



**Australian Government**  
**Department of Industry**

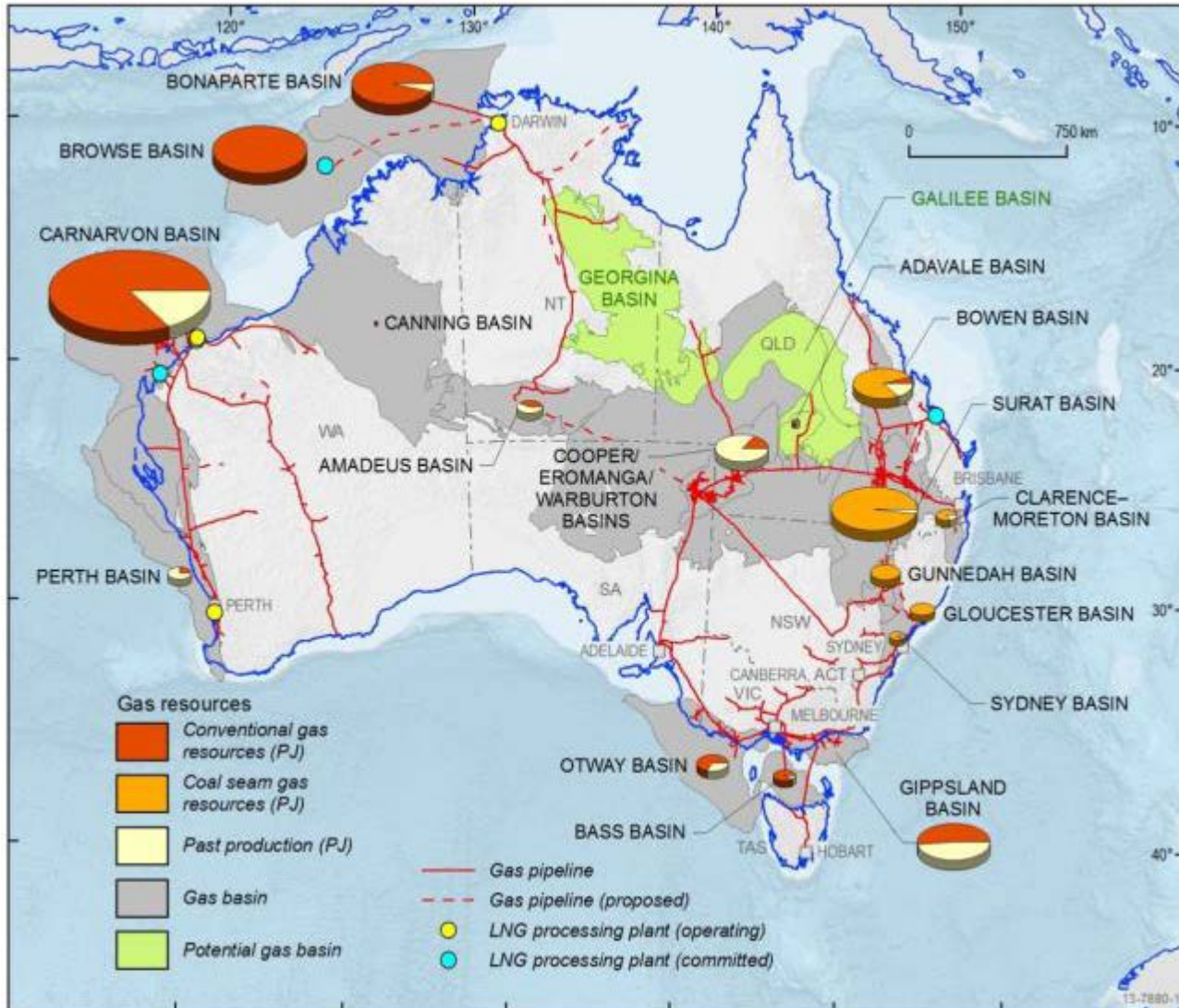
# Australia's Downstream Gas Markets

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Australia

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# Australia's Downstream Gas





