Weekly Gas Market Report

AUSTRALIAN ENERGY REGULATOR

4 November – 10 November 2012

Weekly summary

Prices were down significantly in Sydney while Adelaide, Brisbane and Victorian prices remained steady.

Long term statistics and explanatory material

The AER has published an explanatory note to assist with interpreting the data presented in its weekly gas market reports. The AER also publish a range of longer term statistics on the performance of the gas sector including gas prices, production, pipeline flows and consumer demand.

Market overview

Figure 1 sets out the average daily prices ($/GJ) in the Victorian Declared Wholesale Market **(VGM or Victorian gas market)** and for the Sydney **(SYD)**, Adelaide **(ADL)** and Brisbane **(BRI)** Short Term Trading Market hubs **(STTM)** for the current week compared to historical averages.

Figure 1: Average daily prices – all markets ($/GJ)[1]

	Victoria	Sydney	Adelaide	Brisbane
04 Nov - 10 Nov 2012	3.90	3.88	3.93	4.63
% change from previous week	-6	-21	0	-3
12-13 financial YTD	4.77	5.84	5.44	5.28
% change from previous financial YTD	60	79	44	-

Figure 2 compares average weekly gas prices, ancillary market payments and scheduled injections against historical averages for the Vic gas market.

Figure 2: Victorian gas market

	Price ($/GJ)	Ancillary payments ($000)	BOD forecast demand quantity (TJ)
04 Nov - 10 Nov 2012	3.90	-	392
% change from previous week	-6	-	-14
12-13 financial YTD	4.77	-	735
% change from previous financial YTD	60	-	2

*Note: From February 18, only positive ancillary payments, reflecting system constraints will be shown here

More detailed analysis on the Victorian declared wholesale market is provided in Section 1.

Figures 3 to 5 show average ex ante and ex post gas prices, MOS balancing gas service payments together with the related daily demand quantities against historical averages for the Sydney, Adelaide and Brisbane wholesale gas markets, respectively.

[1] The weighted average daily imbalance price applies for Victoria.

Figure 3: Sydney STTM

	Ex ante price ($/GJ)	Ex post price ($/GJ)	MOS payments ($000)	Ex ante quantity (TJ)	Ex post quantity (TJ)
04 Nov - 10 Nov 2012	3.88	3.95	9.03	209	208
% change from previous week	-21	-17	-64	-8	-8
12-13 financial YTD	5.84	6.36	11.69	264	265
% change from previous financial YTD	79	123	-77	3	6

Figure 4: Adelaide STTM

	Ex ante price ($/GJ)	Ex post price ($/GJ)	MOS payments ($000)	Ex ante quantity (TJ)	Ex post quantity (TJ)
04 Nov - 10 Nov 2012	3.93	3.72	12.23	62	57
% change from previous week	0	3	-35	0	-1
12-13 financial YTD	5.44	5.35	9.13	82	79
% change from previous financial YTD	44	44	-8	7	5

Figure 5: Brisbane STTM

	Ex ante price ($/GJ)	Ex post price ($/GJ)	MOS payments ($000)	Ex ante quantity (TJ)	Ex post quantity (TJ)
04 Nov - 10 Nov 2012	4.63	5.22	4.29	155	158
% change from previous week	-3	-6	391	-2	-1
From market start (1 Dec)	5.28	5.18	3.02	141	140

More detailed analysis of the STTM hubs is found in sections 2 to 4.

Section 5 provides analysis on production and pipeline flows on the National Gas Bulletin Board, as well as gas-powered generation volumes in each state.

Significant Market Events or Issues this week

MOS in the Adelaide Hub

Decrease MOS on SEAGas often occurs at the same time as increase MOS on the Moomba Adelaide Pipeline **(MAP)**. The cause of this 'counteracting MOS' outcome in Adelaide is currently being examined by AEMO and the gas industry.[2]

Since 12 October 2012, allocations on MAP have been less than 20 TJ except for three days. This is historically low as on over 80% of gas days since market commencement (September 1 2010), allocations on MAP have been above 20 TJ. Figure 6 below highlights some recent low MAP allocation days, when high SEAGas decrease MOS has occurred.[3] Notably on Sunday 11 November there was large counteracting MOS.

[2] see the AEMO website

[3] A similar outcome is reported on in the AER's 21–27 October 2012 Gas Weekly see the AER website

Figure 6: Pipeline allocations and MOS allocations 4 November to 11 November

	Sun	*Mon*	Tue	Wed	Thu	Fri	*Sat*	*Sun*
MAP allocations*	10.8	*6*	13.7	13.4	16.3	17.8	*8.0*	*0*
SEAGas allocations*	30.3	*53.5*	48.2	50	51	51	*45*	*48.2*
MAP MOS	-2.5	*3*	3.3	0.4	-1.7	5.4	*-0.2*	*8.1*
SEAGas MOS	0	*-11*	-2.7	-1.9	-2.8	-2.7	*-5.2*	*-9.7*

*Allocations exclude MOS amounts i.e. on 11 November no gas was allocated as delivered to the hub on MAP. However, there was 8.1 TJ of increase MOS on MAP.

Figure 7 shows an apparent longer term correlation between low MAP allocations and high decrease MOS on SEAGas since market start.

