

11 – 17 January 2015

Weekly summary

The price at the Wallumbilla gas supply hub reached a record \$8.50/GJ for a trade on Monday. On Tuesday, the price in Brisbane was \$8.69/GJ which was the highest price since 17 October 2014. However, the prices in Wallumbilla and Brisbane decreased to less than \$5/GJ from mid-week.

This coincided with an increase in scheduled gas to Adelaide on the Moomba to Adelaide pipeline (MAP) and to Sydney on the Moomba to Sydney pipeline (MSP). Notably, from Thursday, prices in Sydney decreased by around \$1.50/GJ to less than \$3.00/GJ as MSP flows increased.

Changes in prices and flows are likely related to gas from the first LNG train leaving Gladstone on 5 January 2015 and the arrival of more LNG ships at Gladstone driving market dynamics.¹ From late December to mid-January there was a sustained period of flows north via the NSW-VIC interconnector and East on the QSN link in the direction of LNG ventures.

From January, Visy and Quenos commenced trading in the Sydney STTM hub and SA Water commenced participating in the Adelaide STTM hub.

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)²

	Victoria	Sydney	Adelaide	Brisbane
11 Jan - 17 Jan 2015	3.54	3.75	4.08	4.95
% change from previous week	-2	-23	0	-7
14-15 financial YTD	3.49	3.17	3.59	2.08
% change from previous financial YTD	-12	-24	-21	-61

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

¹ Gladstone Observer, 5 January 2015

² The weighted average daily imbalance price applies for Victoria.

Figure 2: Victorian gas market

	Price (\$/GJ)	Ancillary payments (\$000)*	BOD forecast demand quantity (TJ)
11 Jan - 17 Jan 2015	3.54	-	323
% change from previous week	-2	-	0
14-15 financial YTD	3.49	-	566
% change from previous financial YTD	-12	-	-1

* Note: only positive ancillary payments, reflecting system constraints will be shown here.

More detailed analysis on the VGM is provided in section 1.

Figures 3 to 5 show average ex ante and ex post gas prices, Market Operator Service (MOS) balancing gas service payments together with the related daily demand quantities against historical averages for the Sydney, Adelaide and Brisbane STTM hubs, respectively.

Figure 3: Sydney STTM

	Ex ante price (\$/GJ)	Ex post price (\$/GJ)	MOS payments (\$000)	Ex ante quantity (TJ)	Ex post quantity (TJ)
11 Jan - 17 Jan 2015	3.75	3.82	15.13	197	199
% change from previous week	-23	-21	93	2	7
14-15 financial YTD	3.17	3.22	14.04	254	255
% change from previous financial YTD	-24	-20	20	4	7

Figure 4: Adelaide STTM

	Ex ante price (\$/GJ)	Ex post price (\$/GJ)	MOS payments (\$000)	Ex ante quantity (TJ)	Ex post quantity (TJ)
11 Jan - 17 Jan 2015	4.08	4.11	6.33	46	48
% change from previous week	0	2	-89	-6	0
14-15 financial YTD	3.59	3.55	12.71	65	65
% change from previous financial YTD	-21	-22	-23	-8	-9

Figure 5: Brisbane STTM

	Ex ante price (\$/GJ)	Ex post price (\$/GJ)	MOS payments (\$000)	Ex ante quantity (TJ)	Ex post quantity (TJ)
11 Jan - 17 Jan 2015	4.95	5.25	2.63	102	103
% change from previous week	-7	14	-48	-9	-2
14-15 financial YTD	2.08	1.90	1.39	148	147
% change from previous financial YTD	-61	-65	-15	0	0

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 (**Bulletin Board**), as well as gas powered generation (**GPG**) volumes in each state, and section 6 provides information on the gas supply hub at Wallumbilla.

Significant Market Events or Issues this week

On Saturday 17 January, Adelaide saw a Pipeline Flow Direction Constraint (PFDC) price of \$0.49/GJ on the SEAGas pipeline, facilitating the delivery of backhaul above the market price of gas delivered to the hub. Whereas in the previous week where there was no gas scheduled to the hub on the MAP, there was no gas scheduled to supply the hub on SEAGas on 17 January. A more detailed description of the PFDC pricing mechanism is provided in a weekly report from the end of August last year.³

On Friday 16 January in Adelaide, renominations saw a large reduction in SEAGas allocations compared to that scheduled (see figure 3.3). Non-scheduled back haul was nominated on the pipeline, in addition to 10 TJ of forward haul being transferred from SEAGas to MAP. The small change in MAP allocations was largely influenced by over forecast demand, with a non-scheduled back haul nomination on MAP also occurring on the day. The changes to supply and back haul quantities resulted in minimal requirements for MOS on both pipelines (see figure 3.4).

