Weekly Gas Market Report

AUSTRALIAN ENERGY REGULATOR

23–29 September 2012

Weekly summary

Prices in the Victorian, Sydney, and Adelaide markets increased slightly on the previous week, ending three successive weeks where their prices fell. Brisbane's price, however, continued its downward trend, this week by 5 per cent.

Quantities in the Sydney, Adelaide, and Brisbane STTMs all decreased from the previous 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) 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)[1]

	Victoria	Sydney	Adelaide	Brisbane
23 Sep - 29 Sep 2012	4.35	4.85	4.38	4.66
% change from previous week	2	4	2	-5
12-13 financial YTD	5.04	6.28	5.94	5.41
% change from previous financial YTD	52	83	55	-

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

Figure 2: Victorian gas market

	Price ($/GJ)	Ancillary payments ($000)	BOD forecast demand quantity (TJ)
23 Sep - 29 Sep 2012	4.35	-	640
% change from previous week	2	-	4
12-13 financial YTD	5.04	-	834
% change from previous financial YTD	52	-	3

*Note: From February 18, only positive ancillary payments, reflecting system constraints will be shown here

More detailed analysis on the Victorian declared wholesale market is provided in Section 1.

[1] The weighted average daily imbalance price applies for Victoria.

Figures 3 to 5 show average ex ante and ex post gas prices, MOS balancing gas service payments together with the related daily demand quantities against historical averages for the Sydney, Adelaide and Brisbane wholesale gas markets, respectively.

Figure 3: Sydney STTM

	Ex ante price ($/GJ)	Ex post price ($/GJ)	MOS payments ($000)	Ex ante quantity (TJ)	Ex post quantity (TJ)
23 Sep - 29 Sep 2012	4.85	4.76	11.17	246	239
% change from previous week	4	1	180	-2	-5
12-13 financial YTD	6.28	7.06	12.25	282	285
% change from previous financial YTD	83	135	-76	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)
23 Sep - 29 Sep 2012	4.38	4.30	5.21	74	68
% change from previous week	2	1	229	-7	-11
12-13 financial YTD	5.94	5.95	6.74	89	87
% change from previous financial YTD	55	54	-28	9	6

Figure 5: Brisbane STTM

	Ex ante price ($/GJ)	Ex post price ($/GJ)	MOS payments ($000)	Ex ante quantity (TJ)	Ex post quantity (TJ)
23 Sep - 29 Sep 2012	4.66	4.18	4.77	112	103
% change from previous week	-5	-22	256	-5	-13
From market start (1 Dec)	5.41	5.18	3.35	138	136

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, as well as gas-powered generation volumes in each state.

Significant Market Events or Issues this week

In the Brisbane STTM, overall demand was lower than the previous week. The ex ante quantities for Friday and Saturday (89 TJ and 77 TJ respectively) were, at the time, the two lowest levels of demand since the Brisbane STTM began on 1 December 2011. Sunday saw the quantity fall even further, to 74 TJ.[2]

On 17 August, the Swanbank E gas fired electricity generator was closed for maintenance by its owner Stanwell. Although this explains why consumption has reduced in the Brisbane STTM in the last few weeks, it does not explain the fall in consumption seen on Friday and Saturday.

[2] Sunday 30 September 2012 does not fall within this week's period, and therefore will feature in the next gas weekly report. This day is the lowest demand on record for the Brisbane STTM.

Further analysis shows one large industrial customer significantly reduced its demand commencing on Friday.

The reduction of gas consumption by this participant appears to have had an effect on the D-3 price for the 28 September gas day, which was only $0.00/GJ. Analysis suggests the participant did not adjust its offers (to match its bids) for the D-3 schedule, resulting in it offering more gas in at $0.00/GJ than it otherwise would normally. The participant then amended its $0.00/GJ offer quantities down from the D-2 schedule onwards, which resulted in prices increasing to $4.23/GJ and $4.43/GJ for the ex ante and ex post schedules respectively.