Figure 7: MAP allocations and decrease MOS on SEAGas since market start (Sep. 2010)

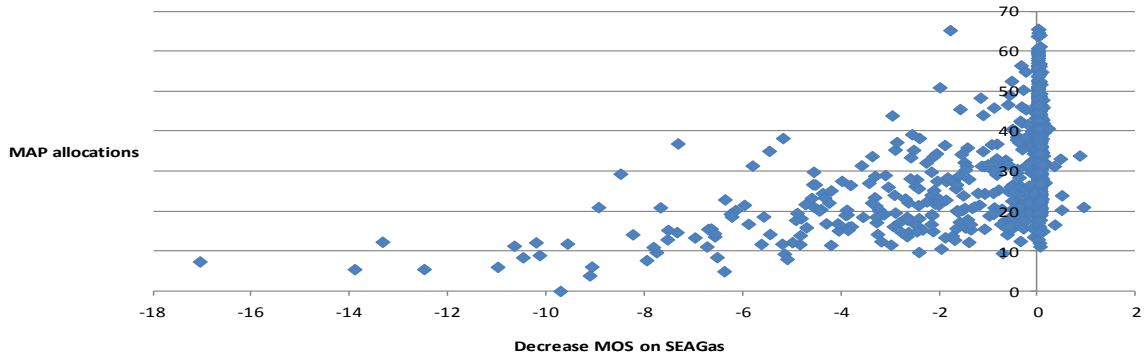
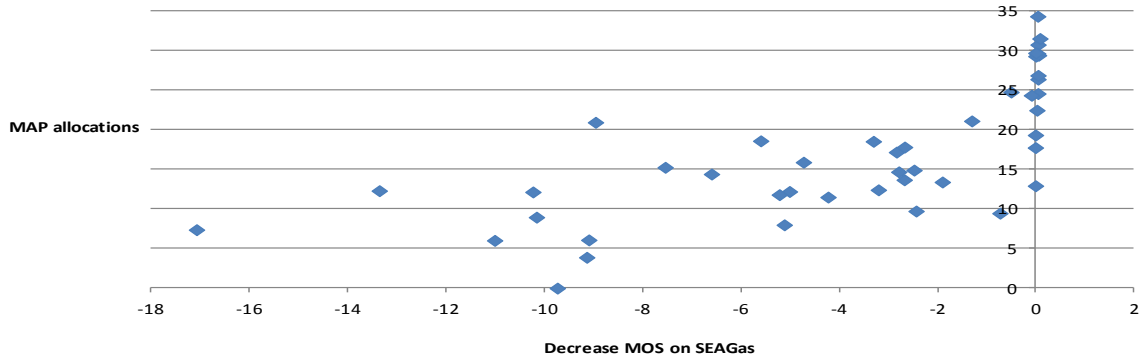


Figure 8 shows a correlation over days from the beginning of October 2012.

Figure 8: MAP allocations and decrease MOS on SEAGas since 1 October 2012



The frequency of days of significant (above 2 TJ) decrease MOS on SEAGas decrease as MAP allocations increase. Decrease MOS of above 2 TJ on SEAGas has occurred on

- 57% of days when MAP allocations are less than 20TJ.
- 9% of days when MAP allocations exceed 20TJ and
- only 4% of days when MAP allocations exceed 30 TJ

Accordingly, days of significant counteracting MOS (where increase MOS on MAP is counteracted by more than 2TJ of decrease MOS on SEAGas) in Adelaide also decrease as MAP allocations increase.

1 Victorian Declared Wholesale Market

In the Victorian Gas Market gas is priced five times daily at 6 am, 10 am, 2 pm, 6 pm and 10 pm. However, the volume weighted gas price on a gas day tends towards the 6 am price which is the schedule at which most gas is traded.

The main drivers of price are demand forecasts together with bids to inject or withdraw gas from the market. For each of the five gas day pricing schedules, figures 1.1 to 1.4 below show the daily prices, demand forecasts[4], and injection/withdrawal bids[5]. Figure 1.5 provides information on which system injection points were used to deliver gas, in turn indicating the location and relative quantity of gas bids cleared through the market. Gas is priced five times daily (at 6 am, 10 am, 2 pm, 6 pm and 10 pm) when the first schedule and four reschedules apply, while the last 8-hour schedule has been separated into two 4-hour blocks for a consistent comparison with other scheduled injection volumes. The main drivers of price are demand forecasts and gas bids.[6]

Figure 1.1: Prices by schedule

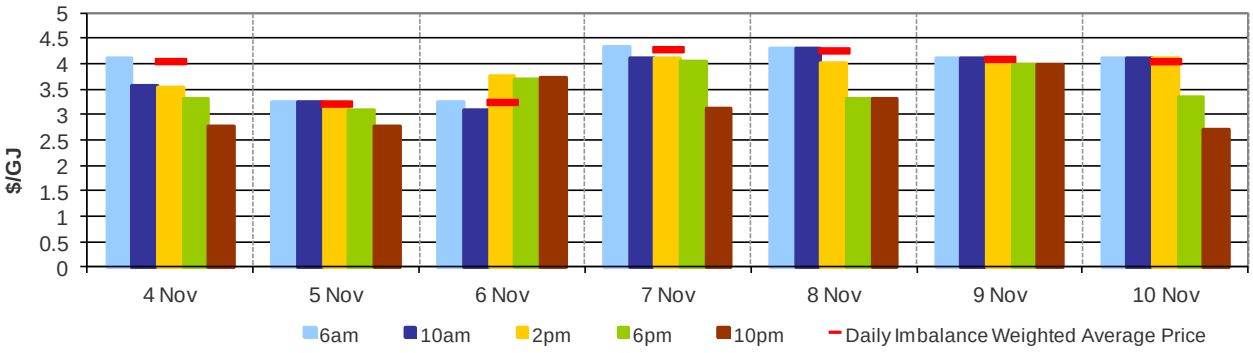
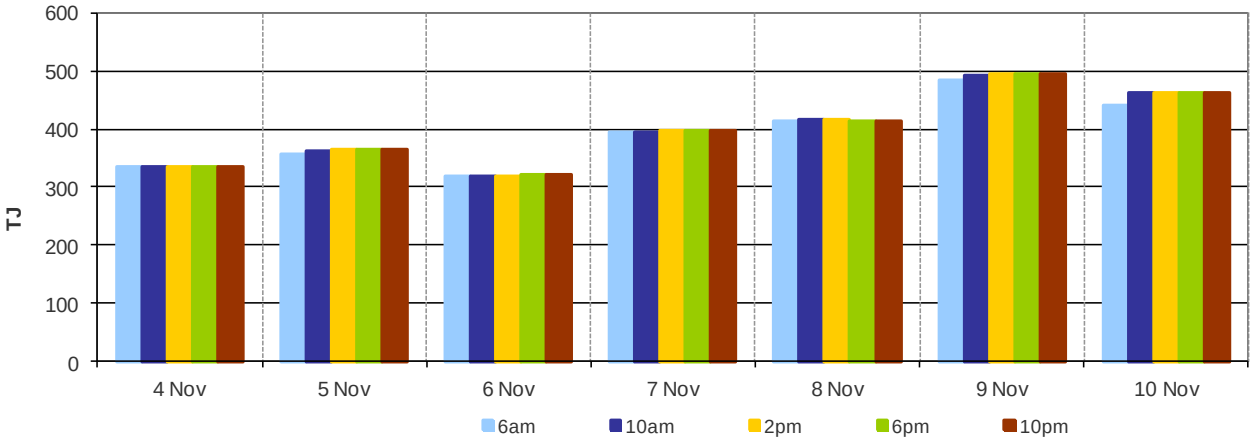


