

Online information session

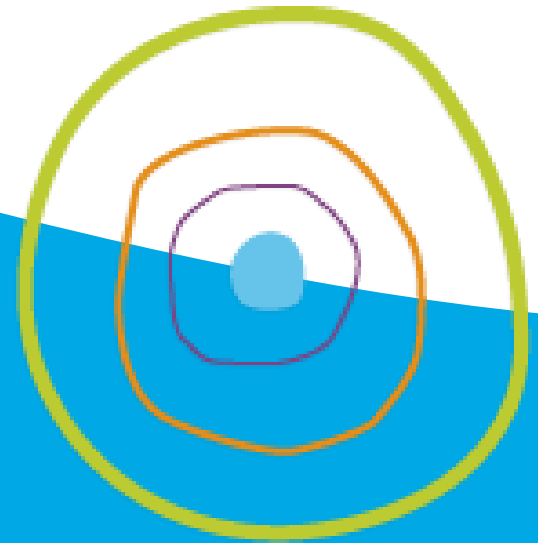
AEMC

ECGS Supplier of last resort rule change request

Wednesday 1 October 2025

ACKNOWLEDGEMENT OF COUNTRY

The AEMC acknowledges and shows respect for the traditional custodians of the many different lands across Australia on which we all live and work. We pay respect to all Elders past and present and the continuing connection of Aboriginal and Torres Strait Islander peoples to Country. The AEMC office is located on the land traditionally owned by the Gadigal people of the Eora nation.



COMPETITION PROTOCOL

KEY PRINCIPLES



The AEMC is committed to complying with all applicable laws, including the ***Competition and Consumer Act 2010*** (CCA), during this forum. Breaching the CCA can lead to serious penalties for individuals involved in any breach (including large financial penalties and imprisonment for key individuals involved). This protocol governs the way in which discussions will proceed at this forum, and each attendee agrees to adhere to this protocol in order to comply with the CCA.

Each attendee must make an independent and unilateral decision about their commercial positions and approach in relation to the matters under discussion in this forum.

Attendees must not discuss, or reach or give effect to any agreement or understanding which relates to:

- **pricing** for the products and/or services that any attendee supplies or will supply, or the terms on which those products and/or services will be supplied (including discounts, rebates, price methodologies etc)
- **targeting (or not targeting) customers** of a particular kind, or in particular areas
- **tender processes** and whether (or how) they will participate
- any decision by attendees:
 - about the purchase or supply of any products or services that other attendees also buy or sell
 - to not engage with persons or the terms upon which they will engage with such persons (i.e. boycotting); or
 - to deny any person's access to any products, services or inputs they require
- **sharing competitively sensitive information** such as non-publicly available pricing or strategic information including details of customers, suppliers (or the terms on which they do business), volumes, future capacity etc
- **breaching confidentiality obligations** that each attendee owes to third parties.

COMPETITION PROTOCOL

COMMUNICATION AND MEETING GUIDELINES



Attendees must ensure that all communications (including emails and verbal discussions) adhere to the ***Key Principles***.

This forum will be conducted in accordance with the following rules:

- The agenda for this forum does not include anything that could contravene the Key Principles set out in this protocol.
- We will read and minute the below *competition health warning*:
 - Attendees at this forum must not enter into any discussion, activity or conduct that may infringe, on their part or on the part of other attendees, any applicable competition laws. For example, attendees must not discuss, communicate or exchange any commercially sensitive information, including information relating to prices, marketing and advertising strategy, costs and revenues, terms and conditions with third parties, terms of supply or access.
 - Participating in this forum is subject to you having read and understood the protocol including the Key Principles.
- We will keep accurate minutes of the forum, including details of attendees.
- If something comes up during the forum that could risk contravening any competition laws, attendees should:
 - Object immediately and ask for the discussion to be stopped.
 - Ensure the minutes record that the discussion was objected to and stopped.
 - Raise concerns about anything that occurred in the forum with their respective legal counsel immediately afterwards.
- All attendees understand that any competitively sensitive matters must be subject to legal review before any commitment/agreement can be given.
- Any decision about whether, and on what terms, to engage with customers and suppliers is an independent and unilateral decision of each attendee.

Meet the team

Team members: Chloe Skewes-Weir, Tamika Dartnell-Moore, Nomiky Panayiotakis, Craig Oakeshott, Lily Mitchell, Howard Zhang

Project leader: Marc Tutaan

Project sponsor: Meredith Mayes

EGM: Andrew Lewis

Purpose of this information session

Today the AEMC aims to provide stakeholders:

1

Understanding



Of the rule change request and policy options discussed in the consultation paper to inform their submissions to the paper.

2

Insight



Into the challenges and opportunities associated with this rule change request.

3

Opportunity



To ask any questions about the content featured in the consultation paper.

4

Awareness



The next steps in the rule change process and how stakeholders can engage to inform the policy development.