³ <http://www.aer.gov.au/node/27524>

Detailed Market Figures

11 – 17 January 2015

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 forecasts⁴, 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

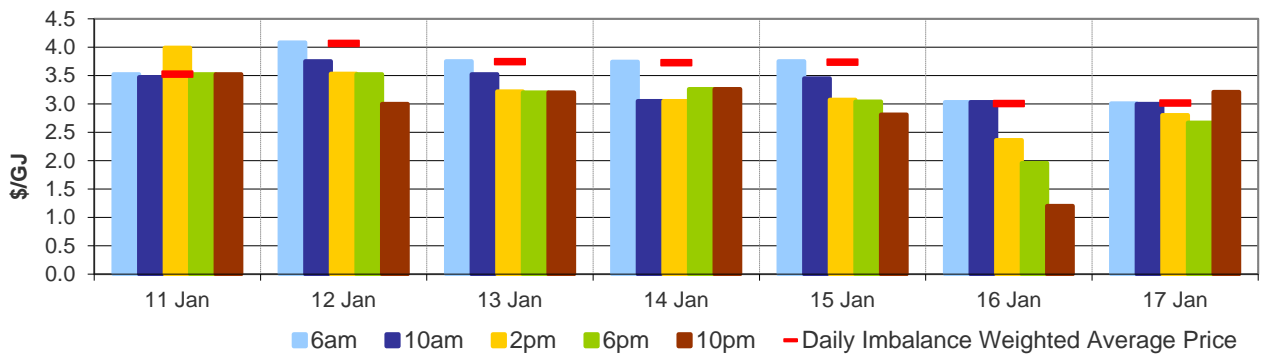
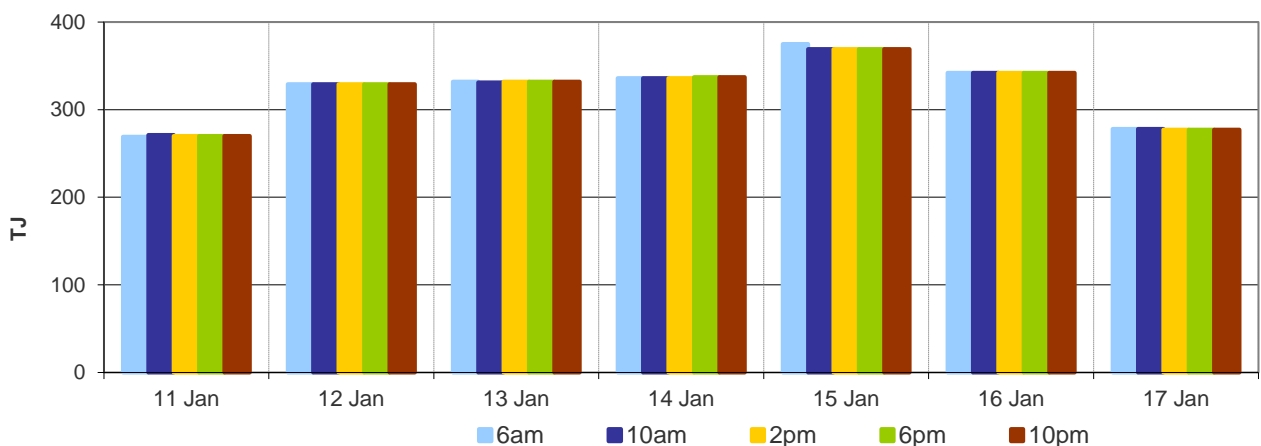


