

25 September 2025

Ms Anna Collyer
Chair
Level 15
60 Castlereagh Street
Sydney NSW 2000

By online submission

Dear Ms Collyer,

ECGS Reliability standard and associated settings (GRC0076)

AEMO welcomes the opportunity to respond to the AEMC's Directions Paper (the Paper) for the east coast gas system (ECGS) reliability standard and associated settings rule. AEMO's submission is focused on the AEMC assessment of the need for a reliability standard.

AEMO encourages the AEMC to reconsider its position on not introducing a reliability standard for the ECGS. AEMO is mindful that without an appropriate standard, key trade-offs may be overlooked. Further there is an important role for a standard in providing consistency and predictability to the market and to better inform how AEMO triggers certain market interventions.

Gas reliability standard assessment

The Paper concludes that introducing a gas reliability standard would be disproportionate for the ECGS. However, the quantitative assessment of costs benefits and trade-offs needed to support this conclusion has not yet been undertaken. AEMO remains of the view that a reliability standard would provide important benefits for the reasons outlined below and supports further analysis to test this proposition. The AEMC should analyse different configurations – such as a dual standard (as proposed) or individual component standards. It could then be demonstrated whether such a standard would impose disproportionate costs or inefficiencies and demonstrate what implementation would look like in practice. Without this analysis, and in the absence of a complete alternative framework, AEMO considers the case against a reliability standard has not been made.

The reliability standard and operational timeframes

The AEMC argues that a reliability standard would introduce ambiguity and inefficiency because it cannot be applied effectively in the short-term operational context of the ECGS. This claim appears to conflate the purpose of a reliability standard with the operation of the risk and threat signalling framework.

A reliability standard serves multiple purposes: it guides probabilistic adequacy assessments, provides an objective benchmark to anchor industry expectations of AEMO interventions, and critically, it could guide AEMO's intervention decisions where costs and benefits must be traded off against reliability outcomes. This guidance could be applied to AEMO's use of the trading fund, its direction powers and in exercising any supplier of last resort function. The Paper's alternative approach of relying solely on probability of exceedance



(POE) approach creates a false choice between planning and operational tools, when both serve complementary purposes.

The NEM provides a proven model through its Reliability Standard Implementation Guidelines (RSIG), which detail how AEMO implements the reliability standard across multiple processes—from 10-year ESOO projections to 7-day ST PASA assessments. These guidelines clarify when and how AEMO may intervene, including through directions, RERT activation, or other measures when reliability thresholds are approached. Importantly, the RSIG framework can be updated over time as the market evolves, while still providing industry with the transparency and predictability needed to understand AEMO's intervention triggers and actions. This adaptive yet structured approach would be equally valuable in the gas market, where clear intervention criteria become increasingly important as AEMO's roles expand under the ECGS RSA framework.

Rather than viewing operational timeframes as an obstacle to implementing a reliability standard, AEMO considers the appropriate approach is to establish the standard first, then determine its application across different horizons and signalling and intervention mechanisms.

Risks without a ECGS reliability standard

While the system has operated without a standard to date, recent developments change the risk profile for consumers and warrants further consideration and analysis by the AEMC. First, the expanded scope of interventions under stage 1 of the ECGS reliability and supply adequacy (RSA) framework increases the need for greater predictability on when and how AEMO will intervene, which would be aided by a reliability standard. Second, as the rule change request notes, the ECGS is becoming increasingly exposed to reliability and supply adequacy threats.

AEMO considers that the central question is whether intervention decisions should be guided by an objective reliability standard, or whether such decisions continue to be made by AEMO without an objective benchmark. The lack of a reliability standard increases the risk of either 'over-intervention' (imposing unnecessary costs) or under-intervention (accepting excessive reliability risks).

Willingness to pay

The Paper suggests that willingness to pay (WTP) could provide an alternative basis for investment signals in place of a reliability standard. This proposal has limitations that warrant further consideration. It is unclear how WTP differs substantively from the Value of Gas Customer Reliability (VGCR) proposed by the proponent. Given this, it is unclear how WTP would overcome the same limitations that apply to VGCR, meaning it may not provide effective or reliable investment signals in the absence of a reliability standard.

In addition, the Paper states that STTM and DWGM market price caps have not been reached for 15 years and that spot prices provide limited investment signals. These assertions materially affect the evaluation of market responsiveness and the value of a reliability standard. AEMO notes that in Winter 2022, prices did reach the market price cap¹ however the administered pricing mechanism was subsequently triggered, which then capped prices at \$40/GJ². AEMO understands that sustained higher spot prices did drive some contracting behaviour and likely would have provided an investment signal.

¹ AER, [Significant Price Variation report – May to August 2022](#), September 2022.

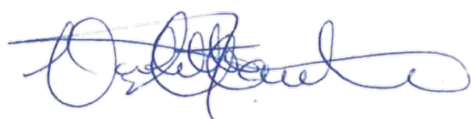
² Shadow prices – prices that would have been set in the ex-ante schedule in the event administered pricing had not been applied – reached the market price cap in both the DWGM and the STTM in Winter 2022. For the DWGM, there were \$800/GJ shadow prices on multiple schedules across 31 May – 23 July 2022. In the Sydney STTM, shadow prices reached the cap of \$400/GJ across 1-3 June 2022.

Second, the exclusion of small customers from the WTP metric raises some concerns. While controllable loads and gas fired generation are typically the first customers to be curtailed in practice, small customers still face reliability risks and have limited ability to self-manage or hedge against supply interruptions. Their exclusion would artificially lower that calculated WTP and understate broader social and economic impacts of unreliability. Any mechanism adopted will need to ensure that small customers are appropriately captured.

While WTP may capture scarcity pricing, it does not ensure physical reliability. Gas reliability depends on infrastructure redundancy, supply diversity, and security. These factors are not completely captured by short-term price movements.

AEMO looks forward to continuing work with the AEMC on the Stage 2 RSA rule changes. Should you wish to discuss any aspects of this submission please contact Paddy Costigan, Group Manager, Gas Reform at Paddy.Costigan@aemo.com.au.

Yours sincerely,



Violette Mouchaileh

Executive General Manager, Policy and Corporate Affairs