

From: Mike Lauer
Sent: Tuesday, 16 January 2018 12:11 PM
Subject: February 2018 gasTrading Spot Market Invitation

Good afternoon all,

For the month of **February 2018** we anticipate having the quantities of gas set out below available for sale. You are invited to submit your offer, before **midday** (Perth Time) on **Thursday the 25th of January**, 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 **COB** (Perth Time) on **Thursday the 25th of January** and complete contracts from the **29th** to the **31st of January**.

Market Dynamics

As at the 15th of **January** we are on track to trade 169 TJ of gas (On Market) for the month of **January**. This volume is well down on the final volumes traded in **December 2017 (372 TJ)** and is modestly above the anticipated **January** sales volume of **156 TJ**. The drop in **January** traded volumes mirrors the similar market drop in **January 2017**. There have been minimal Off Market sales in **January**. Agora Gas is the only seller active in the market in **January**.

The drop in the sales volumes for **January** repeats last year's **January** contraction but is complicated by the withdrawal of three long term spot market buyers (who appear to have taken up attractive/flexible firm gas supply contracts), the reduced activity by buyers sensitive to the seasonal energy market contraction at beginning of **January** and the entry of at least one new spot gas buyer. The end of 2017 marked a very dynamic phase for the market. We are unable to foreshadow how the market will respond to the return of normal energy market conditions in **February**. We do not anticipate traded volumes falling much below **160 TJ** per month before the start of the autumn shoulder season but the upper limit on traded volumes is limited only by demand. We do not anticipate that the price at which gas is supplied to the market will soften too much further. There are no supply side disturbances anticipated in **February** of which we are currently aware.

The offer price range in **January** was \$0.40 per GJ, from \$3.60 to \$4.00 per GJ. The increase in the bid range and the decrease in offer prices in **January** reflects the impact of buyers anticipating the softening in the spot gas price. However, the offer price range remains narrow which is a feature of periods of market stability. The Back Up Gas Price was offered to one contract in **January**, and was accepted. No contract was written in **January** below \$3.75 per GJ. The **January** Back Up Gas Price is \$3.75 per GJ.

The currently anticipated average **January** On Market price is \$3.87 per GJ (as at the 15th of **January**). This average is down slightly on the \$3.89 per GJ average **December** price and is the **January** average price anticipated when the market was set at the start of the month.

Buyers and sellers continue to use the gasTrading Spot Market as part of their everyday gas supply planning but recent shifts in the terms of firm gas supply contracts are impacting activity in the spot market. In the near term 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 in 2018 is an unknown at this time. The decline in the Back Up Gas Price confirms the further softening of the market. We will publish the Back Up Gas Price for **February** with the Bidding Round Results Summary.

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

| On Market | Off Market | Total |
|-----------|------------|-------|
|-----------|------------|-------|

| Month | (TJ) | (TJ) | (TJ) | Comment |
|--------|---------|-------|---------|----------------|
| Jan-17 | 196.744 | 0.000 | 196.744 | |
| Feb-17 | 258.818 | 0.000 | 258.818 | |
| Mar-17 | 308.747 | 0.000 | 308.747 | |
| 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 | 81.500 | 1.000 | 82.500 | :to 15 January |

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 **February** as a result of changes to seller participation in the market in 2017.

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

Market Update

The results of the **January 2018 Bidding Round**, and the gasTrading Spot Market history to **December 2017**, 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 now looking for Buyer offer prices at and above \$3.70 per GJ.

At this time the indicated volumes available for **February 2018** are down slightly on the volumes offered in the **January** Invitation. This decrease reflects the end of year market dynamics but the market will respond to a surge in demand. 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. Additional gas volumes can be brought into the market on any day above those quoted in the table.

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

| Gas Available February 2018 | |
|-----------------------------|-------------|
| Date | Quantity TJ |
| 1/02/2018 | 8.00 |
| 2/02/2018 | 8.00 |
| 3/02/2018 | 8.00 |
| 4/02/2018 | 8.00 |
| 5/02/2018 | 8.00 |
| 6/02/2018 | 8.00 |
| 7/02/2018 | 8.00 |
| 8/02/2018 | 8.00 |
| 9/02/2018 | 8.00 |
| 10/02/2018 | 8.00 |
| 11/02/2018 | 8.00 |



| | |
|------------|------|
| 12/02/2018 | 8.00 |
| 13/02/2018 | 8.00 |
| 14/02/2018 | 8.00 |
| 15/02/2018 | 8.00 |
| 16/02/2018 | 8.00 |
| 17/02/2018 | 8.00 |
| 18/02/2018 | 8.00 |
| 19/02/2018 | 8.00 |
| 20/02/2018 | 8.00 |
| 21/02/2018 | 8.00 |
| 22/02/2018 | 8.00 |
| 23/02/2018 | 8.00 |
| 24/02/2018 | 8.00 |
| 25/02/2018 | 8.00 |
| 26/02/2018 | 8.00 |
| 27/02/2018 | 8.00 |
| 28/02/2018 | 8.00 |
| NA | |
| NA | |
| NA | |

224.00

Regards
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