Figure 1.2: Demand forecasts



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

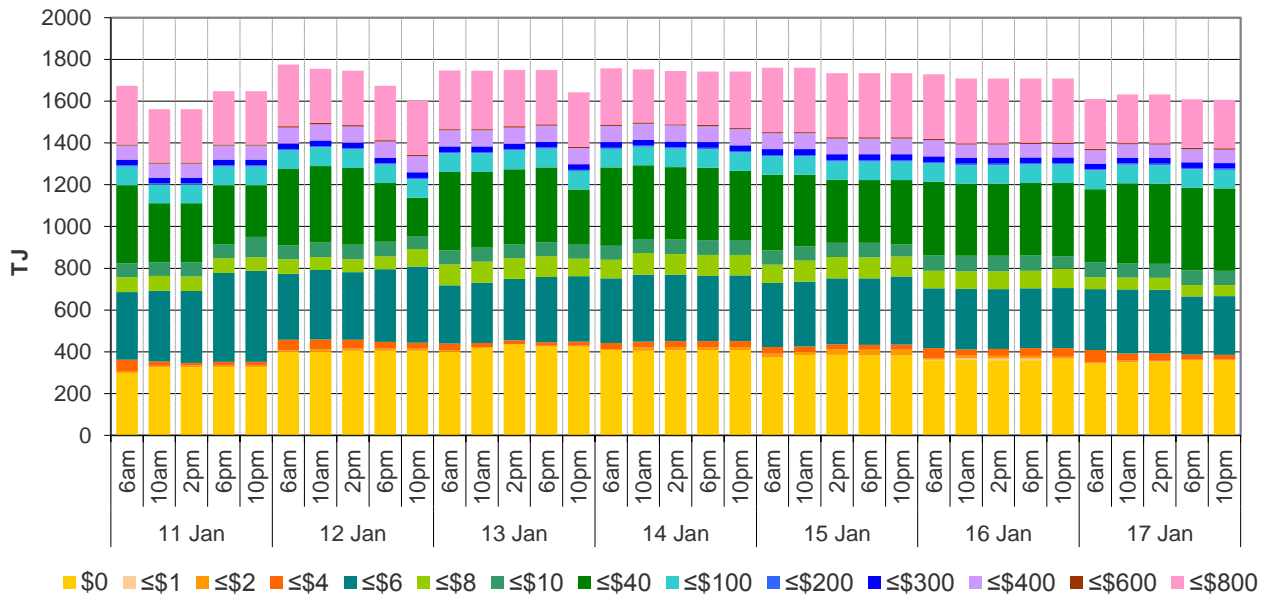


Figure 1.4: Withdrawal bids by price bands

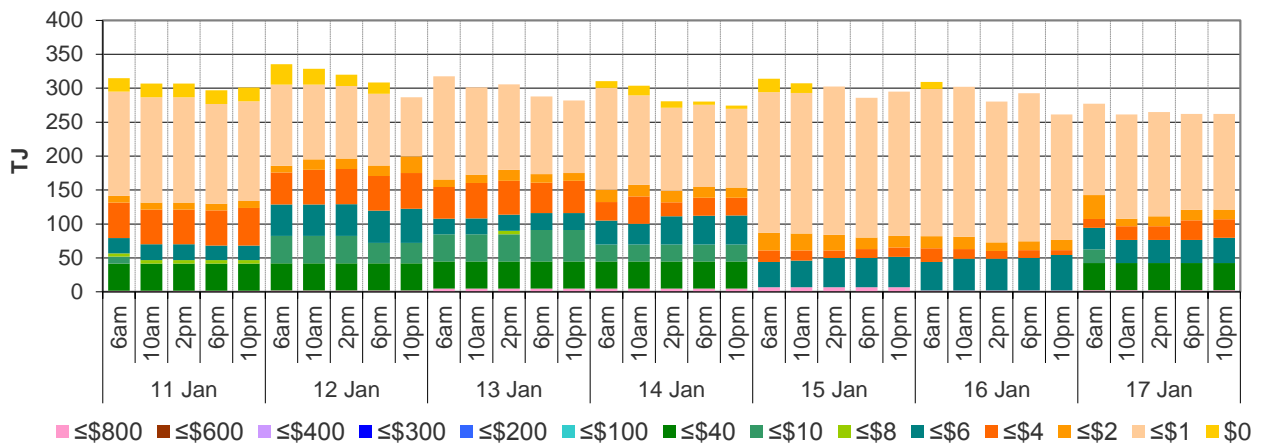
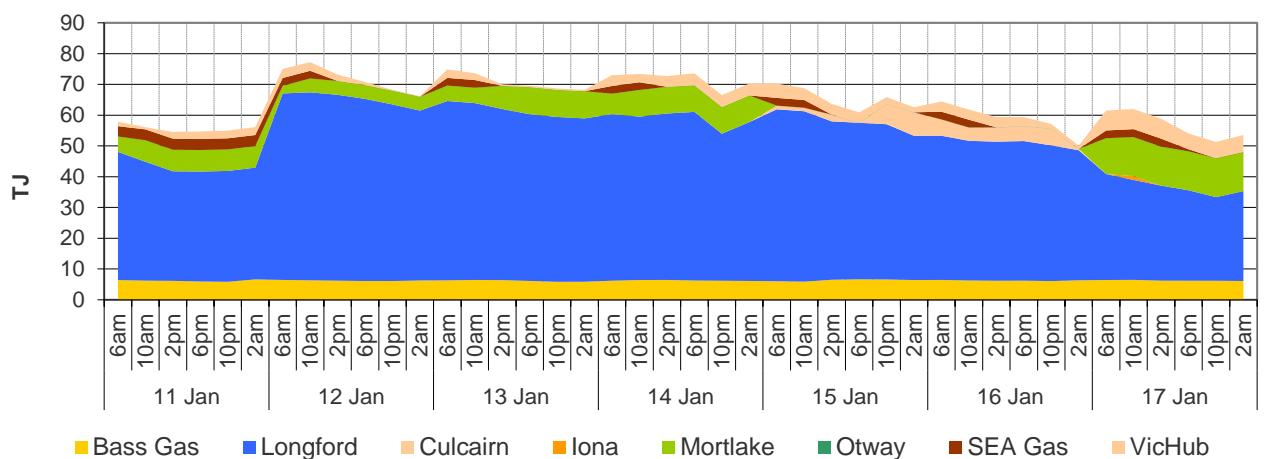


Figure 1.5: Metered Injections by System Injection Point



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)	4.53	4.53	4.53	4.55	2.96	2.56	2.60
Ex ante quantity (TJ)	177	200	204	205	214	202	173
Ex post price (\$/GJ)	4.53	4.99	4.53	4.53	3.03	2.56	2.57
Ex post quantity (TJ)	179	212	207	201	218	202	173