Agenda

1 Welcome and introductions

2 Problem definition

Facilitated questions – round 1

3 Rule change request and context

4 Policy options

5 Design considerations

Facilitated questions – round 2

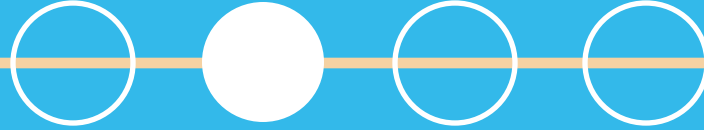
6 Preconditions and trigger

7 Operation

8 Cost recovery

Facilitated questions – round 3

9 Next steps



Problem definition

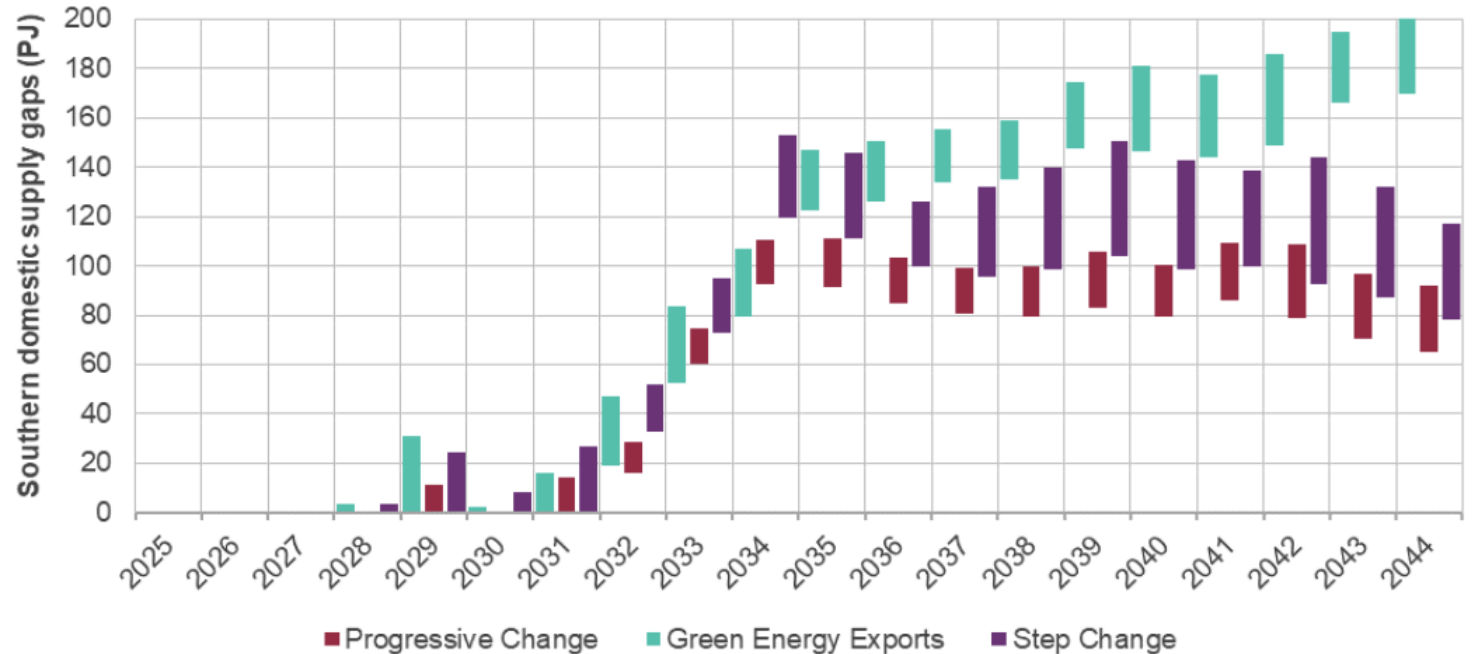
What is the problem we are trying to solve?

Projected risks of
gas shortfalls in
the ECGS

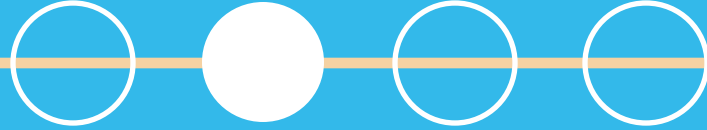
Provide guidance
to AEMO to use
the ECGS trading
function

