

Capacity Trading Lessons from Europe



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Constructing the QCLNG terminal
Curtis Island, Australia

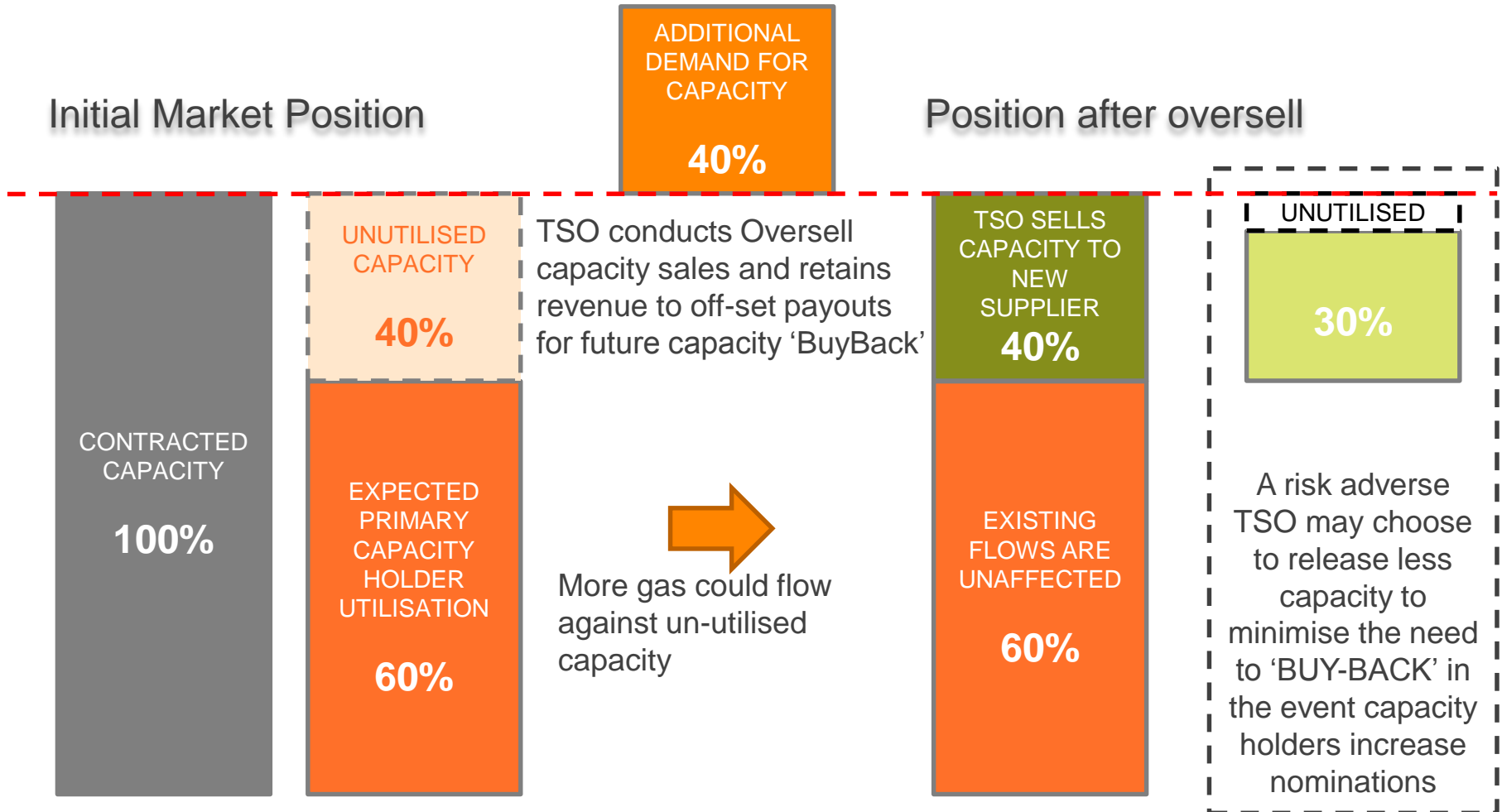
European capacity trading

- Introduction
- Why European reform was necessary and its applicability to the EAGM
- Key principles of Oversell & Buy Back (OSBB)
- How OSBB works
- Summary and further issues to investigate

OSBB Principles

- Encourages secondary trading / prohibits “capacity hoarding” by shippers
- Requires pipelines to make available day ahead “firm” capacity through an auction mechanism, at market reflective prices
- Does not expropriate the rights of capacity holders
- Applies to a “contract carriage” model
- Supports efficient utilisation of pipelines
- Support commodity trading

