Weekly Gas Market Report

AUSTRALIAN ENERGY REGULATOR

20 – 26 January 2013

Weekly summary

Brisbane prices remained higher than 2012-13 financial year-to-date (YTD) levels, as major participants repriced their offers into higher price bands.

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
20 Jan - 26 Jan 2013	4.91	5.14	4.83	8.02
% change from previous week	9	19	-3	-20
12-13 financial YTD	4.49	5.29	5.18	5.54
% change from previous financial YTD	54	76	41	83

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)
20 Jan - 26 Jan 2013	4.91	-	319
% change from previous week	9	-	1
12-13 financial YTD	4.49	-	591
% change from previous financial YTD	54	-	1

* Note: 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)
20 Jan - 26 Jan 2013	5.14	5.07	8.96	216	213
% change from previous week	19	18	-11	2	1
12-13 financial YTD	5.29	5.64	11.19	244	245
% change from previous financial YTD	76	112	-74	5	8

Figure 4: Adelaide STTM

	Ex ante price ($/GJ)	Ex post price ($/GJ)	MOS payments ($000)	Ex ante quantity (TJ)	Ex post quantity (TJ)
20 Jan - 26 Jan 2013	4.83	4.85	19.43	51	50
% change from previous week	-3	-3	348	3	0
12-13 financial YTD	5.18	5.10	8.87	71	69
% change from previous financial YTD	41	40	-16	4	2

Figure 5: Brisbane STTM

	Ex ante price ($/GJ)	Ex post price ($/GJ)	MOS payments ($000)	Ex ante quantity (TJ)	Ex post quantity (TJ)
20 Jan - 26 Jan 2013	8.02	7.43	0.84	160	159
% change from previous week	-20	-25	-34	2	0
12-13 financial YTD	5.54	5.44	2.67	145	143

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

High Brisbane Prices

While prices in Brisbane fell this week, average daily prices were still well above the 2012-13 financial YTD average. The higher prices appear to be driven by changes to injection offers rather than demand. As the majority of participant demand is satisfied through low priced offers, the repricing of participants' marginal offers into higher price bands appears to be the driver of the price increases (see figure 6). Figure 6 shows that during the 1–5 Jan period, 102 per cent of demand was satisfied by offers priced at or under $6/GJ. This has reduced throughout January. In the 20–26 January period, only 96 per cent of demand was satisfied by offers priced at or under $6/GJ. This resulted in higher priced offers being scheduled in order to meet the demand.

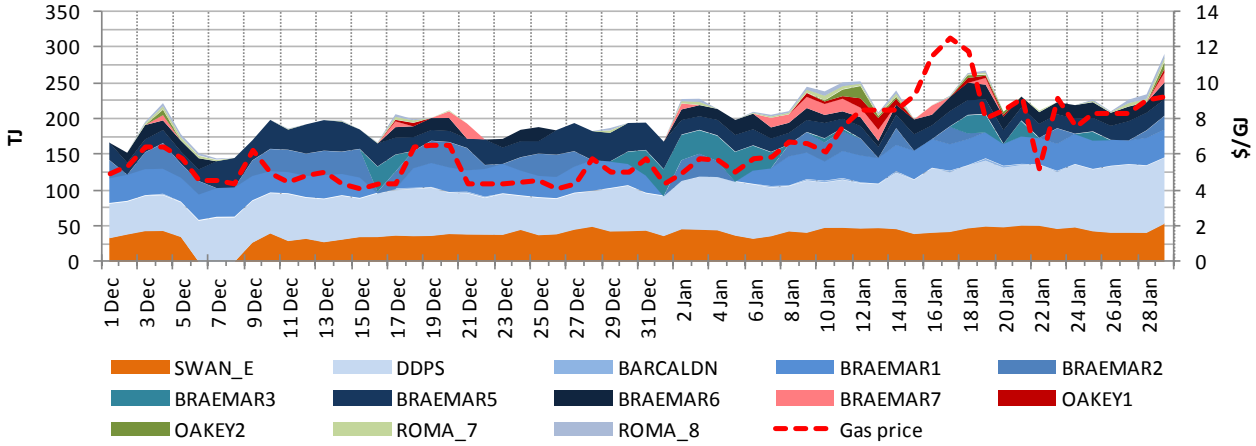
The pricing of offers into higher bands has been influenced by increased gas usage for electricity generation in Queensland (see figure 7). The increase in offer prices may reflect the price of recent off market transactions for the purchase of gas for delivery to GPG. Whilst hub prices are higher, net trade in the hub has remained low (generally well below 5 per cent each day), resulting in only

minimal participant hub exposure to the price increases (see figure 8). The AER will continue to monitor higher prices currently occurring in the Brisbane hub.

