

25 November – 1 December 2018

Weekly Summary

There was overall reduced gas demand across east coast gas markets this week, including a 6 percent decline in South Australia and a 20 percent decline in Victoria. Despite these declines, the average daily price increased by \$0.93/GJ in Adelaide and was largely unchanged in Victoria (+\$0.03/GJ).

There were significant increases in demand for gas for electricity generation in Queensland (52 percent) and South Australia (20 percent).

The ACCC published Wallumbilla netback prices of \$12.50/GJ for November, down slightly from \$13.21/GJ in October. This occurred as high LNG prices maintained across international markets.

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) for the current week, and demand levels, compared to historical averages. Regions shown include 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**).

Figure 1: Average daily prices and demand – all markets (\$/GJ, TJ)¹

	Victoria		Sydney		Adelaide		Brisbane	
	Price	Demand	Price	Demand	Price	Demand	Price	Demand
25 Nov - 01 Dec 2018	10.25	328	11.05	219	11.32	52	10.42	47
% change from previous week	0	-20	-2	1	9	-6	-1	-1
18-19 financial YTD	9.51	659	9.72	260	9.66	68	9.67	72
% change from previous financial YTD	25	-7	18	-1	26	-2	39	-16

¹ Average daily quantities are displayed for each region. The weighted average daily imbalance price applies for Victoria.

Figure 2 sets out price and demand information for the voluntary Wallumbilla and Moomba Gas Supply Hubs (GSH).

Figure 2: Average prices and total quantity – Gas supply hub (\$/GJ, TJ)²

	Moomba		South East Queensland		Wallumbilla	
	Price	Quantity	Price	Quantity	Price	Quantity
25 Nov - 01 Dec 2018	-	-	9.78	114	9.81	38
% change from previous week	-	-	-6	58	-8	-80
18-19 financial YTD	9.40	61	9.72	5055	9.83	2519
% change from previous financial YTD	76	408	40	17	34	54

Figure 3 illustrates the daily prices in each gas market, as defined in figures 1 and 2.

Figure 3: Daily gas market prices (\$/GJ)

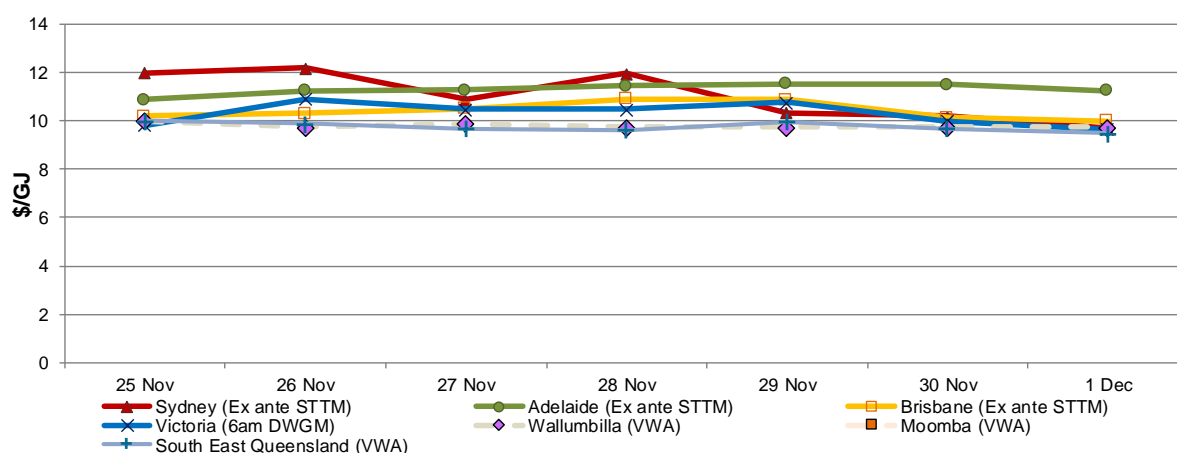


Figure 4 compares average ancillary market payments (VGM) and balancing gas service payments (STTM) against historical averages.

Figure 4: Average ancillary payments (\$000)

	Victoria Ancillary Payments*	Sydney MOS	Adelaide MOS	Brisbane MOS
25 Nov - 01 Dec 2018	-	13.20	3.05	0.55
% change from previous week	-	-17	7	7
18-19 financial YTD		23.26	4.87	1.13
% change from previous financial YTD		-35	-32	-59

* Ancillary payments reflect the compensation costs for any additional injections offered at a price higher than the market price. Note: only positive ancillary payments, reflecting system constraints will be shown here.

² The prices shown for the GSH in Moomba, South East Queensland and Wallumbilla are volume weighted average (VWA) prices for all products traded across the period. The total quantity contributing to the weighted price is displayed for these GSH. Reported values for Moomba are the aggregate of trades on the Moomba to Adelaide Pipeline (MAP) and the Moomba to Sydney Pipeline (MSP). Historic trades for RBP and SWQP are grouped under WAL, (including in-pipe trades on the RBP).

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

Figure 5 shows the quantity and volume weighted prices of products traded in the Gas Supply Hub locations at Moomba, South East Queensland and Wallumbilla.

Figure 5: Gas supply hub products traded for the current week (\$/GJ, TJ)

	Moomba		South East Queensland		Wallumbilla*	
	VWA price	Quantity	VWA price	Quantity	VWA price	Quantity
Balance of day	-	-	9.93	6.0	10.00	2.0
Daily	-	-	9.91	62.0	9.75	11.0
Day ahead	-	-	9.58	46.0	9.82	25.0
Weekly	-	-	-	-	-	-
Monthly	-	-	-	-	-	-
Total	-	-	9.78	114.0	9.81	38.0

* includes non-netted (off-market) trades.

