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Australian Energy Market Commission

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The AEMC's consultation paper – ECGS Projected Assessment of System Adequacy

AGL Energy (**AGL**) welcomes the opportunity to make this submission in response to the AEMC's consultation paper on the rule change proposal to introduce a short term (**ST**) and medium term (**MT**) projected assessment of system adequacy (**PASA**) in the east coast gas system.

Key points

- There is a growing need for intra-year gas supply adequacy information across the east coast gas system.
- The development and design of an ST and MT PASA should be separate from the proposed reforms under the Reliability Standards and associated settings rule change.
- We support the proposal for ST and MT PASA information to be published for the entire east coast gas system. However, to address the risk that overly aggregated information is published for 'regions', the AEMC should consider including a requirement in the Rules that information also be published for each east coast jurisdiction.
- The Rules should also require more granular information be published regarding the LNG export projects. Similar to the special treatment of gas powered generation in the proposed ST and MT PASA, prescribing specific information publishing requirements relating to the LNG export projects is justified given their increasingly significant impact on the east coast gas system and gas supply adequacy.
- The ST and MT PASA has the potential to assist market participants in proactively managing potential supply shortfalls or constraints during critical periods. This is of critical importance given the east coast gas system is forecast to experience increasing supply shortfalls over time.
- We are committed to working collaboratively with policymakers and the AEMC on these reforms – and other necessary measures – as part of our broader commitment to securing sufficient gas supply for Australian customers at affordable prices.

About AGL

At AGL, we believe energy makes life better and are passionate about powering the way Australians live, move and work. Proudly Australian for more than 185 years, AGL supplies around 4.5 million energy, telecommunications and Netflix customer services.¹ AGL operates Australia's largest private electricity generation portfolio within the National Electricity Market, comprising coal and gas-fired generation, renewable energy sources such as wind, hydro and solar, batteries and other firming technology, and storage assets. We are building on our history as one of Australia's leading private investors in renewable energy to now lead the business of transition to a lower emission, affordable and smart energy future in line with the goals of our Climate Transition Action Plan. We'll continue to innovate in energy and other

¹ Services to customers number is at 31 December 2024.

essential services to enhance the way Australians live, and to help preserve the world around us for future generations.

Intra-year gas supply adequacy information across the east coast gas system is needed

The rule change request correctly identifies the growing need for better intra-year information about gas supply adequacy across the east coast gas system (**ECGS**). We agree that AEMO already has access to substantial relevant data, particularly following new reporting obligations introduced as part of Stage 1 of the Reliability and Supply Adequacy (**RSA**) reforms.

Consistent with our previous submission, we believe a seasonal PASA focused specifically on winter would provide the most value to market participants. While the Gas Statement of Opportunities (**GSOO**) provides helpful forecasts over longer periods (12 months or more), a dedicated seasonal PASA would effectively complement existing reports. It would assist market participants in proactively managing potential supply shortfalls or constraints during critical periods, particularly winter.²

We support the proposed short term (**ST**) and medium term (**MT**) PASA outlook periods, as well as their planned publication frequency. In our view, these PASA reports could deliver similar benefits to a seasonal PASA.³

The ST and MT PASA should take a consistent approach in identifying gas supply adequacy risks

The rule change request proposes the ST and MT PASA to take different approaches in identifying risks in gas supply adequacy:

- The ST PASA is intended to include information on ‘actual or potential risks or threats to the reliability or adequacy of the supply of covered gas on a gas day’
- The MT PASA will include ‘a reliability forecast that includes AEMO’s assessment of whether or not the reliability standard is likely to be breached and, if so, the expected size, timing, duration and location of the breach’ – this is contingent on the Reliability Standard & Associated Settings rule change being made

The rule change request explains this difference is due to ‘the limitations in trying to apply an annual reliability standard measure to a 7-day outlook period’.

We acknowledge that there may be limitations in applying an annual reliability standard to a 7-day outlook period. However, as noted in our submission to the AEMC’s consultation paper on the reliability standard and associated settings, we consider there may be significant limitations in the measures set out in that rule change request. These limitations could result in reliability risks not being identified.⁴

As these potential issues are currently unresolved, it follows that by reflecting aspects of the reliability standard and associated settings in reliability forecasts produced as part of the MT PASA would, in our view, dilute the reliability and usefulness of the MT PASA as a threat signalling mechanism.