Figure 1.2: Demand forecasts



[4] These are Market Participants' aggregate demand forecasts adjusted for any override as applied by AEMO from time to time. The main driver of the amount of gas scheduled on a gas day are these forecasts which are forecasts that cannot respond to price or in other words is gas delivered regardless of the price.

[5] The price might also be affected by transmission or production (contractual) constraints limiting how much gas can be delivered from a locale or System Injection Point (SIP) from time to time.

[6] The price might also be affected by transmission or production (contractual) constraints limiting how much gas can be delivered from a locale or SIP from time to time.

Figure 1.3: Injection bids by price bands

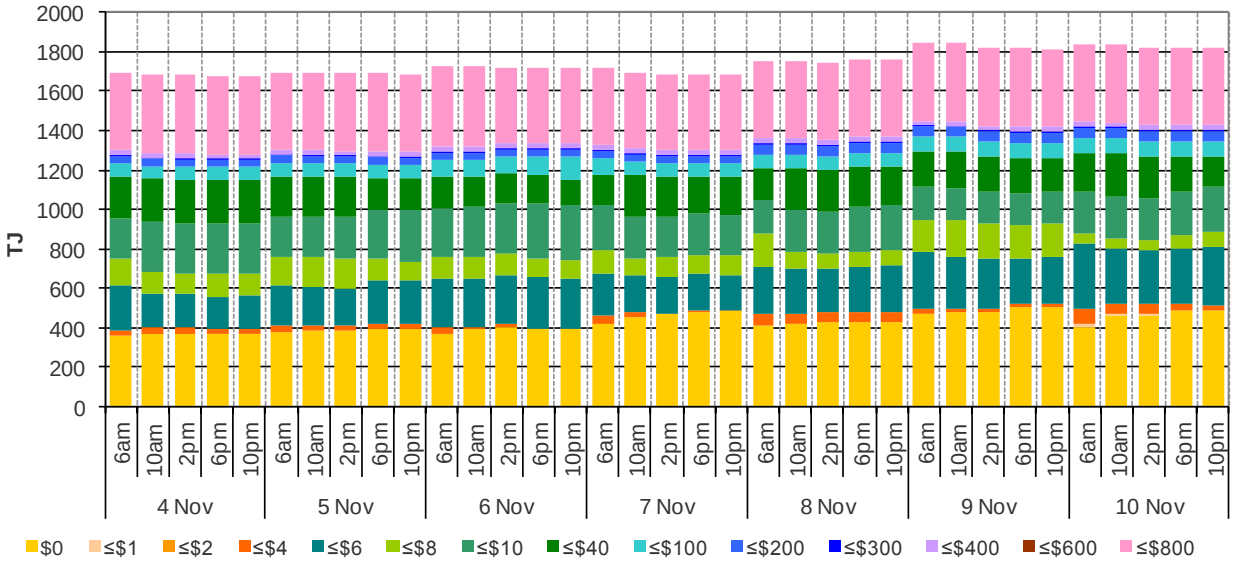


Figure 1.4: Withdrawal bids by price bands

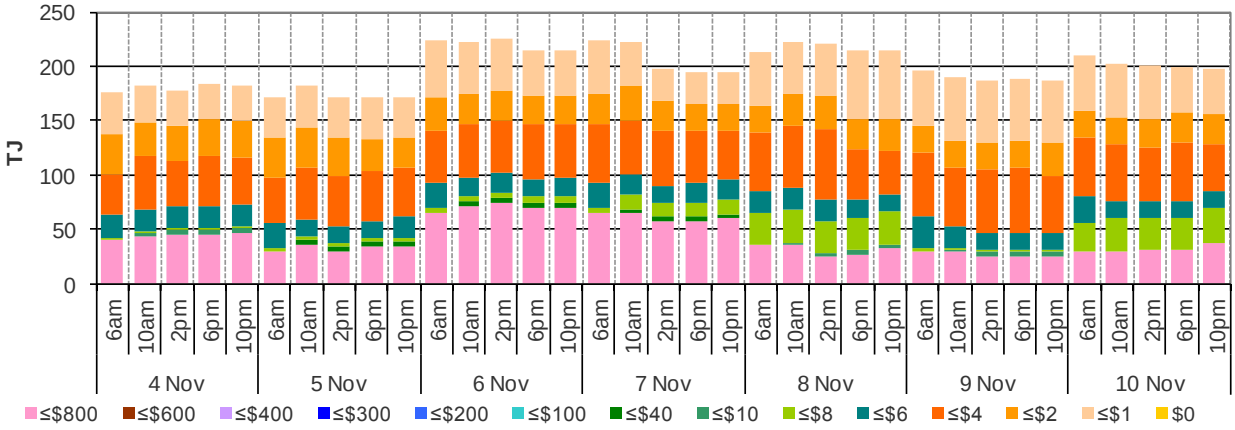
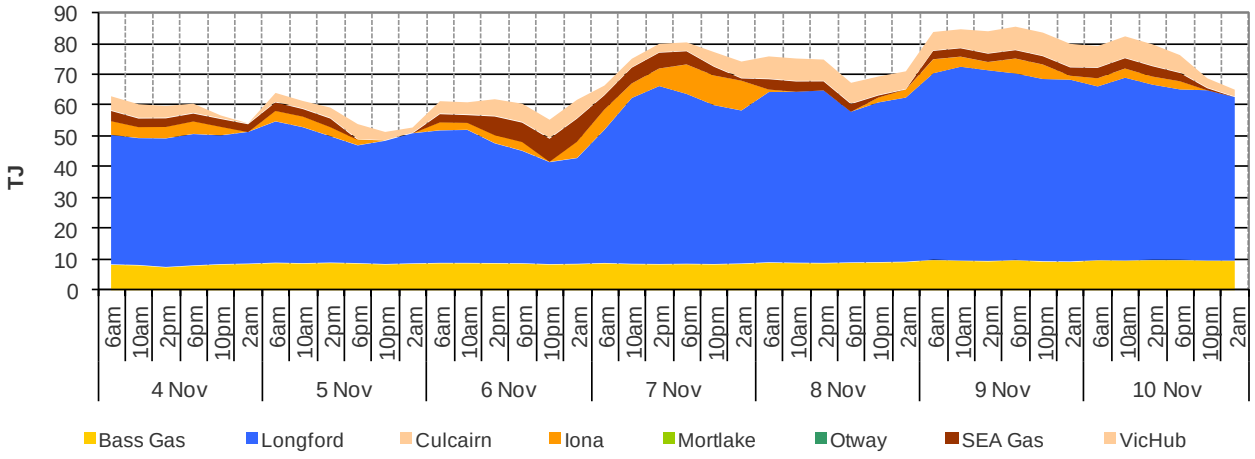


Figure 1.5: Metered Injections by System Injection Point



2 Sydney STTM

In each STTM hub, gas is priced once before each gas day (the ex ante price) and once after the gas day (the ex post price). The main drivers of ex ante and ex post prices are demand forecasts, together with participant offers and offers to inject or bids to withdraw gas traded through the hub.[7] Prices before and after the gas day may also vary depending on how much gas is scheduled before the gas day (setting the ex ante price) and how much gas is consumed in the hub on a gas day (setting the ex post price).

