

28 January – 3 February 2018

Weekly Summary

There were small changes to prices and demand across all markets this week, with the exception of unchanged prices and demand in the Sydney market. The small price growth in Victoria and Adelaide was a continuation of the trend in increasing wholesale prices, in those markets, since the beginning of 2018.

After increasing weekly, since the beginning of 2018, there was a 29 per cent drop in gas demand for electricity generation across the east coast (refer **figure 5.1**).

Gas production from Queensland's Roma region remained historically high, approaching record levels throughout the week.

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
28 Jan - 03 Feb 2018	9.63	360	9.78	221	8.78	37	8.14	123
% change from previous week	3	2	0	0	6	6	2	2
17-18 financial YTD	7.70	599	8.29	250	7.79	61	7.21	91
% change from previous financial YTD	-2	5	9	1	-7	-4	-8	8

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
28 Jan - 03 Feb 2018	-	-	8.20	315	8.50	40
% change from previous week	-	-	-3	192	0	-65
17-18 financial YTD	5.33	12	7.20	5718	7.58	2398
% change from previous financial YTD	-	-	-	-	-8	-59

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

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

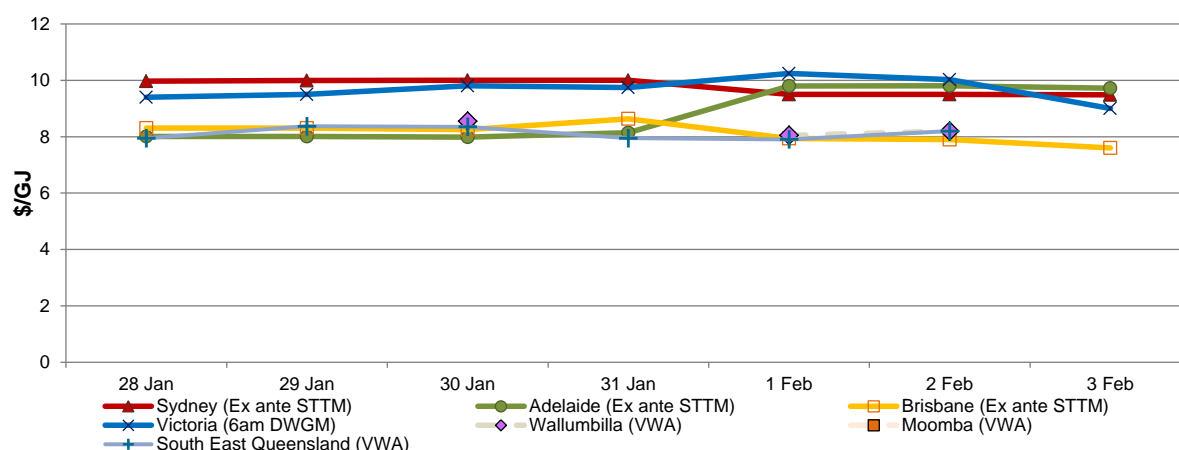


Figure 4 compares average ancillary market payments (VGM) and balancing gas service payments (STTM) against historical averages.

Figure 4: Average ancillary payments (\$000)

	Victoria Ancillary Payments*	Sydney MOS	Adelaide MOS	Brisbane MOS
28 Jan - 03 Feb 2018	-	25.41	2.07	0.88
% change from previous week	-	63	-66	-61
17-18 financial YTD		31.52	6.08	2.53
% change from previous financial YTD		-43	-74	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.