² AGL submission, *Reliability and supply adequacy framework for the east coast gas system*, 13 July 2023, <https://www.agl.com.au/content/dam/agl-thehub/230717-stage-2-reliability-and-supply-adequacy-framework.pdf>

³ ST PASA – rolling 7-day outlook with a daily resolution, with daily publication. MT PASA – rolling 12-month outlook with weekly resolution, with weekly publication.

⁴ AGL submission, *The AEMC’s consultation paper – National Gas Amendment (ECGS reliability standard and associated settings) Rule*, 29 April 2025, <https://www.aemc.gov.au/sites/default/files/2025-05/AGL%20-%20GRC0076%20-%20Submissions.pdf>

We consider that the development of an ST and MT PASA should not be contingent on the reliability standard & associated settings rule change being made. We encourage the AEMC to consider drafting the MT PASA's threat signalling requirements in a way that reflects the requirements in the ST PASA – being 'actual or potential risks or threats to the reliability or adequacy of the supply of covered gas on a gas day'. This would strengthen the integrity of the MT PASA by not exposing it to the problems associated with the reliability settings and associated standards rule change.

Information should be published for each east coast jurisdiction

The rule change request proposes the geographic scope for the ST and MT PASA to be prescribed in the NGR as the ECGS. Also, it is proposed that AEMO be provided discretion to define specific regions within the ECGS for the ST and MT PASA through the ECGS Procedures, rather than prescribing regions in the rules. This flexibility enables AEMO to respond to changing conditions while ensuring stakeholders have opportunities to comment during the initial establishment and any future amendments of regional definitions, consistent with established consultation processes.

While we agree in principle with granting AEMO some discretion in defining regions, we remain concerned that this flexibility could result in the publication of overly aggregate information. Excessive aggregation may hinder market participants' ability to clearly understand detailed supply-demand dynamics and effectively respond to emerging risks and be at odds with the intended purpose of the ST and MT PASA.

One example of excessive aggregation is AEMO's approach in its 2025 GSOO to combine the Northern Territory and Queensland to form a single 'northern region'. Under the current market dynamics, we consider it would be problematic if this approach was replicated for the ST and MT PASA.

To avoid unnecessary or excessive aggregation, we recommend that the rules explicitly require information to be published as part of the ST and MT PASA for each east coast jurisdiction.

We do not consider that publishing information at the jurisdictional level would impose additional burdens or costs on market participants, nor would it add complexity to the ST and MT PASA frameworks.

More detailed information on the LNG export projects should be published

Granular information on LNG export projects is becoming increasingly important. Currently, the ACCC publishes detailed forecasts of supply and demand related to LNG export projects. This information is valuable because it clearly illustrates the impact these projects have on the domestic gas market.⁵

In comparison, AEMO's approach is less transparent and more aggregated. When preparing physical gas adequacy assessments published in its GSOO, AEMO assumes "that gas from Queensland LNG producers is made available to the domestic market if required to avert domestic shortfalls. This includes uncontracted gas that could otherwise be exported as spot cargoes to international markets."

However, AEMO does not specify the volume of gas it assumes would be provided to avoid domestic shortfalls, nor does it clearly outline the impact of this assumption – for example, whether forecast shortfalls would occur earlier if this assumption were removed.

⁵ ACCC Gas Inquiry – March 2025 Interim Report – p. 9.

Information includes: production from proved and probable reserves and net storage withdrawals, third party gas purchases from suppliers other than LNG producers, contracted supply commitments to the domestic market, feedgas required to meet LNG Sales and Purchase Agreements, feedgas required to meet anticipated LNG spot sales and quantity of net uncontracted gas.

Given that the ACCC's Gas Inquiry is expected to conclude in 2030, and considering the growing importance of granular information related to LNG export projects, we recommend that the AEMC consider including minimum information publication requirements for LNG export projects within the NGR.