Finding an
enduring solution
for the Dandenong
LNG storage facility

Figure 2.2: Gas supply gaps forecast in southern regions 2025-2044

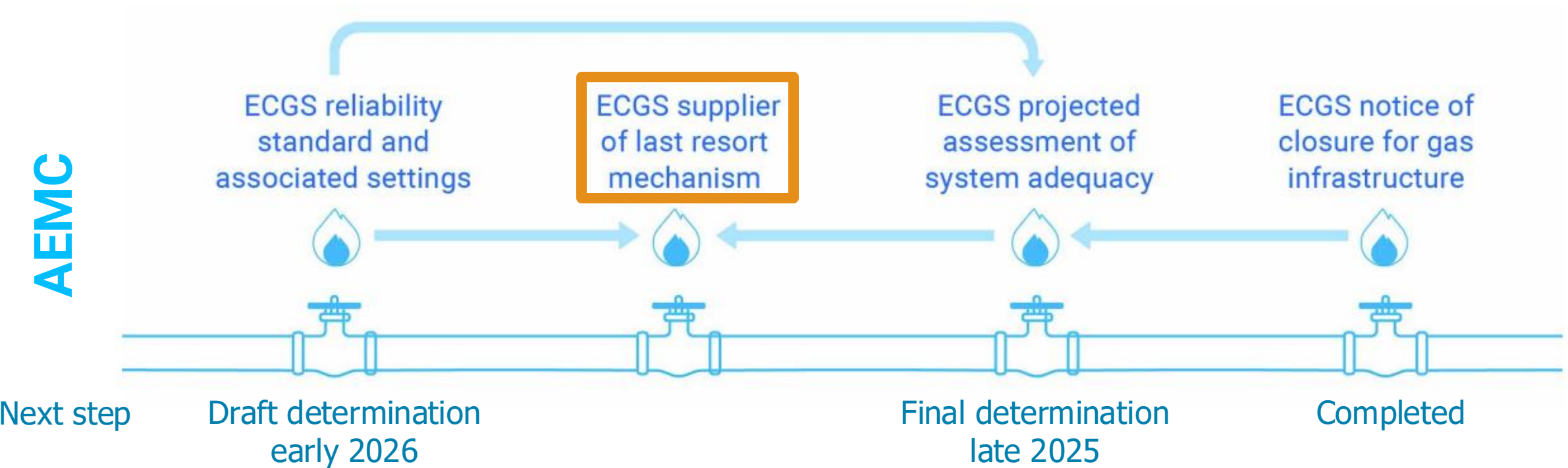


Source: AEMO. Gas statement of opportunities, March 2025, p 11.



Rule change request and context

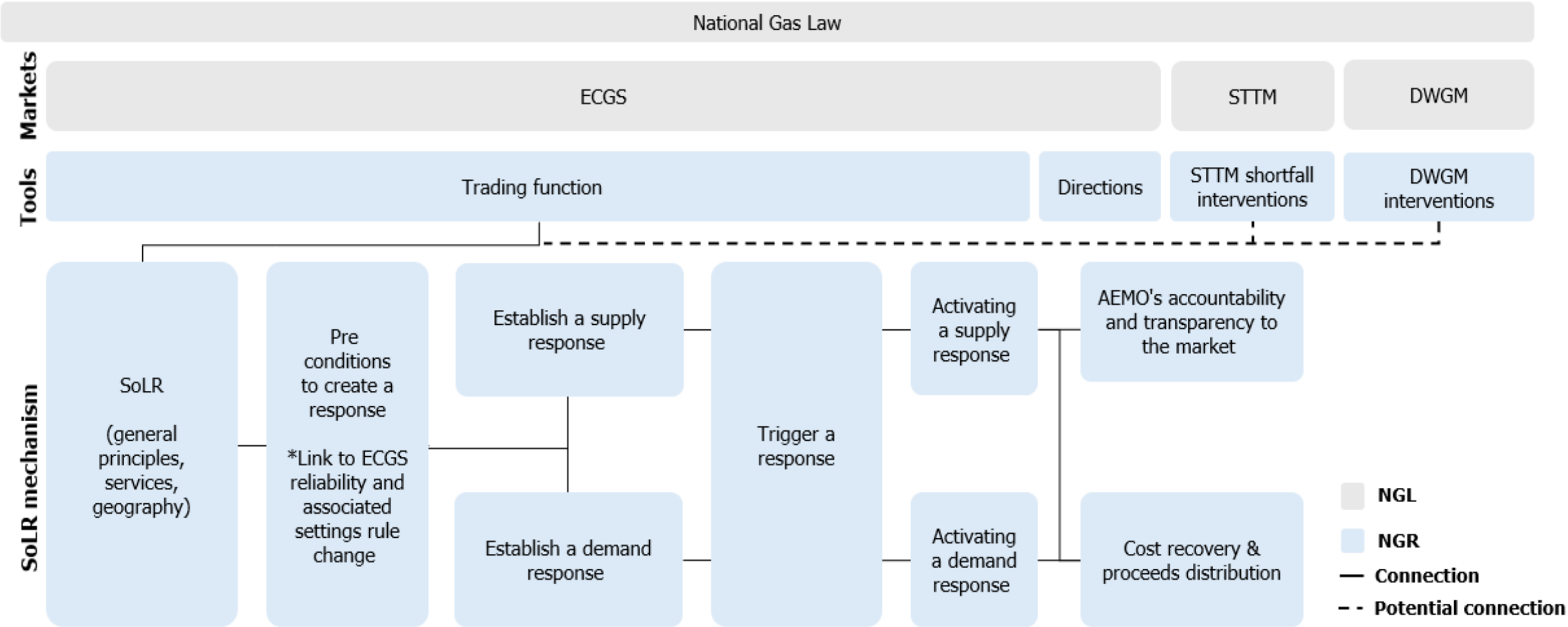
Context of this rule change process

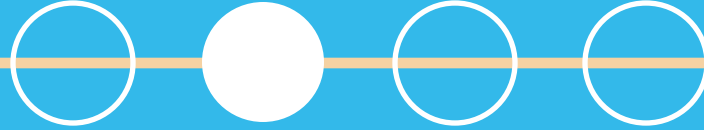


Jurisdictions

The third stage of the RSA framework is to expand AEMO’s powers to address supply shortfalls with a draft regulatory package (of a Bill, rules and regulations) to be provided for ECMC consideration no later than December 2025.

