

**From:** Mike Lauer  
**Sent:** Monday, 16 July 2018 2:28 PM  
**Subject:** gasTrading Spot Market - July Invitation to Buyers

Good Afternoon,

For the month of **August 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 **Wednesday the 25<sup>th</sup> of July**, 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 **Thursday the 26<sup>th</sup> of July** and complete contracts from the **26<sup>th</sup>** to the **31<sup>st</sup> of July**.

### **Market Dynamics**

As at the 15<sup>th</sup> of **July** we are on track to trade 102 TJ of gas (On Market) for the month of **July**. This volume is down on the final volumes traded in **June** (110 TJ) and down significantly on the anticipated **July** sales volume of 125 TJ. The market shrinkage in July (relative to anticipated) reflects specific project maintenance shutdowns and lower demand as a result of wintertime weather conditions.

More generally, the lower trading volumes seen since March 2018 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 firm gas at competitively prices, with increased flexibility in the 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. The spot market contraction appears to have stabilised in recent months and that situation has not changed in July. There have been negligible Off Market spot sales in **July** to date. Agora Gas was joined by a second gas seller in the market in **June** and that seller has remained in the market in **July**.

We do not expect the slide in sales volumes we observed since **February** 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 market demand might behave in the next few months but the cessation of the market contraction in April through July is informative. While the lower limit on the size of near term spot sales is unknown the upside for traded volumes is limited only by demand, since substantial volumes of gas are available. 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 no gas production maintenance driven supply side disturbances anticipated in **August** which are expected to affect the demand and supply balance.

The offer price range in **July** was \$0.10 per GJ, from \$3.50 to \$3.60 per GJ. The recent price stability and the narrow bid range reflect the fact that the softening in the spot gas price has slowed to a crawl and the Back Up Gas Price and traded volumes are stable. The Back Up Gas Price did not come into play in **July**. No contract was written in **July** below \$3.50 per GJ. The **June** Back Up Gas Price fell to \$3.41 per GJ.

The currently anticipated average **July** On Market price is \$3.54 per GJ (as at the 15<sup>th</sup> of **July**). This average is down slightly on the \$3.60 per GJ average **June** price and is the **July** average price anticipated when the market was set at the start of the month (\$3.54 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 have impacted on the level of buyer activity in the spot market. The availability of 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 demand side of 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. The Back Up Gas Price is not expected to change in **August**. We will publish the Back Up Gas Price for **August** with the Bidding Round Results Summary.

The table below summarises Agora Gas' On Market and Off Market spot gas sales since **July** 2017. The sharp decline in Agora Gas' traded volumes in June and July 2018 reflects the fact that a second seller is now active in the market.

	<b>On Market</b>	<b>Off Market</b>	<b>Total</b>	
<b>Month</b>	<b>(TJ)</b>	<b>(TJ)</b>	<b>(TJ)</b>	<b>Comment</b>
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	105.000	1.500	106.500	
May-18	119.400	3.400	122.800	
Jun-18	69.843	0.000	69.843	
Jul-18	27.600	1.000	28.600	:to 15 July

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 one of at least two market sellers in **August**.

We will publish the summary results of the **August 2018 Bidding Round** on or before the **1<sup>st</sup>** of **August** on the web site link below.

### **Market Update**

The results of the **July 2018 Bidding Round**, and the gasTrading Spot Market history to **June 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 \$3.41 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 **August 2018** are up on the volumes offered in the **July** Invitation. Given that a significant portions of 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 above those quoted in the table.

In **July**, to the 15<sup>th</sup>, 100% of daily contract volumes were filled in all price quartiles of the market.

<b>Gas Available August 2018</b>	
<b>Date</b>	<b>Quantity TJ</b>
1/08/2018	7.00
2/08/2018	7.00
3/08/2018	7.00
4/08/2018	7.00
5/08/2018	7.00
6/08/2018	7.00
7/08/2018	7.00
8/08/2018	7.00
9/08/2018	7.00
10/08/2018	7.00
11/08/2018	7.00
12/08/2018	7.00
13/08/2018	7.00
14/08/2018	7.00
15/08/2018	7.00
16/08/2018	7.00
17/08/2018	7.00
18/08/2018	7.00
19/08/2018	7.00
20/08/2018	7.00
21/08/2018	7.00
22/08/2018	7.00
23/08/2018	7.00
24/08/2018	7.00
25/08/2018	7.00
26/08/2018	7.00
27/08/2018	7.00
28/08/2018	7.00
29/08/2018	7.00
30/08/2018	7.00
31/08/2018	7.00

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Regards  
Mike Lauer