



Australian Government
Department of Industry

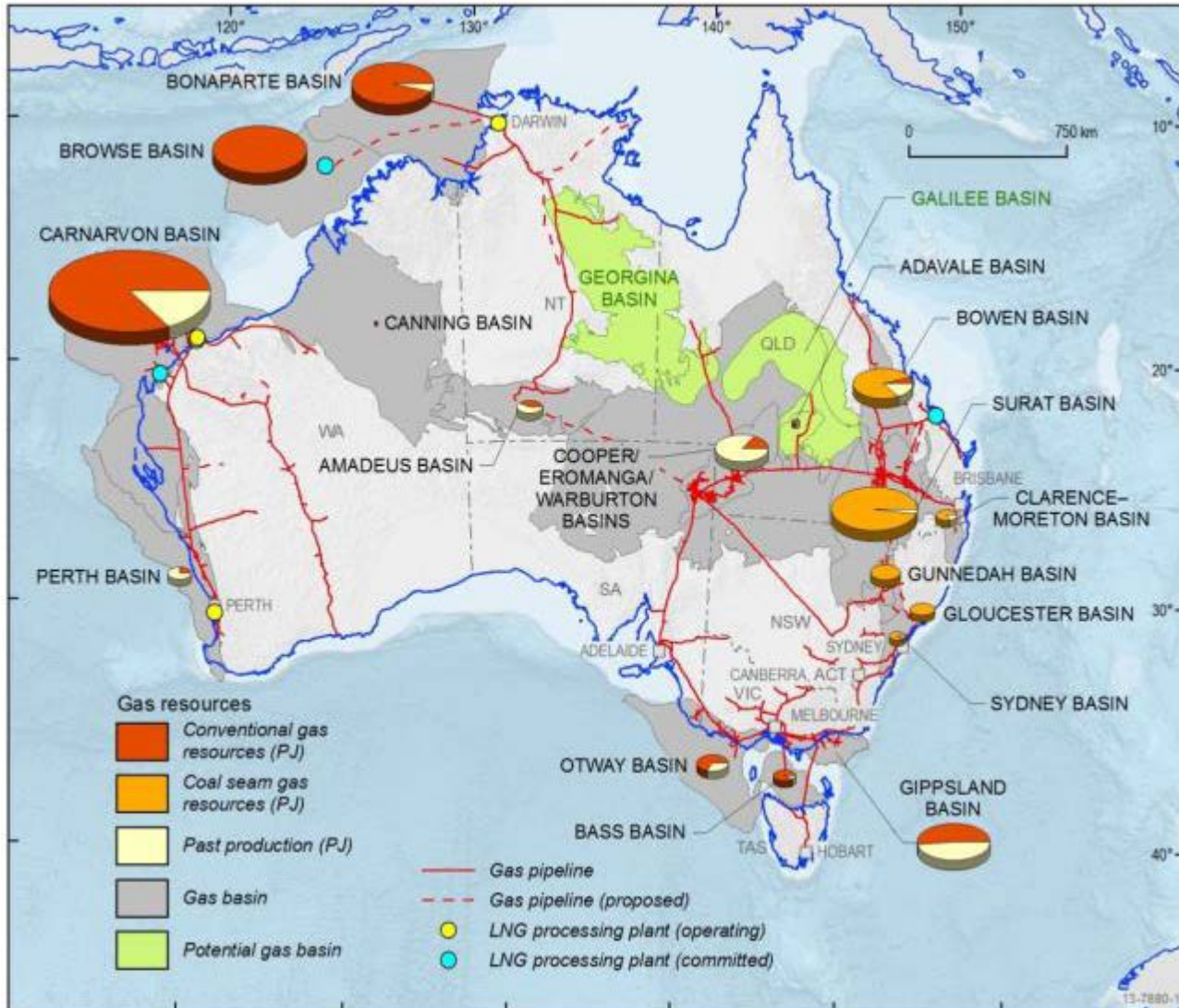
Australia's Downstream Gas Markets

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Australia's Downstream Gas





COAG Energy Council

Council of Australian Governments Energy Council
The national policy and governance body for Australia's energy markets

National Gas Law
National Gas Rules
National Energy Retail Law



Australian Energy Market Commission
Responsible for Rule making and market development



Australian Energy Market Operator
Facilitated gas market operator



Australian Energy Regulator
Responsible for enforcing the Rules and for economic regulation of gas networks and retail markets