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

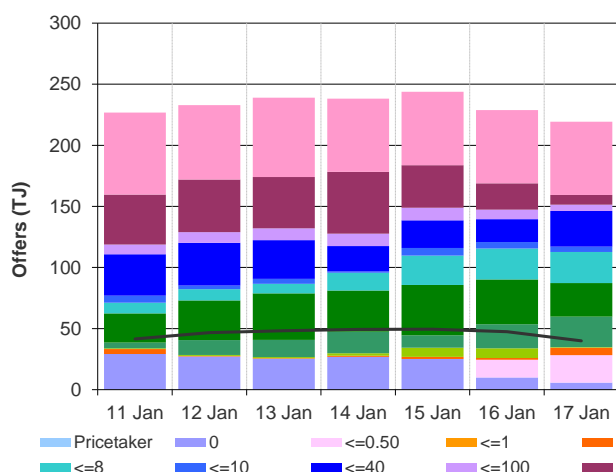
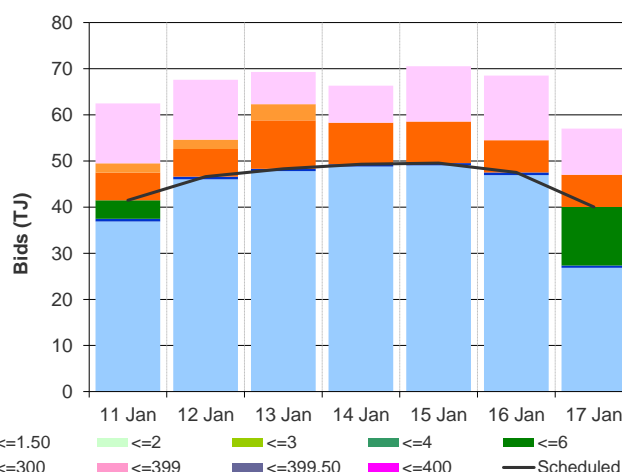


Figure 2.2 (b): Daily hub bids in price bands (\$/GJ)



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 (MOS ‘commodity’ payments/charges).

Figure 2.3: SYD net scheduled and allocated gas volumes (excluding MOS) by STTM facility

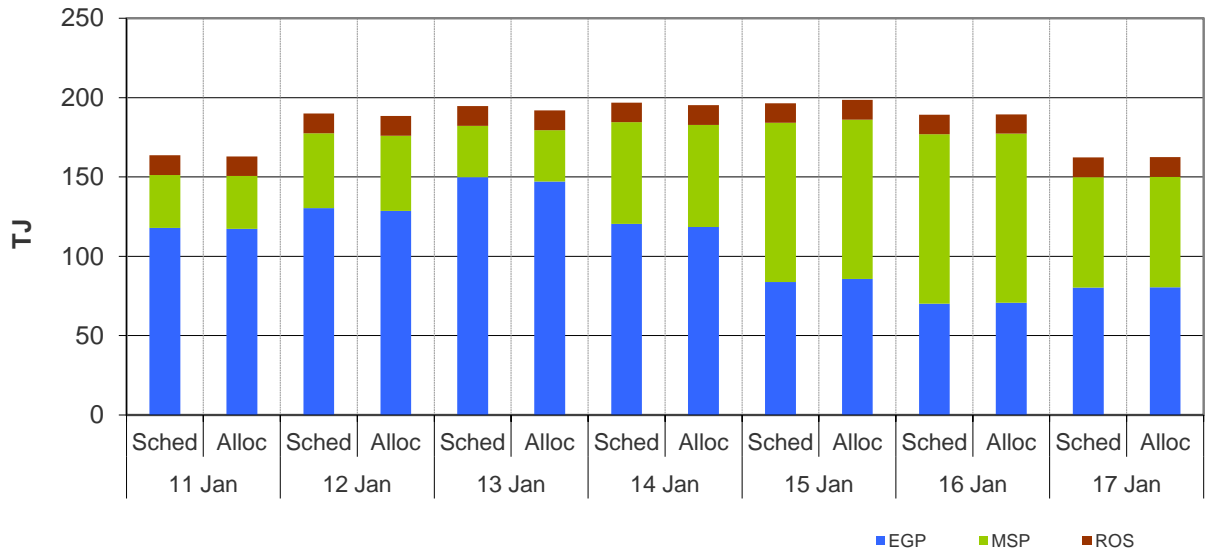


Figure 2.4 (a): SYD STTM MOS allocations (TJ)

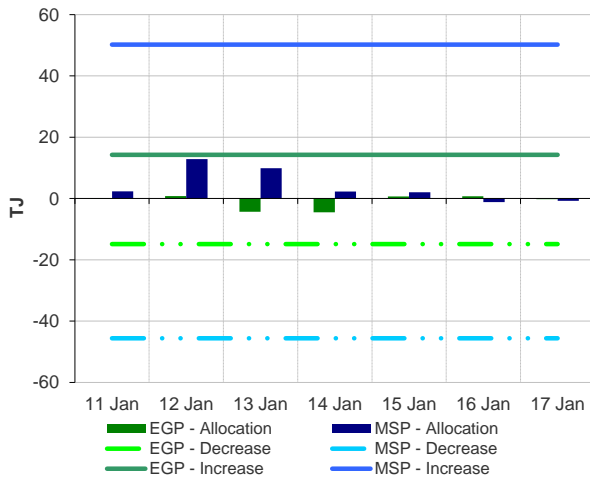
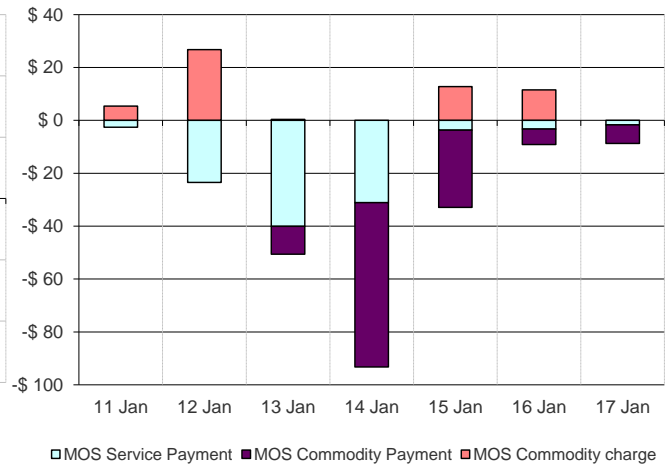