Figure 6 shows Bulletin Board pipeline flows for the three LNG export pipeline facilities and the production output at related production facilities in the Roma region.

Figure 6: Average daily LNG export pipeline and production flows (TJ)*

	APLNG	GLNG	QCLNG	Total
Production	1486	865	1567	3918
Export Pipeline Flows	1505	862	1236	3604
% change from previous week (pipeline flows)	-2	12	-1	2
18-19 financial YTD Flows	1372	798	1260	3430

* Production quantities represent flows from facilities operated by APLNG, Santos and QGC. Gas from individual facilities may also supply the domestic market, other LNG projects or storage facilities.

Detailed market analysis

Victoria

Reduced demand in the Victorian and Adelaide markets was associated with warmer spring weather across both Victoria and South Australia and reduced gas demand for household heating. Daily maximum temperatures in Melbourne persisted above 20 degrees across the working week, as opposed to some cold (sub 20 degree) maximums the previous week that corresponded with higher gas demand on those days.

Due to onshore and offshore maintenance, Longford Gas Plant's daily production capacity was limited to around 660 TJ throughout the week. On average, Longford produced approximately 645 TJ/day over the week.

There were 214 Victorian gas futures products were traded throughout November, indicating a forward price of between \$10.45-11/GJ for deliveries in 2019. Each contract is denominated by a standardised gas quantity of 100 GJ/day. As of the end of November 2018, there were 449 gas futures contracts kept open for hedging or speculation.

South Australia

South Australia's reduced household demand was partly offset by a 20 percent increase in demand for gas from local gas powered electricity generators (GPG). The increased reliance on GPG corresponded with a near 50 percent reduction in generation from South Australian wind farms from the previous week. In such instances, GPG is more likely to set the marginal price for gas and contribute to higher prices (noting that Adelaide's average daily price increased \$0.93/GJ despite reduced gas demand).

Queensland

There was a 53 percent increase in demand for gas for GPG in Queensland. This corresponded with higher electricity demand for cooling during hot weather. High daily temperatures during the week included a 38 degree day in Brisbane on 28 November. This was the fourth highest day of gas demand (165 TJ) from Queensland electricity generators since the end of the 2018 winter.

Wallumbilla netback prices and Gladstone LNG exports

The ACCC reported Wallumbilla netback prices of \$12.50/GJ for November 2018 which were higher than domestic prices in short-term markets. LNG export volumes increased in November, alongside relatively high international LNG prices during October and November, with 28 cargoes leaving Gladstone. Since all three Queensland export projects became fully operational, the average monthly export volume has been 26 cargoes, with the record export volumes occurring in December 2017 at 30 cargoes.

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. The imbalance weighted price on a gas day tends towards the 6 am price³ which is the schedule at which most gas is traded.

The main drivers⁴ of price are demand forecasts and bids to inject or withdraw gas from the market. Figures 1.1 to 1.4 below show the daily prices, demand forecasts⁵, and injection/withdrawal bids for each of the five pricing schedules. 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 injection bids cleared through the market.

Ancillary payments for gas injected above the market price are shown above in figure 3.

Figure 1.1: Prices by schedule (\$/GJ)

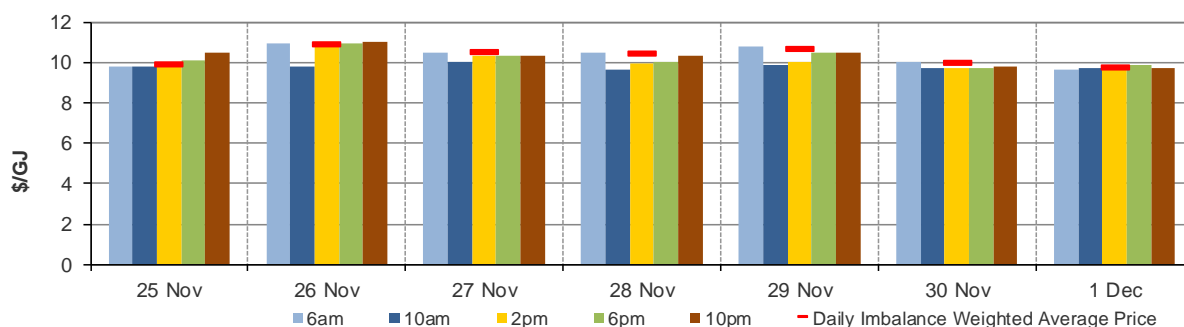
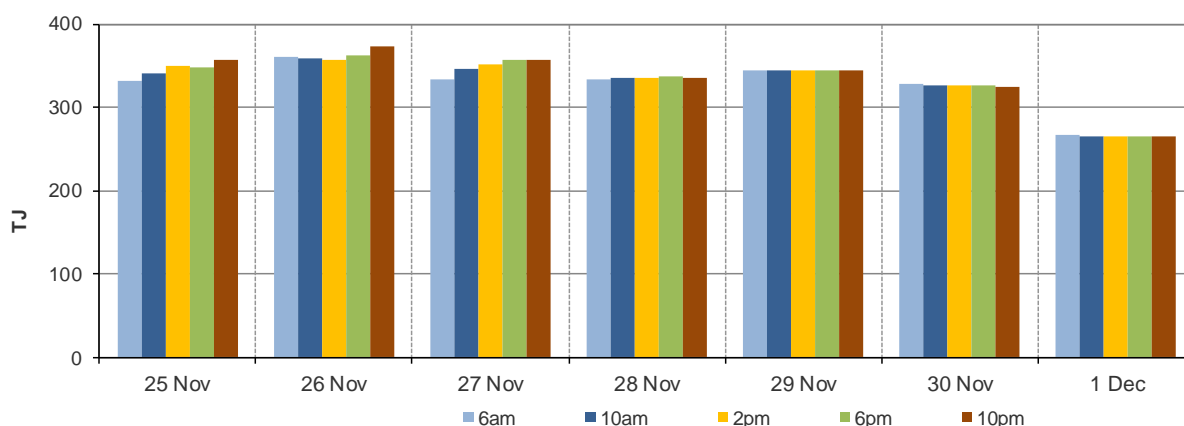