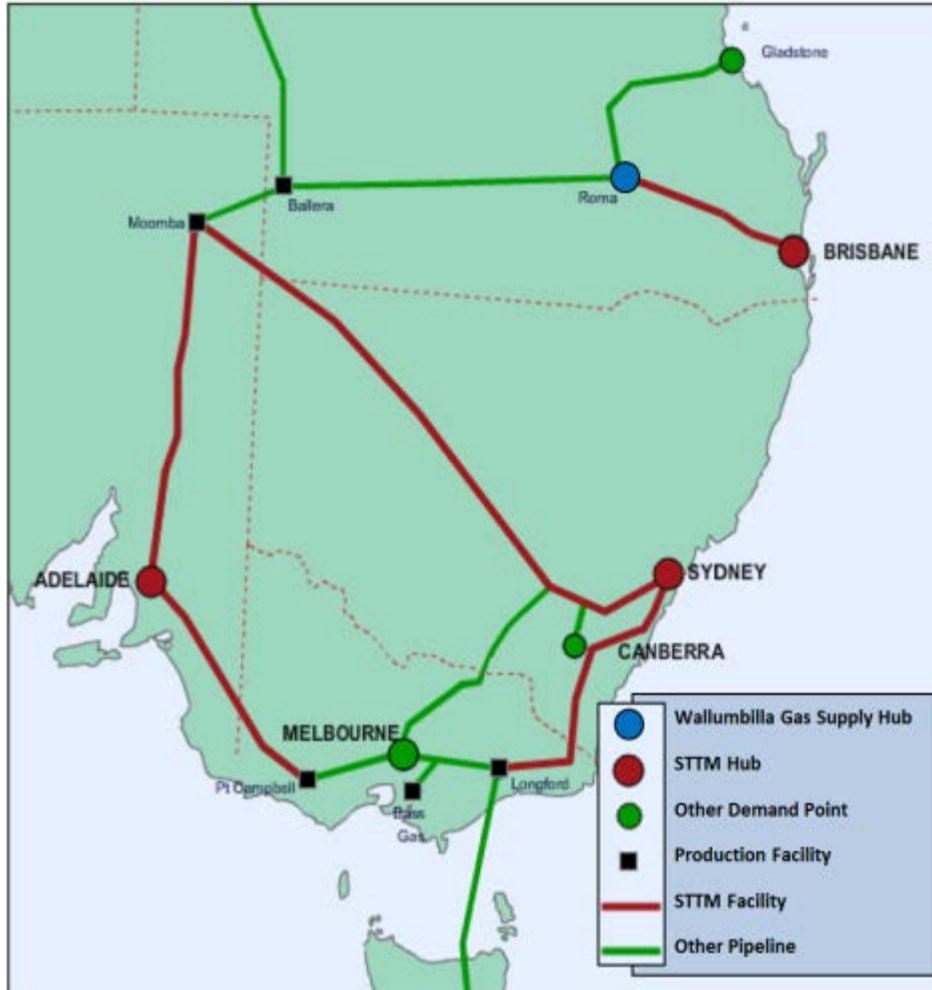
- Primarily bilateral contracts but changing
- Long-term bilateral contracts for wholesale supplies and pipeline, processing and storage access
- Some pipelines regulated for access under the National Gas Law
- Little transparency of price or terms
- Limited market based trading – easier for incumbents than new entrants



- Market reforms date to 1993 Hilmer Review of Competition.
- 2002 Parer Energy Market Review
 - Support competitive gas market
 - Transparency and trading opportunities
- National Gas Law (2008)
- Market transparency mechanisms developed
 - National Bulletin Board (2008), AEMO
 - National Gas Statement of Opportunities (2009), AEMO