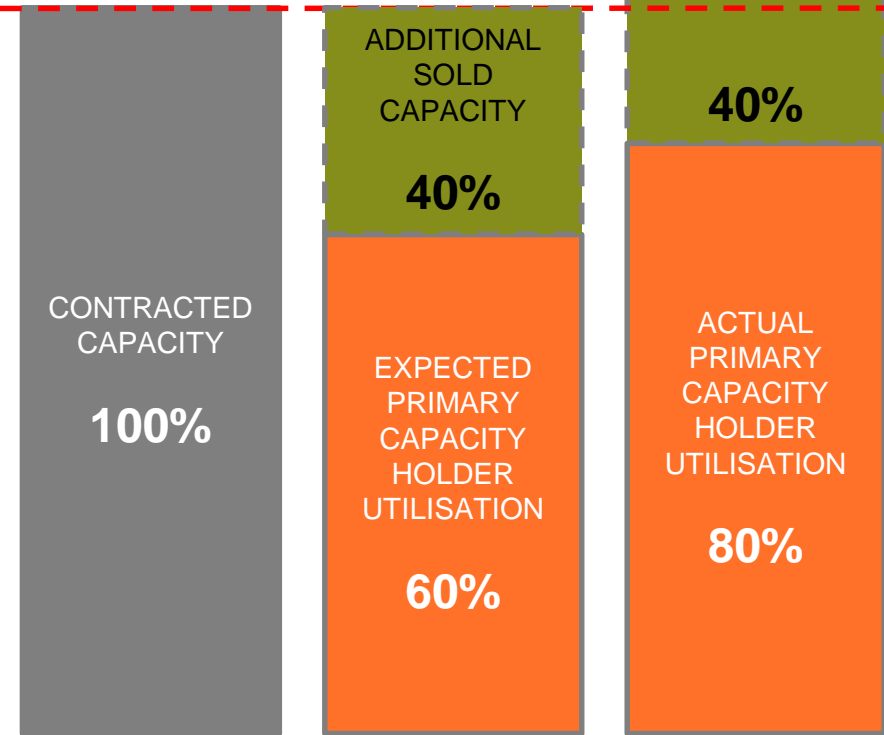
Oversell mechanism



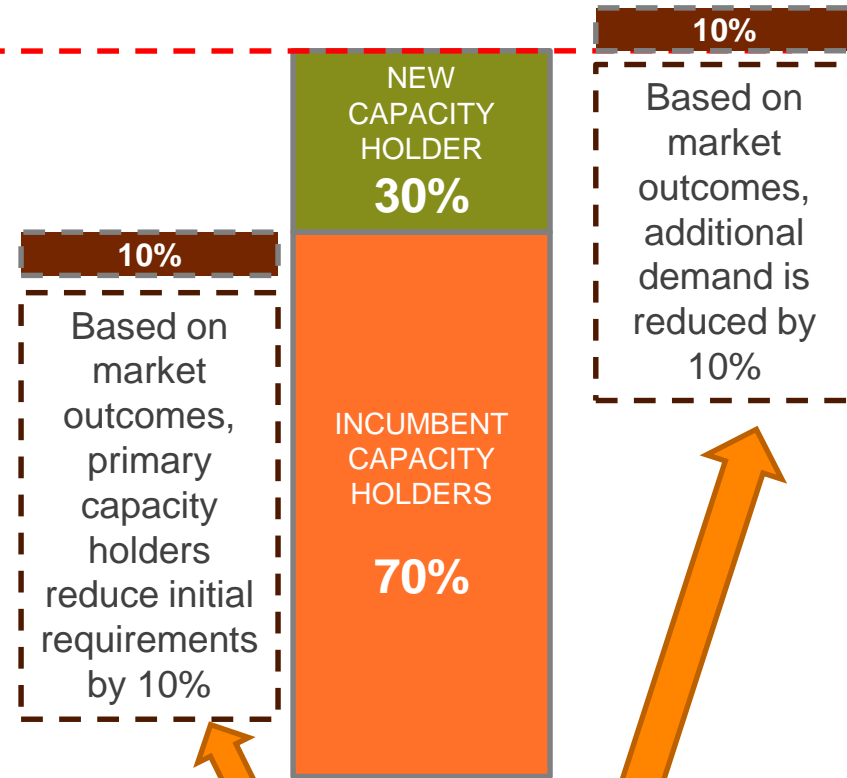
Buy-back mechanism

Over Nomination due to demand increase
20% TSO Capacity 'Buy-Back' Requirement

Position after Oversell



Position after OSBB process



Commercial Auction

Summary

- OSBB applied in UK gas market since 2002 and Europe since Q4 2013.
- Active secondary market centralised around PRISMA platform
- Supports efficient movements of gas in Europe
- Conceptually it could work in the EAGM and aid market liquidity in a 2016/2017 timeframe
- For the OSBB to be effectively implemented in the EAGM the AEMC needs to consider:
 - Risk mitigation measures for pipelines given the current regulatory framework
 - The arrangements between existing contracts and the OSBB approach

Contacts and further information

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Useful references:

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www.acer.europa.eu

www.platform.prisma-capacity.eu