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Australian Energy Market Commission

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**Draft Rule Determination – National Gas Amendment (EGCS projected assessment of system adequacy) Rule**

AGL Energy (**AGL**) welcomes the opportunity to make this submission in response to the AEMC's Draft Rule Determination regarding the east coast gas system (**EGCS**) projected assessment of system adequacy (**PASA**).

**About AGL**

Proudly Australian since 1837, AGL delivers around 4.6 million gas, electricity, and telecommunications services to our residential, small and large business, and wholesale customers across Australia.<sup>1</sup> AGL operates the largest electricity generation portfolio in Australia of any ASX-listed company, with a total operated generation capacity of almost 8000 MW across Australia. AGL is Australia's largest privately-owned hydro power station operator and operates the largest portfolio of renewables and storage assets of any ASX listed company. Since 2006, AGL has invested billions of dollars in the construction and delivery of over 2 GW of renewable and firming capacity in the National Electricity Market.

**The proposed rule changes affecting the DWGM and STTM may require further consideration by the AEMC**

The AEMC's draft determination indicates that participants in both the Declared Wholesale Gas Market (**DWGM**) and the Short Term Trading Market (**STTM**) would be required to submit their intentions over a seven-day horizon, compared to the current three-day requirement. This change is intended to support the development of a seven-day Short Term PASA (**ST PASA**).

According to the draft determination, DWGM participants would be required to submit demand forecasts over a seven-day horizon, while the bid horizon would remain unchanged. In contrast, the AEMC states that STTM participants would be required to submit their bids seven days in advance, on the basis that there is no provision for demand forecasts to be submitted in the STTM.

The AEMC concludes that these changes, taken together, would provide AEMO with sufficient demand-side information to support the ST PASA. However, we are concerned that the proposed changes may impose unnecessary burdens on market participants by requiring the submission of more information than is needed to meet the AEMC's stated objective.

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<sup>1</sup> Services to customers number is at 30 June 2025.

This issue may arise from a misunderstanding of the STTM's market design. The statement that there is no provision for demand forecasts in the STTM overlooks the fact that price taker bids effectively serve this function. Price taker bids are used by participants to indicate the quantity of demand that is not price sensitive, and therefore represent a forecast of uncontrollable demand for a given gas day.

This interpretation is supported by the Australian Energy Regulator's Gas Markets Demand Forecasting Compliance Bulletin, published in November 2022. In that document, the AER refers to price taker bids in the STTM and uncontrollable withdrawal bids in the DWGM collectively as demand forecasts. These inputs are essential to AEMO's scheduling and price-setting processes in both markets.

To address the inconsistency in the draft rule change and better align with the AEMC's intent, AGL supports amending the rules to require market participants in both the DWGM and STTM to submit relevant information seven days ahead of the gas day. For the DWGM, this would include demand forecasts and bids to withdraw or inject controllable quantities of gas. For the STTM, this would include ex ante offers, ex ante bids, and price taker bids.

AGL would also support the use of this information to prepare indicative price forecasts up to seven days in advance, provided the forecasting methodology is transparent and appropriately tailored to the design of each market.

### **The drafting of new obligations must reflect the fact longer forecasting horizons face increased uncertainty and potential inaccuracies**

The AEMC's draft determination acknowledges that GPG demand forecasts will be a challenging but critical input into the ST and MT PASA. This view is supported by AEMO's PASA Design Report, which highlights the inherent difficulty in accurately forecasting GPG demand, even when supported by additional information disclosure requirements on GPG operators.

AGL agrees that forecasting GPG gas demand is inherently difficult. In practice, the accuracy of any gas demand forecast declines the further in advance it is prepared. This is true not only for GPG but also for other sources of gas demand, including residential and commercial consumption. While we support AEMO being tasked with forecasting GPG demand, we believe two key issues must be considered in the drafting of the relevant obligations.

First, the increasing uncertainty associated with longer forecast horizons should be reflected in the design of the rules. Participants should not be exposed to tier one civil penalties for failing to meet forecast expectations that are inherently uncertain, particularly for the purposes of providing forecast demand to inform . Instead, obligations should focus on the provision of good faith estimates, with updates required only where there has been a material change in the underlying assumptions or circumstances.

Second, the draft rule determination appears to create a risk of double counting GPG demand. This could occur if AEMO's centrally generated GPG demand forecasts are combined with market participants' demand forecasts which in some cases can include GPG demand as part of a single aggregated figure. Without clear delineation between centrally forecast and participant-submitted demand, there is a risk that GPG demand could be overstated in the ST PASA.

To avoid this, the final rule should clarify how AEMO will treat overlapping demand inputs and ensure that centrally produced GPG forecasts are not duplicated in participant-submitted data. This will help maintain the integrity of the PASA and ensure that the information used to assess system adequacy is both accurate and fit for purpose.

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](mailto:wvosper@agl.com.au).

Yours sincerely,

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