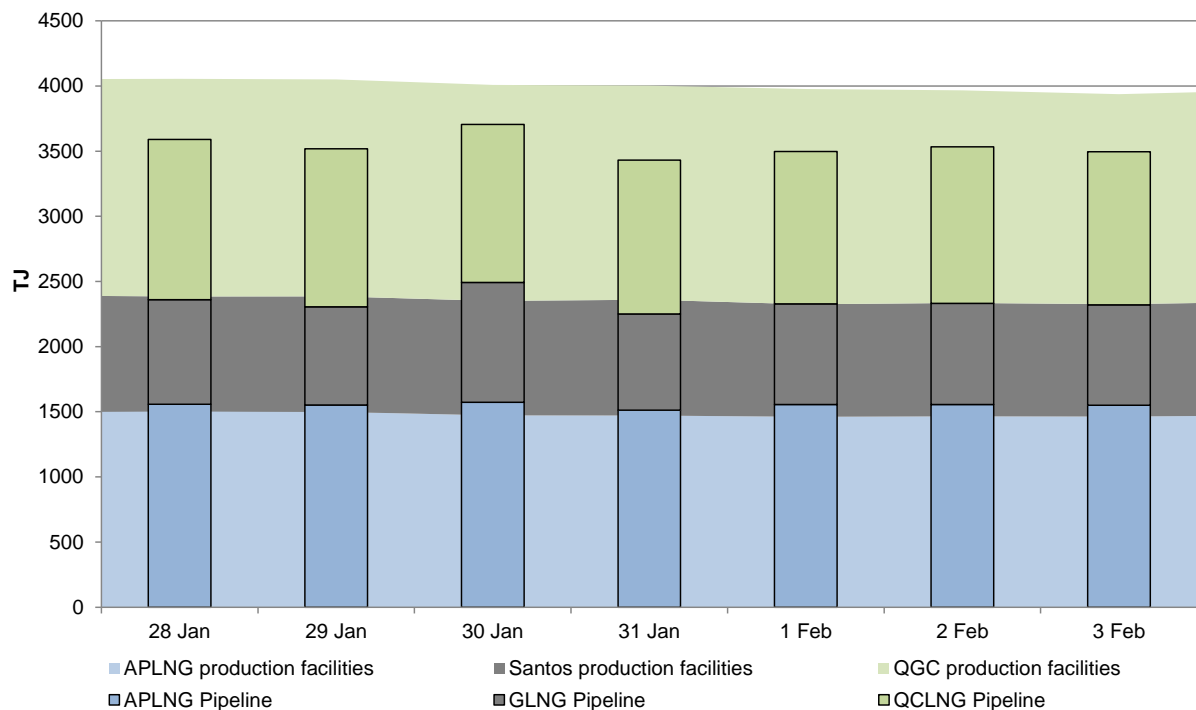
Figure 5: Gas supply hub products traded for the current week (\$/GJ, TJ)

	Moomba		South East Queensland		Wallumbilla*	
	VWA price	Quantity	VWA price	Quantity	VWA price	Quantity
Balance of day	-	-	7.96	6.0	-	-
Daily	-	-	8.25	62.0	8.20	2.0
Day ahead	-	-	8.11	22.0	8.05	3.0
Weekly	-	-	8.20	70.0	8.55	35.0
Monthly	-	-	8.20	155.0	-	-
Total	-	-	8.20	315.0	8.50	40.0

* 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: LNG export pipeline and production flows (TJ)*



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

Detailed market analysis

Gas powered generation

Demand for gas for electricity generation declined by 29 per cent across the east coast this week. This ended the week-on-week growth in gas demand from electricity generators since the beginning of 2018. There were large declines in South Australia (33 per cent), Victoria (39 per cent) and NSW (67 per cent). As shown at **figure 5.1**, the decline in NSW relates to much smaller gas volumes than the declines in South Australia and Victoria.

Demand for gas powered generation (GPG) has been temperature sensitive in 2018, with days of high GPG usage aligning with days of hot weather (when there is higher electricity demand for cooling). This week, there were milder daily temperature maximums in Melbourne and Adelaide and lower GPG gas demand compared to previous weeks. The exception was Sunday, 28 January, which saw maximum temperatures in the vicinity of 40 degrees in Melbourne and Adelaide, leading to Victoria's highest (212 TJ) and South Australia's 4th highest (297 TJ) day of GPG gas demand for the 2018 year-to-date. Cooler weather, over subsequent days, saw GPG usage drop to much lower levels.

Prices in southern markets

Historically, summer gas demand in Victoria (typically 300-400 TJ/day) is significantly lower than the winter peak (typically 1000 TJ/day). This means that GPG can represent a significant proportion of overall gas demand during hot weather. Despite the decreased gas demand for electricity generation this week, GPG remained a sizeable component of overall gas demand. At approximately 25 per cent of overall demand across the week, GPG is likely to be a significant driver of Victorian gas prices.

There were smaller wholesale price increases in the Victorian and Adelaide markets this week (following some large week-to-week price increases since the beginning of 2018). Prices are approaching \$10/GJ across southern markets. The Sydney STTM historically sources most of its gas from Victoria and the Sydney price will commonly shadow the Victorian price.

Queensland production

Gas production in South East Queensland's Roma region has been high in early 2018. This week, production averaged 3744 TJ/day, commonly nearing the 3808 TJ production record set on 15 November 2017.

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)