**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



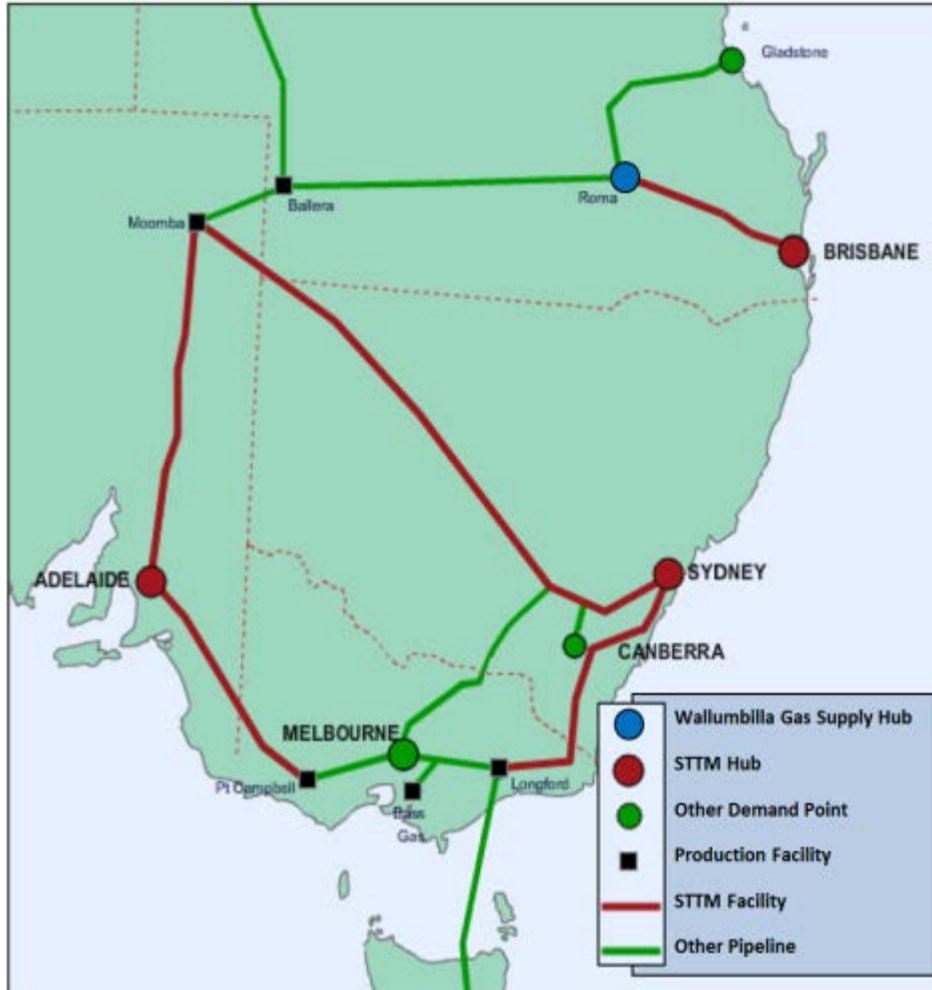
- Primarily bilateral contracts but changing
- Long-term bilateral contracts for wholesale supplies and pipeline, processing and storage access
- Some pipelines regulated for access under the National Gas Law
- Little transparency of price or terms
- Limited market based trading – easier for incumbents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

