

AEMC NATIONAL GAS AMENDMENT (ECGS RELIABILITY STANDARD AND ASSOCIATED SETTINGS) RULE - DIRECTIONS PAPER (GRC0076)

25 SEPTEMBER 2025

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our members are the engine room of the Australian economy, producing many of the products that households and business use every day including bricks, glass, steel, aluminium, paper, food and beverages. Combined, our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

EUAA members are focussed on making products that meet their own customers' requirements where energy is just one input to the process albeit a critical one. Their expectation is that the energy industry continues to provide energy services that are fit for purpose and consistent with the National Gas Objectives (NGO) so that our members can continue to provide a fit for purpose product for their customers.

Thank you for the opportunity to make a submission under the National Gas Amendment (ECGS Reliability Standard and Associated Settings) Rule - Directions Paper.

At the EUAA, we support the design of rules, legislation and procedures that achieve efficient, cost effective and equitable outcomes for networks, developers and consumers. In the energy sector under most circumstances, this is best achieved through a national approach and a sharp focus on the NGO.

We have contemplated the current Directions Paper alongside the other Reliability and Supply Adequacy (RSA) stage 2 rule changes; Projected Assessment of System Adequacy, Notice of Closure and Supplier of Last Resort.

STATISTICAL MODEL FOR RELIABILITY THREATS

We agree that the NGR's current deterministic "threat notice" mechanism for advising the market and consumers of reliability issues in the ECGS is inefficient and counterproductive. This is due to the inability of the market and consumers to understand the level and probability of the threat to reliability and therefore actions that may be taken to avoid that threat causing inefficient responses from AEMO and the market.

The inefficiency of the current threat notice rules was highlighted by AEMO's response in June 2024 to a reliability issue; whereby AEMO issued a threat notice and advised our members in writing and verbally that they may have their gas supply interrupted rather than enforcing reliability from the market. As you can imagine, this caused

unnecessary stress and anxiety for affected member companies and their boards. We found this approach reprehensible.

Going back to first principles, the gas market serves its customers, and not the other way around.

We therefore agree with the AEMC that there is a need for a probabilistic three-tiered reliability threat mechanism, similar to the Lack of Reserve (LoR) in the National Electricity Market's (NEM). To avoid confusion and in recognition that the market is best place to respond to supply/demand imbalances that create reliability issues, we suggest this be called a "*Lack of Supply*" mechanism.

We disagree with the suggestion that consumers should need to respond to reliability issues caused by inadequate infrastructure, supply or gas producer preferences.

We agree that more work needs to be done to define what the probabilistic definitions are for an LoS1, LoS2 and LoS3, including a suitably tiered Probability of Exceedance (PoE) metrics.

We view the European Union approach to reliability as a good model, where an N-1 approach is taken, i.e. when one piece of infrastructure is out-of-service, the EU considers whether other infrastructure can fill the supply shortfall. However, this approach is not suitable to the ECGS as the current north-south pipeline bottleneck in gas transportation from Queensland to the southern jurisdictions will create an almost perpetual LoS condition for the southern jurisdictions under an N-1 methodology.

We agree with the AEMC that a dual reliability standard that includes a measure of Unserved Gas (USG), mirroring the NEM Unserved Energy (USE) measure is not relevant to the gas market due to the time-lag between gas production, transportation and consumption, which is a fundamentally different problem in the ECGS compared to the NEM.

ECGS RELIABILITY STANDARD

The EUAA supports the creation of an East Coast Gas Market (ECGS) reliability standard as the only measure of reliability. However, this reliability standard needs to be set in such a way that it reflects consumers' willingness to pay (WTP) for a specified level of reliability. For example, while we support the approach in the NEM where a reliability standard was created, we do not support the politically motivated interim reliability measure (IRM) that results in consumers paying more for a level of reliability that they do not want nor need.

