
From: Mike Lauer

Sent: Monday, 16 April 2018 1:16 PM

Subject: Gas Available May 2018

Good morning all,

For the month of **May 2018** we anticipate having the quantities of gas set out below available for sale. You are invited to submit your offer, before close of business (Perth Time) on **Friday the 20th of April**, if you wish to purchase all or part of this gas, quoting the volume of gas that you wish to purchase and the price at which you are prepared to complete the purchase. We will advise successful buyers by **midday** (Perth Time) on **Monday the 23rd of April** and complete contracts from the **23rd** to the **25th of April**.

Market Dynamics

As at the 15th of **April** we are on track to trade 106 TJ of gas (On Market) for the month of **April**. This volume is in line with both the final volumes traded in **March** (110 TJ) and the anticipated **April** sales volume of 108 TJ. The decrease in traded volumes in **March and April** reflect the contraction of the spot market as gas sellers cut price, and offer greater off take flexibility, to consolidate market share. Aggressive marketing of competitively prices with increased flexibility offtake obligations in firm gas contracts has seen a number of buyers leave the spot market (at least temporarily) since the end of February 2017. That market contraction stabilised in **April**. There have been minimal Off Market spot sales in **April**. Agora Gas is the only seller active in the market in **April**.

We do not expect the slide in sales volumes we observed since **January** to turn around until Sellers satiate their hunger for market share or until Buyers place value the transparency, and the absence of take or pay obligations, in the spot market. The period since the end of 2017 has marked a very dynamic phase for the market. As a result of this dynamism we are unable to be confident in predicting how the market might behave in the next few months but the cessation of the market contraction in April is reassuring. While the lower limit on the size of near term spot sales is unknown the upper upside for traded volumes is limited only by demand. There may be some further softening in spot price but we do not anticipate that the price at which gas is supplied to the market will soften too much further. There are a number of maintenance driven supply side disturbances anticipated in **May**. Most of these should, however, not affect supply (as the maintenance constrained capacity is above recent operating levels), the notable exceptions being a shutdowns at Gorgon in early May and Beharra Springs at the end of May.

In our July 2017 Invitation we outlined the position we will take in circumstances where the spot market comes under attack, we commend that advice to you (on our web page). In summary, we believe that the real time transparency of market data and the no take or pay trading environment in the gasTrading Spot Market is of value to all market participants and that we will not react to attacks on the market in any way that will undermine the truly spot character of that market.

The offer price range in **April** was \$0.20 per GJ, from \$3.50 to \$3.70 per GJ. The modest price fall and the narrow bid range reflect the fact that the softening in the spot gas price is slowing down and the market has been very stable. The Back Up Gas Price did not come into play in **April**. No contract was written in **April** below \$3.50 per GJ (a very small sale). The **April** Back Up Gas Price is \$3.65 per GJ.

The currently anticipated average **April** On Market price is \$3.65 per GJ (as at the 15th of **April**). This average is down on the \$3.68 per GJ average **March** price and is one cent above the **April** average price anticipated when the market was set at the start of the month (\$3.64 per GJ).

The buyers remaining in the market continue to use the gasTrading Spot Market for everyday gas supply planning and for take or pay risk management. Recent shifts in the terms of firm gas supply contracts are impacting activity in the spot market. These more flexible firm contract terms are proof that the desire for market share, rather than certainty of sales volumes and price, is driving sellers of firm gas in the current market. The average spot market price may fall a little further but we anticipate that it does not have much more to give up. Where the market moves later in 2018 is an unknown at this time. The decline in the Back Up Gas Price since January confirms the softening of the market but no reduction in the Back Up Gas Price is expected in **May**. We will publish the Back Up Gas Price for **May** with the Bidding Round Results Summary.

The table below summarises Agora Gas' On Market and Off Market spot gas sales since **April** 2017.

	On Market	Off Market	Total	
Month	(TJ)	(TJ)	(TJ)	Comment
Apr-17	190.083	0.000	190.083	
May-17	173.800	0.000	173.800	
Jun-17	237.450	0.000	237.450	
Jul-17	214.600	0.000	214.600	
Aug-17	213.800	0.000	213.800	
Sep-17	174.800	0.000	174.800	
Oct-17	240.900	0.000	240.900	
Nov-17	322.902	0.000	322.902	
Dec-17	372.300	2.000	374.300	
Jan-18	168.700	1.000	169.700	
Feb-18	192.755	1.000	193.755	
Mar-18	110.700	1.800	112.500	
Apr-18	45.700	1.000	46.700	<i>:to 15 April</i>

Agora Gas continues to seek out the most attractive sources of Back Up Gas to ensure the market remains liquid and competitively priced. Agora Gas is currently expected to be the only market seller in **May**.

We will publish the summary results of the **May 2018 Bidding Round** on or before the 1st of **May** on the web site link below.

Market Update

The results of the **April 2018 Bidding Round**, and the gasTrading Spot Market history to **March 2018**, can be found at <http://www.gastrading.com.au/spot-market/historical-prices-and-volume>

We have continued strong supply side support for the market. This support is currently looking for Buyer offer prices at and above \$3.65 per GJ. To understand buyer bidding behavior it may be helpful to note that gas is allocated first to the top of the bid stack and available supplies are allocated in a cascade down the bid stack.

At this time the indicated volumes available for **May 2018** are in line with the volumes offered in the **April** Invitation. Given that this gas will be procured for the market by Agora Gas' Off Market purchases, these volumes are very price sensitive and will increase or decrease in response to offers received from buyers. Additional gas volumes can be brought into the market on any day above those quoted in the table.

In April, to the 15th, 100% of daily contract volumes were filled in all price quartiles of the market.

Gas Available May 2018	
Date	Quantity TJ
1/05/2018	8.00
2/05/2018	8.00
3/05/2018	8.00
4/05/2018	8.00
5/05/2018	8.00
6/05/2018	8.00
7/05/2018	8.00
8/05/2018	8.00
9/05/2018	8.00
10/05/2018	8.00
11/05/2018	8.00
12/05/2018	8.00
13/05/2018	8.00
14/05/2018	8.00
15/05/2018	8.00
16/05/2018	8.00
17/05/2018	8.00
18/05/2018	8.00
19/05/2018	8.00
20/05/2018	8.00
21/05/2018	8.00
22/05/2018	8.00
23/05/2018	8.00
24/05/2018	8.00
25/05/2018	8.00
26/05/2018	8.00
27/05/2018	8.00
28/05/2018	8.00
29/05/2018	8.00
30/05/2018	8.00
31/05/2018	8.00

248.00



Regards
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