This would be similar to the treatment of gas demand from GPG. The rule change request recognises the influence on the domestic gas market arising from GPG and specifically requires that the assumed level of GPG demand be published alongside the overall demand forecast for both ST and MT PASA.

The proposed changes to the NGR do not include any requirements that information relating to the LNG export projects be published. This is a significant oversight which must be addressed.

Additionally, we recommend reviewing both the existing rules and proposed amendments to ensure that LNG export projects remain obligated to provide this information to AEMO, and to confirm that existing reporting obligations are not inadvertently reduced or removed.

Consultation paper questions

Question 1: Is there enough quality information covering the intra-year period to support decision-making by ECGS participants, AEMO and policymakers?

Do you agree that there is insufficient information for the intra-year period to support optimal decision making by ECGS participants, AEMO and policymakers?

We partially agree with the rule change proponent's view that the ECGS currently lacks a comprehensive set of high-quality information covering gas supply and demand during the intra-year period.

While a substantial volume of information about the ECGS is already available, reconciling data from different sources can sometimes be challenging. For example, forecasts presented in AEMO's Gas Statement of Opportunities (GSOO) often differ from those in the ACCC's Gas Inquiry interim reports.

We strongly agree that market participants require clear and consistent visibility of expected gas supply and infrastructure capacity relative to forecast demand. Enhanced clarity will allow participants to more effectively and promptly identify and respond to potential reliability or supply adequacy issues.

We also consider the current rule change process an important opportunity to establish an information publication framework that is fit for purpose both now and into the future. Given the scheduled conclusion of the ACCC Gas Inquiry in 2030, we suggest the current rule change request could beneficially incorporate reporting approaches and best practices developed by the ACCC where appropriate.

Question 2: Do you consider a principles-based approach to be the most appropriate solution?

What are your views on the straw person ECGS PASA objective? Do you think it includes any irrelevant considerations? Are there important considerations missing?

We agree that a principles based approach could be beneficial, as it offers flexibility for AEMO and market participants. Nevertheless, we believe that incorporating additional requirements in the National Gas Rules – particularly minimum information publication standards – can enhance the effectiveness of this approach while still preserving flexibility. Clearly defined minimum requirements would ensure that policymakers' expectations are consistently met. Specifically, the ST and MT PASA could be strengthened by prescribing explicit information publication obligations in the NGR, including coverage of individual east coast jurisdictions and LNG export projects. These recommendations are discussed in greater detail earlier in this submission.

Separately, we note that although the rule change proposal does not explicitly frame it as an 'objective', it introduces a new rule setting out the 'purpose' of PASA. We encourage the AEMC to compare this

proposed PASA 'purpose' with its own straw-person ECGS PASA 'objective'. Given the AEMC's adaptation of the existing NEM PASA objective in developing the ECGS PASA objective, we suggest the AEMC carefully consider whether a separate PASA 'purpose' clause is genuinely necessary. We also highlight that equivalent PASA arrangements in the NEM rely solely on an objective without an additional purpose statement.

Question 3: Which factors should guide AEMO's development of ECGS PASA modelling regions?

How should modelling regions be defined? Should this be undertaken by AEMO? Do you consider the factors identified by AEMO to be comprehensive or are there other relevant factors?

As noted above, we believe the rules should require ST and MT PASA information to be published separately for each east coast jurisdiction. This approach would help avoid issues arising from aggregated data and could reduce the need for extensive consultation processes to determine appropriate regional groupings.

However, we are not suggesting removing AEMO's flexibility to publish information aggregated across specified regions. If AEMO identifies additional benefits in presenting aggregated regional information, we support its discretion to do so. Nonetheless, an implication of our recommendation is that the significance of how modelling regions are defined would likely be considerably reduced.

Question 8: What are your views on implementation timing?

What are your views on the costs or benefits of implementing an ECGS PASA before a reliability standard has been developed?

The design of the ST and MT PASA should be separate from the reliability standard. There are currently several potential problems with the reliability standard which are unresolved. Incorporating aspects of the reliability standard risks introducing these problems to the ST and MT PASA.

We would be happy to discuss our submission in more detail with the AEMC if this would be useful. Please contact Warren Vosper at wvosper@agl.com.au.

Yours sincerely,

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