Figure 6: Table of offers relative to scheduled demand (price taker bids and ex ante bids for the larger trading participants in the Brisbane hub) with average hub price

	≤ $6/GJ	≤ $8/GJ	≤ $10/GJ	Ex Ante price ($/GJ)
1-5 Jan	102%	103%	108%	5.14
6-12 Jan	98%	102%	107%	6.71
13-19 Jan	97%	98%	101%	10.10
20-26 Jan	96%	98%	103%	8.02

Figure 7: Brisbane STTM ex ante price and Queensland GPG gas usage sourced from Wallumbilla



* Estimates of gas demand from gas-fired generation derived from AEMO's NEM data
**Gas usage estimates exclude some gas powered generators in far North Queensland

Figure 8: Average proportion of gas traded through the Brisbane STTM

	Market trade
1-5 Jan	1.2%
6-12 Jan	1.6%
13-19 Jan	1.3%
20-26 Jan	2.3%

Counteracting MOS in Adelaide

Counteracting MOS occurred in the Adelaide hub throughout the week, corresponding to low levels of gas (9 TJ or lower) scheduled to flow on the Moomba to Adelaide Pipeline (MAP). The interaction between low MAP flows and counteracting MOS is an issue that has been discussed in previous Gas Weekly reports[2].

[2] See the 14-20 October 2012 gas weekly at AER Gas weeklies

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[3], and injection/withdrawal bids[4]. 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.[5]

Figure 1.1: Prices by schedule

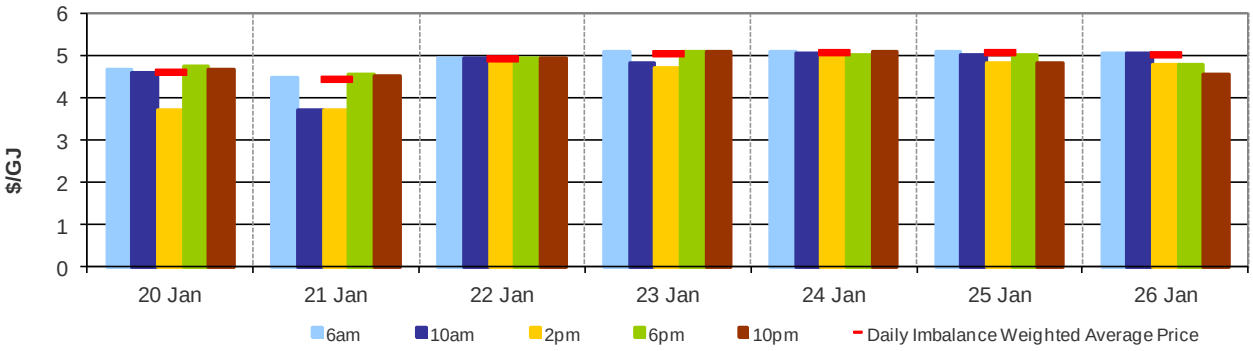
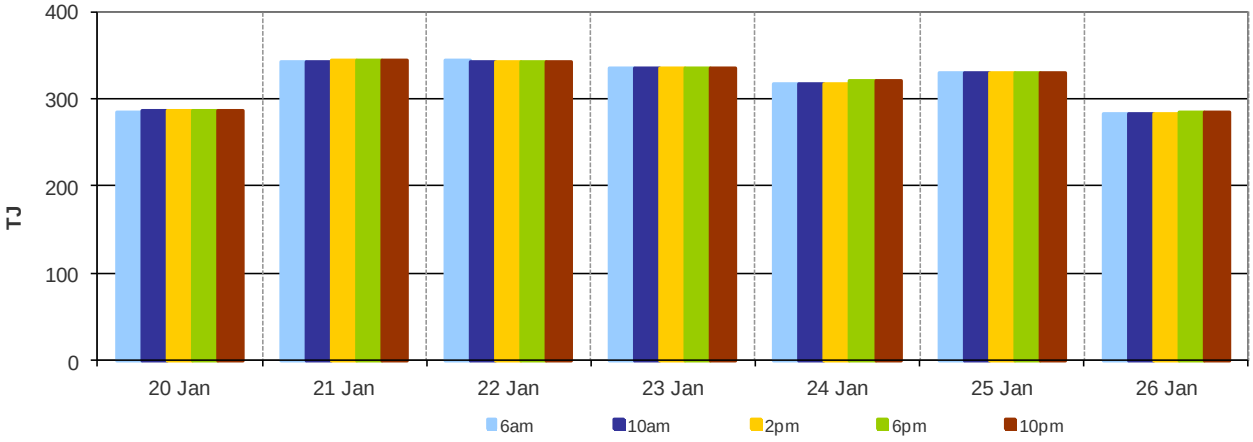


Figure 1.2: Demand forecasts



[3] 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.

[4] 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.