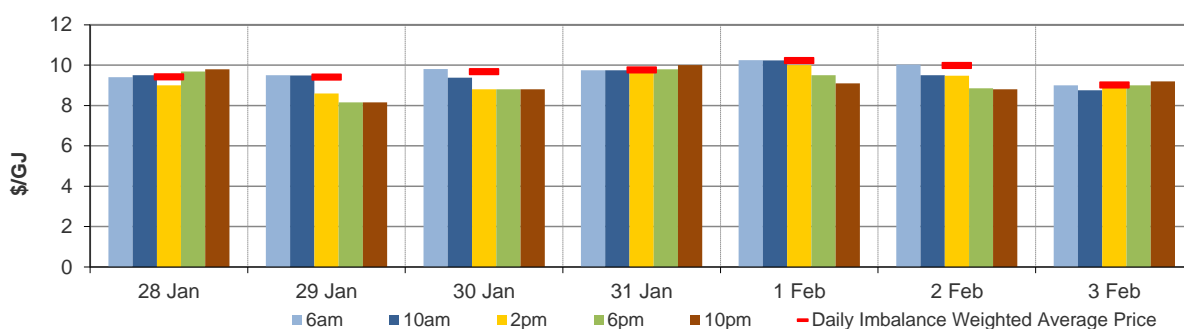
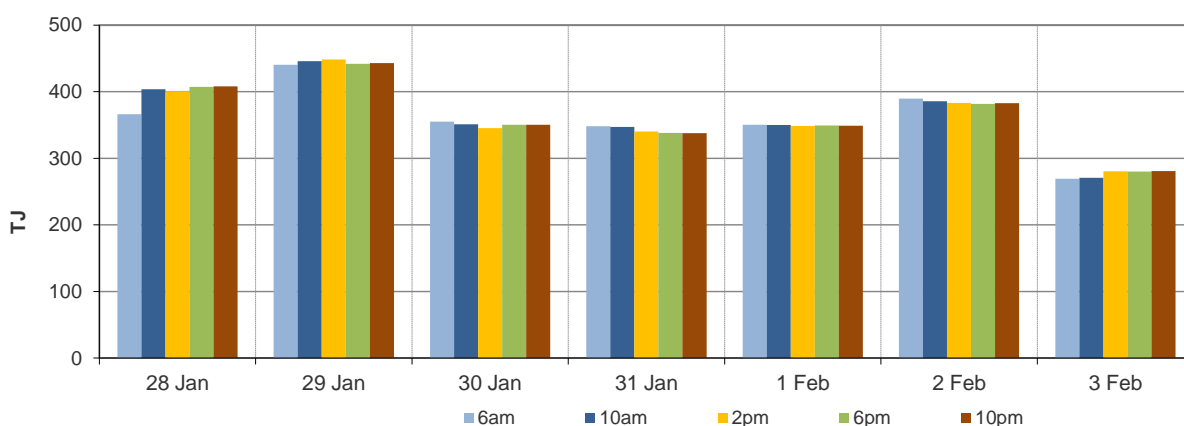


Figure 1.2: Demand forecasts (TJ)



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)

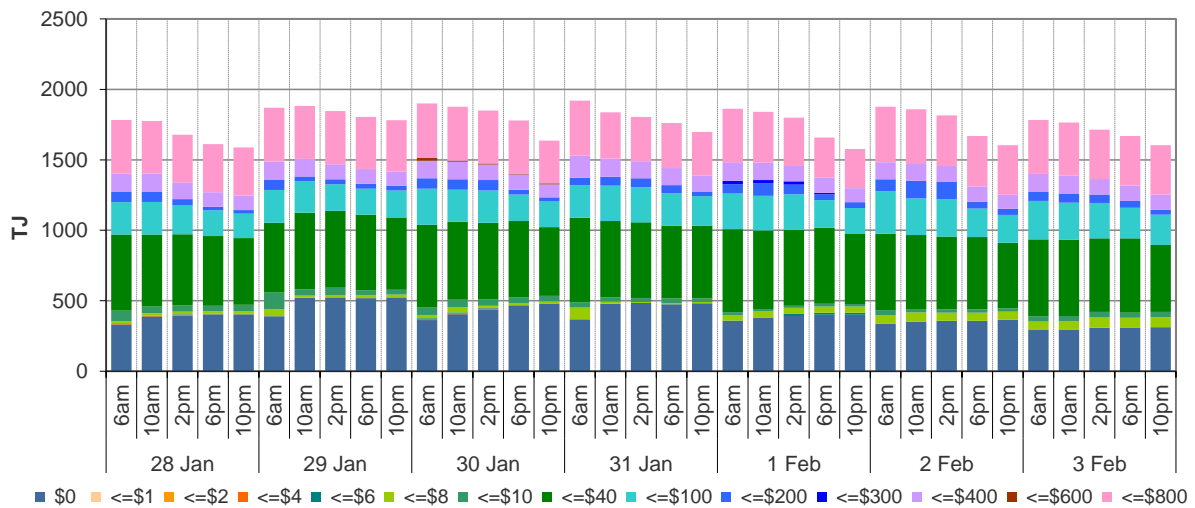


Figure 1.4: Withdrawal bids by price bands (TJ)