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 forecasts[3], and injection/withdrawal bids[4]. 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.[5]

Figure 1.1: Prices by schedule

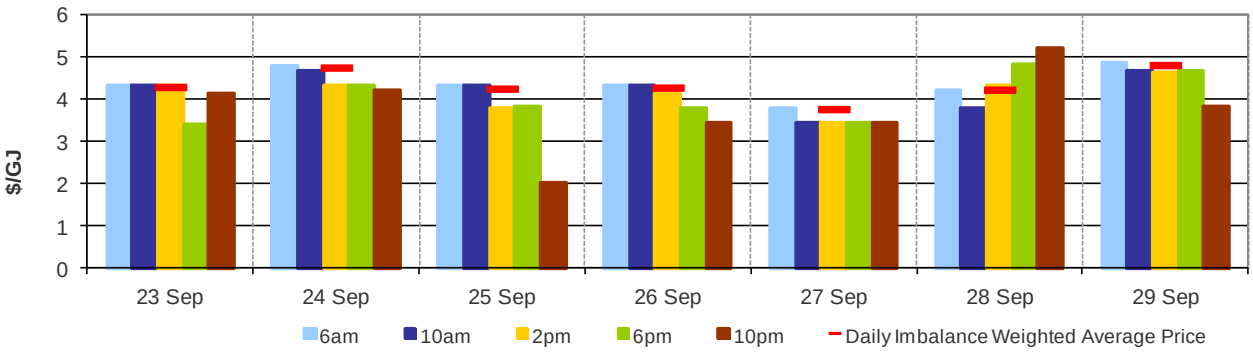
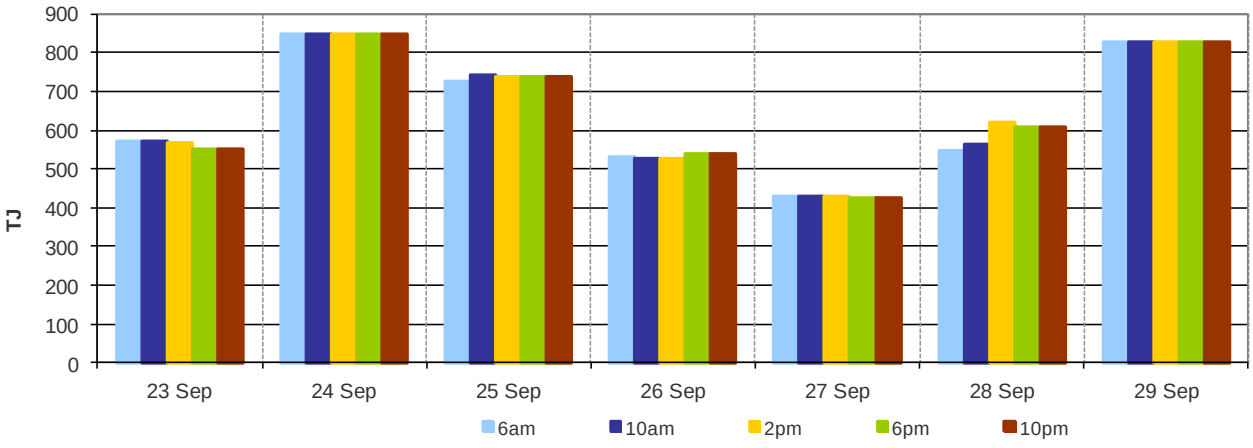


Figure 1.2: Demand forecasts



[3] 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.

[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] 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