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Figure 1.3: Injection bids by price bands

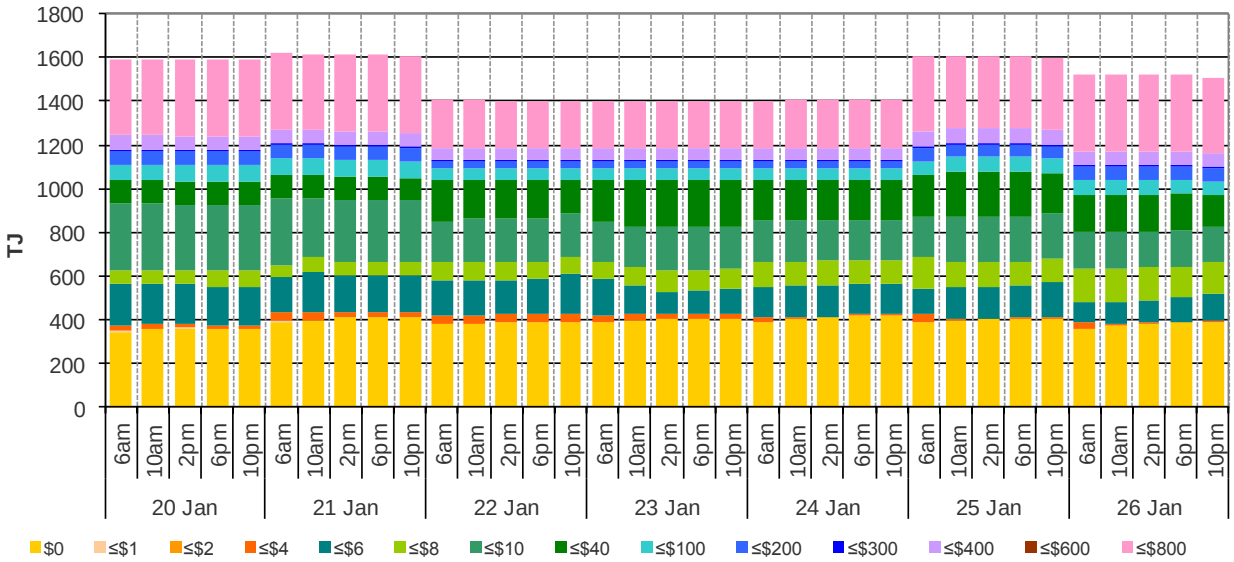


Figure 1.4: Withdrawal bids by price bands

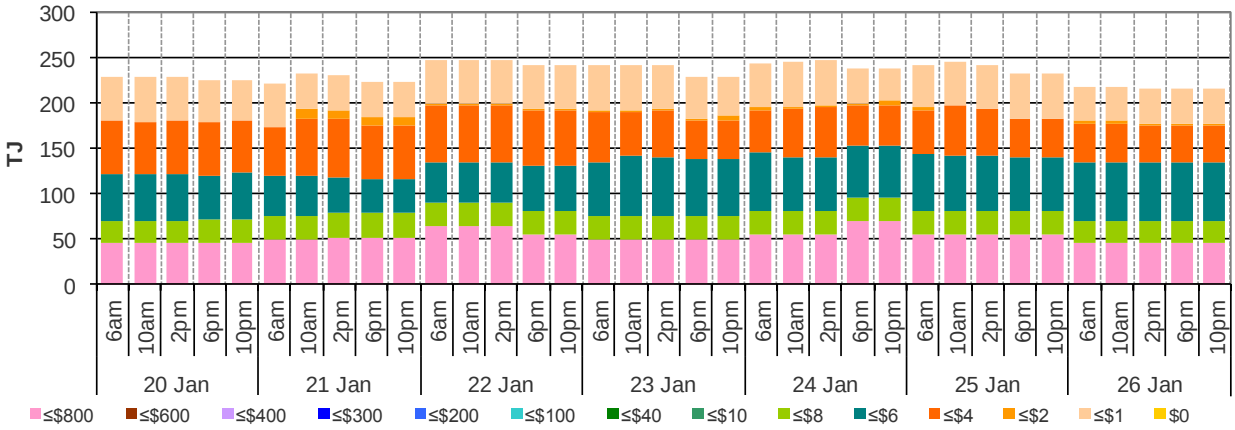
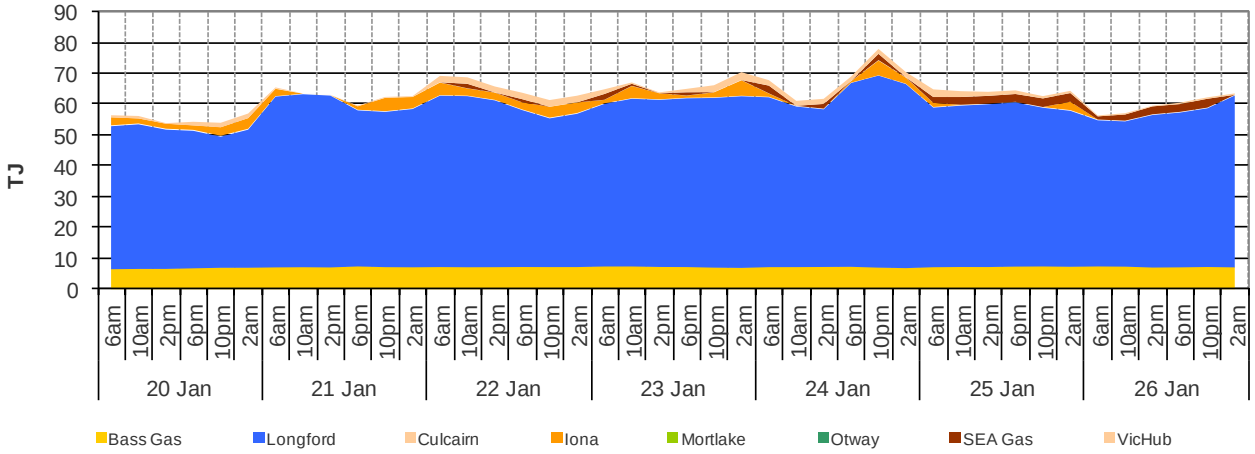


