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EnergyAustralia
LIGHT THE WAY

Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

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

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ECGS reliability standard and associated settings — Directions Paper — 28 August 2025

EnergyAustralia is one of Australia's largest energy companies with around 2.2 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 directions paper on the proposed East Coast Gas System (ECGS) reliability and market settings. As a retailer and gas operator, we support the efforts to improve transparency, market responsiveness and governance in the ECGS. We consider that any changes must be proportionate, preserve market-led responses, avoid unintended consequences on gas prices for consumers, and minimise regulatory burden.

As a broader framework issue, we suggest that further clarification on the boundaries between AEMO's operational role and infrastructure security responsibilities could include the definition of '*reliability*' to explicitly exclude infrastructure security, which remains the responsibility of the asset owner. The concept of '*supply adequacy*' could be expanded to include locational granularity to account for regions such as Victoria where supply constraints are more acute. The scope of '*demand*' needs to also be clearly set out, including residential, business, industrial, GPG, and LNG exports — so that reliability assessments are based on the true system-wide requirements.

In our initial response we supported the introduction of a gas reliability standard, but the directions paper suggests moving away from the dual reliability standard. The further framing and additional work by AEMC has usefully identified the core differences between electricity and gas reliability settings.

To this end, we consider that a tiered risk or threat signalling framework is generally appropriate. The probabilistic metric can also result in better alignment with the operational nature of the ECGS. However, we think any probabilistic tiered risk or threat signalling framework should still have consideration for when there is unserved demand. Whether this is in the form of unserved demand on a peak day basis or an annual energy basis. For example, the stored gas in Iona together with production is not sufficient to meet the 2025 winter demand. In this case there are no peak day breaches, but there are energy concerns. Conversely there is enough energy, but due to coal outages, the combined peak day demand might not be met.

The AEMC generally suggests AEMO be provided flexibility in giving effect to this tiered framework. In our view, AEMO's powers under Part 27 of the NGR should remain flexible but clearly bounded, specifically:

- AEMO should only intervene in high-consequence, high impact events
- AEMO should be required to publish the basis for any risk classification, including the underlying probability level and drivers, for example, cold weather, LNG outage
- there should be a prescription for AEMO to consult with the representative committee that is being proposed before exercising directions or trading functions, except in emergencies
- The probabilistic metric should be transparent and subject to stakeholder consultation. The metric should provide confidence interval and scenario assumptions in improve transparency and trust and it can build on the existing information that AEMO obtains from market participants. It should also be reflected in the PASA forecast, the Gas Bulletin Board and real-time nominations.

The tiered approach should be designed such that AEMO's interventions are proportionate and predictable, preserving market confidence. Each tier should be linked to specific actions. For example:

- **Early warning** – market-led response, no intervention from AEMO
- **Alert** – gas committee conference convened with market participants coordination and consultation with AEMO
- **Emergency** – AEMO issues notice and convenes the Emergency Risk Forum. AEMO may issue directions or exercise trading functions upon meeting decisions

Consideration should be given to the fact that the tier boundaries would be critical signals for risk management for market participants. Similarly, the use of a probabilistic metric and tier boundaries has the potential to conflict with price settings and willingness to pay (noting the AEMC has proposed this would not be determinative), as well as other intervention triggers like the Australian Domestic Gas Security Mechanism. These factors should be listed as example considerations for AEMO in discharging its functions.

In addition, given AEMO has visibility across the system, it should also publish an explanatory note with each notice, which would include the probabilistic measure, drivers (such as infrastructure outage, demand spike) and expected duration. We consider it necessary for the NGR to prescribe how AEMO intends to link the directions and trading functions with the proposed tiers.

We support the establishment of a Gas Reliability Committee (GRC) under the rules to review the market price settings and the tiered risk or threats framework. Similar to the governance of the Reliability Panel in electricity, the GRC must be independent and formed by representatives from retailers, producers, pipeline operators and consumer groups, AER and AEMO. It should also be transparent with requirements to publish and consult on methodologies, with recommendations subject to formal consideration by the AEMC before being instituted. As this body is formed, we encourage the Panel to avoid any duplication of functions with existing processes. Additional governance layers could reduce efficiency and slow down responses in a fast-moving market.

The proposed concurrent review of price settings for the DWGM and STTM would ensure consistency across the two markets. The review of gas reliability settings should occur before the NEM reliability settings review, in expectation that GPG and associated fuel costs will continue to materially impact the electricity market. Establishment of new processes and methods in setting price limits in gas markets should seek to avoid step changes in market parameters or be subject to progressive implementation over several years. Using the Willingness to Pay (WTP) metric can drive the intended benefits presented in the paper, however, customers that cannot reasonably load shed should not be excluded. The WTP is an important indicator in how to assess risk tolerances and tier boundaries, the extent of intervention and underwriting new infrastructure.

In relation to the GSOO and VGPR transparency, we consider that the design of the probabilistic metric will be critical. The north/south split should be retained, given the importance of pipeline constraints from Queensland to southern states. Further regional disaggregation may be useful, but care must be taken in allocating supplies that can serve multiple regions. For example, if Longford could only supply either Victoria or NSW on a peak winter day, the allocation methodology must be transparent and clearly explained.

Lastly, we consider that the AER, or an independent body is still best placed to established best practice forecasting guidelines. The methodology could be reviewed periodically, for example, every two years. Independent guidance would help ensure forecasts are robust, credible, and consistent over time.

If you would like to discuss this submission, please contact me on 3906 0713 or via email at Ana.Spataru@energyaustralia.com.au.

Regards,

Ana Spataru

Regulatory Affairs Advisor