Figure 2.4 (b): Service payments and commodity payments/charges (\$000)



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)	4.25	4.30	4.47	4.29	4.19	3.78	3.29
Ex ante quantity (TJ)	41	47	48	49	50	48	40
Ex post price (\$/GJ)	4.30	4.48	4.47	4.29	4.19	3.78	3.29
Ex post quantity (TJ)	44	49	53	52	48	51	41

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

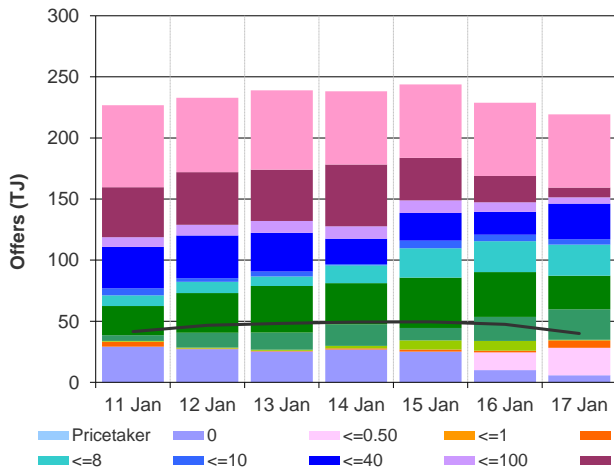


Figure 3.2 (b): Daily hub bids in price bands (\$/GJ)

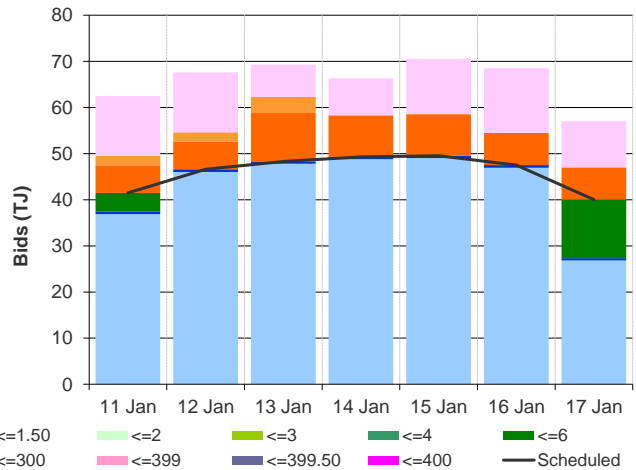


Figure 3.3: ADL net scheduled and allocated gas volumes (excluding MOS) by STTM facility

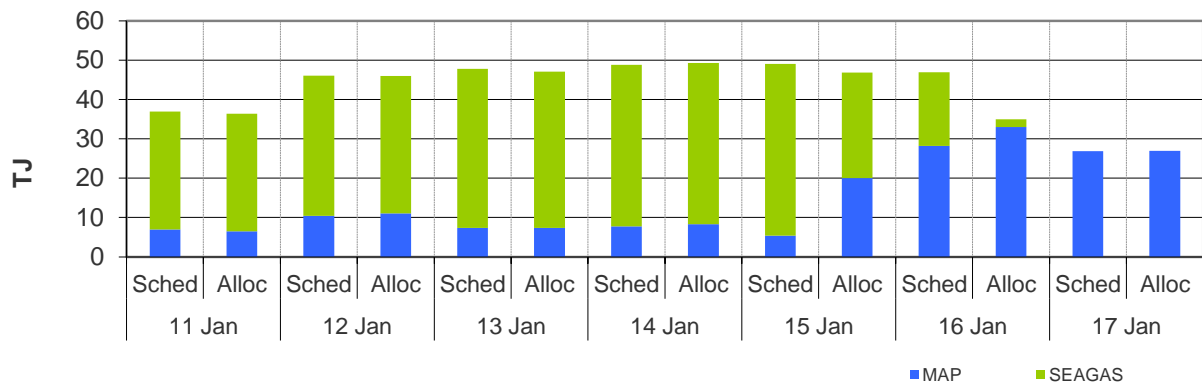


Figure 3.4 (a): ADL STTM MOS allocations (TJ)