Figure 1.2: Demand forecasts (TJ)



³ Prices for subsequent schedules are applied only to the differences in scheduled quantities (imbalances) to calculate the weighted price. The 6 am price applies to the entire scheduled quantity in the initial schedule.

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.

⁵ These are Market Participants' aggregate demand forecasts adjusted for any override as applied by AEMO from time to time. These forecasts must be scheduled and cannot respond to price like withdrawal bids.

Figure 1.3: Injection bids by price bands (TJ)

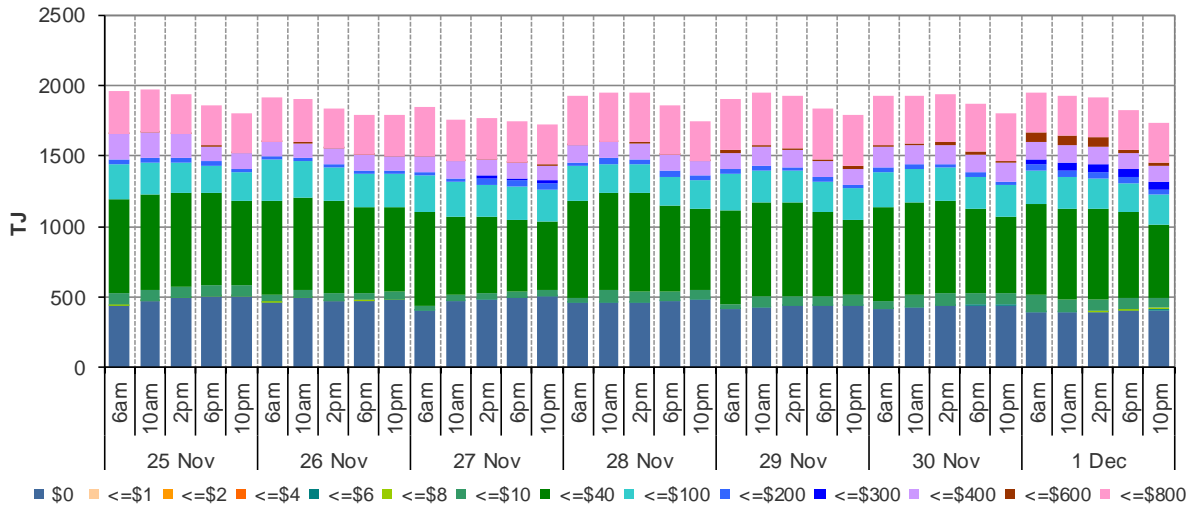


Figure 1.4: Withdrawal bids by price bands (TJ)

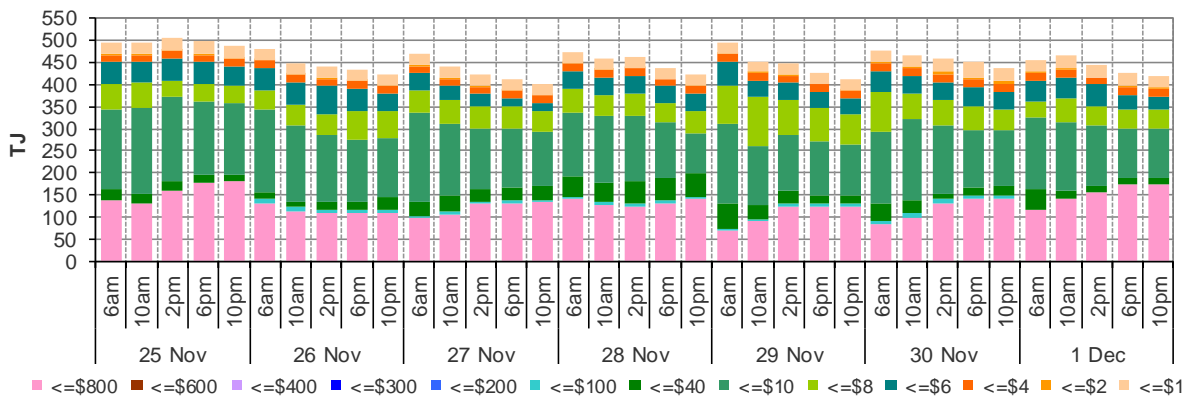
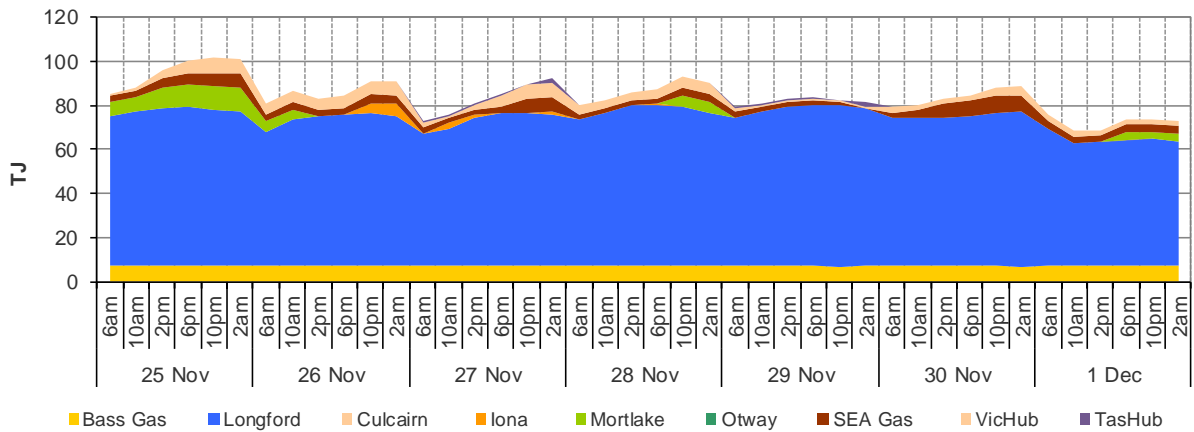