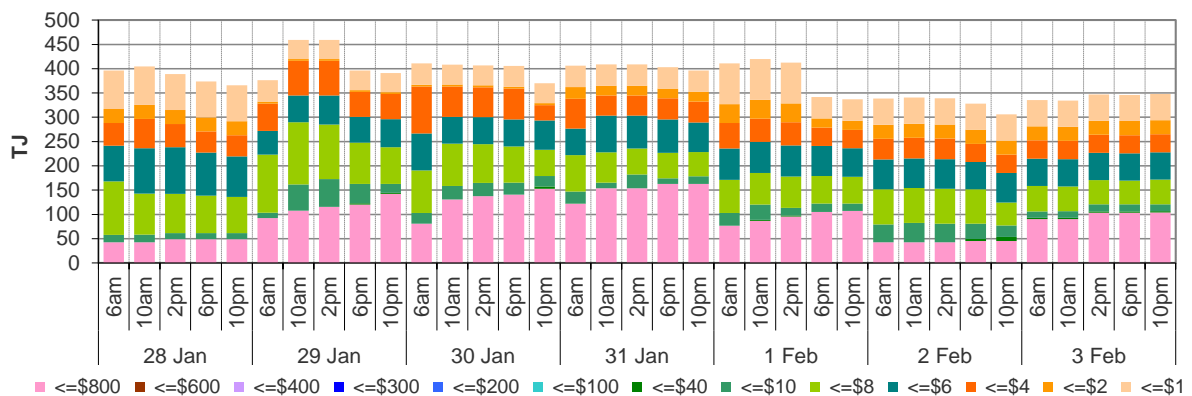
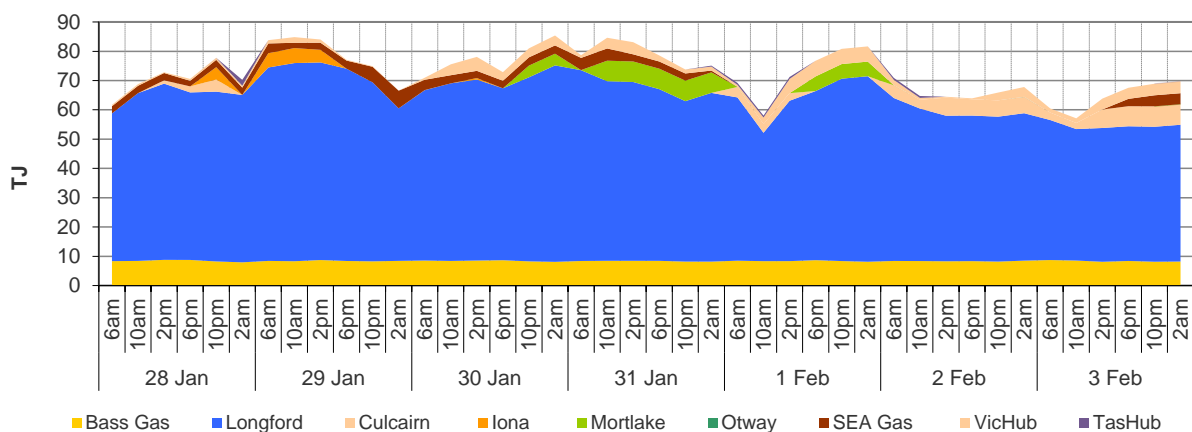


Figure 1.5: Metered Injections by System Injection Point (TJ)



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](#).

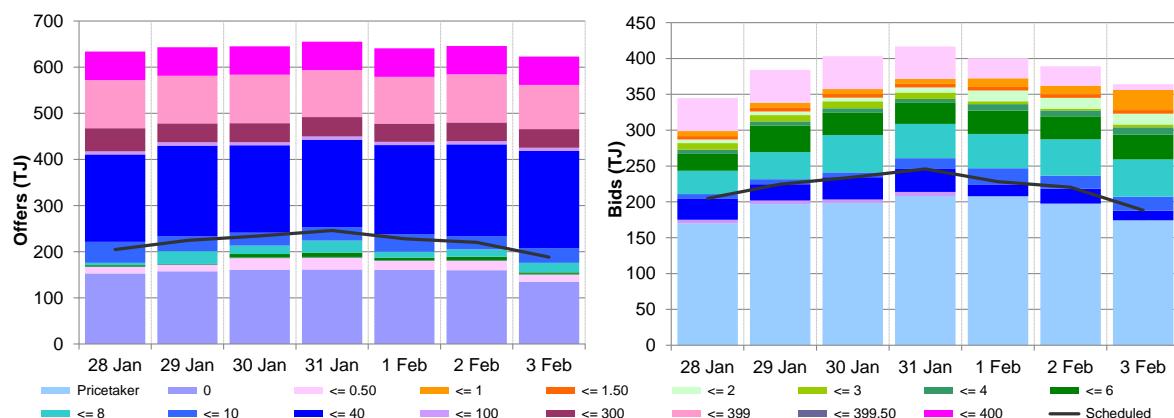
Market Operator Service balancing gas (MOS) payments arise because the amount of gas nominated on pipelines for delivery on a gas day will either exceed or fall short, by some amount, of the amount of gas consumed in the hub. In such circumstances, MOS payments are made to participants for providing 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)	9.97	10.00	10.00	10.00	9.50	9.50	9.49
Ex ante quantity (TJ)	205	225	234	246	228	220	188
Ex post price (\$/GJ)	9.60	9.70	9.50	10.00	10.00	10.00	10.00
Ex post quantity (TJ)	204	222	224	246	237	234	203