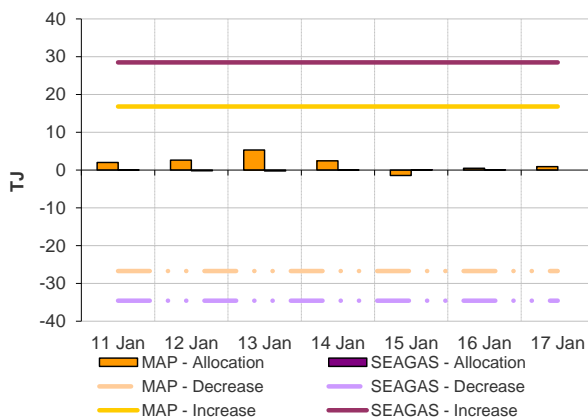
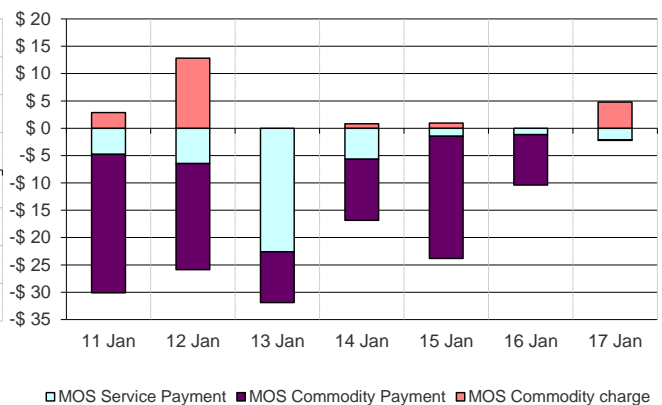


Figure 3.4 (b): Service payments and commodity payments/charges (\$000)



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)	5.99	7.75	8.69	4.95	2.45	2.56	2.28
Ex ante quantity (TJ)	87	91	111	107	109	109	101
Ex post price (\$/GJ)	5.56	7.75	8.01	6.42	3.99	2.60	2.44
Ex post quantity (TJ)	84	87	108	113	113	114	102

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

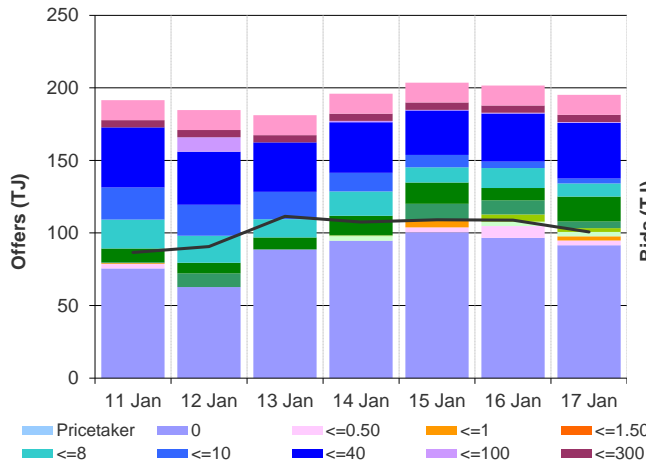


Figure 4.2 (b): Daily hub bids in price bands (\$/GJ)

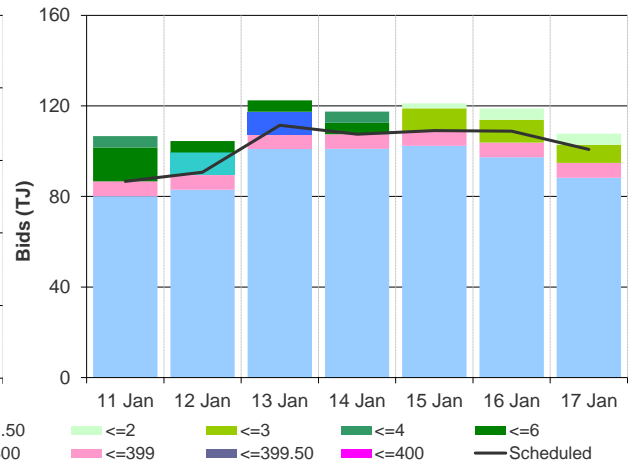


Figure 4.3: BRI net scheduled and allocated gas volumes (excluding MOS) by STTM facility

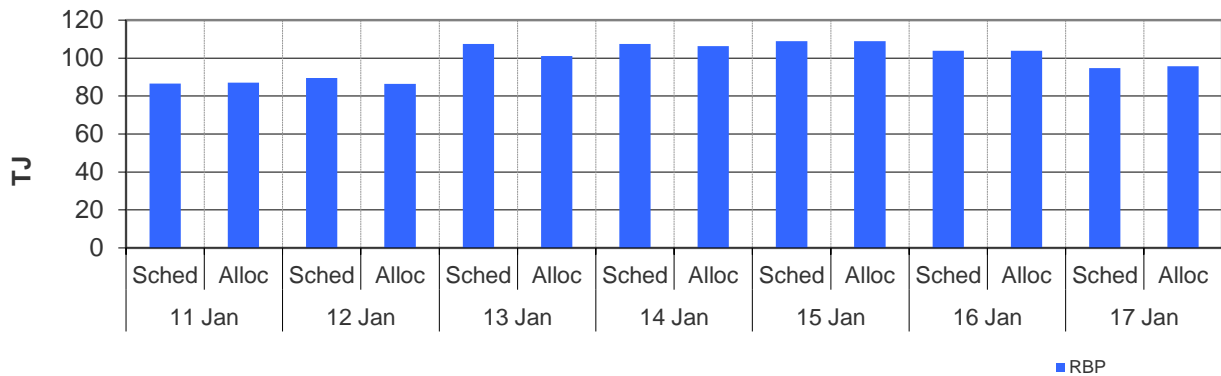


Figure 4.4 (a): BRI STTM MOS allocations (TJ)

