AUSTRALIAN GAS MARKETS
OPPORTUNITIES & CHALLENGES
ATCO GLOBAL OPERATIONS

ATCO Power (Generation)
- 15 power plants across Canada and Australia (approximately 3,850MW)

ATCO Electric (Transmission & Distribution)
- 72,000km of electricity transmission and distribution lines in Canada

ATCO Gas (Distribution)
- 50,000km of gas distribution lines globally
- ATCO Gas (Canada): more than 1 million consumers in over 300 communities
- ATCO Gas Australia: largest gas infrastructure network in Western Australia with nearly 14,000km of distribution lines & approximately 725,000 consumers

ATCO Pipelines (Gas Transmission)
- 8,500km of gas transmission pipelines
- 19 compressor sites

ATCO Energy Solutions: Gathering, Processing & Storage
- 7 natural gas gathering and processing facilities
- 4 natural gas extraction facilities
- Industrial water infrastructure

Modular Structures
- Manufacturing facilities in North America and Australia
- Workforce housing & modular buildings supplied to more than 100 countries
- Operating in Australia for more than 50yrs
ATCO AUSTRALIA FOOTPRINT

Assets: $1.5 billion

Power Stations
• 1998 Osborne (SA)
  • 180MW Cogeneration or Combined Cycle
• 2010 Karratha (WA)
  • 86MW Open Cycle

Gas Distribution Network
• Acquired 2011 - Western Australia
  • 725,000 consumers
  • 14,000km pipelines

Structures & Logistics
• Capabilities across the country since 1961
  • Six manufacturing facilities
  • Eight branch offices
  • New 14,000m² manufacturing facility in Perth, opened Oct 2013
AUSTRALIAN CONTEXT

- Markets not connected (yet)

- East Coast:
  - vertically integrated
  - limited liquidity (minor physical gas trading on operated trading hubs; contract carriage on pipelines; no financial market)
  - Intense gas retail competition

- West Coast:
  - 4 producers & 5 major customers (bi-lateral contracts >70% of gas market)
  - very limited liquidity (only private gas trading services; contract carriage; no financial market)
  - Limited gas retail competition

- Well established gas export facilities in WA; recently developed on East Coast

Source: AER © Commonwealth of Australia
COMPETITIVE MARKETS

• Supply:
  • Develop unconventional gas resources on East Coast
  • Reduce term & scope of retention leases (use it or lose it)

• Infrastructure:
  • Gas production gas hubs
  • Access to short term gas pipeline capacity (transparent & independent platform)
  • Large scale gas storage

• Market development:
  • Independent gas trading market & more gas retail competition in WA
  • Financial market development
  • East Coast gas wholesale market re-design
REDESIGNING WHOLESALE MARKETS

GETTING GAS TO AND FROM THE REDESIGNED WHOLESALE MARKETS

New mechanisms to access pipeline capacity

Measures to facilitate the efficient transportation of gas, and improve how transmission pipeline capacity is bought and sold, without impacting current signals for efficient investment.

- New auctions for day-ahead contracted but un-nominated capacity with a regulated reserve price on all pipelines
- Capacity trading platforms featuring standard products and information on all trades
- Publication of prices for capacity sold by pipeline owners

A balanced reform program to promote the COAG Energy Council’s Vision for Gas Market Development

Two reports released today for public comment

- East Coast Wholesale Gas Market and Pipeline Frameworks Review Stage 2 Draft Report

INFORMATION TO MAKE BETTER TRADING DECISIONS

Greater information transparency

Establishing a one-stop shop for gas market data to improve transparency and the operation and monitoring of the market.

- Expand the amount and frequency of data reported on the Bulletin Board to reflect the important role of information in setting price expectations and supporting gas and pipeline trading
- Facilitate a stronger compliance framework to improve accuracy of data
- Implement a review process to allow the Bulletin Board to remain relevant in a quickly changing market environment
- Funding arrangements harmonised
ASIA PACIFIC GAS MARKET

- Australia a net gas energy exporter
  - Gas export provides energy security
  - ‘Mega’ gas projects need deep markets
  - LNG Projects can ‘enable’ more domestic supply

- Transparent pricing mechanism required in export markets to reflect global gas on gas competition

- Gas exports have a significant impact on the domestic market
  - Gas reserves ‘warehoused’
  - No transparent gas price in Asia Pacific
  - Gas exporters impose contract netback

- Transparency on reserves for longer term planning & policy

Source: ECS, 2007

Average Japanese LNG import prices and price range

Market development, contract duration and market maturity

Source: Japanese Customs