

17 December 2021Submission: Wallumbilla Gas Supply Hub and capacity trading framework

Hunter Gas Pipeline Pty Ltd (HGP) supports the intent of the consultation document to identify mechanisms that aim to improve the Wallumbilla Gas Hub and expand its role in gas trading in the east coast market. Implementing policies to improve the function of the Wallumbilla Gas Hub is critical to prevent the forecast shortages in the east coast gas supply in the southern states.

HGP also supports the paper's desired objectives to improving the liquidity, competition and investment in the gas market by accelerating the development of Wallumbilla Gas Supply Hub and to review the pipeline trading capacity framework.

The paper identifies Wallumbilla as the largest and most important gas supply hub in the east coast gas market. Hunter Gas Pipeline concurs with that view.

While the consultation paper identifies a number of measures designed to improve the trading of gas at the hub, there is only brief mention and very little analysis of barriers and limitations of the Wallumbilla Hub. The most significant barrier is the physical limitation of pipelines from the Hub to transport the traded gas to markets. Unless this limitation is addressed, the Hub is likely to fail in its stated objective.

Analysis shows that transportation connectivity exists between the Wallumbilla Hub and LNG terminals on Curtis Island and industrial and domestic users in South East Queensland via the Roma Brisbane Pipeline. There is very limited connectivity between the Wallumbilla Hub and consumers in southern markets. Gas from Wallumbilla to southern markets must be backhauled on the South West Queensland Pipeline to the Moomba Hub and then into the Moomba Sydney Pipeline. The gas must then compete for space within this pipeline. It should be noted that this pipeline experienced periods during Winter 2021 when it was capacity constrained and incapable of accepting further flow.

This represents a significant physical limitation and a potential fatal flaw in the development of the Wallumbilla Hub. The paper fails to consider and address this aspect, instead opting for process measures around improved trading. For example, Table 1 omits consideration of this within the summary of potential problems to be considered in the consultation scope.

It is acknowledged that there is a discussion of infrastructure including support for infrastructure upgrades, such as compression within the Hub, and other mechanisms to address physical limits. HGP strongly supports implementing programs to increase capacity to transport gas to markets. This should extend to support for new transmission capacity, especially to southern consumers.

In the paper trading is treated as a theoretical construct of actions. However, any discussion of trading should be based on the context of the physical constraints of gas movements across the entire market, from supply through the Wallumbilla Hub to transmission pipelines and end users. Understanding the physical limitations would assist in developing a framework to guide and implement effective policy.

Issues presented in the paper confirm the analysis presented above. In particular, the consultation paper notes that:

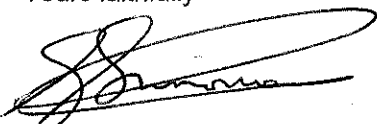
- the majority of existing trades are based around LNG exports. This occurs as a direct consequence of the transmission pipeline capacity available from the Wallumbilla Hub.
- most trades are used to balance portfolios rather than trading gas between participants.
- fees for pipeline haulage are highly variable. This reflects the lack of competition for pipeline haulage.

Increasing pipeline capacity, particularly to southern markets, will address these issues by increasing competition (allowing new market participants), opening up trading frameworks, and ensuring transmission security.

The benefits of establishing the Wallumbilla Gas Hub as a strategic trading hub, using the Henry Hub as a model, is strongly supported. However, any reasonable analysis of the risks associated with this should include developing mature and robust infrastructure to support trading regimes. At present the infrastructure associated with the Wallumbilla Hub, particularly connections to southern markets, is a significant constraint and may constitute a fatal flaw in the policy program.

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Yours faithfully



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