

capacity trading.



APA Group now offers a new Capacity Trading service to streamline the implementation of trades between sellers and buyers of pipeline capacity. The unique service includes a public web site which provides a platform for sellers and buyers to advertise offers and bids for capacity, as well as summary information about pipeline utilisation and trading activity.

Pipeline capacity and trading

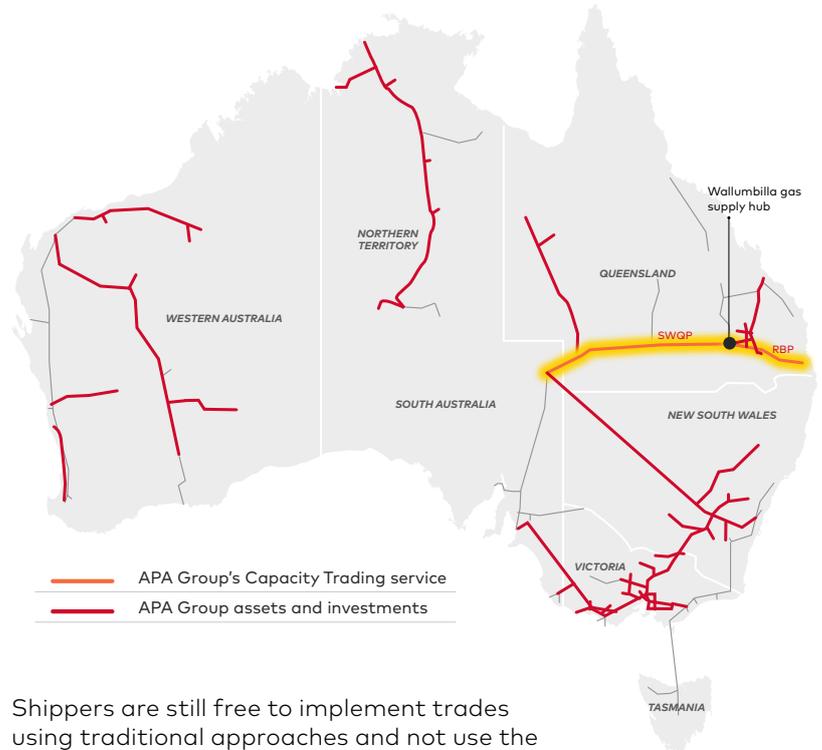
Pipeline capacity refers to the right to transport gas through a transmission pipeline. APA Group (APA) is the first Australian pipeline company to offer a streamlined service for the transfer of capacity between shippers (users of gas transportation services). This service provides benefits to shippers by simplifying the implementation of trades, preserving confidentiality and eliminating the need for lengthy negotiations.

To facilitate this trading process, APA Group has created a public web site where shippers can advertise the quantity of capacity that they want to buy or sell. The web site is updated daily and also includes current and historical trading information and pipeline utilisation information. Visit the web site at <http://capacitytrading.apa.com.au>.

Background

Australia's gas market is changing rapidly, and the needs of shippers are changing with it. One of the ways APA Group has responded to customer needs in this dynamic environment is the development of the Capacity Trading service which improves market flexibility and transparency for buyers and sellers of gas, helping them source and utilise pipeline capacity to transport gas.

APA Group's Capacity Trading service was developed in consultation with market participants and addresses key barriers to the trading of short-term pipeline capacity.



Shippers are still free to implement trades using traditional approaches and not use the new service.