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)

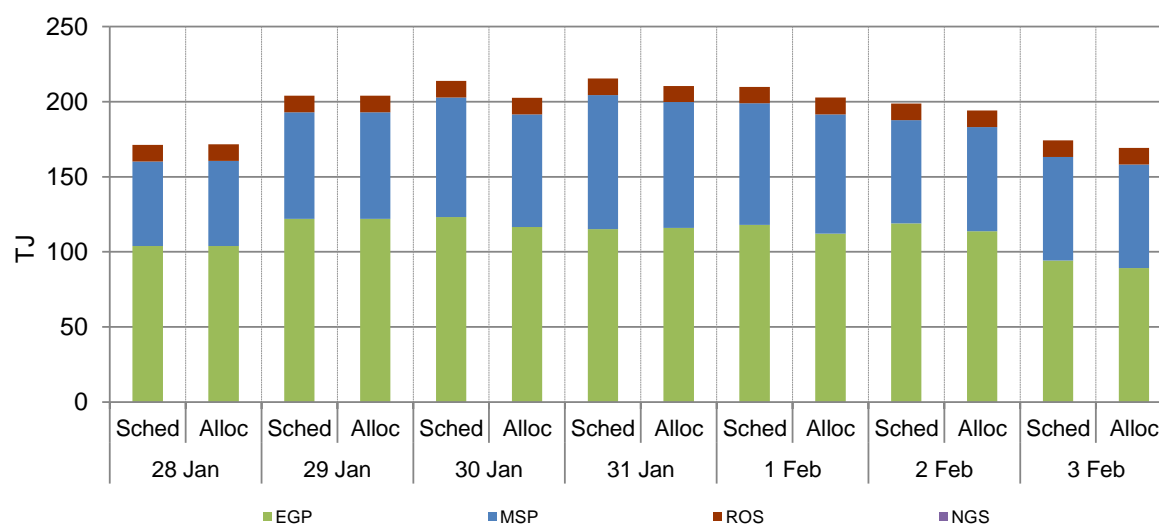
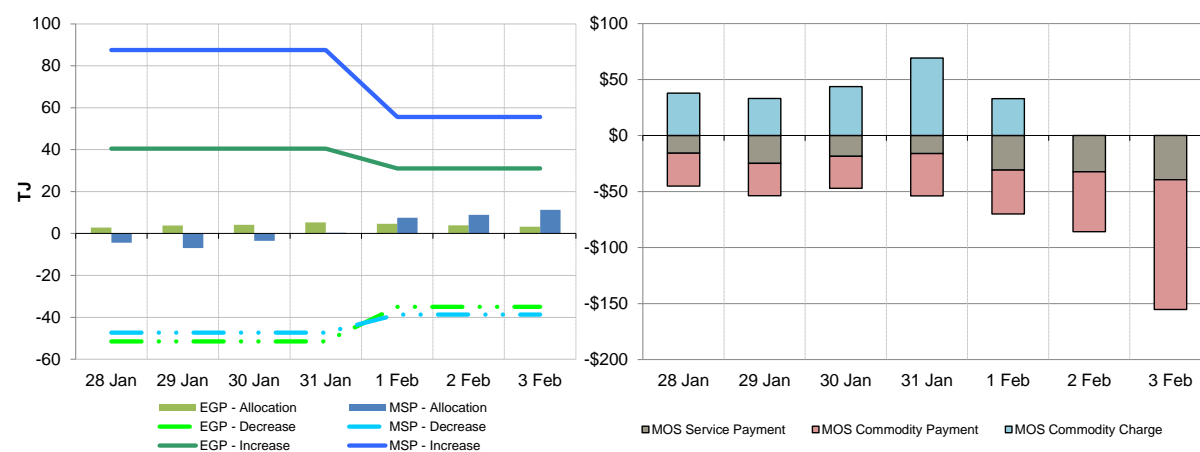


Figure 2.4: SYD MOS allocations (TJ), service payments and commodity payments/charges (\$000)⁸



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)	8.01	8.01	7.99	8.14	9.80	9.81	9.72
Ex ante quantity (TJ)	32	37	39	38	42	39	32
Ex post price (\$/GJ)	8.01	8.01	7.99	8.74	9.68	10.00	9.72
Ex post quantity (TJ)	36	36	40	41	41	41	32