Context and components of the proposed SoLR mechanism

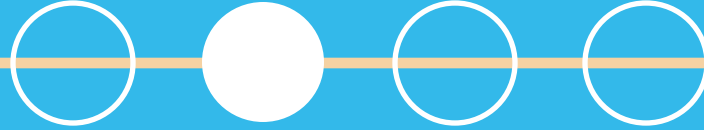




Policy options

Overview of the policy package options

Overview of policy options in the SoLR rule change request						
Option	1A	1B	2A	2B	3A	3B
Key features	<ul style="list-style-type: none">• Status quo• No changes to the NGR trading fund,• No demand response• No enduring DLNG arrangements	<ul style="list-style-type: none">• 1A plus an administered demand response mechanism	<ul style="list-style-type: none">• Replace trading fund with a SoLR mechanism (supply side) for winter shortfall risks in southern jurisdictions only• No administered demand response	<ul style="list-style-type: none">• 2A but extend for entire ECGS• No administered demand response	<ul style="list-style-type: none">• Replace the trading fund with a SoLR mechanism (supply side)• Add a standalone demand response mechanism	<ul style="list-style-type: none">• 3A but an administered demand response is integrated into SoLR mechanism (i.e. supply and demand side)



Design considerations

The purpose of a SoLR mechanism & services AEMO can procure

“Consistent with the other stage 2 RSA rule change requests, the purpose of a SoLR mechanism would be to address **reliability** and **supply adequacy** risk or threats in the ECGS.”

(AEMC consultation paper, p 18).

Services already procurable under the trading function:

- a) to trade in covered gas
 - b) to purchase:
 - a) pipeline services
 - b) services provided by a compression service provider, blend processing service provider or a storage provider
- to the extent AEMO considers necessary to maintain and improve the reliability or adequacy of the supply of covered gas within the East Coast Gas System

Services procurable through the proposed SoLR mechanism:

- All services available under the trading function
- Demand response

Principles to guide AEMO's use of a SoLR mechanism



**Principles for
the use of
the SoLR –**
Rule change
request
proposal

Actions taken should be
the least distortionary

Actions maximise the
effectiveness of the
SoLR reserve at the least
cost to gas consumers

Amount payable should not
exceed the estimated value
of gas customer reliability
(VGCR)

We are looking for stakeholders to consider the kind of principles (if any) should guide AEMO's use of a SoLR mechanism.

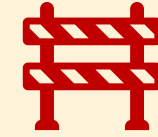
Design features

1. Geography and seasonal scope

East Coast Gas System-wide
(available all year round)

Southern jurisdictions' winter
deliverability threats only

We are looking for stakeholders to consider the range of options for where and when a SoLR mechanism could apply.



2. Constraining AEMO's SoLR costs

no metric – AEMO
to use its
discretion

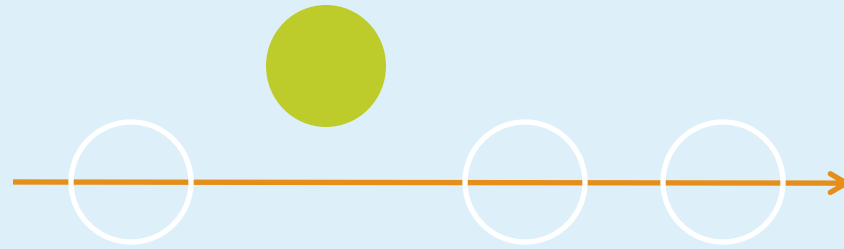
willingness to pay
of GPG

information in
bilateral contracts

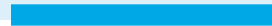
per unit cost
(\$/GJ) of using
SoLR should not
exceed the market
price cap in the
DWGM and STTM.

value of customer
reliability for gas

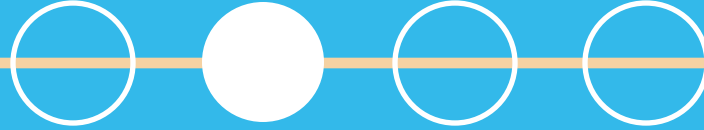
other?



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Preconditions and trigger

Preconditions and triggers

AEMO has existing tools with their own preconditions and triggers

Triggering contingency
gas in the STTM

Intervening in the DWGM to
address risks or threats to the
security of gas supply

Interim Dandenong LNG
storage arrangements

We are considering the preconditions and triggers of AEMO's existing tools in assessing the proposals in the rule change request. We are looking for stakeholders to consider the existing preconditions and triggers and provide their feedback on the options and questions outlined in the consultation paper.

Options for designing preconditions for a SoLR mechanism

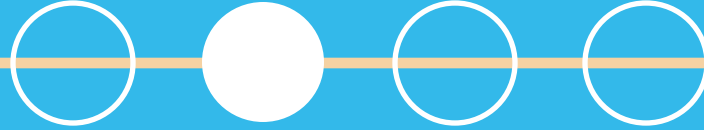
The proponents’ proposed preconditions require AEMO to have identified a forecast breach of the proposed gas reliability standard in the latest GSOO or PASA and communicated this breach by a risk or threat notice.