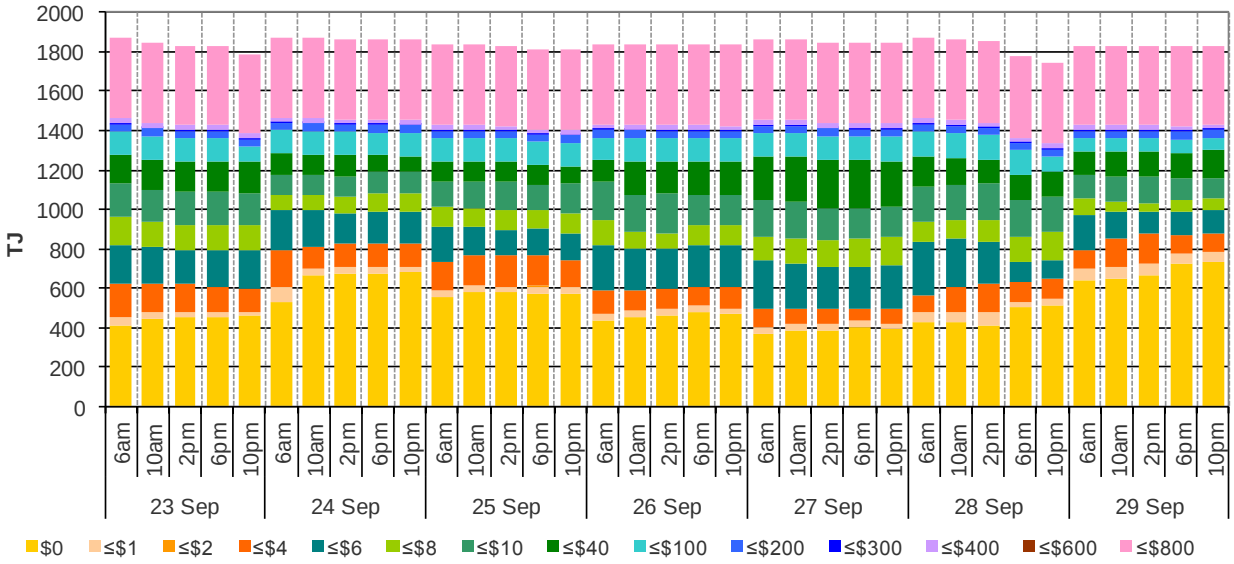


Figure 1.4: Withdrawal bids by price bands

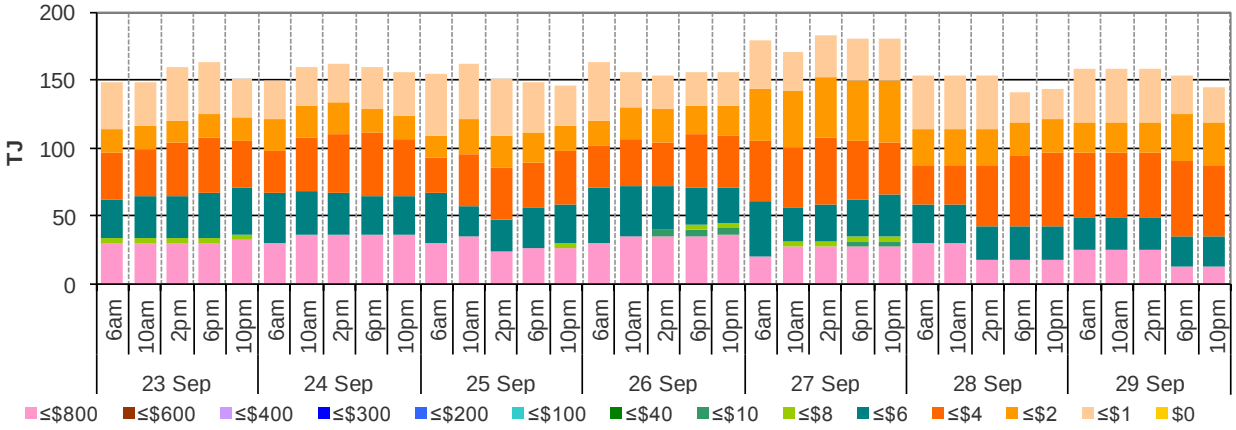
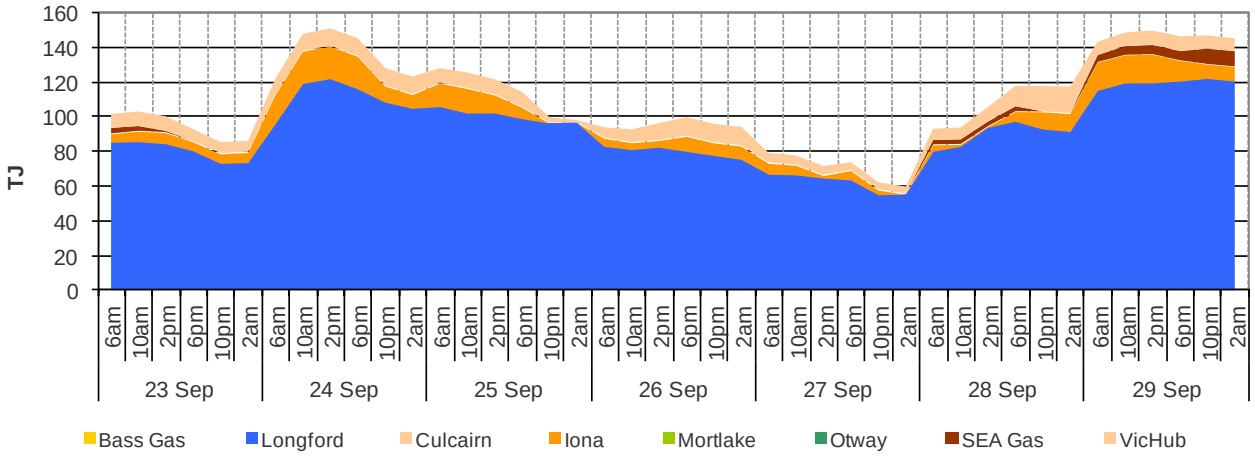


