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EnergyAustralia Pty Ltd
ABN 99 086 014 968

Level 19
Two Melbourne Quarter
697 Collins Street
Docklands Victoria 3008

Phone +61 3 8628 1000
Facsimile +61 3 8628 1050

enq@energyaustralia.com.au
energyaustralia.com.au

AEMC Consultation - ECGS Reliability standard and associated settings

EnergyAustralia is one of Australia's largest energy companies with around 2.4 million electricity and gas accounts across eastern Australia. We also own, operate and contract a diversified energy generation portfolio across Australia, including coal, gas, battery storage, demand response, wind and solar assets, with control of over 5,000MW of generation capacity.

We appreciate the opportunity to provide feedback on the AEMC's consultation on the rule change request on the East Coast Gas System (ECGS) reliability standard and associated settings. We support the proposed introduction of a gas reliability standard in principle as an objective standard will create greater certainty in the market on when AEMO will use its powers to intervene in the gas market. A clearly defined standard can help avoid ad hoc interventions, support more efficient market responses to emerging shortfalls, and provide a more transparent basis for planning, investment, and risk management decisions across the supply chain.

There are several important design and implementation questions that are worth considering to help ensure the proposed reliability standard achieves its intended purpose including facilitating more efficient market-led responses to gas shortfalls.

- **Who should set the gas reliability standard?** The proposal assigns the AEMC with responsibility for setting the reliability standard. While this aligns with the Commission's broader rule-making role, we suggest the AEMC consider establishing an independent and representative gas reliability panel — similar in function to the Reliability Panel in the electricity sector. This would enhance transparency,

stakeholder confidence, and governance in determining a reliability standard that reflects the needs and risks across different parts of the gas market.

- **How should the reliability standard operate?** The proposal introduces a dual reliability standard comprising an annual unserved gas (USG) measure and a peak day deliverability measure, with a possible operational link to a tiered threat signalling mechanism. While the framework states that a breach of either measure constitutes a breach of the reliability standard, it does not appear to clearly specify what this breach triggers operationally — that is, whether it mandates action or merely informs AEMO's discretion.

- We recommend that any breach of the reliability standard trigger a clearly defined response from AEMO, to provide market participants with certainty about what actions will be taken and when. For example, if there's a breach, AEMO must issue a threat notice and call a GSAR conference, providing a formalised and transparent process on AEMO intervention. This detail should be developed in close engagement with stakeholders. Importantly, any requirements arising from a breach of the standard should apply to AEMO as system operator, rather than imposing compliance requirements or automatic actions on gas market participants. This will help ensure the framework provides operational clarity without introducing prescriptive obligations that may limit commercial flexibility or lead to unintended consequences in an already tight supply environment.

- **What is the purpose of the standard?** From the consultation paper it appears the proposed reliability standard is expected to serve more than one purpose – including to serve as an 'operational guardrail' to ensure AEMO interventions occur only as a last resort and promote better investment signals to facilitate more market-based responses to projected supply shortfalls.

- While we support the intent to improve investment signals, we question the extent to which a reliability standard can drive timely and efficient investment, given that gas infrastructure and supply developments typically have multi-year lead times and are often constrained by broader policy and regulatory factors rather than market design parameters. Any investment signal benefit is more likely realised if there are other broader policy measures to address supply-side constraints. That said, conceptually we understand that grounding the reliability standard and market settings in a clearer measure of customer willingness to pay — via the Value of Gas Customer Reliability (VGCR) — may help support more transparent and consistent investment signals over time.

- We see greater value in a gas reliability standard as a mechanism to improve transparency and establish a structured objective basis for AEMO's operational decision-making under its gas powers. This provides gas market participants more certainty which supports more informed business decisions on risk and planning.

Timing and implementation considerations

Given the timing of the STTM market parameter review (due by early 2028)[1] and the indicative timeline for a final decision on 25 June 2026, we note that the final VGCR and reliability standard is unlikely to be available until 2027, likely late 2027. This reflects the time required for the AER to develop and consult on the VGCR methodology, and for the AEMC to apply it in setting the final standard. As a result, there may be limited opportunity for the new framework to be fully considered in the upcoming STTM review cycle. The short lead time between these processes could make it challenging for AEMO to undertake comprehensive consultation or analysis of updated market settings.

For the Declared Wholesale Gas Market (DWGM), there does not appear to be a mandated review cycle. While DWGM settings were reviewed alongside the STTM in 2023, this was done on a discretionary basis, and it is not clear whether future DWGM reviews will be aligned with the reliability framework's implementation.

To help support timely, coordinated and effective implementation, we suggest that the AEMC:

- consider developing a coordinated timetable across the AEMC, AEMO, and AERs to ensure key milestones for setting the reliability standard, calculating the VGCR, and reviewing market settings are aligned.

- explore making the DWGM review cycle more formalised to align with the STTM market parameter review. We also consider further consideration on the consistency between gas market frameworks is worthwhile given differences in administered price cap levels between the STTM ($40/GJ) and DWGM ($20/GJ) contributed to unintended outcomes during the 2022 market events.

- explore a transitional pricing pathway to manage the risk that a newly developed VGCR and reliability standard — which reflect estimates of customer willingness to pay — are significantly out of line with existing market price cap settings. A transitional approach can help avoid sudden changes in market incentives and provide a glide path for aligning price caps with the new framework over time.

[1] Stipulated by Rule 492 of the NGR.

- consider sequencing and links between electricity and gas. Currently, electricity reliability settings are reviewed ahead of gas, despite gas playing a critical role in electricity generation.

We reserve further detailed comments on the proposed gas reliability standard for consultation on the future directions paper.

If you have any questions in relation to this submission, please contact me (maria.ducusin@energyaustralia.com.au or 03 9060 0934).

Yours sincerely,
Maria Ducusin
Regulatory Affairs Lead