Figure 1.5: Metered Injections by System Injection Point (TJ)



Note that in figure 1.5, the last 8-hour schedule from 10 pm has been separated into two 4-hour blocks to provide a consistent comparison with earlier scheduled injection volumes.

2. Sydney STTM

In each STTM hub, a daily gas price is calculated before the gas day (the ex ante price) and after the gas day (the ex post price). The main drivers of these prices are participant demand forecasts, and offers to inject or bids to withdraw gas traded at the hub.⁶ Divergences in ex ante and ex post prices for a gas day may occur due to differences in scheduled (forecast) and allocated (actual) quantities. Pipeline acronyms are defined in the [user guide](#).

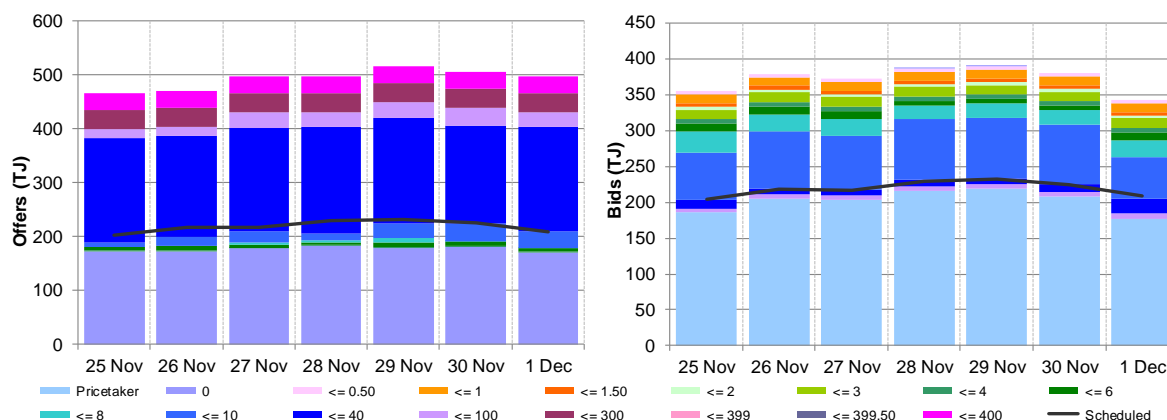
Market Operator Service balancing gas (MOS) payments arise because the amount of gas nominated on pipelines for delivery on a gas day will either exceed or fall short, by some amount, of the amount of gas consumed in the hub. In such circumstances, MOS payments are made to participants for providing 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 to supply the hub, 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)	12.00	12.20	10.89	11.98	10.35	10.20	9.72
Ex ante quantity (TJ)	204	218	216	230	233	225	209
Ex post price (\$/GJ)	9.35	11.91	9.70	11.98	10.49	10.00	9.86
Ex post quantity (TJ)	176	209	208	231	237	224	212

Figure 2.2: SYD daily hub offers and 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 (MOS 'commodity' payments/charges).

Figure 2.3: SYD net scheduled and allocated gas hub supply (excluding MOS)