Market Operator Service balancing gas (MOS) payments arise because the amount of gas nominated on pipelines for delivery on a gas day will either exceed or fall short, by some amount, of the amount of gas consumed in the hub. In such circumstances, MOS payments are made to participants for providing a service to park gas on a pipeline or to loan gas from a pipeline to the hub.[8]

Figures 2.1 and 2.2 show daily prices, demand, offers and bids. Figures 2.3 and 2.4 show gas scheduled and allocated on pipelines, indicating the location and relative quantity of gas offers across pipelines and also the amount of MOS allocated for each pipeline.

Figure 2.1: SYD STTM daily ex ante and ex post prices and quantities

	Sun	Mon	Tue	Wed	Thu	Fri	Sat
Ex ante price ($/GJ)	3.48	4.53	4.50	3.20	3.50	3.50	4.48
Ex ante quantity (TJ)	176	224	205	212	223	221	205
Ex post price ($/GJ)	4.99	3.48	4.50	3.20	3.50	3.50	4.48
Ex Post quantity (TJ)	191	199	202	214	224	214	209

Figure 2.2 (a) Daily hub offers in price bands ($/GJ)

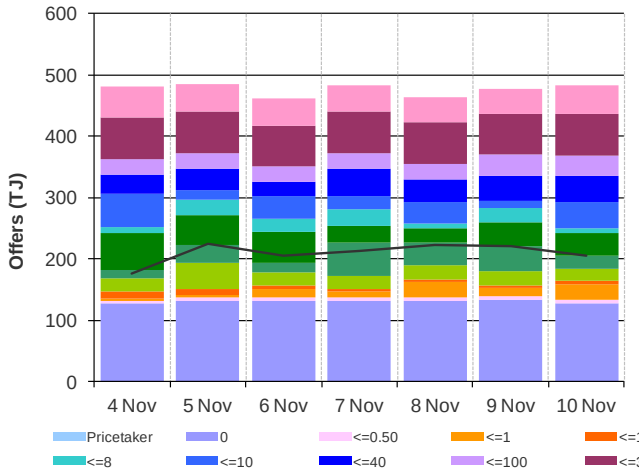
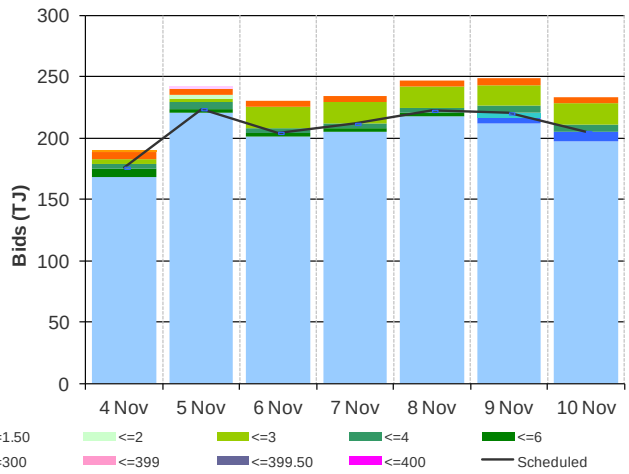


Figure 2.2(b): Daily hub bids in price bands ($/GJ)



[7] The main driver of the amount of gas scheduled on a gas day is the 'price-taker' bid, which is forecast hub demand that cannot respond to price and which must be delivered, regardless of the price.