We are looking for stakeholders to consider the range of alternative options for preconditions and provide their feedback on the options and questions outlined in the consultation paper.

Table 5.2: Illustrative example of probabilistic risk and threat signalling framework

Level	Probability of shortfall
1 - Early warning	5-15% probability of supply not meeting demand (if no action is carried out)
2 - Alert	15-50% probability of supply not meeting demand (if no action is carried out)
3 - Emergency	50-100% probability of supply not meeting demand (if no action is carried out)

Source: AEMC, *ECGS reliability standard and associated settings rule change*, [directions paper](#), 28 August 2025, p 13.



Operating a SoLR mechanism

Key steps in operating the SoLR

To evaluate the proposed options in the rule change request, the AEMC has stepped out the sequence of actions that we expect AEMO would take when using the SoLR to aide discussion and support stakeholder's in providing feedback.



Arrangements to transport gas to address a specific reliability threat

Physical

How AEMO would (and if it should) facilitate the transport of gas from the location where it can be made available to the location where it is needed to address a threat to gas reliability?

Legal or contractual

- How AEMO would manage both the title over the gas itself (the commodity) and the rights to pipeline capacity needed to transport that gas to the location
- Where there is a risk or threat to gas reliability?

Financial

How AEMO would manage the financial arrangements (eg settlements) in light of its varying roles:

- as market operator in the DWGM and STTM
- its roles in the GSH, CTP and DAA.

Contracting arrangements and engaging with the facilitated markets

1. Conditions required to enter or vary reserve contracts

The proponents propose that AEMO be given the power to enter or vary reserve contracts using the SoLR if it has issued an establishment notice

2. Engaging with the facilitated markets

SELLING GAS

Under the Dandenong interim LNG arrangements, AEMO is required to use LNG injection bids and accreditation as a means by which gas from the LNG reserve is incorporated into a market schedule and requiring any gas that is placed in a pricing or operating schedule to be included at the market price cap.

BUYING GAS

STTM and DWGM

The rule change proposes that in these two markets, which have market price caps, AEMO would be required to submit any bids to withdraw gas at the applicable market price cap.

GSH and DAA

AEMO would be required to engage an intermediary (e.g., a broker) to act on its behalf.

AEMO would be prohibited from disclosing any market or commercially sensitive information to the intermediary and from favouring the intermediary when carrying out its market functions.

How to relinquish capacity and transfer gas from a SoLR storage reserve

SoLR Rule change request proposal:

AEMO could be required to relinquish storage capacity and transfer gas.

Procedures should specify how the transfer or disposal is to be conducted, including the price and other terms and conditions on which any transfer or disposal is to occur.

Alternative relinquishment mechanism

Unless it would result in an unreasonable cost to consumers or a threat to system security, reliability, or supply adequacy, AEMO must relinquish storage capacity and transfer the gas.

Procedures should specify how the transfer or disposal is to be conducted, including the price and other terms and conditions on which any transfer or disposal is to occur.

Dandenong interim arrangements 2022

AEMO must relinquish storage capacity ...(except where it would result in AEMO breaching its safety plan or any other legislative or regulatory instrument).

AEMO may also transfer LNG stock.

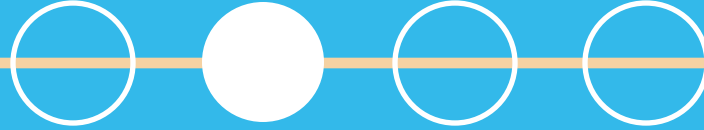
Using the pricing method in LNG reserve procedures, which must use the market price and provide for recovery of avoided costs.



Less strict relinquishment requirements

More strict relinquishment requirements

We are asking stakeholders, in preparing their submissions, to consider if and how AEMO should relinquish capacity and transfer gas from a SoLR storage reserve.



Administered demand response

Using flexible gas demand to address supply shortfalls and factors that affect demand flexibility

Factors that impact the ability to provide demand response:

- Price incentives (particularly for GPG)
- Ability to turn down/shut down and/or switch fuel.
- Commercial factors
 - the opportunity cost of lost production
 - the impact on their supply chain
- Environmental factors (emissions due to the change of feedstock or energy).
- Safety
- Additional investment required to enable flexibility.
- Metering capability (lack thereof)

ACIL Allen, in its 2023 *Gas demand management report for DCCEEW* found

"that of the C&I users that it sampled (accounting for ~82 TJ/day of demand):

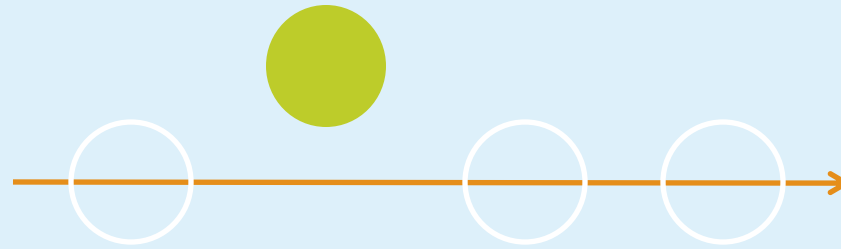
- 28% of the demand could be turned down or shutdown in less than 6 hours and face relatively low operational risk in re-starting their operational processes; and
- 15% of the demand could be turned down or shutdown within 6-12 hours and could return to normal operations within 24 hours with moderate process complexity.
- The remaining 56% was found to be constrained in its ability to be turned down or shutdown, because of the operational and commercial risks associated with doing so."