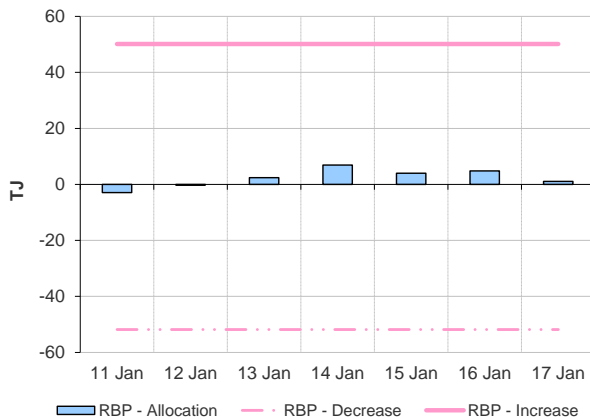
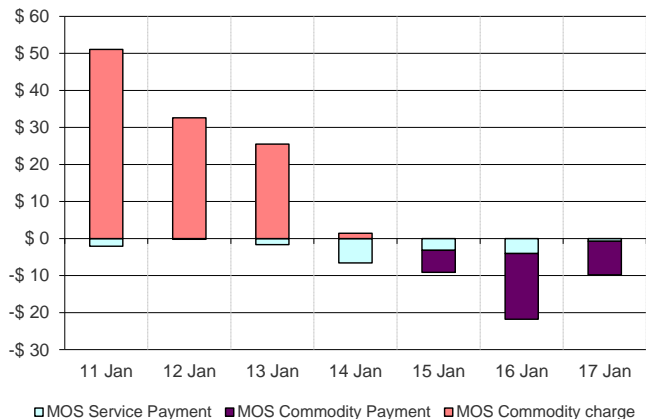


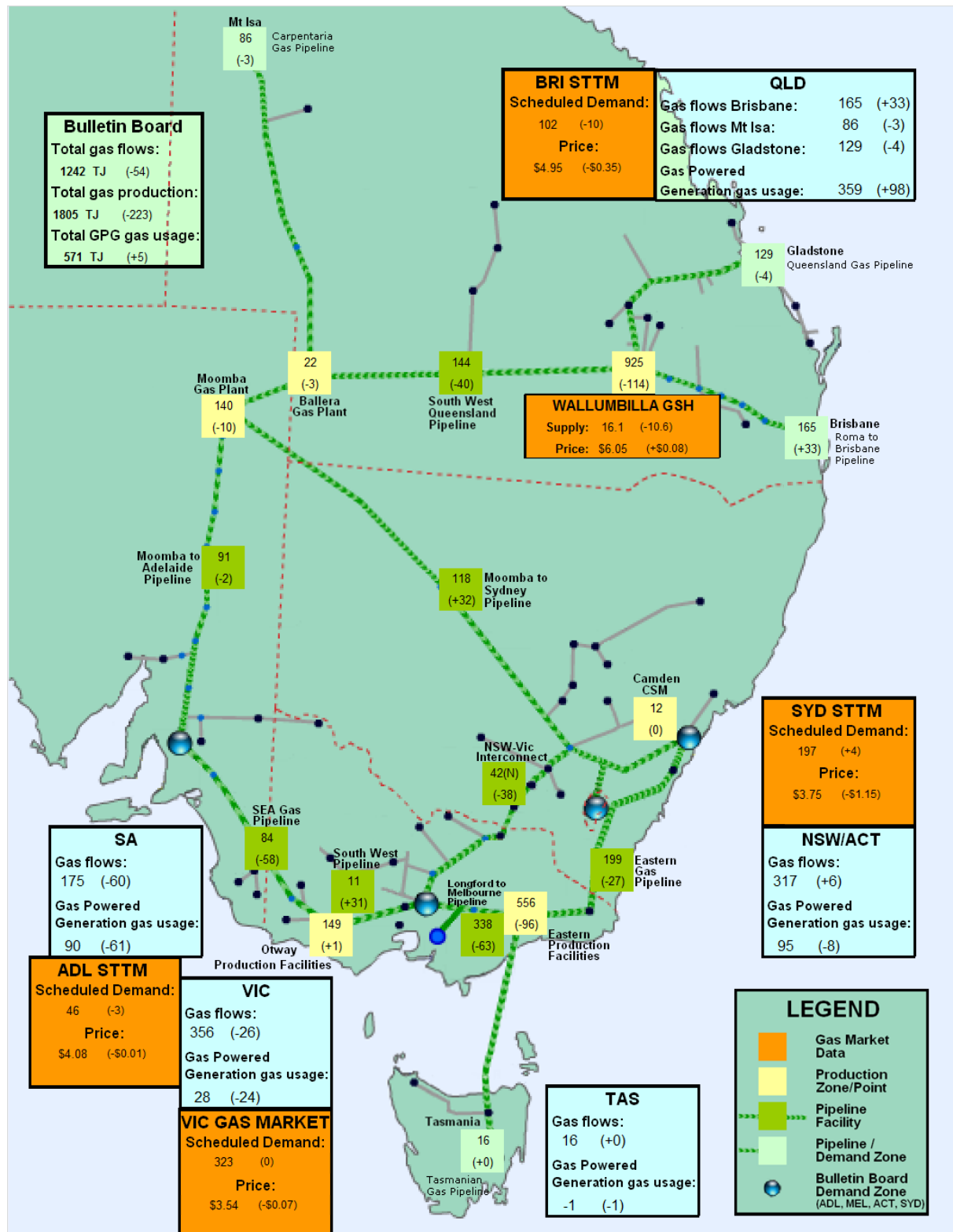
Figure 4.4 (b): Service payments and commodity payments/charges (\$000)