[8] MOS service payments involve a payment for a MOS increase service when the actual quantity delivered exceeds final gas nominations for delivery to a hub, and a payment for a MOS decrease service when the actual quantity delivered is less than final nominations. As well as a MOS service payment, as shown in figure 2.4, MOS providers are paid for or pay for the quantity of MOS sold into the market or bought from the market.

Figure 2.3: SYD STTM ex ante scheduled and allocated gas volumes by STTM facility

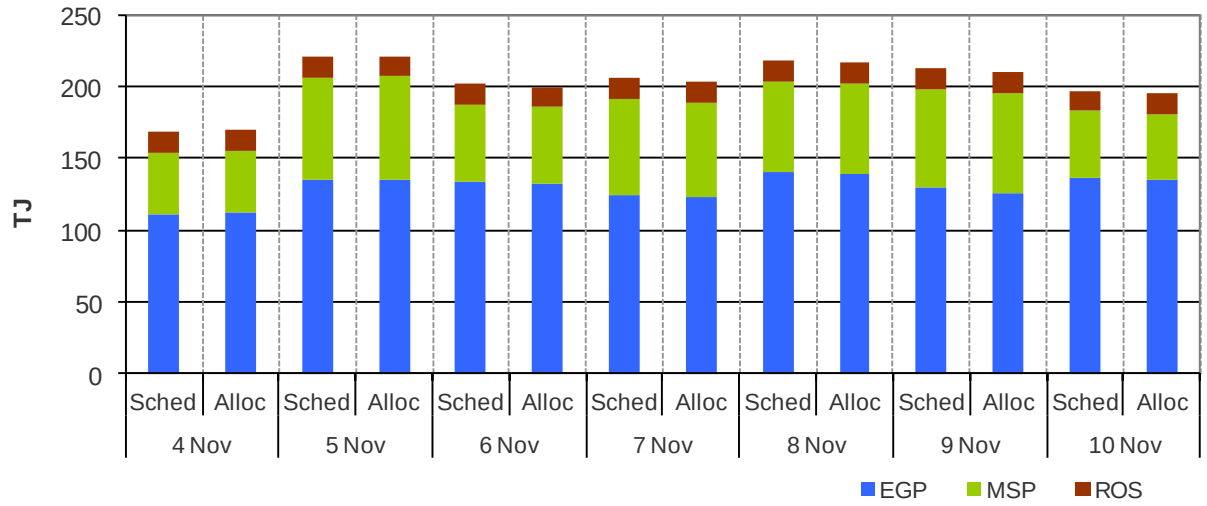


Figure 2.4 (a) SYD STTM MOS allocations (TJ)

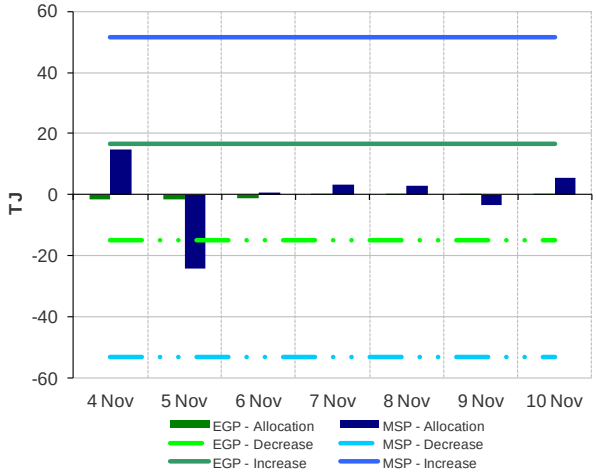
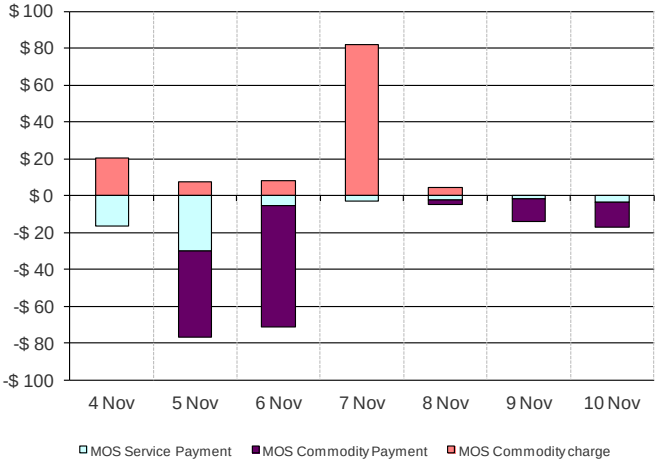


Figure 2.4 (b): Service payments and commodity payments/charges ($000)



3 Adelaide STTM

The Adelaide STTM hub functions in the same way as the Sydney STTM hub. The same data that was presented for the Sydney hub is presented for the Adelaide hub in the figures below.