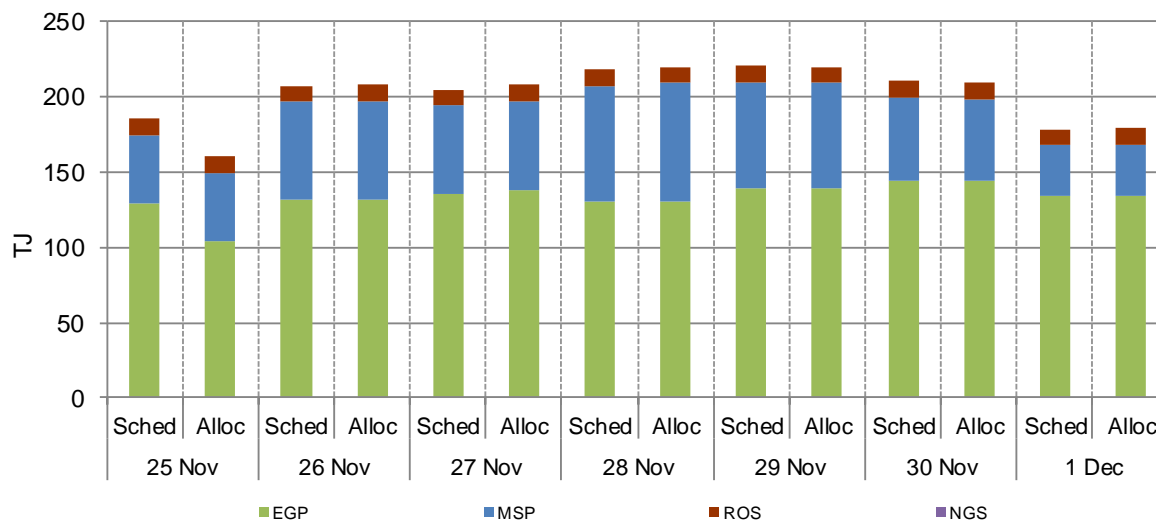
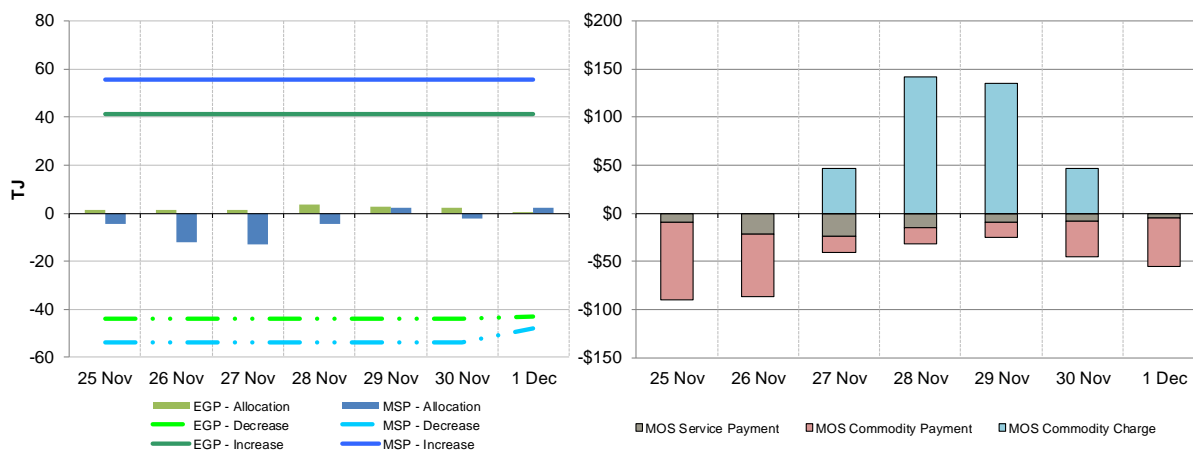


Figure 2.4: SYD MOS allocations (TJ), service payments and commodity payments/charges (\$000)⁸



⁸ The commodity cost of MOS illustrated on the right of the figure represents the commodity quantity at the D+2 ex ante price. Commodity payments and charges for a given gas day relate to quantities traded two days earlier. That is, the commodity cost for services provided on Sunday will appear in the chart for Tuesday, when the D+2 price is set. In contrast, service payments are shown alongside the day they occurred.

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)	10.88	11.27	11.29	11.47	11.54	11.50	11.27
Ex ante quantity (TJ)	44	53	59	59	56	52	39
Ex post price (\$/GJ)	11.00	11.48	11.29	11.47	11.54	11.50	11.49
Ex post quantity (TJ)	47	55	58	60	56	52	43

Figure 3.2: ADL daily hub offers and daily hub bids in price bands (\$/GJ)

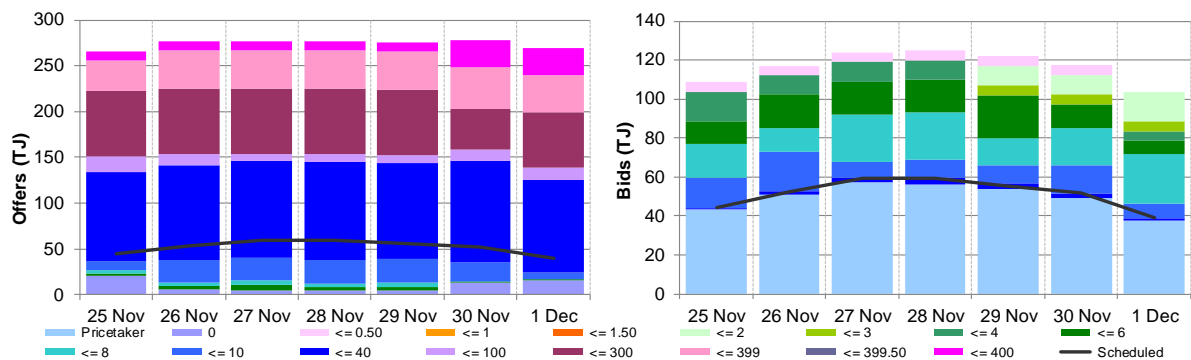


Figure 3.3: ADL net scheduled and allocated gas hub supply (excluding MOS)