Note: SOLR rule change request appendix D, p 82

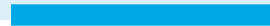
Potential designs for an administered demand response mechanism

Option 1: Ad hoc contracting as shortfalls arise	Option 2: A register of potential demand response providers	Option 3: Pre-established demand response panels
<ul style="list-style-type: none">• Under this option, the approach to contracting would be left for AEMO to determine in the ECGS procedures.• Contracting demand response could be ad hoc, where a shortfall arises.	<ul style="list-style-type: none">• AEMO would run an expression of interest process to gauge the availability of demand response in the ECGS.• Potential providers would be able to apply at any time to join the register.• The register would form the basis of AEMO's assessment of which providers to contract for demand response.	<ul style="list-style-type: none">• AEMO would set up a demand response panel for each state where a shortfall requiring demand response arose.• AEMO could use a competitive tender process and set up contracts in advance (but not activate them unless triggered).

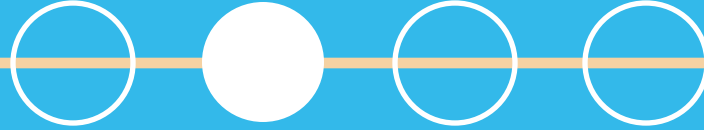
We are looking for stakeholders to consider the range of options for a demand response mechanism and provide their feedback on designs, feasibility, and other areas outlined in the consultation paper.



QUESTIONS



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Cost recovery

Cost recovery and proceeds distribution

Alternative cost recovery options

The rule change request proposes removing the \$35 million cap for the trading fund and replacing it with a more transparent cost recovery and proceeds distribution mechanism.

The consultation paper discusses two other alternatives.

Option 1

keep the current trading fund, including the \$35 million cap (adjusted by CPI), and use this for the SoLR mechanism (status quo)

Option 2

keep the current trading fund and remove or increase the cap, and use this for the SoLR mechanism

Option 3

remove the current trading fund and replace it with a standard costs and proceeds distribution mechanism (proponents' preferred approach).

How costs and proceeds could be allocated

The consultation paper outlines options for allocating AEMO's costs and distributing any proceeds accrued from using a SoLR mechanism.



Cost allocation methodologies

Beneficiary or causers pay

Gas users pay based on their demand

Sharing across all gas market participants

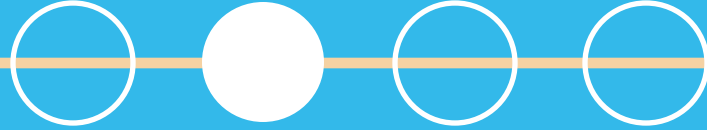


How proceeds could be distributed

Beneficiaries or causers receive proceeds

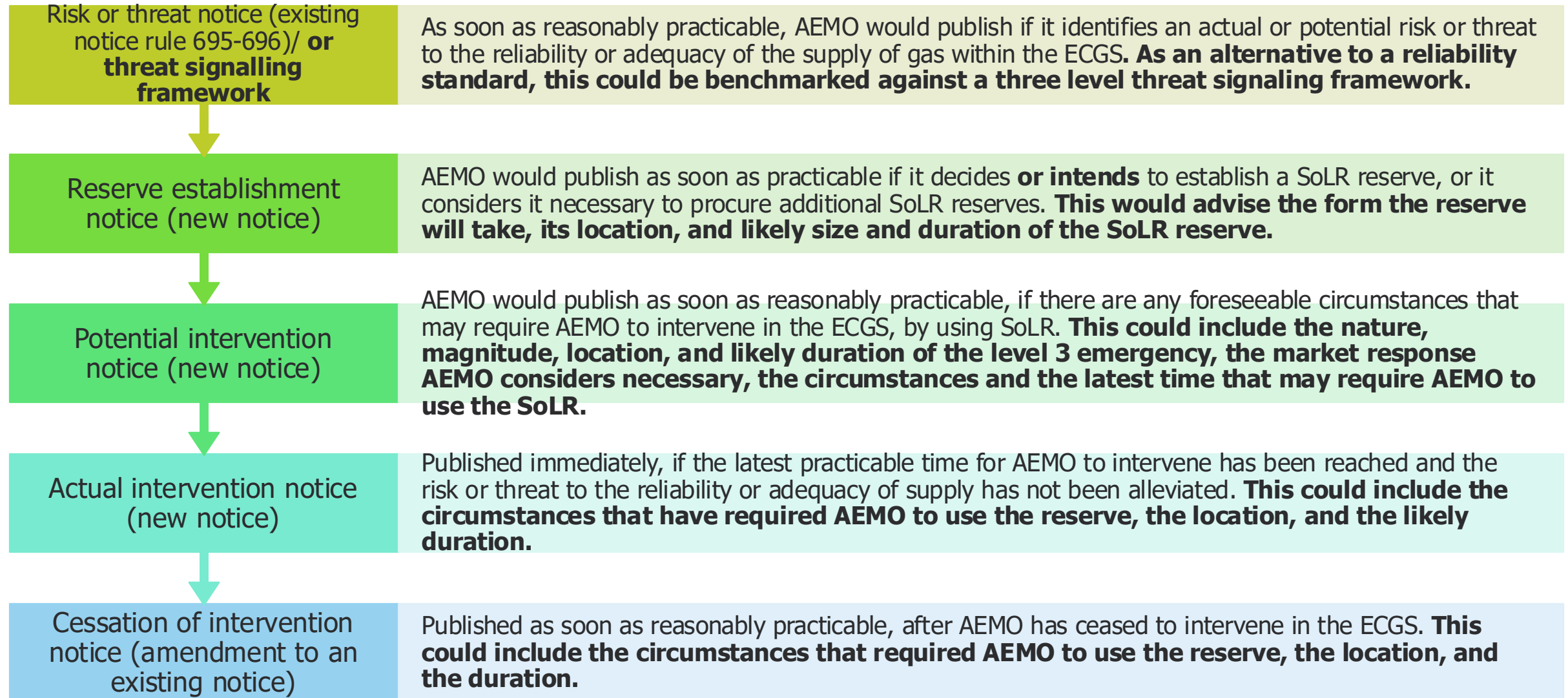
Gas users receive proceeds based on the proportion of gas demand at a region and time period

