



# INFORMATION

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## East coast gas system reliability standard and associated settings

### The Commission is seeking stakeholder feedback on a proposal to establish a reliability standard and facilitated market settings for the east coast gas system

The Commission has released a consultation paper that seeks stakeholder feedback on a rule change request that proposes additional east coast gas system (ECGS) reliability and supply adequacy (RSA) tools. We have also released a background paper that provides context for this rule change request, and for three related ECGS RSA rule change requests.

On 8 July 2024, the Chair of the Energy Senior Officials and Hon Lily D'Ambrosio MP, Minister for Climate Action, Minister for Energy & Resources and Minister for the State Electricity Commission (the 'proponents') submitted a rule change requesting the implementation of a reliability standard and facilitated market settings. In the proponents' view a reliability standard would facilitate more timely, informed and efficient market-led responses to RSA threats in the ECGS and improve how the Australian Energy Market Operator (AEMO) currently exercises its RSA function in the ECGS.

### This rule change is part of the stage 2 RSA reforms

In winter 2022, the ECGS experienced higher than expected gas demand (particularly from gas-powered generators (GPG)) and lower than expected supply. Wholesale gas prices in the facilitated markets across the ECGS reached record highs, triggering the administered price caps in some of these markets. Consequently, in August 2022 energy ministers decided on reforms to create an RSA framework in two stages.

Stage 1 RSA reforms, effective from 4 May 2023, expanded AEMO powers under the National Gas Law (NGL) with tools to better monitor and manage the gas supply adequacy and reliability risks from winter 2023.

The proposed and complementary Stage 2 RSA reforms are intended to enhance the timeliness and efficiency with which market participants can respond to reliability and supply adequacy threats, and to only require AEMO to intervene as a last resort. The proposed RSA framework was largely adapted from the NEM reliability framework and AEMO's related functions in the NEM.

### Gas supply shortfalls are forecast in the ECGS from 2026

AEMO (in its 2024 GSOO) and the Australian Competition & Consumer Commission (ACCC) forecast annual and peak day gas shortfalls in the ECGS southern regions from 2026. These shortfalls were predicted even after assuming gas flows (with existing infrastructure) from the north (Queensland) to the south (Victoria) of the ECGS. The forecast shortfalls are driven by higher projected gas demand from GPG, slow electrification of the residential and commercial sectors, reduced gas production in the south, and existing pipeline and storage capacity constraints.

### The proposed changes seek to facilitate more efficient market-led responses to shortfalls

The proponents have identified that, under current arrangements, inefficient decisions about how to respond to reliability supply adequacy threats over the short, medium and longer term, may be made by market participants, AEMO and policy makers. The costs of these inefficient decisions would ultimately be borne by gas consumers.

In the proponents' view, a reliability standard that reflects the value customers place on gas reliability (VGCR) will allow market participants and AEMO to make informed decisions about the trade-offs between reliability and supply interruption costs. The proposed solution consists of:

- A reliability standard, with a level that reflects the VGCR. The standard would provide a measure of the sufficiency of the supply of covered gas, the infrastructure capacity used in its supply, and demand response to meet both annual and peak day demands in the ECGS.
- Facilitated market reliability settings informed by the reliability standard such that they provide the appropriate incentives to market participants.
- Improvements to current forecasting tools by including a reliability forecast and an assessment of credible risks to system resilience in AEMO's gas planning reports —Gas statement of opportunities outlook (GSOO) and Victorian gas planning report (VGPR)— for more efficient planning and investment decisions.
- An objective threat signalling mechanism to communicate the nature and potential severity of threats to reliability and supply adequacy.
- New governance arrangements to support the proposed rule change and the RSA framework, with responsibilities for the AEMC, AEMO and the Australian Energy Regulator (AER).

**We are seeking your views on the problems identified by the proponents, and whether the proposed solutions would be effective in addressing these problems. We are also seeking feedback on potential alternative solutions and on the Commission's proposed assessment criteria.**

### Next steps

The AEMC requests submissions to the consultation paper by **17 April 2025**.

We will be hosting a virtual public forum on Thursday 27 March 2025. The session will also introduce other rule requests that form part of stage 2 RSA reforms. Details about this information session and how to register are available on the AEMC website - <https://www.aemc.gov.au/calendar/ecgs-reliability-standard-and-associated-settings-public-forum>.

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