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

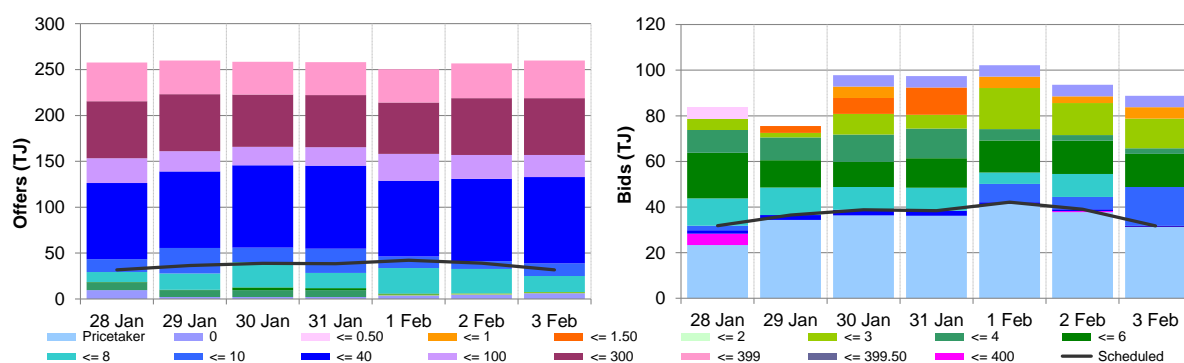


Figure 3.3: ADL net scheduled and allocated gas hub supply (excluding MOS)

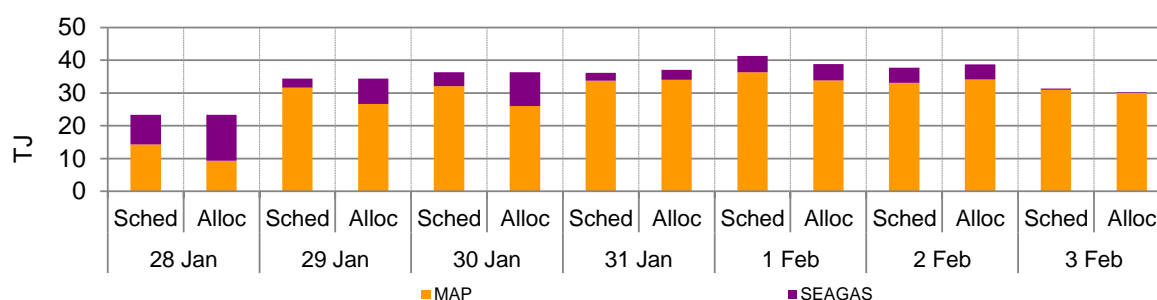
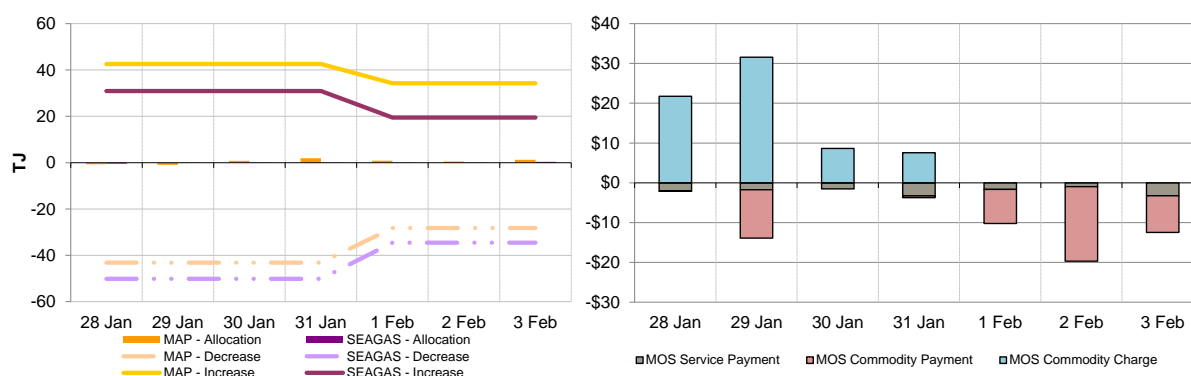


Figure 3.4: ADL MOS allocations (TJ), service payments and commodity payments/charges (\$000)



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)	8.31	8.31	8.25	8.64	7.94	7.90	7.60
Ex ante quantity (TJ)	110	128	129	129	133	129	103
Ex post price (\$/GJ)	8.18	8.65	8.33	8.64	7.94	7.90	7.38
Ex post quantity (TJ)	109	132	130	129	133	128	101

