



22 December 2014

The Secretariat
Select Committee on the supply and cost of gas and liquid fuels in New South Wales
Parliament House
Macquarie St
Sydney NSW 2000

Inquiry into the supply and cost of gas and liquid fuels in New South Wales

Response to questions on notice

1. Transmission pipeline capacity trading

Gas shippers and pipeline operators face clear financial incentives to offer unutilised capacity where there is demand. There are contractual mechanisms that enable both parties to freely trade this capacity. But a number of industry-led capacity trading platforms have now been developed to provide greater transparency in this area. This is in addition to the capacity listing arrangements implemented as part of the Wallumbilla Gas Supply Hub.

Industry-led capacity trading platforms

The separate online portals developed by APA Group and Jemena allow shippers to advertise sought/available capacity on particular pipelines. Where an opportunity for trade is identified, prices and terms of trade are negotiated bilaterally between the separate parties and the pipeline operator is responsible for administering the change in capacity.

APA Group's capacity trading service is currently in operation on the South West Queensland Pipeline (SWQP) and the Roma to Brisbane Pipeline (RBP). Average annual capacity traded for the SWQP and RBP (as at 9 February 2015) is 0 GJ and 328.77 GJ respectively.

Jemena's trading portal went live on 12 December 2014 and is currently available on the Queensland Gas Pipeline (QGP). There have been no capacity trades through the portal to date, with shippers utilising existing off-market mechanisms to execute trades.

Walumbilla Gas Supply Hub

The Gas Supply Hub incorporates a capacity listing service that allows participants to advertise sought/available transmission pipeline capacity. It is a listing-only service, with capacity transactions bilaterally negotiated and settled outside of the Gas Supply Hub.

There has been limited use of the capacity listing service to date, noting that the functionality has only been in place since December 2014.ⁱ

2. Gas distribution costs

The Australian Energy Regulator's 2015-20 draft determination for the Jemena Gas Network (JGN) would potentially deliver savings in the order of \$112 for the average residential consumer in 2015-16.

Correction

The esaa would like to correct the below statement from Mr Cole.

“Mr COLE: Work was commissioned by the Australian Production and Exploration Association. They basically looked at a case where CSG developed—and I think that included Narrabri and Gloucester projects—and compared that to a case where no CSG developed. I think there was a 25 to 32 per cent price differential.”

Correction: The work was commissioned by the Australian Petroleum Production and Exploration Association.

ⁱ Australian Energy Regulator, “Draft Decision – Jemena Gas Networks Access Arrangement 2015-20 – Overview”, November 2014.