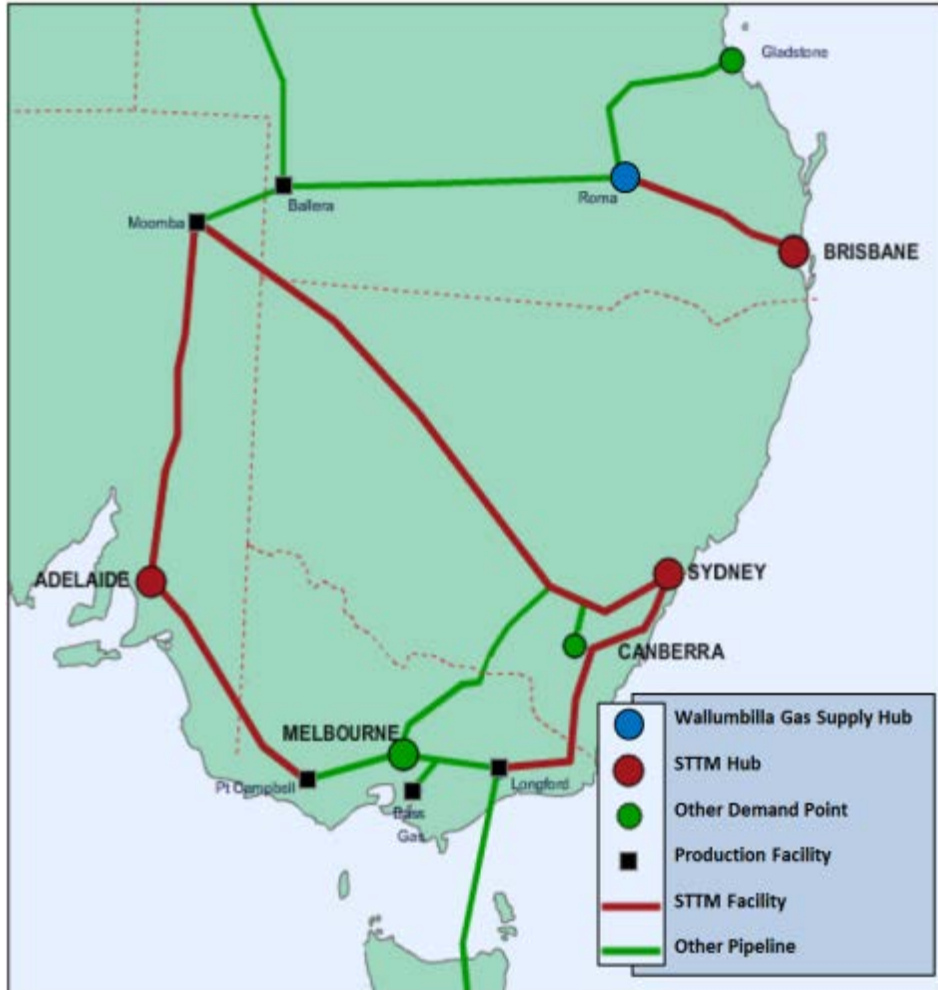
Facilitated Markets



- Victorian Declared Wholesale Gas Market
 - Net pool with market carriage
 - AEMO sets price based on bids and offers
 - AEMO provides shared transmission network services on behalf of the pipeline owner
 - AEMO prepares the Victorian Annual Planning Report
- Short Term Trading Market
 - Gross pool at demand centres
 - AEMO sets price based on bids and offers and schedules volumes
 - Pipeline owners operate the network