CONSUMER'S WILLINGNESS TO PAY

While we agree that a WTP measure is more appropriate in the ECGS than the NEM's Value of Customer Reliability (VCR) due to the temporal difference between production and consumption, we note that the rules around setting the WTP need to be prescriptive and flexible. In the establishment of a WTP formula that then informs the reliability standard the consultation process needs to be thorough and transparent.

We note, that in setting the 2025 VCR, the AER were rushed and thus did not perform best-practice consultation and used a now redundant methodology to calculate the VCR, prioritising consistency over relevance and being unable to delay the process to achieve a better outcome for consumers due to legislated timelines. The late start

by the AER to develop the 2025 VCR, and therefore truncated timelines, resulted in the AER forgoing both best-practice consultation and the creation of a relevant VCR.

We suggest that the WTP process is imbedded in the NGR with stipulations on the responsible party to perform best-practice consultation with consumers to develop the WTP methodology, while allowing for flexibility and extensions of time under mitigating circumstances so that the responsible party does not rush their consultation and analysis and unfairly penalise consumers.

GAS RELIABILITY COMMITTEE

We support the creation of an AEMC led Gas Reliability Committee (GRC) to oversee reliability issues (similar to the NEM Reliability Panel) and agree with the AEMC's conclusion that the ECGS is sufficiently different to the NEM to warrant a separate group to the Reliability Panel.

We also consider that the time to affect a change in the NGL to create a Gas Reliability Panel would delay the creation of a reliability standard to the detriment of consumers.

The GRC should have representation across the gas industry, including producers, transmission, retail and consumers.

We also agree that the GRC should be responsible for developing the WTP value.

GAS STATEMENT OF OPPORTUNITIES AND VICTORIAN GAS PLANNING REPORT

We agree with the changes the AEMC is proposing to make to the GSOO and VGPR to improve transparency and increase consistency between the two documents including:

- Introduction of a PoE measure with a focus on two demand levels being exceeded only once in 20 years or 2 years.
- Disaggregation of the reliability forecast beyond the current north/south split to provide better locational reliability issues.
- Inclusion of an assessment of credible risks to system resilience.

However, we recommend that the supply shortfalls should also be reported probabilistically with a PoE measure and not remain deterministic. This is to ensure consistency in reporting between supply and demand and therefore provide the market with the same level of probabilistic information for both sides of the supply/demand equation.

RELIABILITY FORECAST GUIDELINE

We disagree with AEMC's proposal that AEMO develop and consult on its own forecasting guidelines rather than having the AER establish best practice forecasting guidelines for AEMO to follow. While it would seem efficient for AEMO to develop its own forecasting guidelines, this leads to an approach where AEMO is effectively correcting its own homework and develops its guidelines to meet its forecasting approach. This opinion is formed from our experience with AEMO's approach to forecasting in the NEM, and its approach in the Forecasting Reference Group

(FRG) where AEMO takes the approach of defending its current practice rather than having an open approach to new forecasting methodologies tabled by FRG members, and sometimes appearing to make changes to forecasting methodologies without first consulting the FRG as is required by the NER.

We would also recommend that the AEMC consider prescribing a gas forecasting reference group be established by AEMO and AER to guide the development and updating of AEMO's gas forecasting across all RSA forecasts as well as a mandatory feedback loop where AEMO reports, at least annually, on the accuracy of the RSA forecasts when compared to actual outcomes. Where the variance between forecast and actual outcomes makes the forecast unusable or inaccurate, then AEMO would need to propose a change to their forecasting methodology and consult with the gas forecasting reference group before enacting the changes.

CONCLUDING REMARKS

The EUAA supports the AEMC's development of the RSA Stage 2 rule changes, to improve transparency and consistency across the ECGS. However, we can see a number of examples across the RSA documents where the NGO is not at the front of recommendations, i.e. the proposed rules are not in the long-term interest of consumers.

The EUAA welcomes further discussions around the issues raised in this submission.

Do not hesitate to be in contact with EUAA Policy Manager Dr Leigh Clemow, should you have any questions.



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