Figure 1.5: Metered Injections by System Injection Point



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.[6] 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.[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, 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 ($/GJ)	4.99	4.99	4.99	4.61	4.99	4.35	5.05
Ex ante quantity (TJ)	214	268	279	272	254	236	201
Ex post price ($/GJ)	4.99	4.40	4.99	4.10	4.99	4.35	5.49
Ex Post quantity (TJ)	212	253	267	260	240	225	213

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

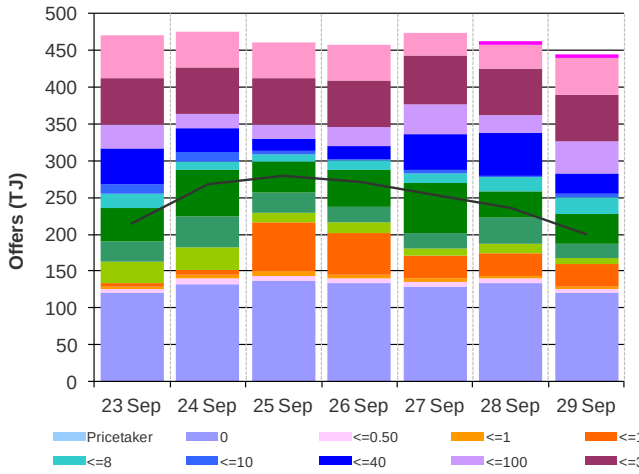
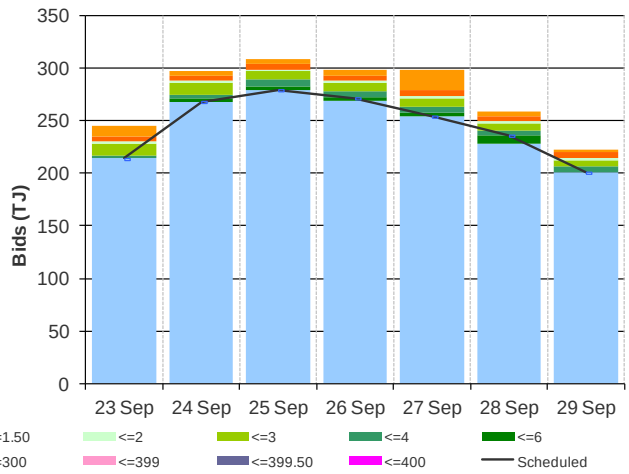


Figure 2.2(b): Daily hub bids in price bands ($/GJ)



[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 payments involve a payment for a MOS decrease service when the quantity delivered exceeds actual final gas nominations and a MOS increase applies otherwise. 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.

Figure 2.3: SYD STTM ex ante scheduled and allocated gas volumes by STTM facility

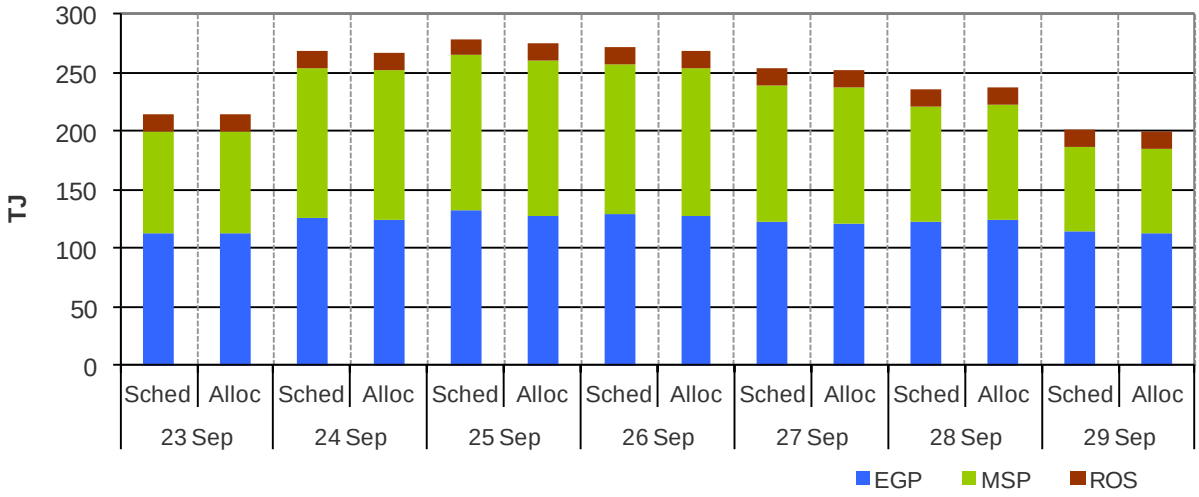


Figure 2.4 (a) SYD STTM MOS allocations (TJ)