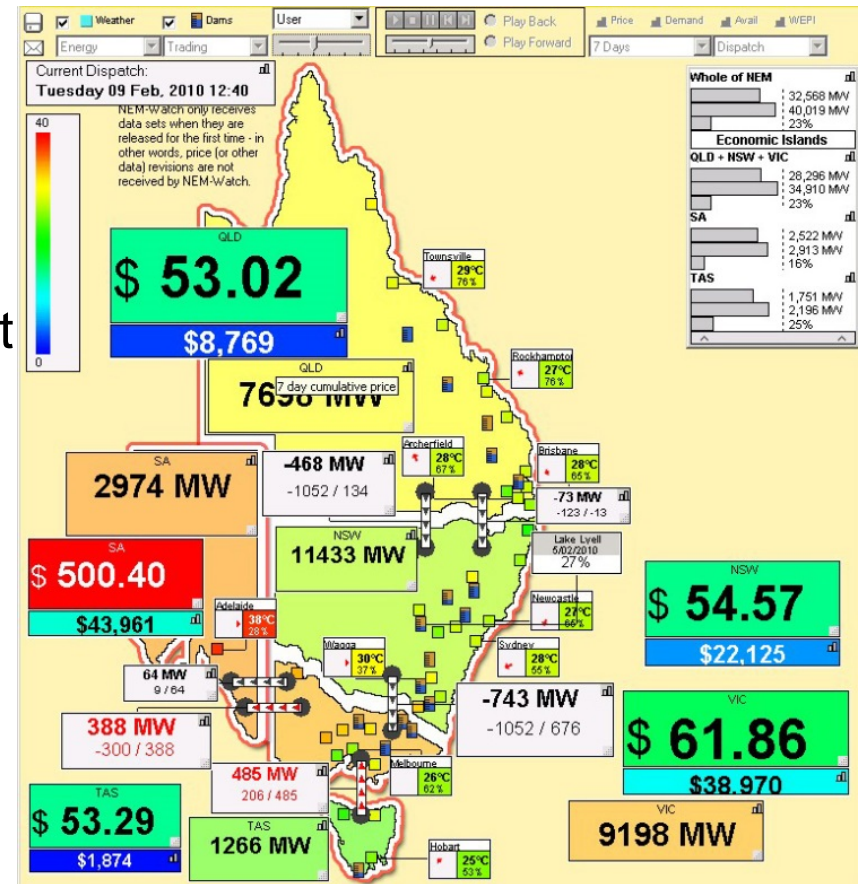
Facilitated Markets



- Wallumbilla Gas Supply Hub
 - Voluntary Market
 - Contract carriage
 - AEMO matches bids and offers - settles trades on a confidential basis
 - AEMO provides a listing service for pipeline capacity for sale to encourage trading
 - Contract carriage model is used for transporting gas between markets