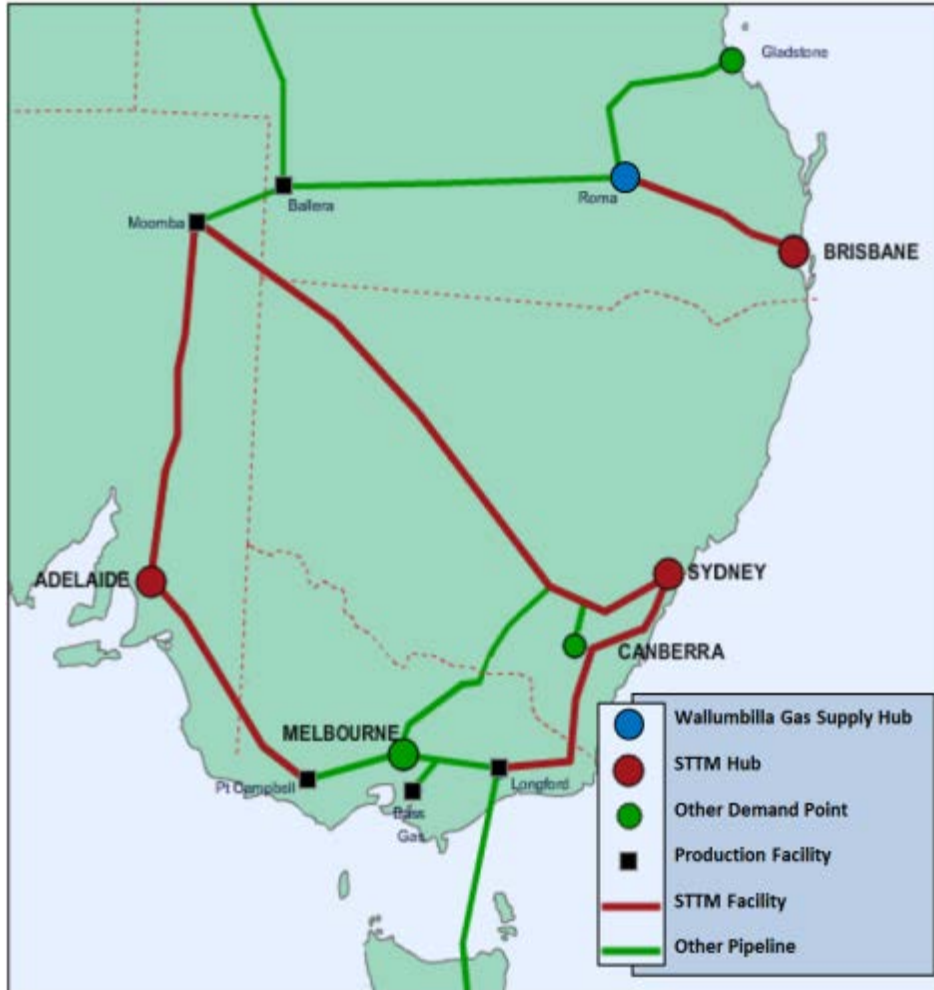


- Victorian Declared Wholesale Gas Market
  - Net pool with market carriage
  - AEMO sets price based on bids and offers
  - AEMO provides shared transmission network services on behalf of the pipeline owner
  - AEMO prepares the Victorian Annual Planning Report
- Short Term Trading Market
  - Gross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