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

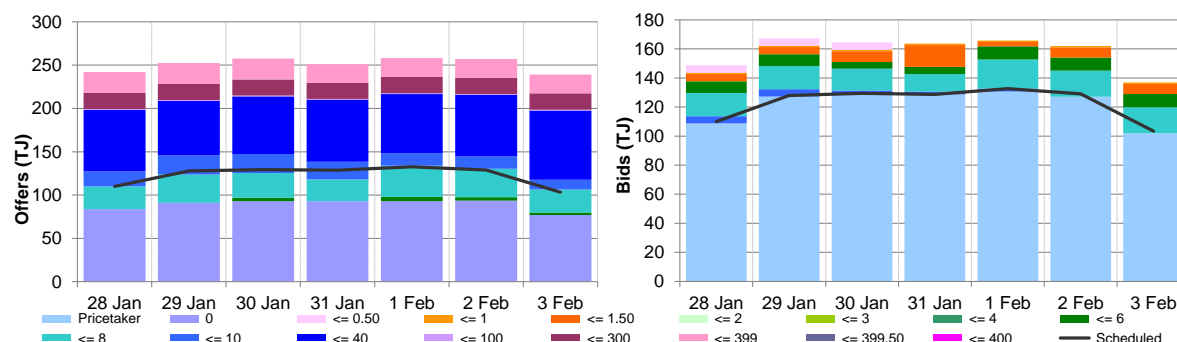


Figure 4.3: BRI net scheduled and allocated gas hub supply (excluding MOS)

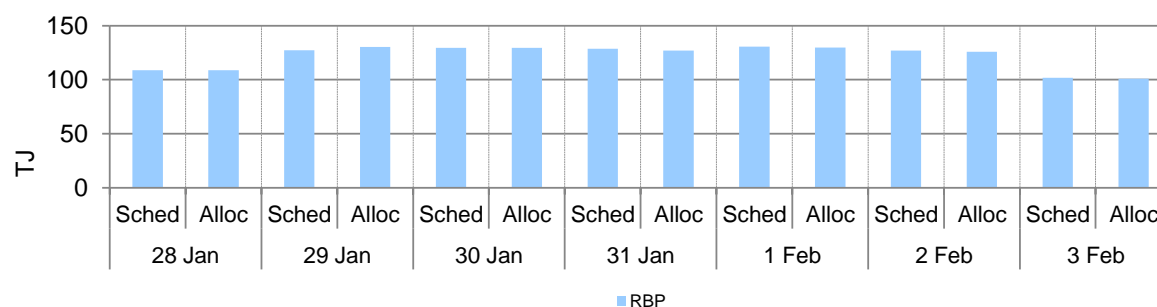


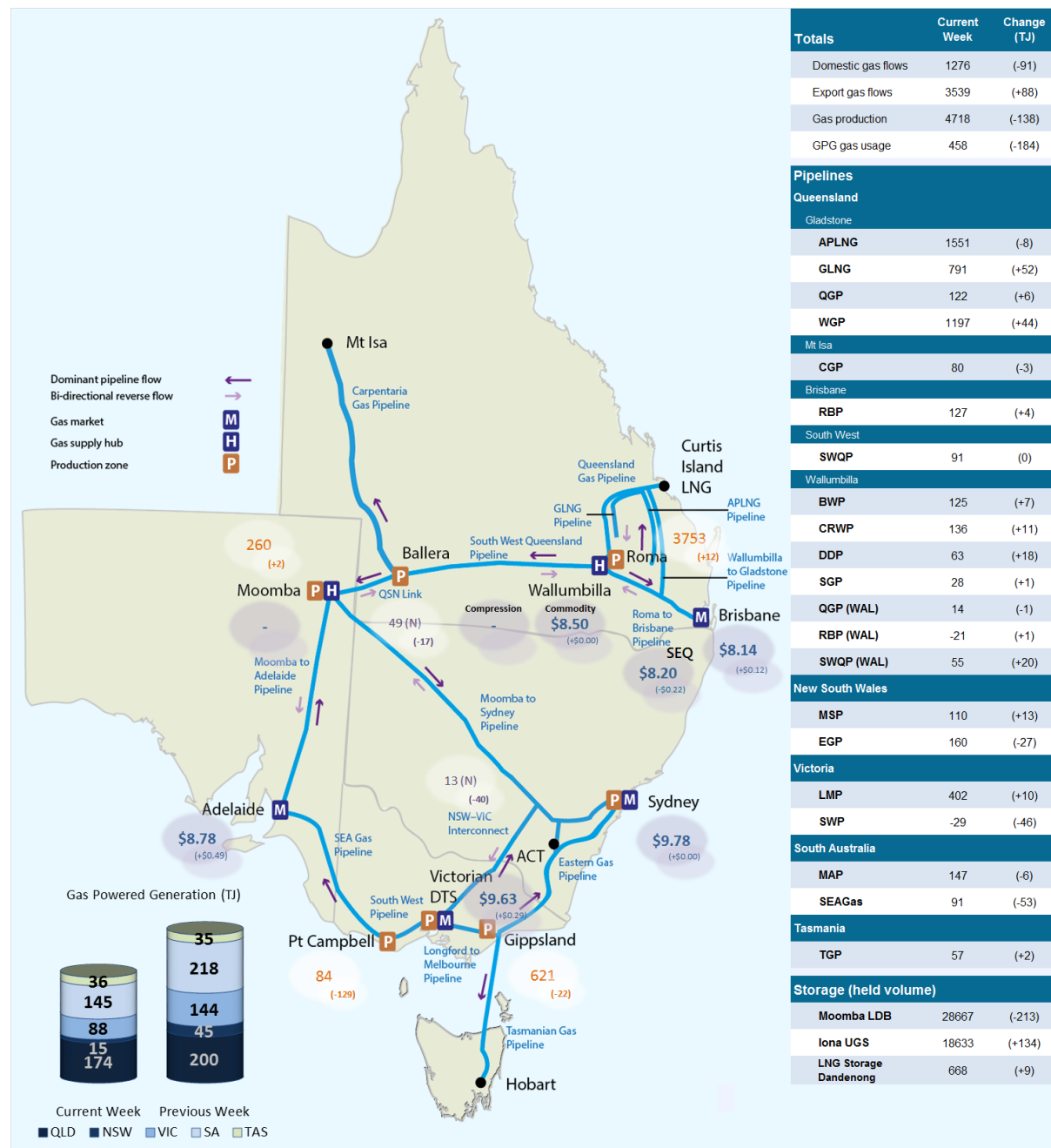
Figure 4.4: BRI MOS allocations (TJ), service payments and commodity payments/charges (\$000)