Figure 3.1: ADL STTM daily ex ante and ex post prices and quantities

	Sun	Mon	Tue	Wed	Thu	Fri	Sat
Ex ante price ($/GJ)	3.65	4.35	4.10	3.70	4.35	3.69	3.69
Ex ante quantity (TJ)	51	59	62	63	67	71	58
Ex post price ($/GJ)	3.50	3.35	4.35	3.70	4.10	3.66	3.35
Ex Post quantity (TJ)	48	51	63	62	61	63	53

Figure 3.2 (a) Daily hub offers in price bands ($/GJ)

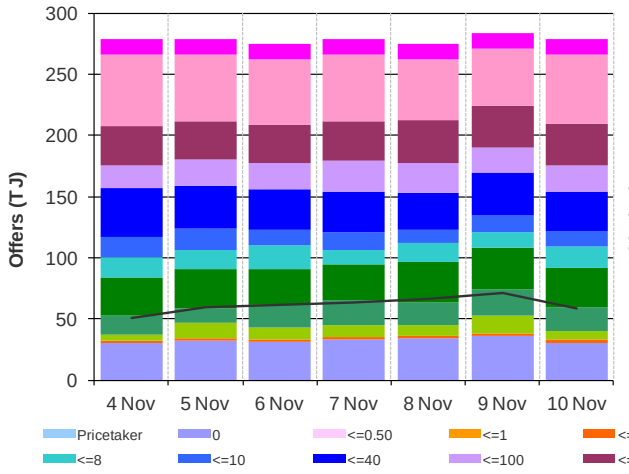


Figure 3.2(b): Daily hub bids in price bands ($/GJ)

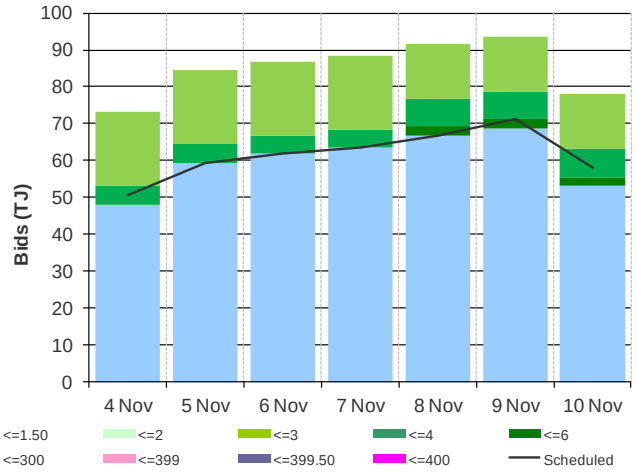


Figure 3.3: ADL STTM ex ante scheduled and allocated gas volumes by STTM facility

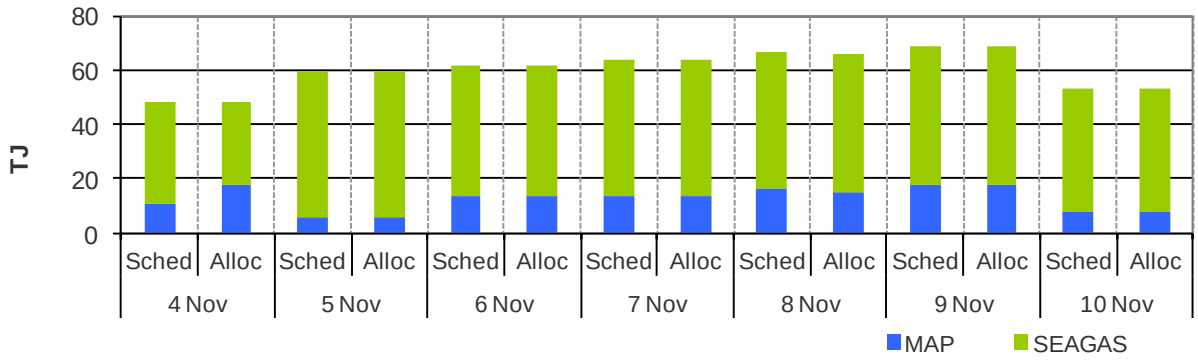


Figure 3.4 (a) ADL STTM MOS allocations (TJ)

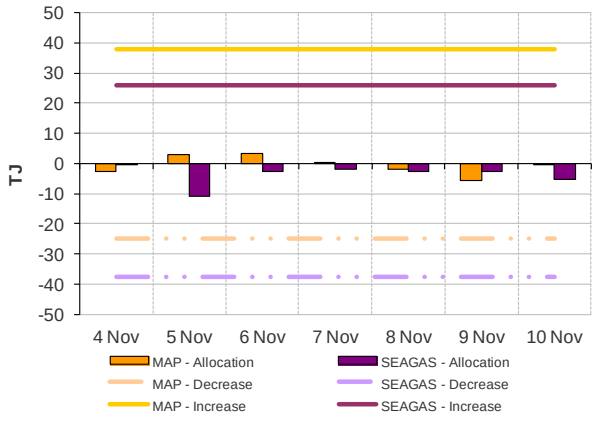
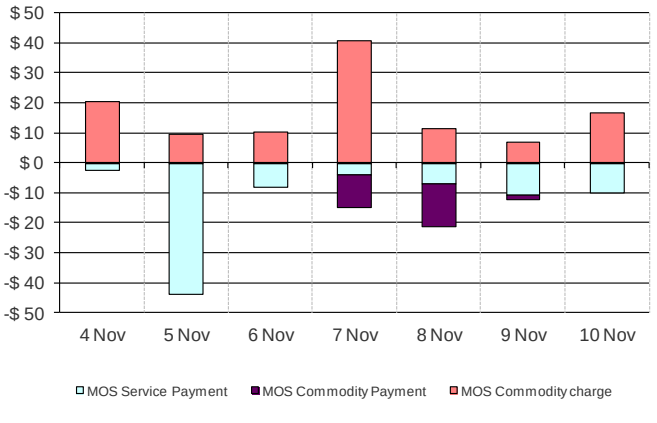


Figure 3.4 (b): Service payments and commodity payments/charges ($000)



4 Brisbane STTM

The Brisbane STTM hub functions in the same way as the Sydney STTM hub. The same data that was presented for the Sydney hub is presented for the Brisbane hub in the figures below.