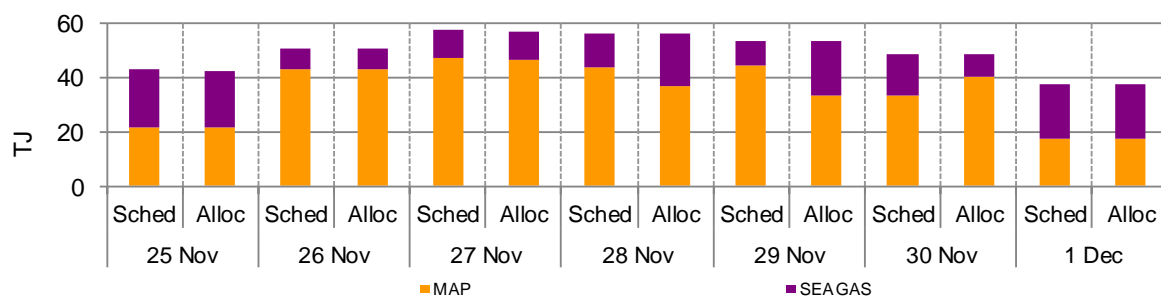
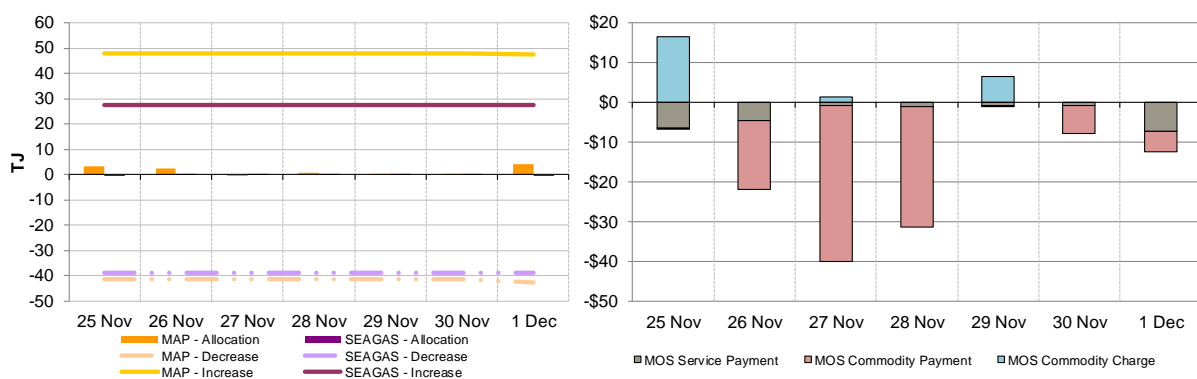


Figure 3.4: ADL MOS allocations (TJ), service payments and commodity payments/charges (\$000)



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)	10.20	10.31	10.52	10.90	10.88	10.15	10.01
Ex ante quantity (TJ)	41	52	50	49	51	50	39
Ex post price (\$/GJ)	10.20	10.50	10.95	10.90	11.25	10.15	10.11
Ex post quantity (TJ)	41	52	53	53	53	49	41

Figure 4.2: BRI daily hub offers and daily hub bids in price bands (\$/GJ)

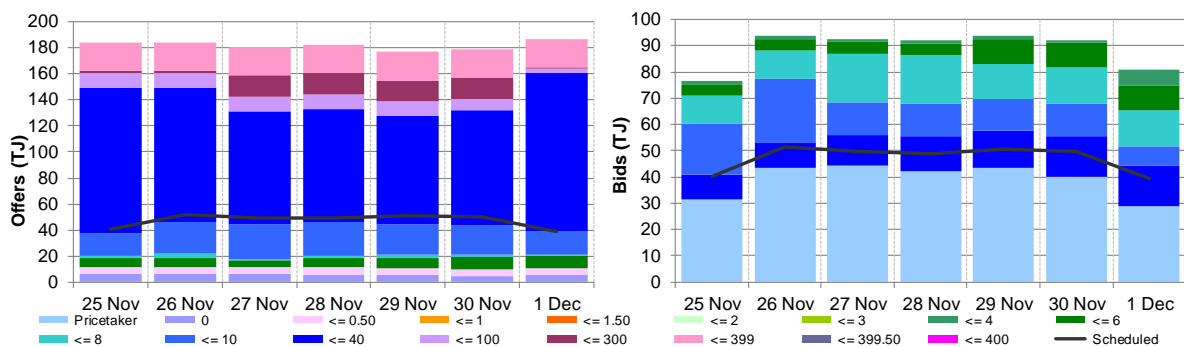


Figure 4.3: BRI net scheduled and allocated gas hub supply (excluding MOS)

