

# **AEMC East Coast Wholesale Gas Markets and Pipeline Review**

## **East Coast Markets**

### **Visy**

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# Visy & East Coast Gas Markets

- ❑ Visy – large industrial consumer of energy including Natural Gas
- ❑ Participant in Vic DWGM (and STTM)
- ❑ Original Vic Wholesale Gas Market – first East Coast spot market
  - ▶ Presented users with alternatives to retail – bilateral contracts with producers
  - ▶ Spot market allows balancing of requirements to manage load profile
- ❑ AMDQ – right to use pipeline based upon long term payment for use of infrastructure
- ❑ Changes in 2007 – ex ante intra-day pricing and other changes
- ❑ Significant “ancillary” risks separate to price risk
  - ▶ Eg \$65mil in market uplift in 2007
  - ▶ Potentially a physical issue – small linepack in Victoria – pipeline augmentation?

# Visy & East Coast Gas Markets



- ❑ DWGM - strong base, some 'legacy issues' –  
egs
  - ▶ Capacity rights – AMDQ and AMDQ Credits - streamlining
  - ▶ interfaces with other markets – “exports” from Victoria curtailed first
  - ▶ High MPC \$800/GJ
- ❑ Spot prices – DWGM and STTMs
  - ▶ small volume of gas traded
  - ▶ BUT offers some price discovery in otherwise illiquid market
  - ▶ Recent price volatility in Brisbane STTM – signalled to the market short term extreme demand followed by over supply associated with LNG vessel fill

# Challenges Ahead

- ❑ Well publicised challenges – risks with future supplies, price rises
- ❑ Other changing characteristics of East Coast Gas
  - ▶ Very large and highly variable new demand points – LNG
  - ▶ Dynamic pipeline flows in new directions – eg large volumes QLD - Vic
  - ▶ Gas power station closures – uncompetitive with high gas price

# Adapting to Challenges



- ❑ How do East Coast Gas Markets need to adapt to the new challenges?
- ❑ Ability to trade pipeline capacity
  - ▶ eg stranded power stations contracts
  - ▶ Simplify/standardised terms to facilitate transfer and lower transaction costs
- ❑ Information transparency – Gas Bulletin Board
  - ▶ Gas Bulletin Board an important source of information
  - ▶ Reported pipeline flows and 'demand zones' should not exclude elephants in the room
  - ▶ Unutilised pipeline capacity should be evident on GBB

# Adapting to Challenges



- ❑ Promoting price discovery in an illiquid, yet increasingly dynamic, market
  - ▶ Price discovery important for producers, retailers and users alike
  - ▶ Wallumbilla trading hub – Henry Hub illiquid 20 years ago...
  - ▶ Other forms of forward/futures contracting
  - ▶ Standardised terms
  - ▶ Promote more depth in spot markets