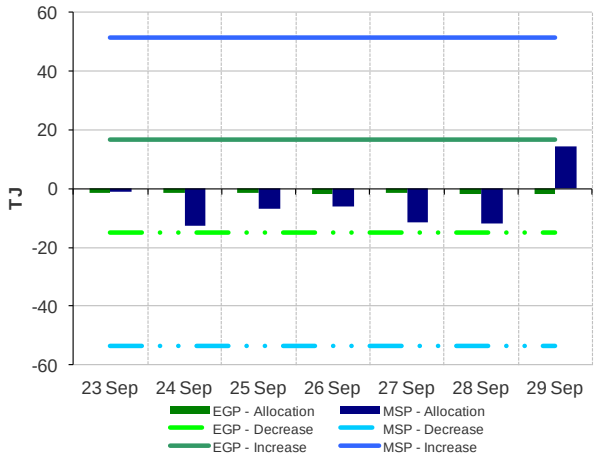
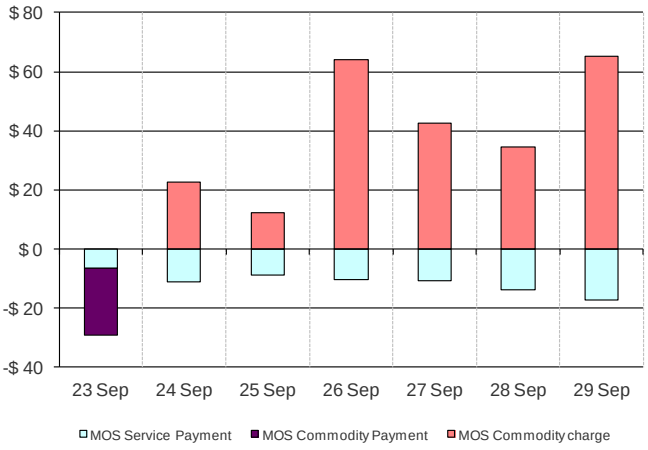


Figure 2.4 (b): Service payments and commodity payments/charges ($000)



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 ($/GJ)	4.24	4.99	4.22	4.22	4.22	4.21	4.54
Ex ante quantity (TJ)	68	85	79	70	68	76	72
Ex post price ($/GJ)	4.19	4.99	4.21	4.13	4.11	4.13	4.33
Ex Post quantity (TJ)	64	85	75	60	61	68	66

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

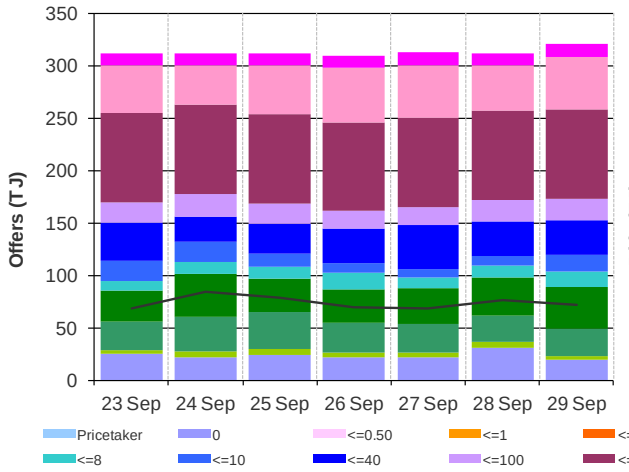


Figure 3.2(b): Daily hub bids in price bands ($/GJ)

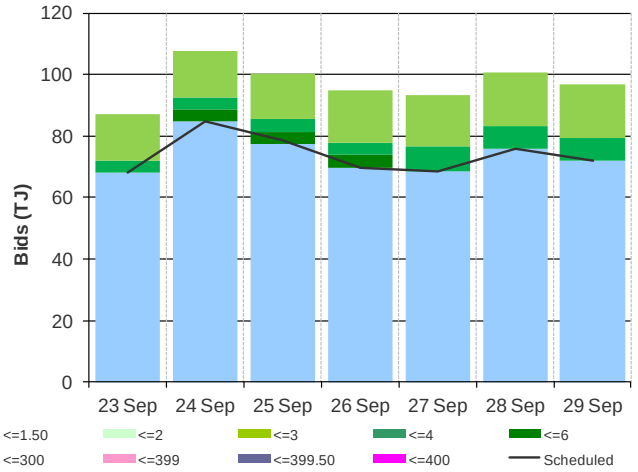


Figure 3.3: ADL STTM ex ante scheduled and allocated gas volumes by STTM facility