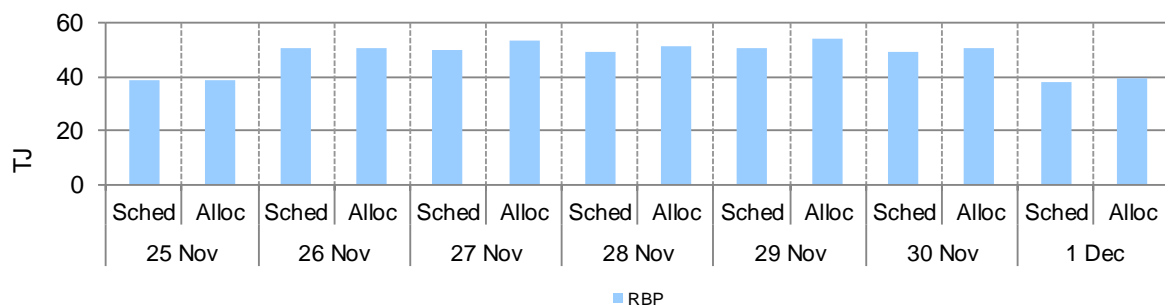
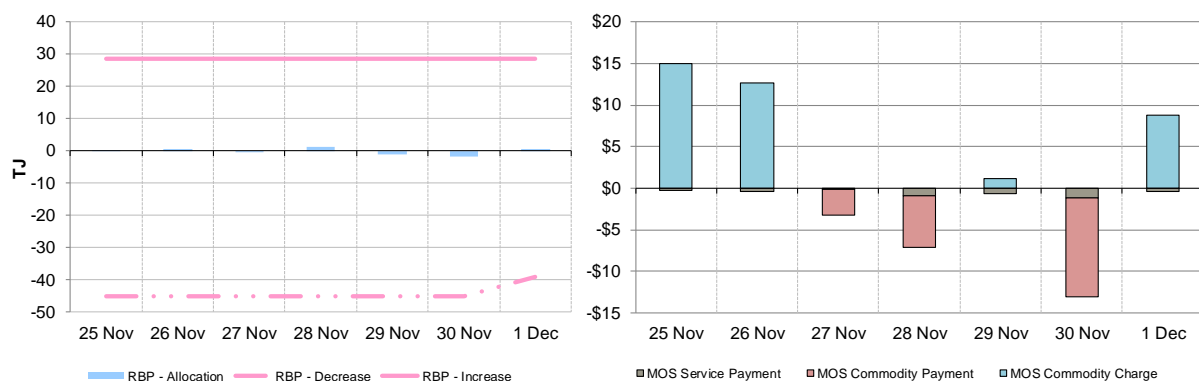


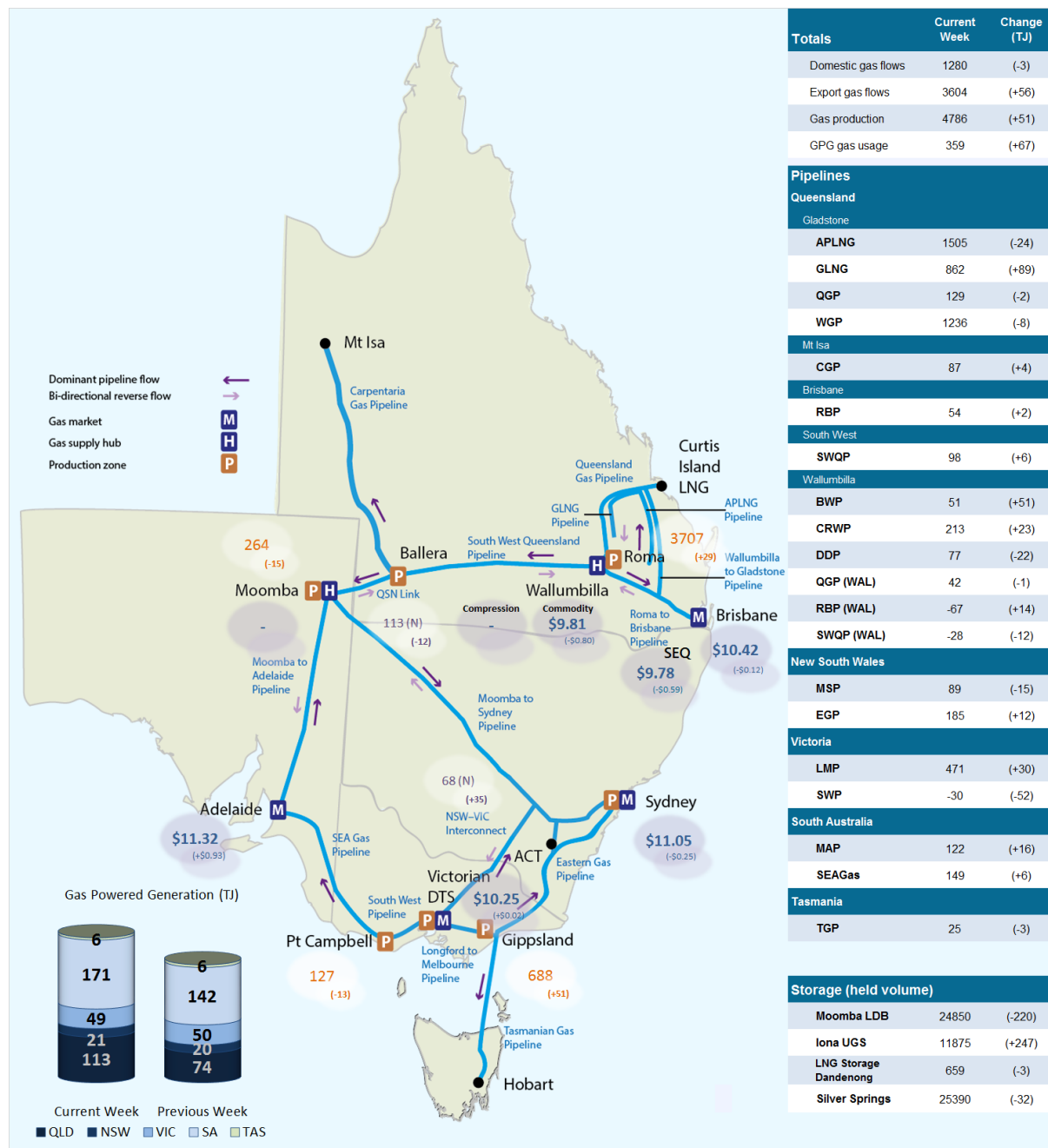
Figure 4.4: BRI MOS allocations (TJ), service payments and commodity payments/charges (\$000)



5. National Gas Bulletin Board

Figure 5.1 shows average daily actual flows for the current week⁹ from the Bulletin Board (changes from the previous week's average are shown in brackets). Average daily prices¹⁰ are provided for gas markets and gas supply hubs. Average daily quantities are provided for gas powered generation for each region.