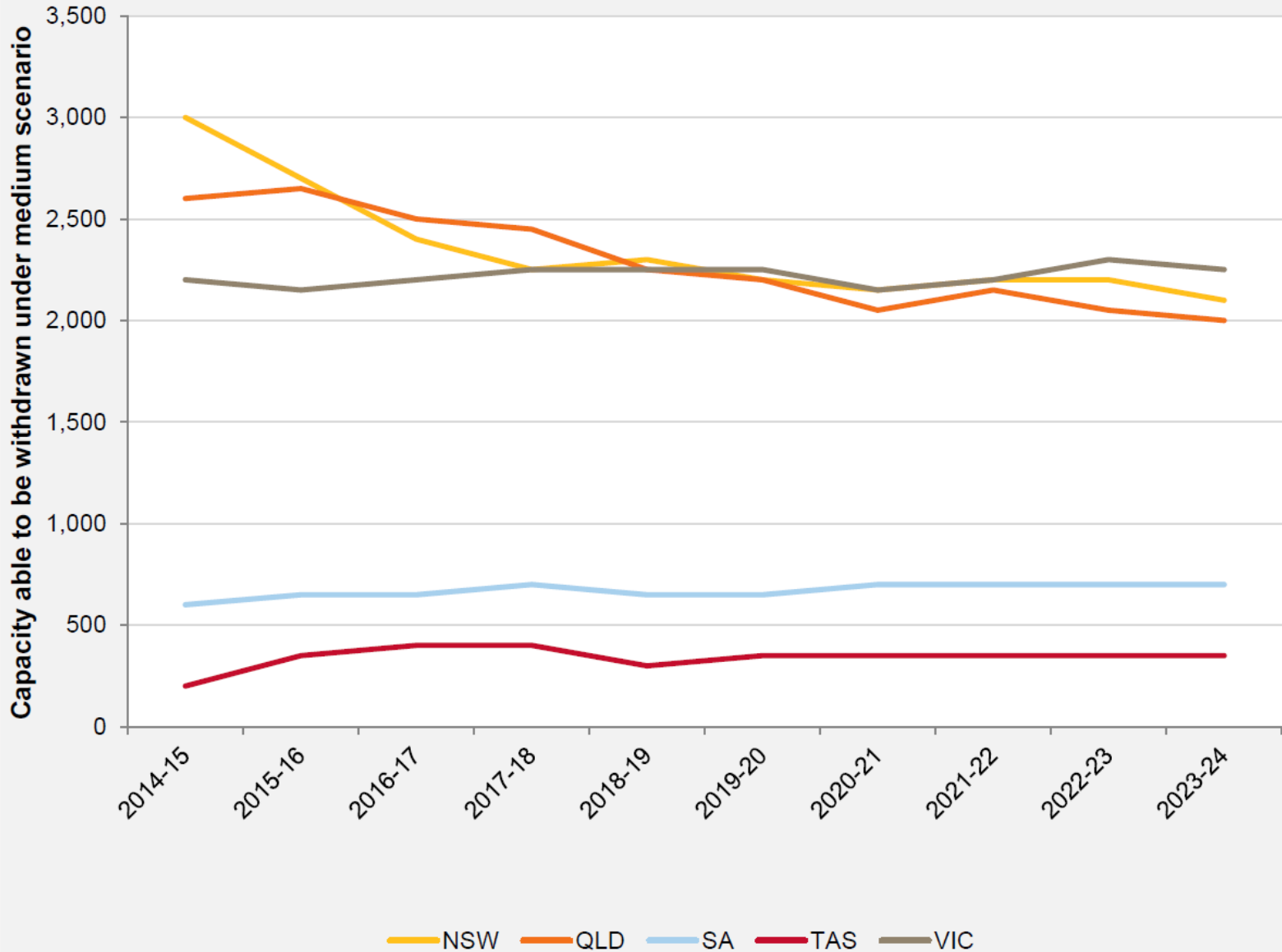


- National Electricity Market further developed than gas market.
- Single integrated eastern market operated by AEMO.
- Networks operated under a market carriage model.
- AEMO responsible for National Transmission Network Development Plan
- Transparent network tariffs regulated by the AER.
- Highly liquid market but high price volatility





Surplus Generation in the NEM

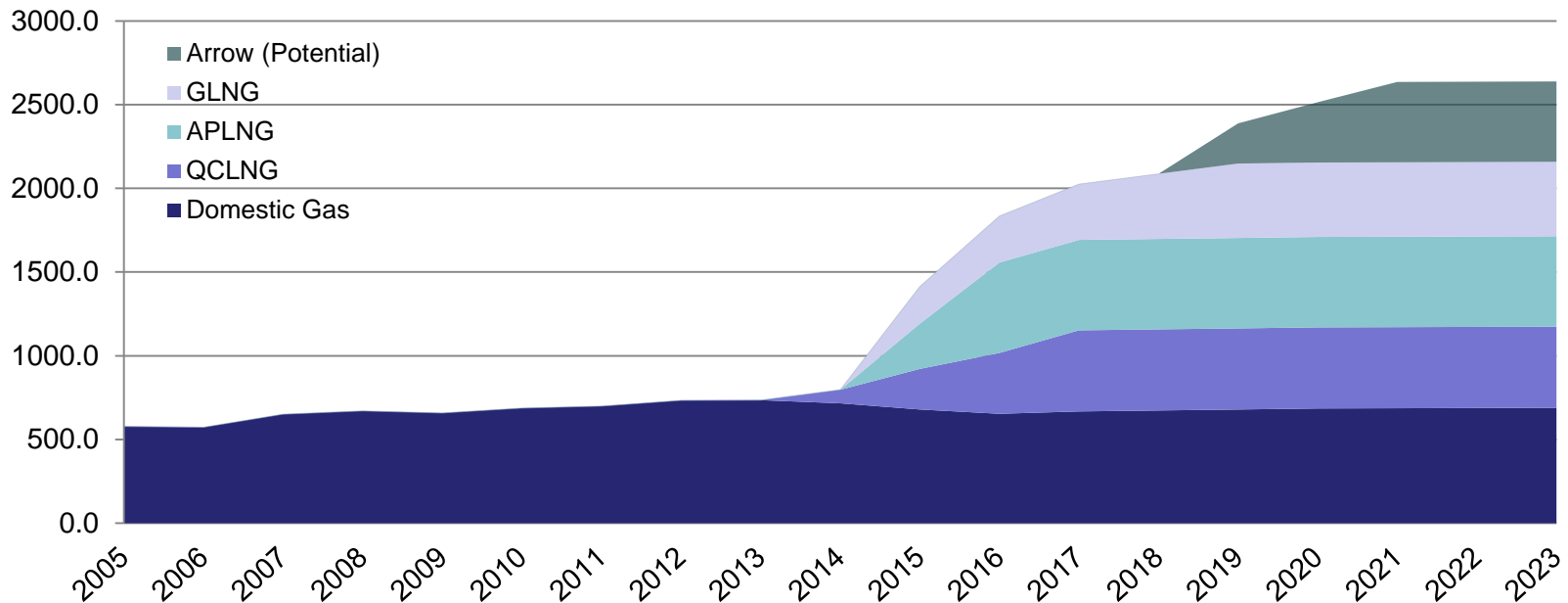




Next Steps

- Recently completed a major study of the eastern market
 - Market transformed with international linkage through LNG exports
 - Opportunities to improve price discovery and risk management
 - Improve trading opportunities, market information tools
 - Market institutions - implement market development initiatives
 - Encourage supply response to rising demand and price
- More details will be provided in the Energy White Paper

East Coast LNG Ramp Up





Questions?



www.industry.gov.au/gas