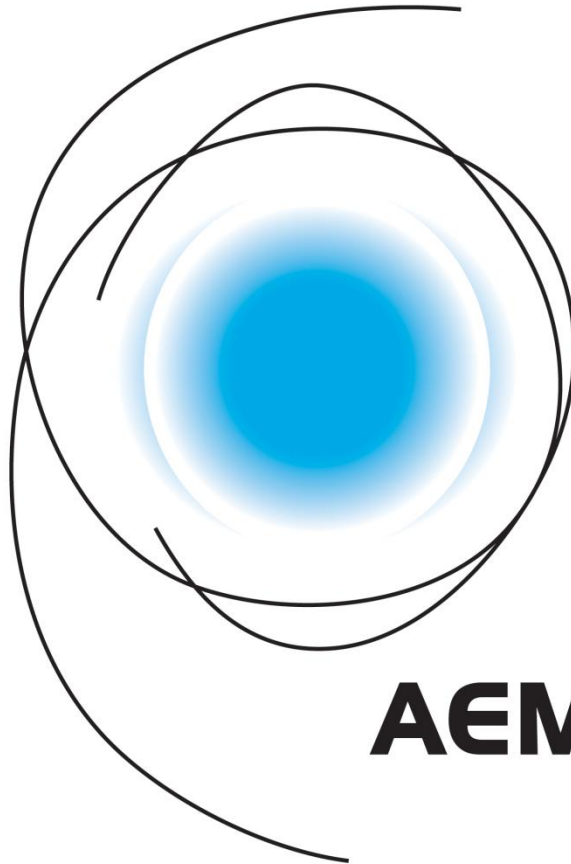
Greater data accuracy requirements and stronger compliance framework

Benefits of reform

Increased access to gas + lower barriers and costs



Implemented in full, the reforms have the potential
to increase Australia's GDP by \$8.7 billion
in net present value terms by 2040



AEMC