5 National Gas Bulletin Board

Figure 5.1 shows average daily actual flows for the current week in the aqua boxes⁹ 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 prices¹⁰ 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
GPG volumes include gas usage that may not show up on Bulletin Board pipeline flows.

From October 2014, production flows reported for the Roma region include quantities of gas for LNG export trains.

¹⁰ Wallumbilla supply is the average daily volume of gas 'traded', while price is a volume weighted average.

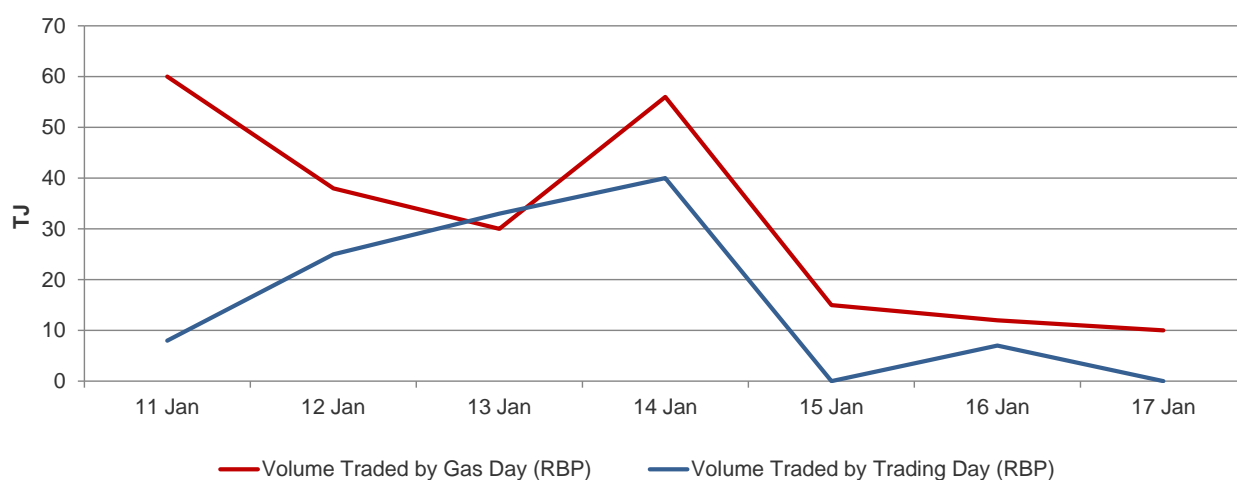
6 Gas Supply Hub

The Gas Supply Hub (GSH) was established for the trading of gas at Wallumbilla because it is located in close proximity to significant gas supply sources and demand locations and is a major transit point between Queensland and the gas markets on Australia's east coast. The GSH is a voluntary market¹¹ for the supply of gas traded between separate participants, with products listed for sale and purchase at delivery points on three major connecting pipelines at Wallumbilla – the Queensland Gas Pipeline (QGP), the South West Queensland Pipeline (SWQP) and the Roma to Brisbane Pipeline (RBP). There are separate products for each pipeline (each pipeline is considered a trading location, and each has a number of delivery points) and delivery period (daily, day-ahead, balance-of-day and weekly).

There were 24 trades of daily and day-ahead products this week, all on the RBP. The price reached a new record high level at \$8.50/GJ, with a total of nine trades priced at \$8/GJ or higher resulting in a volume weighted price of \$6.05/GJ for 113 TJ of gas.

Figure 6.1 shows volumes traded¹² on each gas day and trading day from 11 to 17 January.

Figure 6.1: Volume Traded (by Gas Day and by Trading Day)



¹¹ Market trade is facilitated through an electronic trading platform, with standardised terms and conditions and a market settlement facility for the short-term trading of physical gas and related products. The market is designed to complement existing bilateral gas supply arrangements and gas transportation agreements, through the placement of anonymous offers (to sell) or bids (to buy) at specified quantity and price increments, which are automatically matched on the exchange to form transactions.

¹² Volumes shown for weekly products include the 'daily' volume for each relevant 'gas day', and the 'weekly' volume for each relevant 'trading day'.