All gas market participants receive proceeds (divided equally)



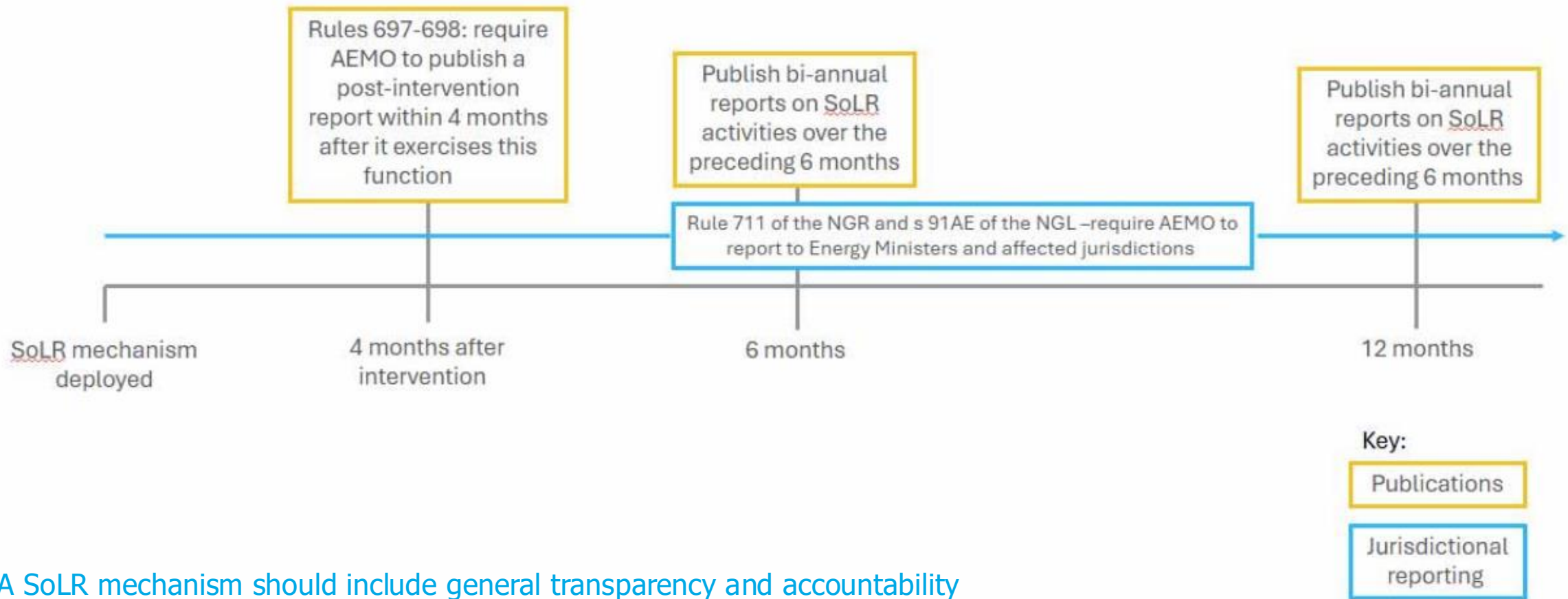
Market notices, accountability and transparency

Options for actions-based market notices

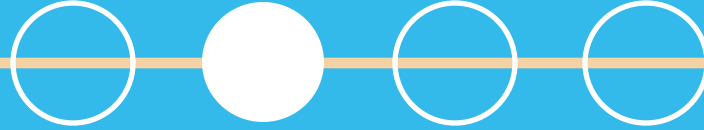


Note – the text in bold relates to alternative options discussed in the consultation paper.

Proposed accountability and transparency measures



A SoLR mechanism should include general transparency and accountability requirements on AEMO for the benefit of market participants and the operation of the mechanism itself.