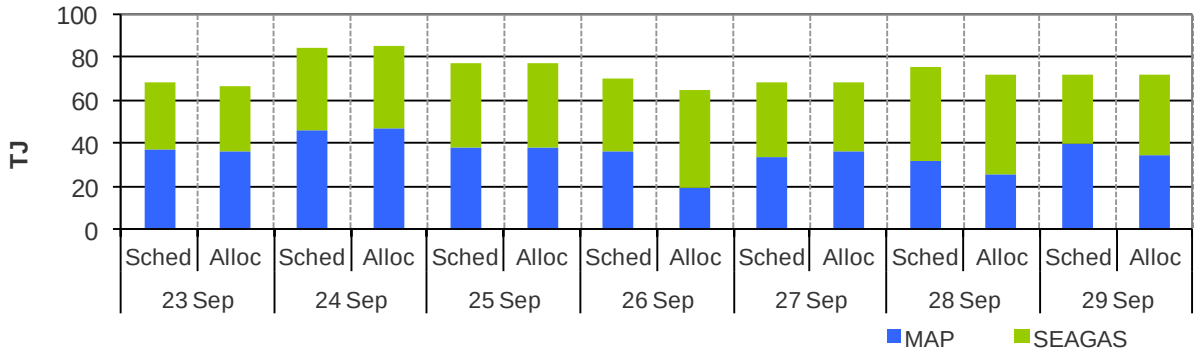


Figure 3.4 (a) ADL STTM MOS allocations (TJ)

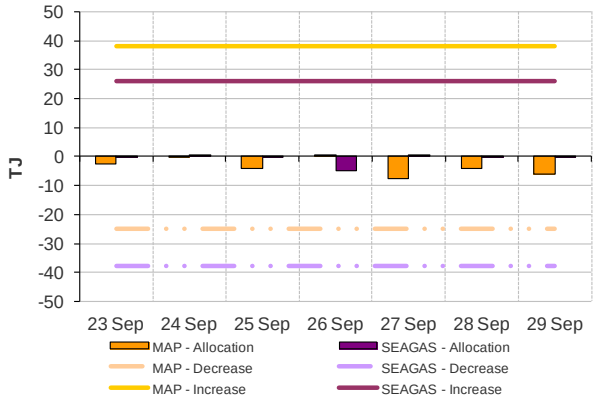
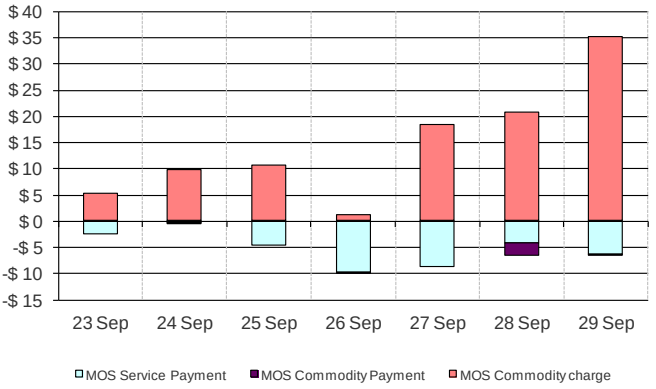


Figure 3.4 (b): Service payments and commodity payments/charges ($000)



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 ($/GJ)	4.04	6.40	4.09	4.14	5.71	4.43	3.83
Ex ante quantity (TJ)	106	123	119	134	136	89	77
Ex post price ($/GJ)	3.97	4.07	5.82	3.86	3.85	4.43	3.23
Ex Post quantity (TJ)	104	118	122	115	105	90	72

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

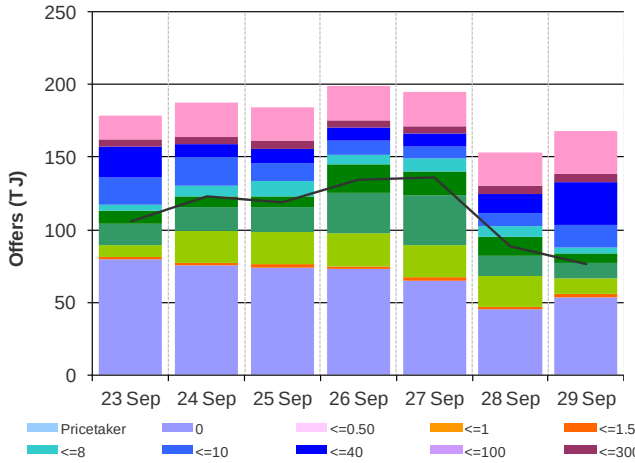


Figure 4.2(b): Daily hub bids in price bands ($/GJ)

