



17 April 2025

Ms Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

Submitted online via [Lodge a submission | AEMC](#) (GRC0076)

Dear Ms Collyer

Submission: Rule Change Request – East Coast Gas System Reliability Standard and Associated Market Settings

CS Energy welcomes the opportunity to provide a submission in response to the Rule change request to establish a reliability standard for gas supply on Australia's east coast.

About CS Energy

CS Energy is a Queensland-owned and based energy company that provides power to some of the State's biggest industries and employers. We generate and sell electricity in the wholesale and retail markets, and we employ almost 700 people who live and work in the regions where we operate.

CS Energy owns thermal power generation assets, and we are building a more diverse portfolio. We also have a renewable energy offtakes portfolio of almost 300 megawatts, which we supply to our large commercial and industrial customers in Queensland. CS Energy is developing a 400 MW gas-fired peaking generator at Brigalow near Kogan Creek in Queensland.

Key recommendations

CS Energy agrees it is necessary to introduce a reliability standard for the East Coast Gas System (**ECGS**). In the current policy context, a reliability standard must form part of a framework for indicating needed investments in gas production, transport and storage to support residential, industrial and electricity generation demand for gas. In relation to electricity, increasing deployment of weather dependent wind and solar plant means substantial investment in gas-fired generating plant is essential to a reliable and secure electricity supply.

Given deepening connectedness of the gas and electricity systems and markets, it would be prudent to align the governance of their reliability frameworks and market price caps.

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The purpose of aligning governance is to ensure that the standards are developed, reviewed and set with regard to the effect of each energy sector on outcomes in the other sector. CS Energy therefore recommends that the existing Reliability Panel (**Panel**) responsible for the National Electricity Market (**NEM**) reliability standard be assigned responsibility for the ECGS standard. The Panel has established processes and skills to undertake this complex quantitative analysis, noting that it must be assigned staff with relevant gas expertise.

The proposed dual standard (an annual measure of unserved gas and a peak day measure of deliverability) appears to be a sound approach.

One significant area of uncertainty for the reliability and security of the electricity system is the future ability of gas-fired or long-term storage plant to earn revenue sufficient for existing plant to recover its costs and to attract investors to building new gas-fired or long-term storage plant. This uncertainty arises because it is expected that large-scale batteries providing two to four hours supply will occupy much of the firming market. If so, the revenue earning opportunities open to gas-fired plant will be reduced considerably. It might be that spot and forward market prices received by such plant will prove to be sufficient to offset low operating volumes. That given, investors might be reluctant to rely on the prospect of a few very high-priced events offsetting very long periods when little or no revenue is earned. This risk suggests that establishing the proposed annual unserved gas measure would be prudent, particularly if it is set with regard to the investment effects of price caps in the gas and electricity markets.

Analysis also indicates there is merit in the peak day deliverability measure to ensure gas customers receive supplies sufficient to allow them to serve their own customers and, in the price capped NEM, recover their efficient costs. In periods of high electricity demand and spot price volatility gas-fired plant tends to be the marginal generator. In 2022, the Cumulative Price Threshold and the Administered Price Cap were both in effect with gas-fired plant forced to generate at spot prices below their fuel cost. This suggests there will be benefits in a single independent expert body – the Panel – assessing the economic and commercial connections of the ECGS and the NEM when reviewing and determining reliability standards and price caps for these two energy sectors.

If you would like to discuss this submission, please contact Don Woodrow, Market Policy Manager, on 0407 296 047 or dwoodrow@csenergy.com.au.

Yours sincerely



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