Figure 1.5: Metered Injections by System Injection Point



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.[6] 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.[7]

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 ($/GJ)	4.50	4.96	5.40	5.40	5.40	5.40	4.90
Ex ante quantity (TJ)	190	224	230	226	230	218	193
Ex post price ($/GJ)	4.50	4.77	5.40	5.40	5.35	5.35	4.75
Ex Post quantity (TJ)	194	218	225	225	225	213	189

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

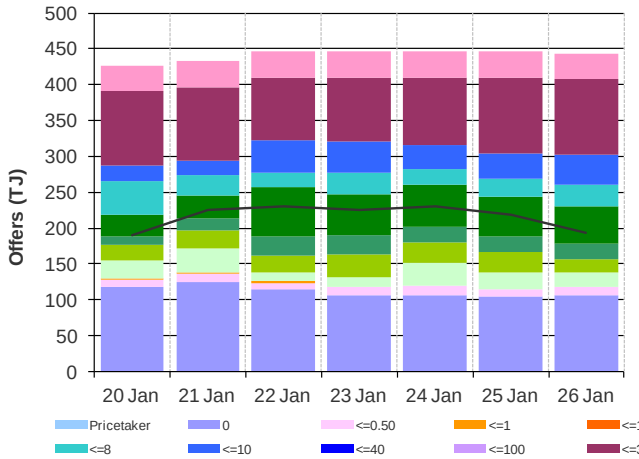
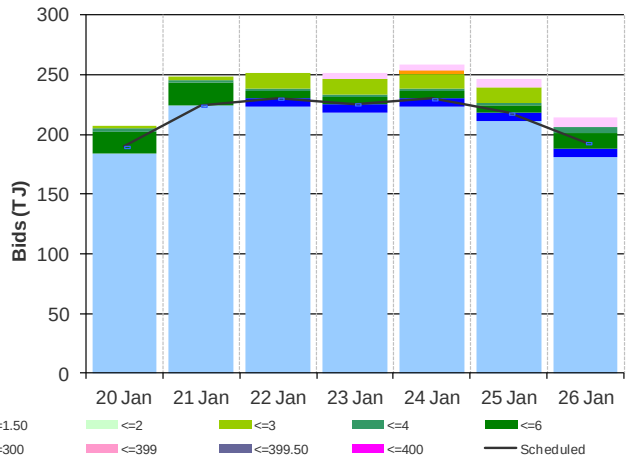


Figure 2.2(b): Daily hub bids in price bands ($/GJ)



[6] 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.