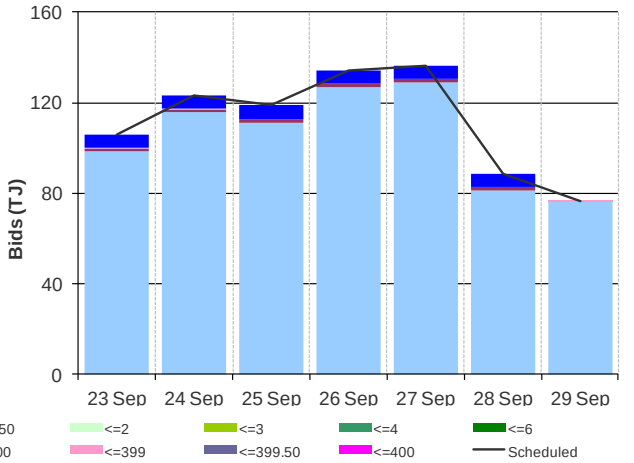


Figure 4.3: BRI STTM ex ante scheduled and allocated gas volumes by STTM facility

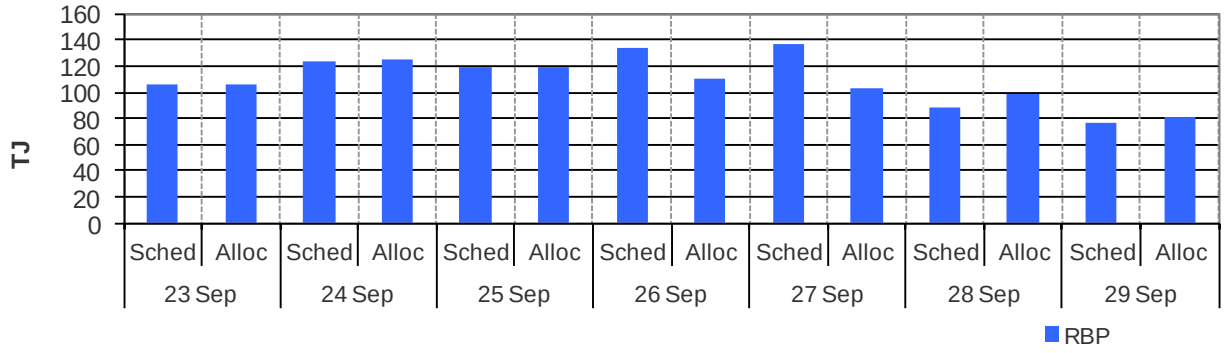


Figure 4.4 (a) BRI STTM MOS allocations (TJ)

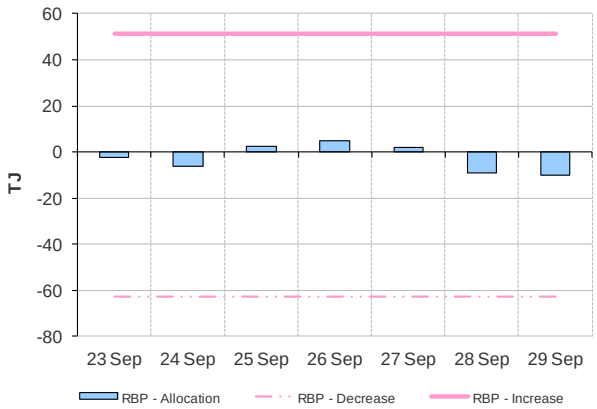
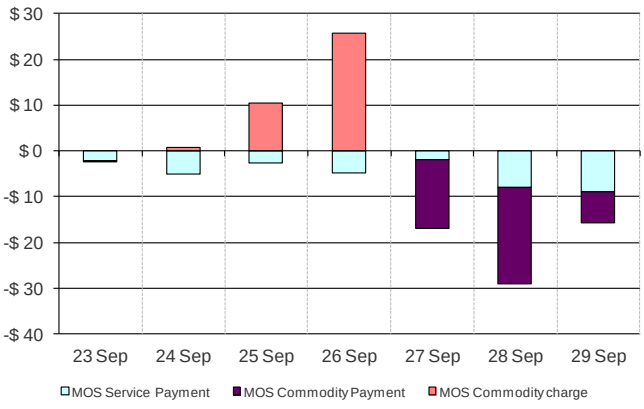