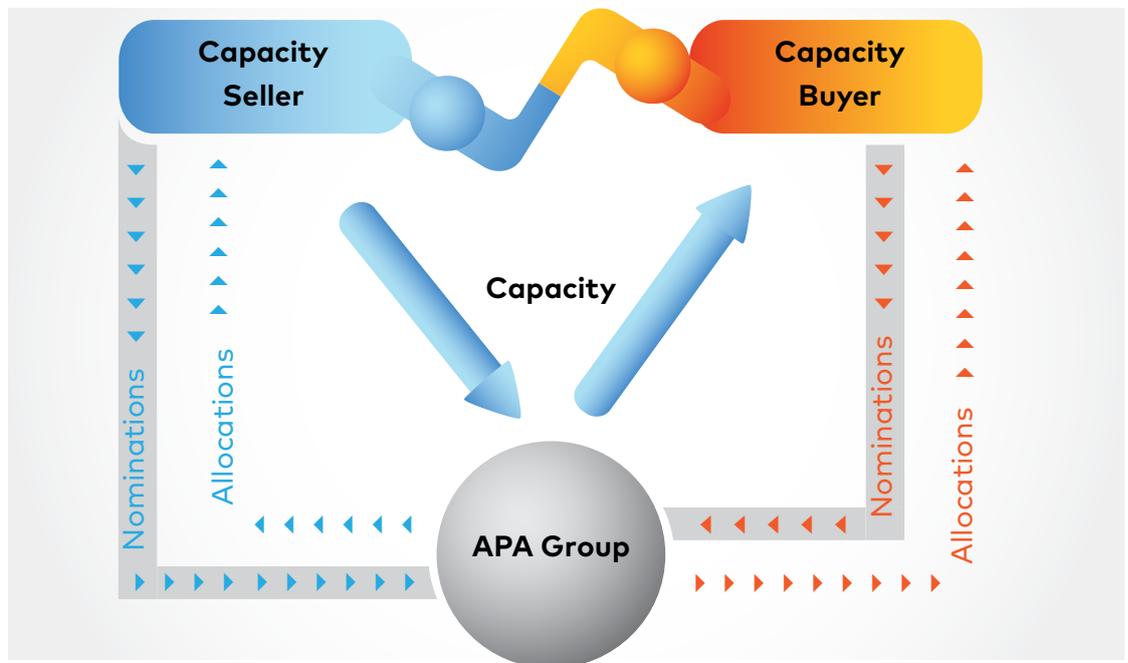
The Capacity Trading service follows the introduction, by APA Group, of In Pipe Trades and a number of other services to aid the development of the gas market. In Pipe Trades assists shippers to implement bilateral trades of gas by facilitating the swapping of gas within a pipeline.

Both services complement and support the Wallumbilla Gas Supply Hub that commenced in March 2014.

Where is the service offered?

Capacity Trading will be offered nationally on APA Group's pipelines. It is currently in operation on two of APA's east coast gas grid pipelines – the South West Queensland Pipeline (SWQP) and the Roma to Brisbane Pipeline (RBP). These are the key pipelines servicing the Wallumbilla Gas Supply Hub.

Benefits of capacity trading service APA Group's Capacity Trading service assists shippers to buy and sell firm forward-haul capacity and to transfer that capacity in the APA Grid customer portal (customer management system). The new service has several benefits not available from the traditional method of implementing capacity trades.



The APA Grid customer portal preserves the confidential nature of the individual buyer's and seller's information about the utilisation of that capacity.

It also means that the seller of capacity is not responsible for administering the exchange of information about transportation requirements between the buyer and APA Group on a daily basis. This has the benefit of streamlining capacity trading for sellers.

As capacity is transferred from the seller to the buyer in the APA Grid customer portal and this is linked back to the shipper's agreements with APA Group, the operational obligations in relation to the traded capacity are transferred to the buyer. This results in a more appropriate allocation of risk.

APA Group's Capacity Trading web site improves market transparency over available capacity and assists buyers and sellers to connect and make a trade.

How does it work?

APA Group's Capacity Trading service is unique in that it transfers the firm capacity from the seller to the buyer in the APA Grid customer portal. This transfer of capacity involves a triangular relationship (see figure below) between the seller, the buyer and APA Group where APA Group manages information flows for the commercial operation of the pipeline (nominations and allocations).

APA Group's Capacity Trading service ensures that commercially sensitive information concerning the buyer's use of capacity is exchanged only between the buyer and APA Group.

A shipper interested in buying or selling capacity can enter details of a bid or offer for capacity via the APA Grid customer portal.

This information will then be published on APA Group's Capacity Trading web site. The buyer and seller then bilaterally negotiate the price and terms of the transaction. Once the trade is agreed, the seller registers details of the transaction using the APA Grid customer portal and the buyer confirms the details. The capacity of each of the parties is then adjusted within the APA Grid customer portal.

The Capacity Trading service is available to new and existing shippers who enter into an agreement with APA Group for the service.

Future developments

APA Group will develop the service and web site to respond to needs of the market. Future development of the web site will include utilisation information for all of APA Group's east coast pipelines, allowing shippers to post bids and offers on all of APA Group's east coast pipelines and providing for implementation of trades for capacity across multiple assets as a single trade.

How do I access the service?

Visit the web site at <http://capacitytrading.apa.com.au> to view information on available capacity, historical trading information and pipeline utilisation data. Training material on how to use the facility is also available.

To trade capacity using the Capacity Trading service, shippers need to have a gas transportation agreement in place with APA Group. For new shippers, this can be arranged by contacting APA Group.

Further information

- <http://capacitytrading.apa.com.au>
- brisbane.contracts@apa.com.au
- www.apa.com.au