[7] 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

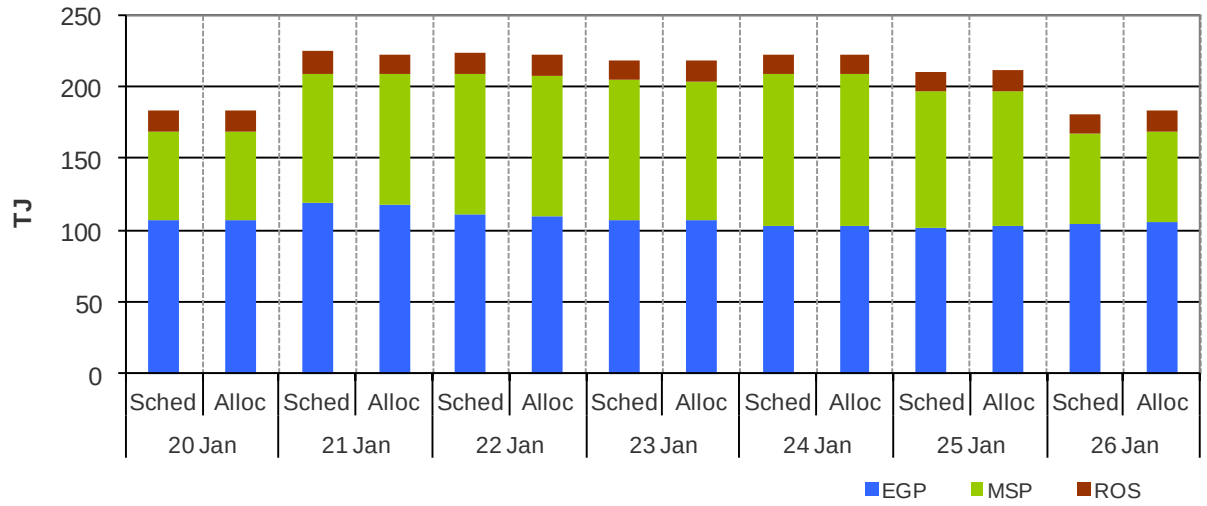


Figure 2.4 (a) SYD STTM MOS allocations (TJ)

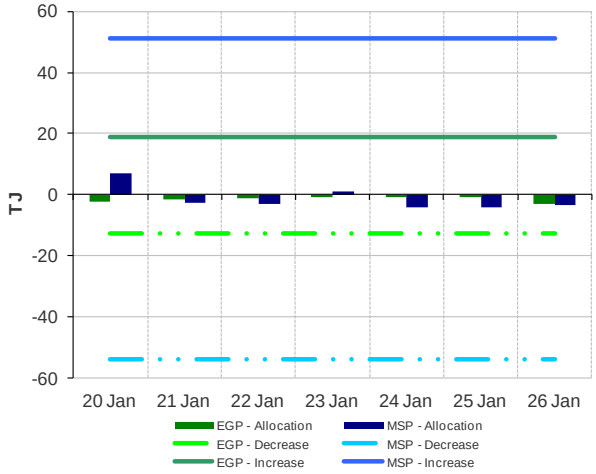
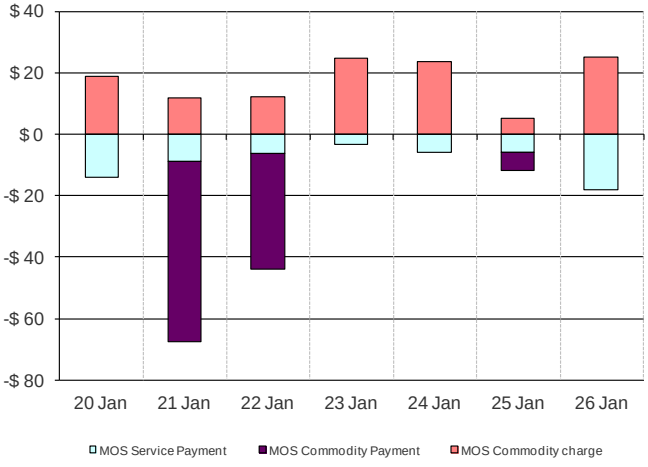


Figure 2.4 (b): Service payments and commodity payments/charges ($000)



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 ($/GJ)	4.79	4.80	4.80	4.80	5.00	4.80	4.80
Ex ante quantity (TJ)	46	54	55	56	52	54	43
Ex post price ($/GJ)	4.59	4.79	5.00	4.80	5.00	4.80	5.00
Ex Post quantity (TJ)	41	52	56	58	52	50	44

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

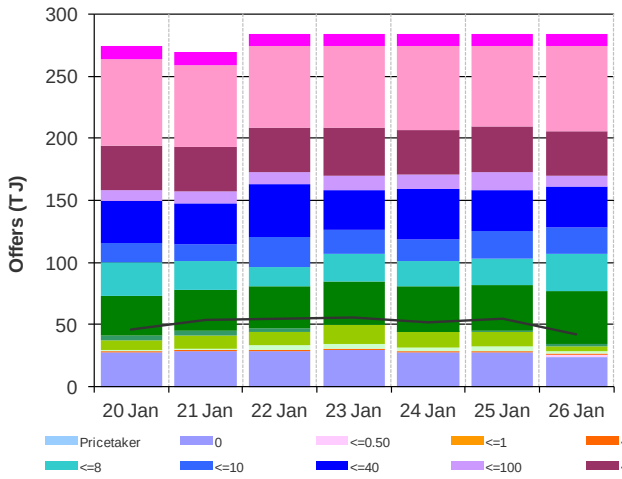


Figure 3.2(b): Daily hub bids in price bands ($/GJ)