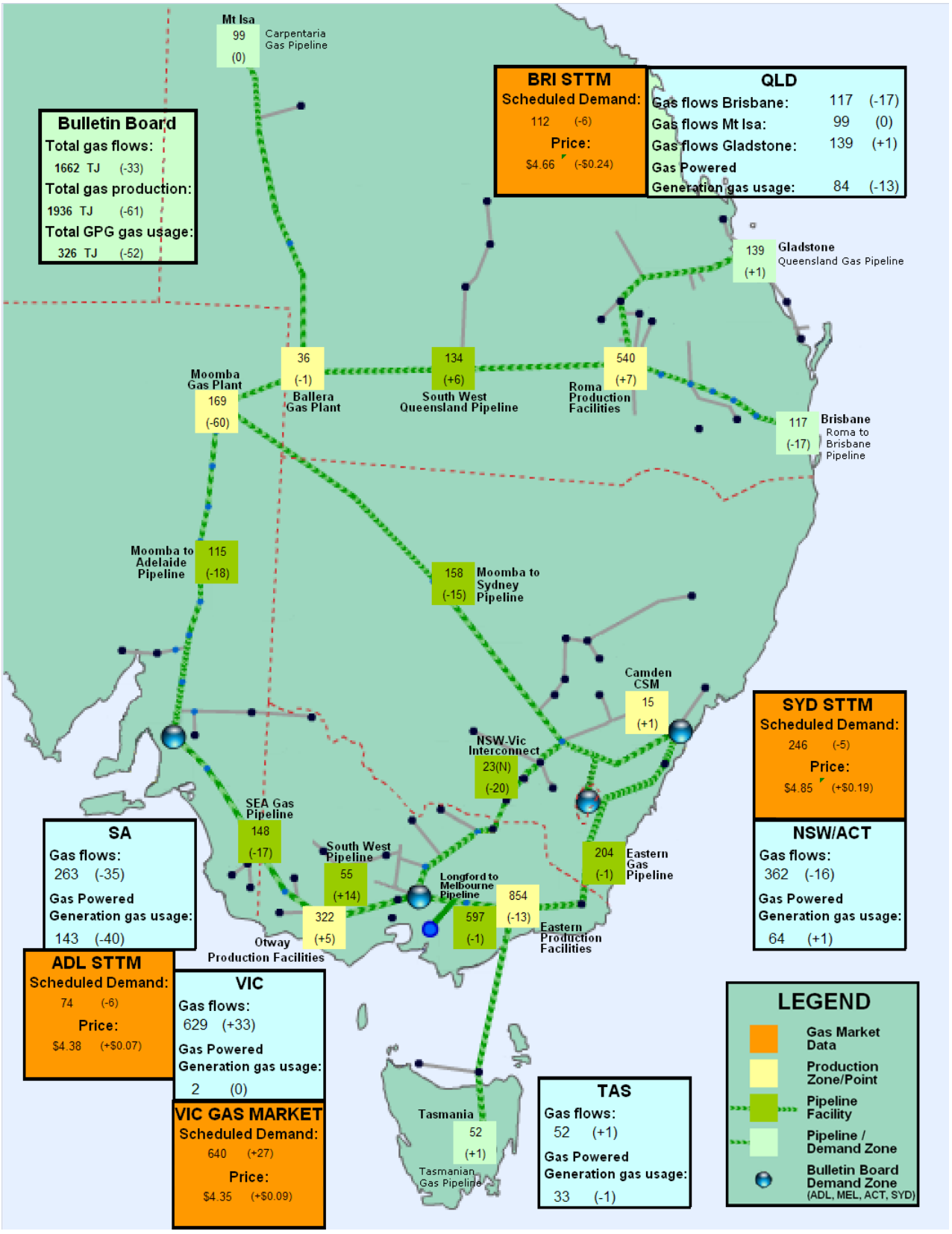
Figure 4.4 (b): Service payments and commodity payments/charges ($000)



5 National Gas Bulletin Board

Figure 5.1 shows average daily actual flows for the current week in the aqua boxes[8] 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 prices for each gas market are provided.

Figure 5.1: Gas market data ($/GJ, TJ); Production, Consumption and Pipeline flows (TJ)



[8] 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