Figure 4.1: BRI STTM daily ex ante and ex post prices and quantities

	Sun	Mon	Tue	Wed	Thu	Fri	Sat
Ex ante price ($/GJ)	4.37	3.96	4.36	4.69	4.36	4.76	5.90
Ex ante quantity (TJ)	151	162	164	159	164	154	134
Ex post price ($/GJ)	3.95	3.96	4.00	5.87	5.85	5.80	7.10
Ex Post quantity (TJ)	147	161	160	163	166	160	148

Figure 4.2 (a) Daily hub offers in price bands ($/GJ)

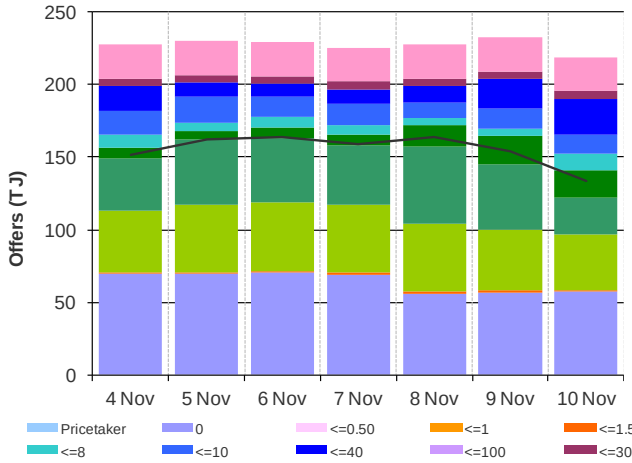


Figure 4.2(b): Daily hub bids in price bands ($/GJ)

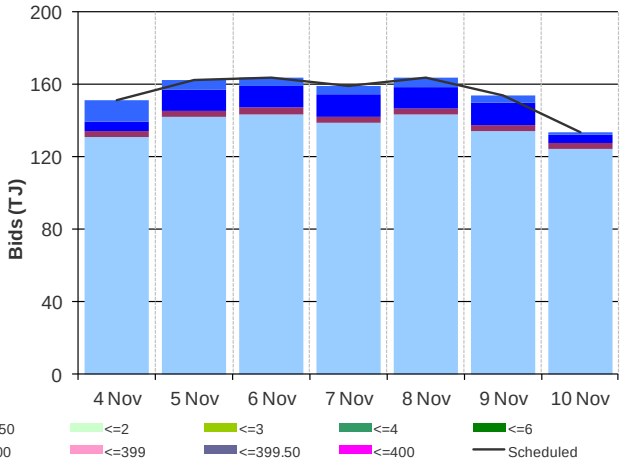


Figure 4.3: BRI STTM ex ante scheduled and allocated gas volumes by STTM facility

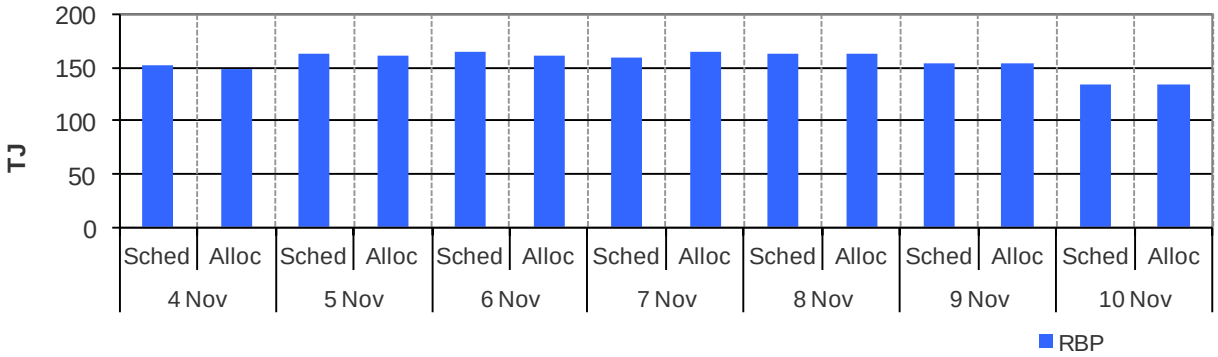


Figure 4.4 (a) BRI STTM MOS allocations (TJ)