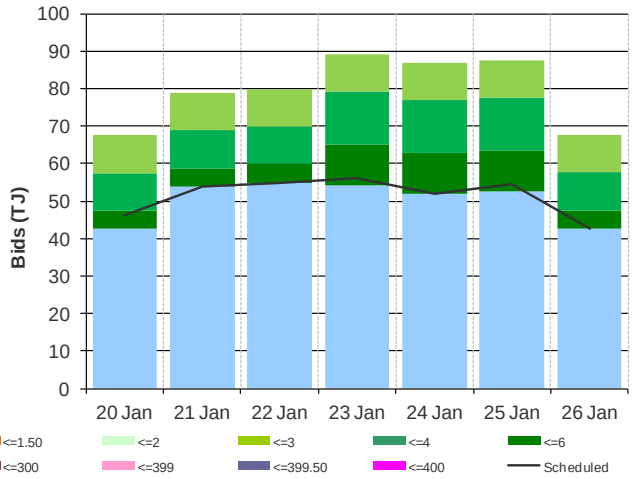


Figure 3.3: ADL STTM ex ante scheduled and allocated gas volumes by STTM facility

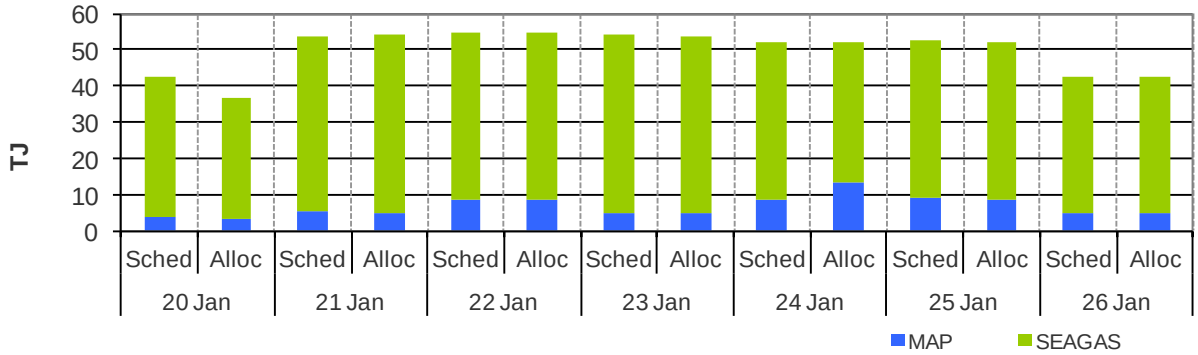


Figure 3.4 (a) ADL STTM MOS allocations (TJ)

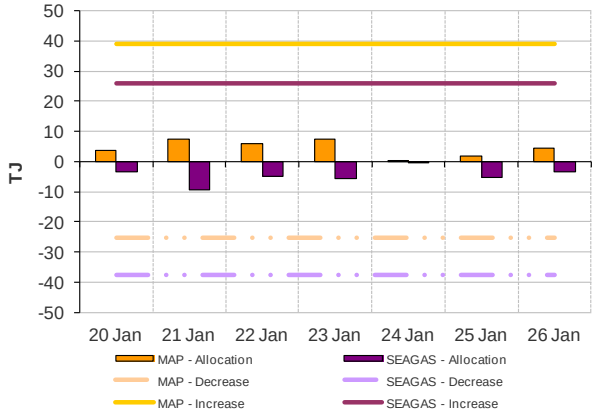
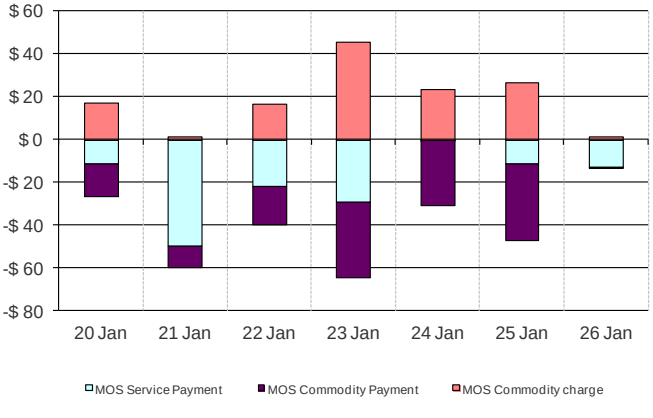


Figure 3.4 (b): Service payments and commodity payments/charges ($000)



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 ($/GJ)	8.49	9.16	5.23	9.17	7.52	8.30	8.30
Ex ante quantity (TJ)	154	169	166	162	166	158	148
Ex post price ($/GJ)	6.15	6.81	5.05	9.10	8.31	8.30	8.30
Ex Post quantity (TJ)	149	166	163	160	169	158	147

