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Australian Energy Market Commission

25 September 2025

Directions Paper – ECGS reliability standard

AGL Energy (**AGL**) welcomes the opportunity to provide this submission in response to the Australian Energy Market Commission (AEMC) directions paper concerning the east coast gas system (**ECGS**) reliability standard and associated settings.

AGL supports the AEMC's assessment that the original proposal to introduce a dual reliability standard, comprising unserved gas and peak day gas deliverability, is not necessary and should not be progressed at this time.

The proposals outlined in the directions paper, along with the broader measures currently being progressed through the Stage 2 Reliability and Supply Adequacy reforms, form a comprehensive framework for managing reliability and supply risks. These reforms are expected to enhance market resilience without requiring the introduction of a dual reliability standard.

This submission provides further feedback on the remaining proposals in the directions paper.

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.[1] 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.

Incorporating risk tiers & probability metrics

AGL supports the AEMC's proposal to incorporate tier levels (to clarify the level of a risk) and a probabilistic metric (to indicate the likelihood of a risk happening) into AEMO's existing risk or threat notices. Although the current rules appear to already provide AEMO with sufficient flexibility to implement these changes, the AEMC's approach is practical and likely to enhance the efficiency of market participants' responses to risks as they emerge.

We recommend that the terminology used for the different tiers be simple and focused solely on the level of risk. For example, terms such as low, medium, and high would be appropriate. The directions paper includes an example where the Level 1 tier is labelled "Early Warning." This may lead to confusion, as the use of the word 'early' introduces a time-based element. While the level of risk can change over time, the

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[1] Services to customers number is at 30 June 2025.

correlation is never certain. Risk levels may also change due to other factors, such as the size of a potential shortfall. Although we are open to different terminology, we strongly believe that tier names should only reflect the level of risk and avoid incorporating other dimensions.

We consider the framework should include tiers that provide strong signals and transparency. Furthermore, AEMO should retain discretion to use directions as a last resort intervention mechanism only when absolutely necessary, rather than as an automatic response to a particular tier.

Improving the review of market price settings and related governance arrangements

AGL supports the continued regular review of market price settings to ensure they remain fit-for-purpose, efficient, and resilient in the face of evolving market conditions and reliability risks. We agree with the proposal to review the settings for both the Victorian Declared Wholesale Gas Market (**DWGM**) and the Short-Term Trading Market (**STTM**) concurrently, as this reflects the increasingly integrated nature of the east coast gas system.

We also support the establishment of a Gas Reliability Committee under the AEMC to lead future reviews of market price settings. However, it is essential that market participants are not only consulted but have a formal role in the decision-making process. Market participants bring critical commercial, operational, and consumer-facing insights that are necessary to ensure the settings are robust, balanced, and reflective of real-world conditions.

The directions paper appropriately outlines a range of factors that may warrant consideration when determining market price settings. These include:

- the impact on consumer gas bills
- the financial stability of the market and the risk of cascading financial failure
- operational and investment incentives
- the willingness to pay of consumers

These factors are complex and interrelated. Their assessment requires practical experience and a deep understanding of market dynamics, which market participants are uniquely positioned to provide. Limiting stakeholder involvement to a standard consultation process would risk overlooking valuable expertise and could lead to outcomes that are less effective or less accepted by the industry.

AGL agrees that the willingness to pay of consumers is a relevant consideration when reviewing market price settings. However, it is not immediately clear whether the approach outlined in the directions paper would lead to any material changes.

The directions paper proposes that the willingness to pay of customers located beyond the city gate, meaning those who receive gas supply from the distribution network, should not be considered in the market price settings. We understand the rationale that curtailing these customers would involve significant safety risks and costs, and that these risks are better addressed through regulatory or insurance mechanisms.

We support the AEMC's view that price-sensitive bids submitted by market participants, which reflect controllable demand, can provide a useful indication of willingness to pay. However, the paper appears to suggest that buyers who submit bids to purchase gas at any price, such as price taker bids in the STTM or uncontrollable withdrawal bids / demand forecasts in the DWGM, could reasonably be curtailed. This raises a conceptual concern.

The ability to curtail a customer is not the same as understanding their willingness to pay. These are distinct concepts. It may be helpful for the AEMC to further clarify what it intends to measure and reflect in the market price settings. Is the objective to assess the economic value placed on reliability, the technical ability to curtail, or a combination of both?

Additionally, the number of customers who do not receive gas supply through the distribution network but use the DWGM or STTM to source gas should be considered. Understanding the scale and characteristics of this group is important to assess whether incorporating their willingness to pay would materially influence the market price settings.

The directions paper also notes the difficulty in determining the willingness to pay of customers who purchase gas through bilateral contracts. It is unclear why this is relevant if the focus is on customers participating in the facilitated markets. For those participants, their demand and price sensitivity should already be reflected in the bids they submit to AEMO.

Enhancing the Gas Statement of Opportunities and the Victorian Gas Planning Report

AGL supports the following proposals set out in the directions paper which aim to support efficient investment and planning decisions:

- introducing probabilistic metric to highlight medium to longer-term reliability risks
- disaggregating reliability forecasts beyond the current north/south split
- including an assessment of credible risks to system resilience
- requiring that AEMO consult on and publish its forecasting approach and methodology within its Reliability Forecast Guidelines

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,

Chris Streets

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AGL Energy