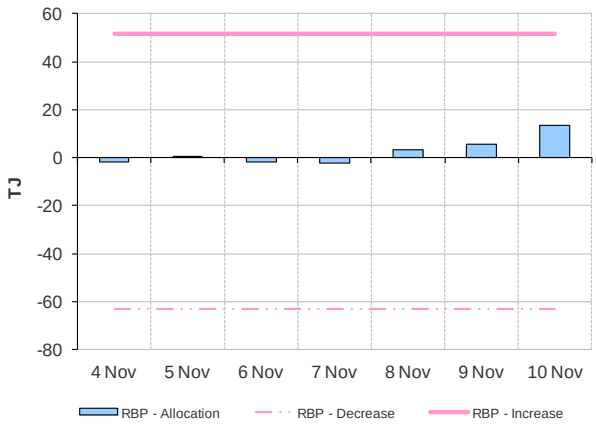
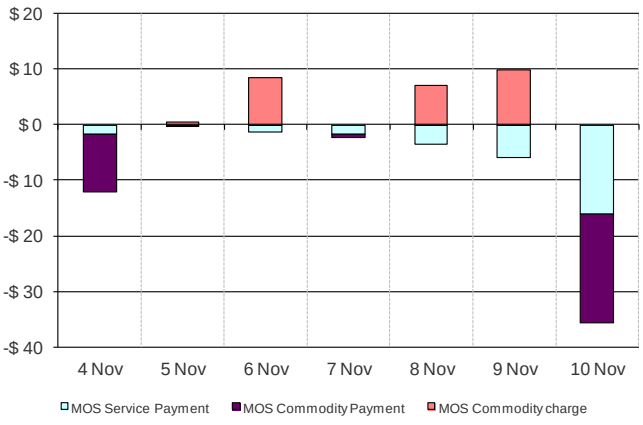


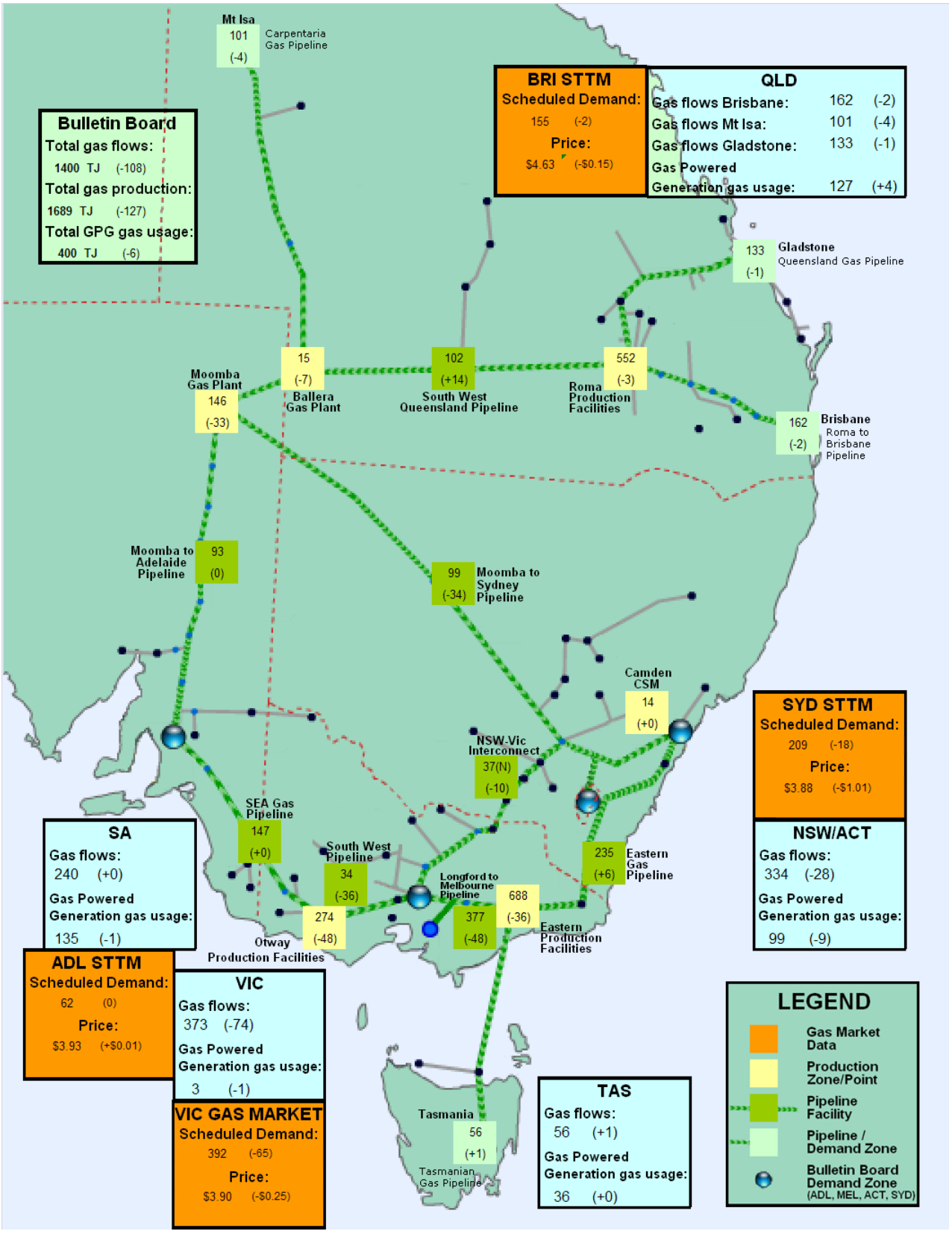
Figure 4.4 (b): Service payments and commodity payments/charges ($000)



5 National Gas Bulletin Board

Figure 5.1 shows average daily actual flows for the current week in the aqua boxes[9] from the Bulletin Board (changes from the previous week's average are shown in brackets). Gas-powered generation (GPG) gas usage is also shown in each region in the aqua boxes. In the orange boxes average daily scheduled volumes and prices for each gas market are provided.

Figure 5.1: Gas market data ($/GJ, TJ); Production, Consumption and Pipeline flows (TJ)



[9] Regional Gas Flows: **SA** = MAP + SEAGAS, **VIC** = SWP + LMP – negative(NSW-VIC), **NSW/ACT** = EGP + MSP, **TAS** = TGP, **QLD (Brisbane)** = RBP, **QLD (Mt Isa)** = CGP, **QLD (Gladstone)** = QGP