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

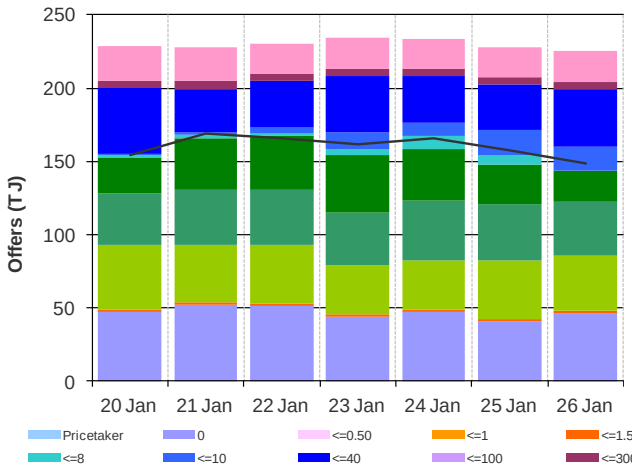


Figure 4.2(b): Daily hub bids in price bands ($/GJ)

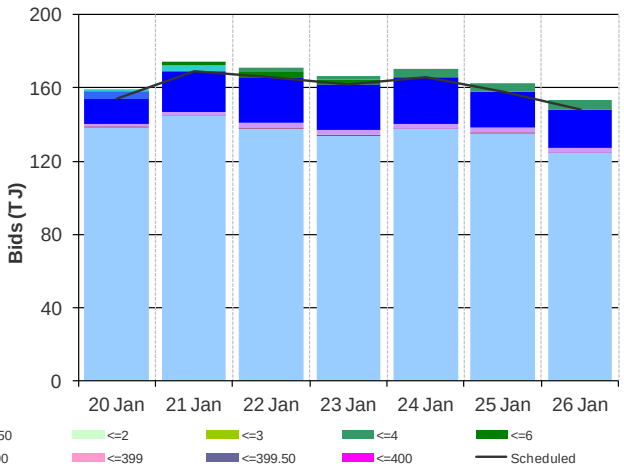


Figure 4.3: BRI STTM ex ante scheduled and allocated gas volumes by STTM facility

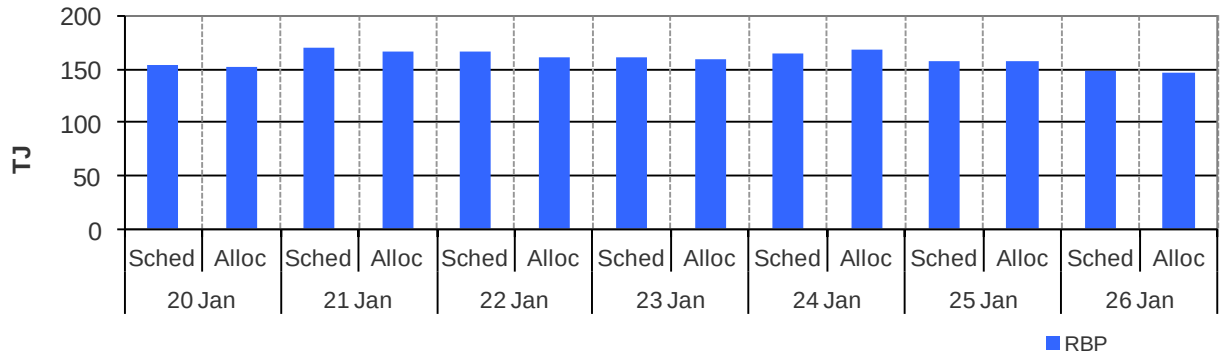


Figure 4.4 (a) BRI STTM MOS allocations (TJ)

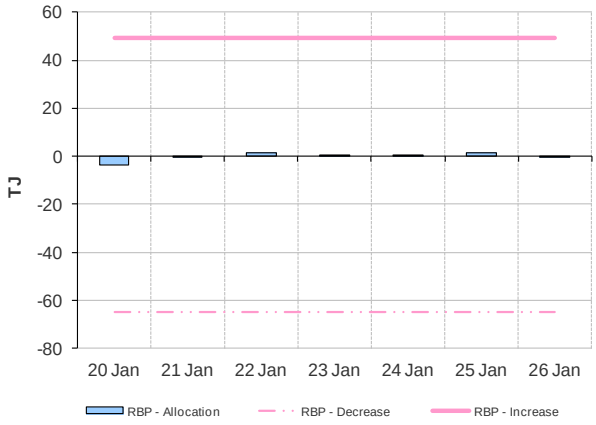
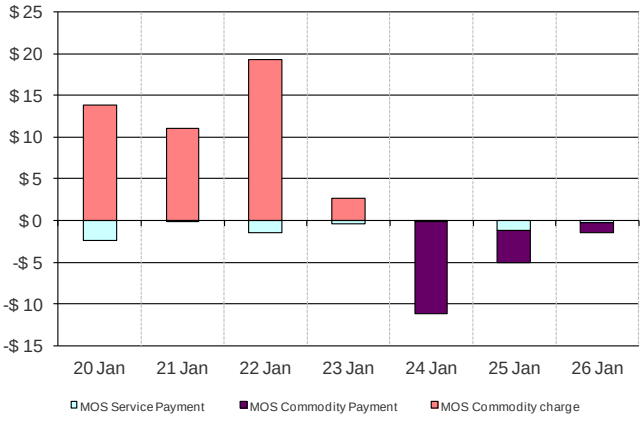