Impact on Dandenong LNG arrangements

An enduring solution for Dandenong LNG is needed

The Commission intends to consider the potential impact of any changes made in response to this request on the current interim buyer and supplier of last resort mechanism created in 2022 for the Dandenong LNG storage facility in the Victorian declared wholesale gas market (DWGM).

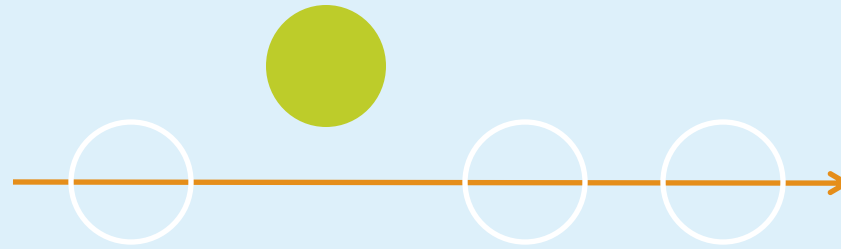
The Dandenong LNG arrangements were set to expire in 2025.

The 2025 extension of the interim arrangements rule change may extend the term for another four years i.e. it will expire in 2029.

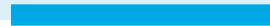
Dandenong LNG interim arrangements are intended to address DWGM system security issues

Under the scenario where the DLNG arrangements expire and a SoLR mechanism is in place for the ECGS, one important potential implication for the DLNG arrangements is that AEMO would not be required to fill the storage facility with gas, but rather use its discretion depending on the nature and extent of the threat identified to DWGM system security or ECGS reliability and supply adequacy.

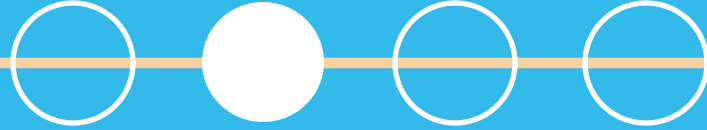
The trigger for the Interim Dandenong LNG arrangement is different to that of the proposed SoLR



QUESTIONS

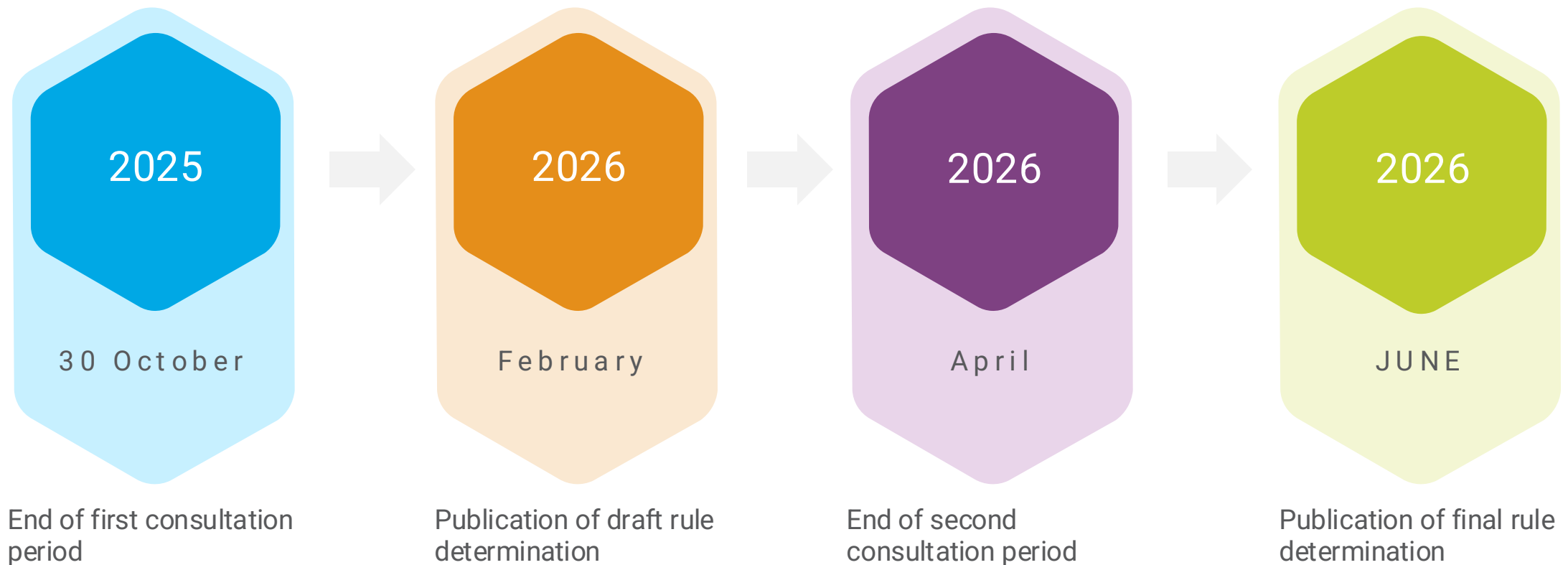


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Next steps

Current key dates for this rule change process



Contact the AEMC SoLR team through the link on our project page at:
<https://www.aemc.gov.au/rule-changes/ecgs-supplier-last-resort-mechanism>

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