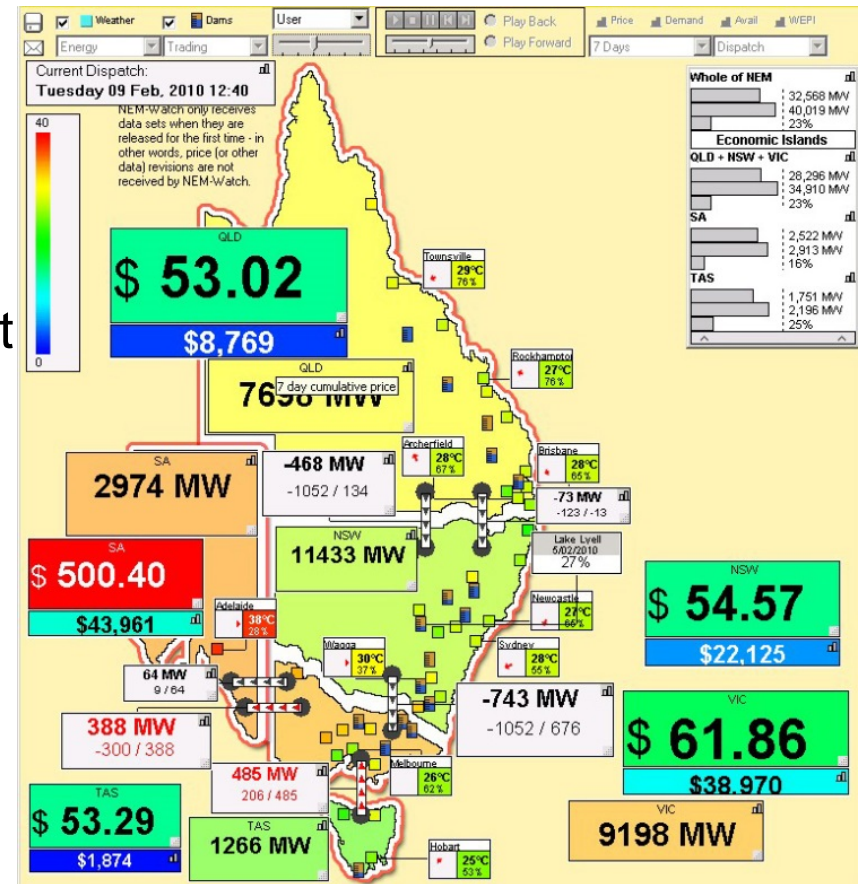
# Facilitated Markets



- 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



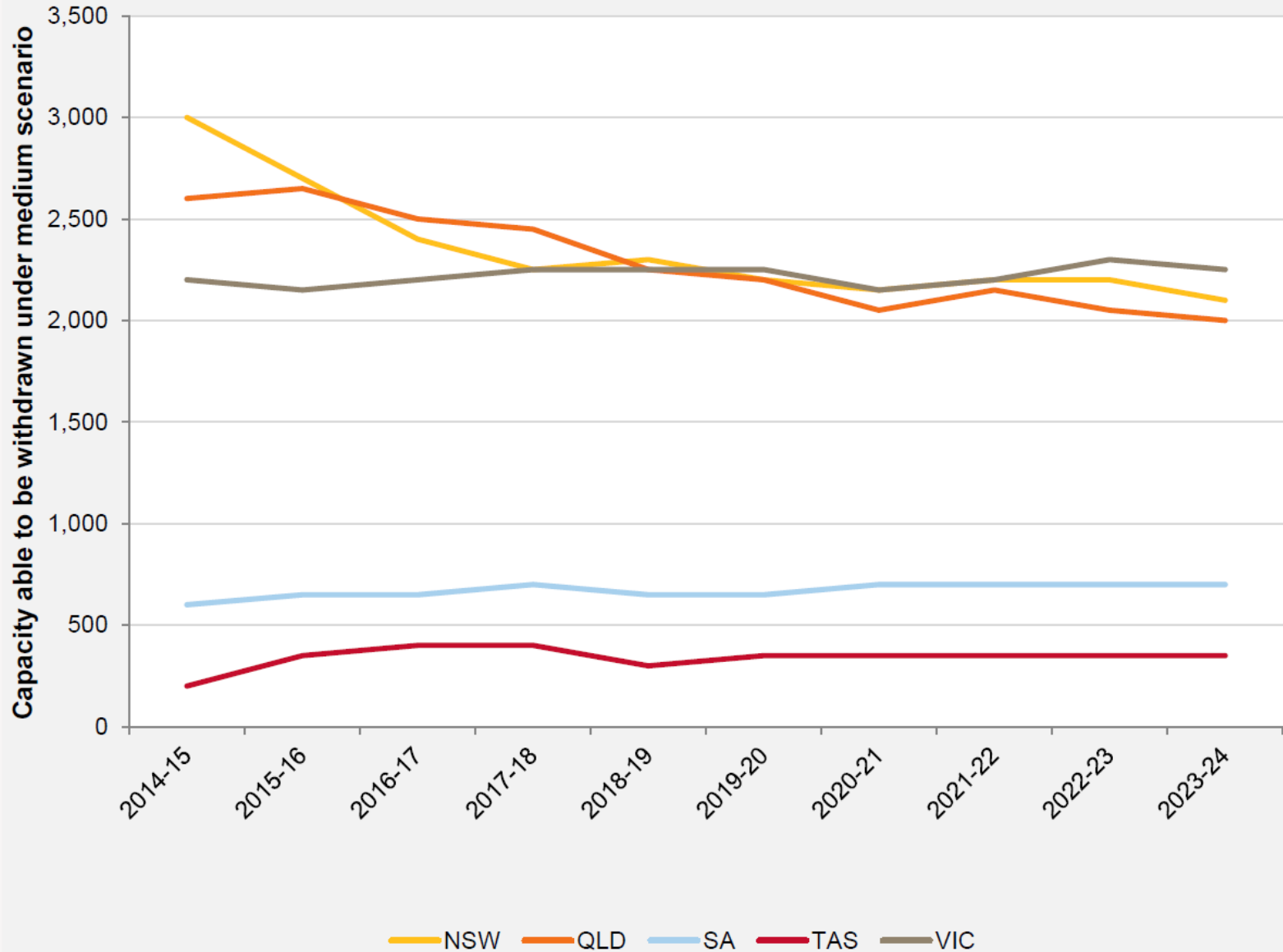
- National Electricity Market further developed than gas market.
- Single integrated eastern market operated by AEMO.
- Networks operated under a market carriage model.
- AEMO responsible for National Transmission Network Development Plan
- Transparent network tariffs regulated by the AER.
- Highly liquid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