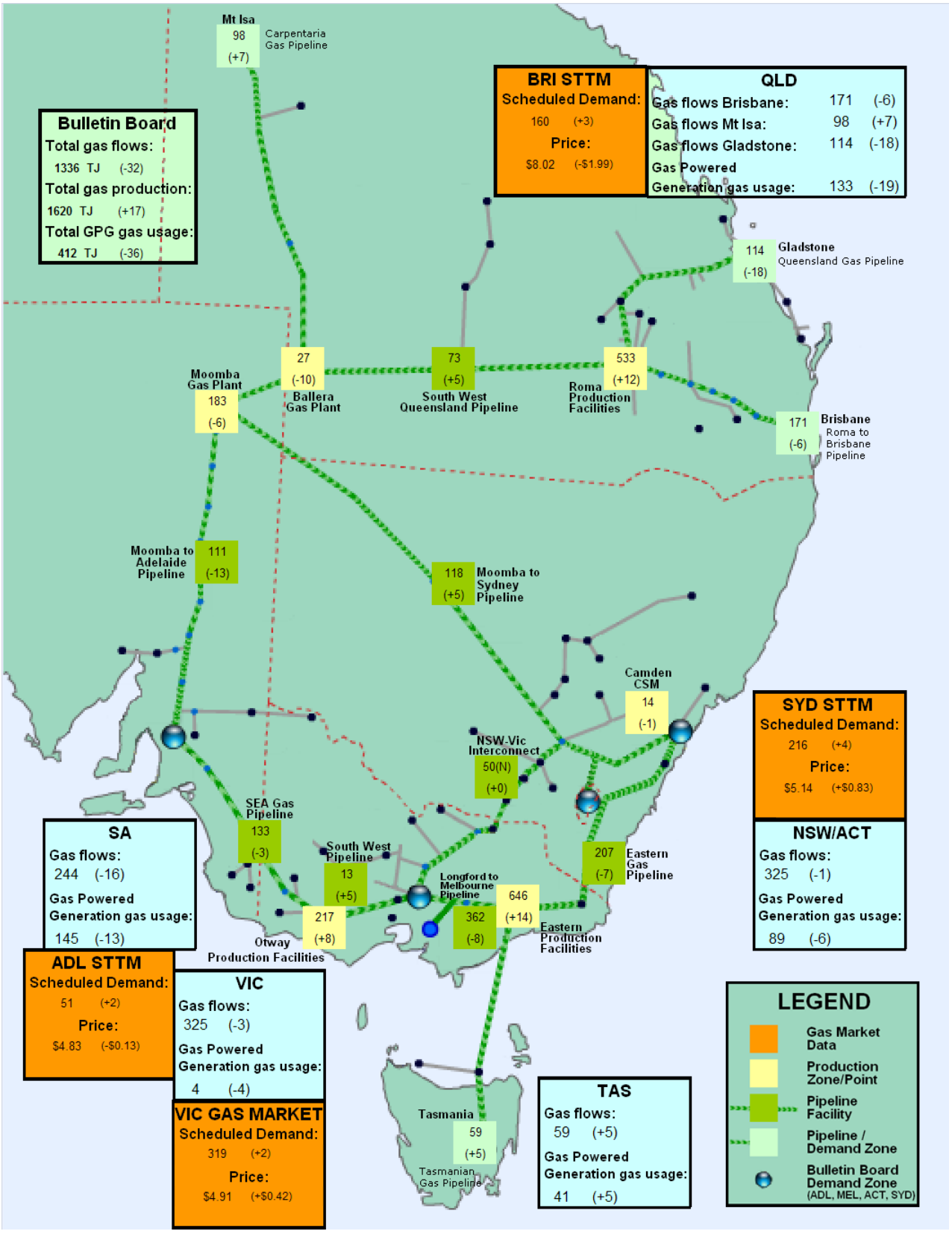
Figure 4.4 (b): Service payments and commodity payments/charges ($000)



5 National Gas Bulletin Board

Figure 5.1 shows average daily actual flows for the current week in the aqua boxes[8] 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)



[8] 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