Figure 5.1: Gas market data (\$/GJ, TJ); Bulletin Board flows (TJ)¹¹



⁹ Domestic gas flows are calculated as the total of: SA = MAP + SEAGAS; VIC = SWP + LMP + (flows towards Victoria on the 'NSW-VIC interconnect'); NSW/ACT = EGP + MSP; TAS = TGP; QLD (Brisbane) = RBP; QLD (Mt Isa) = CGP; and QLD (Gladstone) = QGP.

Export gas flows are calculated as the total of: the APLNG pipeline; the GLNG pipeline; and the Wallumbilla to Gladstone pipeline.

GPG volumes may include gas usage that does not show up on Bulletin Board pipeline flows.

¹⁰ GSH supply is the average daily volume of gas 'traded', while price is a volume weighted average. Optional hub services (for compression and redirection) are shown separately from commodity trades.

¹¹ Net flows are shown for Bulletin Board facilities, as outlined in the [user guide](#).

6. Gas Supply Hub

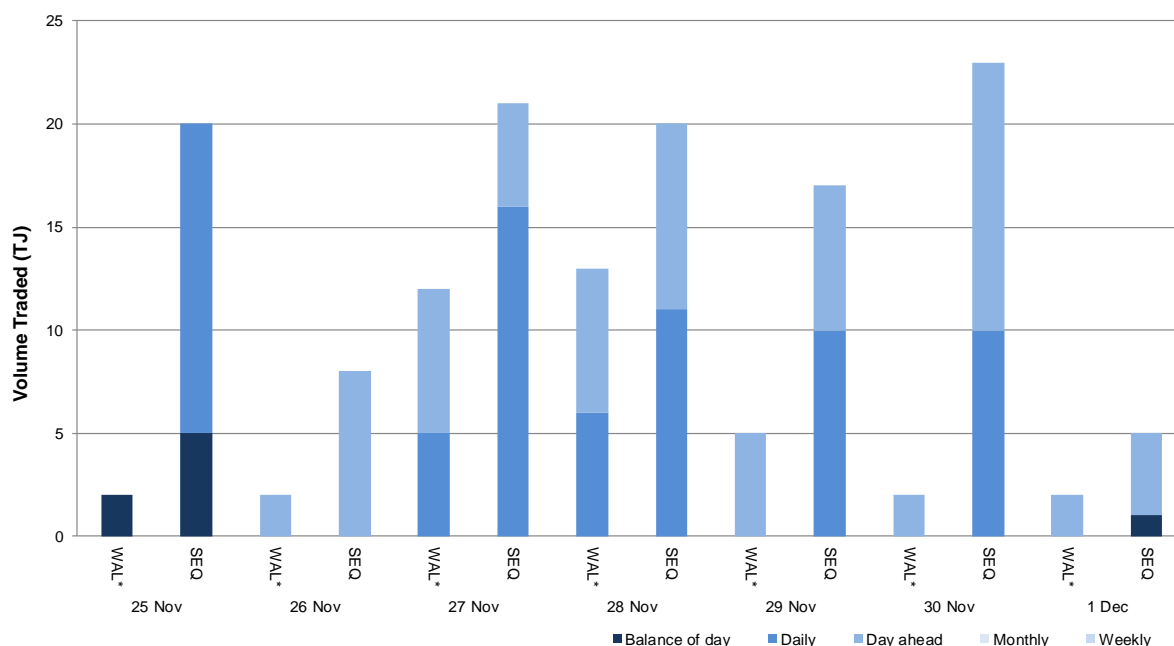
The gas supply hub was established at Wallumbilla in March 2014 to facilitate the voluntary trading of gas between participants, with products listed for sale and purchase at delivery points on three major connecting pipelines. There are separate products for each trading location and delivery period (daily, day-ahead, balance-of-day, weekly and monthly products).¹²

The Moomba hub commenced operation from June 2016 to further facilitate trading on the **MAP** and **MSP**, with trading between the two hubs on the SWQP via a spread product (representing the price differential between the hubs). From October 2016, the addition of a Wallumbilla Compression Product was introduced to facilitate the supply hub's transition from three different trading locations into one. From March 2017, Wallumbilla transitioned into an optional hub services model, replacing the three trading locations (QGP, SWQP and RBP) with a single product at Wallumbilla (**WAL**) and an in-pipe RBP trading location at South East Queensland (**SEQ**).

This week there were 44 trades for 152 TJ of gas at a volume weighted price of \$9.79/GJ. These consisted of 12 trades at WAL (38 TJ at \$9.81/GJ) and 32 trades at SEQ (114 TJ at \$9.78/GJ). There were 10 spread trades.

Figure 6.1 shows the quantity of gas traded by product type for each trading day on pipeline trading locations in the Wallumbilla and Moomba Gas Supply Hubs.¹³

Figure 6.1: GSH traded quantities



Australian Energy Regulator January 2019

¹² Additional information on trading locations and available products is detailed in the [user guide](#).

¹³ Non-netted (off-market) trades, allowing the selection of specific delivery point at a trading location, are included with other Wallumbilla trades (WAL*).