

Gas Market Leaders Group Synopsis of Seventh Meeting – 29 March 2007

The seventh meeting of the Gas Market Leaders Group (GMLG) was held in Melbourne on 29 March 2007.

Major issues considered at the meeting were:

1. The MCE initiative to form a Market Operator Working Group (MOWG) to replace the Gas Market Operator Working Group (GMOWG).

The GMLG was advised that the MOWG will retain the GMOWG terms of reference (to provide recommendations to MCE SCO on a gas market operator) but have a broadened membership to include representation from the gas and electricity sectors. MCE SCO advised that this change was made to give more effective consideration to the issue of whether or not to integrate the proposed gas market operator (GMO) with NEMMCO.

The GMLG was advised that this decision did not mean that the establishment of a GMO would not proceed, either as an interim or permanent arrangement. However, if it were decided that an integrated gas and electricity market operator is the preferred approach, the work already done by the GMLG and the GMOWG on governance issues for a GMO would be equally applicable to an energy market operator.

In response to the invitation to the GMLG to nominate a representative on the MOWG, Members agreed to appoint the GMLG Chairman, Ted Woodley.

2. Progress with implementation of the Bulletin Board (BB) and design of the Short Term Trading Market (STTM).

Good progress was noted in the development of project plans and readiness to procure consulting expertise.

However, work on the projects, particularly the STTM, was now being seriously impacted by the delay in finalising the project facilitation contract between the Commonwealth Department of Industry, Tourism and Resources and VENCORP/GMC for funds to engage consulting and contracting resources. The contract is expected to be finalised shortly.

The BB/STTM Steering Committee (a sub-group of the GMLG) indicated that the BB should be operational by end March 2008.

The GMLG discussed the implications of supporting legislation for the BB not being in force by this time. Consideration will need to be given to the practicality of interim voluntary arrangements for the provision of information on the BB. The GMLG decided to activate its Legal Working Group to assess necessary legislative requirements for a BB and STTM, and to review potential arrangements to operate a BB without the enabling legislation.

The GMLG also discussed the implications of not having a GMO established by the time the BB was operational, and possibly even by the time a STTM was commissioned. It was agreed that the development of the BB and STTM should continue on the basis that if a GMO or NEMO is not established prior to their commissioning, the GMLG would endeavour to use the resources of GMC, REMCO and VENCORP to perform these functions. It was further agreed that, in

the absence of a GMO or equivalent body, VENCORP develop, implement and operate the BB.

The Steering Committee advised that a go/no-go decision on the STTM is scheduled for late July 2007 and, assuming the decision is to “go”, the frontal design of the STTM should be complete by end March 2008.

3. A report by the Governance Working Group (a sub-group of the GMLG), with further recommendations on a National GMO (in addition to those in the GMLG National Gas Market Development Plan of June 2006).

The GMLG agreed on an approach to the appointment of directors to a GMO, including:

- there be a maximum of nine directors – six from industry and three independents, including the Chair;
- directors should collectively provide expertise across all industry segments – producers, pipeline owners/operators, distributors, retailers, wholesalers, end users and gas-fired generators;
- industry director nominations be sought from peak industry bodies;
- independent director nominations be sought from a variety of sources, including from peak industry bodies and through advertising;
- selection be by a GMO Board sub-committee, chaired by the Board’s (independent) Chair, possibly assisted by a professional search firm;
- industry directors be appointed by the GMO sub-committee. Independent directors be selected by the sub-committee and then forwarded to MCE SCO for endorsement;
- selection of directors for the first Board be by a sub-committee of the GMLG, with additional nominees from peak bodies if conflicts of interest so require;
- the criteria for appointment be based against an appropriate skills matrix; and
- appointment be for a three year term with one third of directors retiring by rotation (but able to be re-nominated).

4. The MCE/MCMPR Joint Working Group on Long Term Natural Gas Supply.

The GMLG received presentations from consultants tasked with scoping the size of the Australian gas industry and providing policy analysis on options to realise the twin goals of becoming one of the world's major LNG exporters and ensuring the long term supply of gas for domestic users.

As a reference group to the JWG, the GMLG provided comment on issues raised in these presentations. The consultants will be seeking further discussions with GMLG members and other industry participants to ensure comprehensive and balanced views are gathered.

Members agreed to meet again in late May or early June 2007.