# Surplus Generation in the NEM

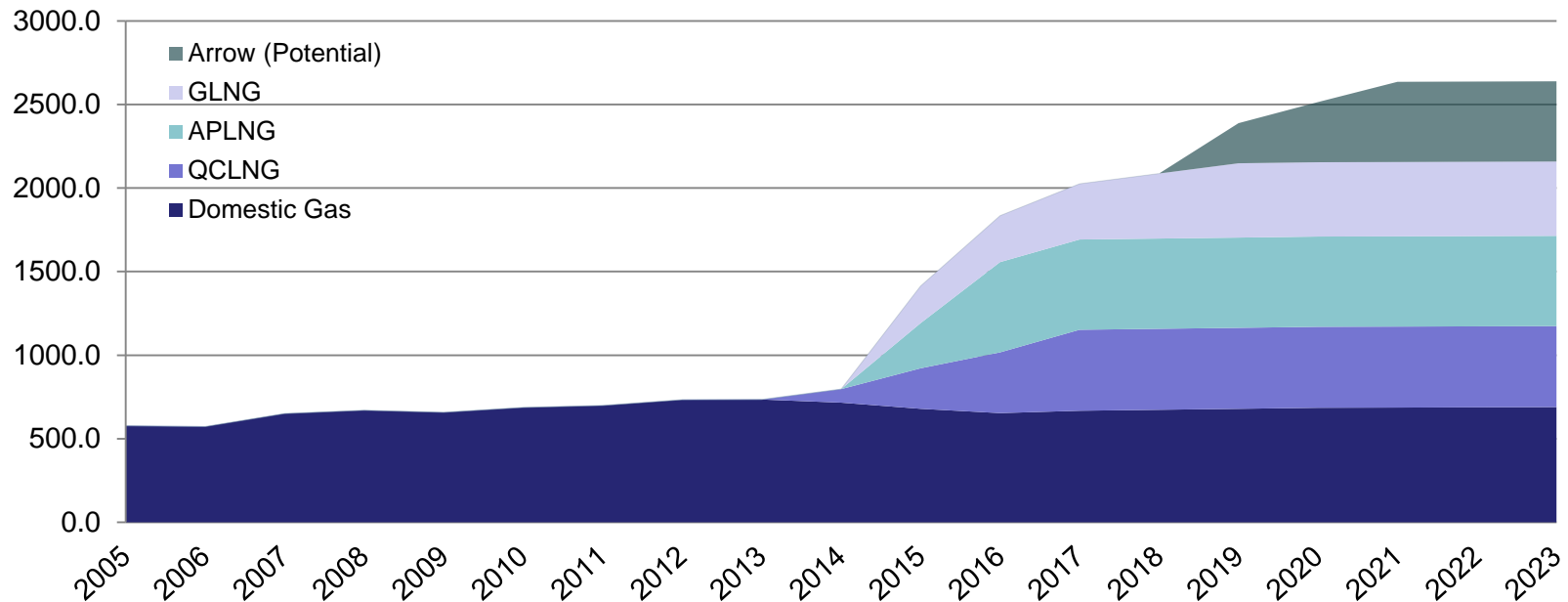




# Next Steps

- 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](http://www.industry.gov.au/gas)