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

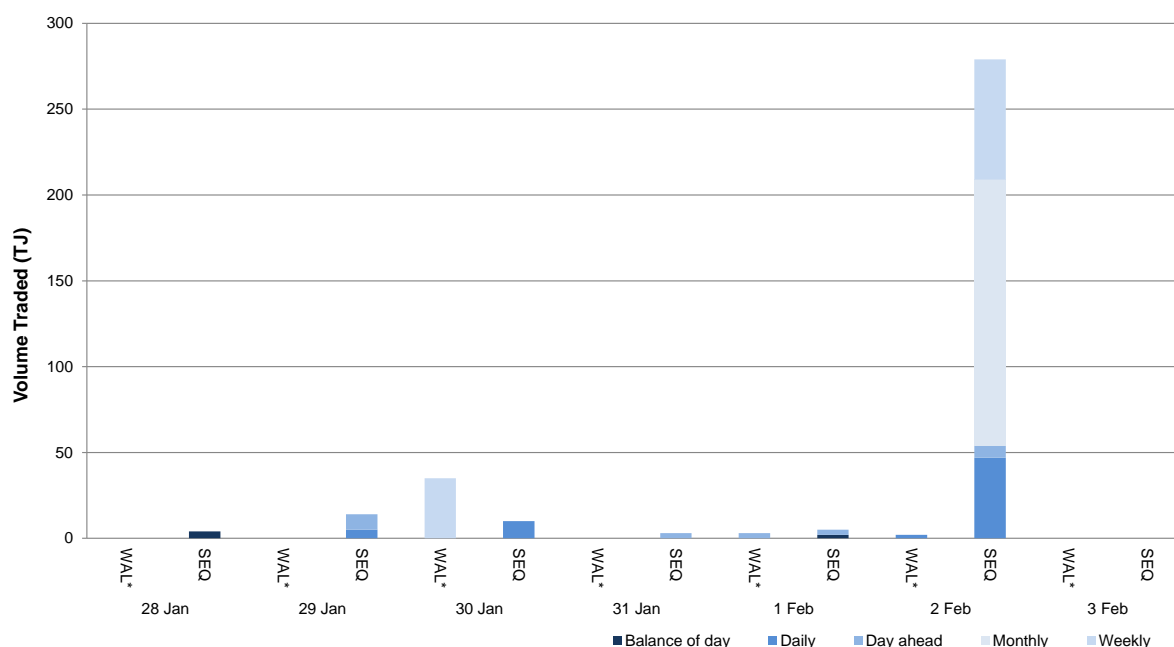
The gas supply hub was established at Wallumbilla in March 2014 to facilitate the voluntary trading of gas between participants, with products listed for sale and purchase at delivery points on three major connecting pipelines. There are separate products for each trading location and delivery period (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 27 trades for 355 TJ of gas at a volume weighted price of \$9.57/GJ. These consisted of 3 trades at WAL (40 TJ at \$8.50/GJ) and 24 trades at SEQ (315 TJ at \$8.20/GJ). Weekly products for the delivery of 5 TJ/d were traded at SEQ (two trades) and WAL (one trade) totalling 105 TJ, and one 5 TJ/d monthly product totalling 155 TJ at SEQ, all transacted on 2 February. There was one spread product traded.

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



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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*).