ECGS Supplier of last resort mechanism

stakeholder feedback template

The template below has been developed to enable stakeholders to provide their feedback on the questions posed in the consultation paper and any other issues that they would like to provide feedback on. The AEMC encourages stakeholders to use this template to assist it to consider the views expressed by stakeholders on each issue. Stakeholders should not feel obliged to answer each question, but rather address those issues of particular interest or concern. Further context for the questions can be found in the consultation paper.

SUBMITTER DETAILS

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| --- | --- |
| **ORGANISATION:** |       |
| **CONTACT NAME:** |       |
| **EMAIL:** |       |
| **PHONE:** |       |
| **DATE** |       |

project DETAILS

|  |  |
| --- | --- |
| **NAME OF RULE CHANGE [OR REVIEW]:** | **ECGS Supplier of last resort mechanism** |
| **PROJECT CODE:** | GRC0077 |
| **PROPONENT [DELETE IF NOT APPLICABLE]:** | Energy Senior Officials/Victorian Minister for Energy and Resources |
| **SUBMISSION DUE DATE:** | 30 October 2025 |

**CHAPTER 2** – Defining the PrOBLEM

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| 1. Defining the problem
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| 1. Do you agree that these are problems to be addressed by this rule change process?
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**CHAPTER 3** – POLICY OPTIONS FOR A PROPOSED Solr mechanism

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| 1. Policy options
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| 1. What do you consider to be the best policy option outlined? Why?
 |       |
| 1. Are there other potential benefits and costs of the policy options identified?
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| 1. Are there any variations to the policy options outlined that would better address the problem?
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**CHAPTER 4** – key design features of a Solar Mechanism

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| 1. Principles to guide AEMO’s use of a SoLR mechanism
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| * 1. Should there be principles to guide AEMO’s use of a SoLR mechanism?
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| * 1. What is the appropriate set of principles for the SoLR mechanism? Why?
 |       |
| * 1. Should these principles be mandatory or part of AEMO’s broader discretion?
 |       |
| * 1. Do you have any views on how any principles should complement other more prescriptive obligations in the NGR or the ECGS Procedures?
 |       |
| 1. Services AEMO could procure through a SoLR mechanism
 |  |
| * 1. Should the NGR identify particular types of SoLR reserves AEMO could access? If so, what types of reserves?
 |       |
| * 1. Which matters regarding the types of SoLR reserves are best left to the ECGS Procedures?
 |       |
| 1. Constraining AEMO’s SoLR costs
 |  |
| * 1. What are the interim and ongoing metrics that should be applied to constrain the amount AEMO pays when using the SoLR mechanism? Why?
 |       |
| 1. Geographic and seasonal scope for a SoLR mechanism
 |  |
| * 1. What are the interim and ongoing metrics that should be applied to constrain the amount AEMO pays when using the SoLR mechanism? Why?
 |       |
| * 1. Should a SoLR mechanism only be used for threats over winter or should it be available at any time of the year?
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**CHAPTER 5** – Preconditions and triggers

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| 1. Existing preconditions and triggers for AEMO intervention
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| 1. Do the existing NGL and NGR preconditions and trigger for the trading function lack transparency and clarity? Is this a significant issue? Why?
 |       |
| 1. Using risk or threat signalling framework as a precondition
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| * 1. Do you consider that a risk or threat signalling framework that uses tiers and a probabilistic metric would be a useful and relevant precondition for AEMO to decide whether to establish a SoLR reserve?
 |       |
| * 1. If a tiered risk or threat signalling framework was used, what tiers and probabilities would be appropriate signals for making decisions on using a SoLR mechanism?
 |       |
| * 1. Would a tiered system of shortfall risk provide a clear signal to the market about when AEMO would consider whether to intervene?
 |       |
| 1. Operational factors could form part of a trigger
 |  |
| * 1. To what extent should the preconditions for a SoLR mechanism include operational factors? Why?
 |       |
| * 1. What operational conditions should be part of the trigger for a SoLR mechanism?
 |       |
| * 1. Are there any other factors or information that could provide greater transparency and predictability about how and when a SoLR mechanism could be triggered?
 |       |
| 1. AEMO’s discretion under a trigger mechanism
 |  |
| * 1. To what extent should AEMO retain some discretion as part of the trigger for SoLR? Why?
 |       |
| 1. The trigger for contingency gas in the STTM
 |  |
| * 1. Should the trigger to use contingency gas in the STTM be separate and mutually exclusive from a SoLR mechanism in the ECGS? Why?
 |       |
| * 1. Are there any issues the AEMC should consider if an STTM contingency gas mechanism and an ECGS SoLR mechanism are to co-exist?
 |       |
| * 1. Is guidance required (in the NGR or procedures) on the order of priority of market intervention tools? How much discretion should be provided to AEMO in its decisions on what tools to use?
 |       |
| 1. The trigger for intervening in the DWGM
 |  |
| * 1. Should the trigger to intervene for system security reasons in the DWGM be amended if a SoLR mechanism for reliability and supply adequacy threats is introduced for the ECGS? Why?
 |       |
| * 1. Should the trigger for AEMO to use the Dandenong LNG storage facility be amended if a SoLR mechanism for the ECGS is introduced? Why?
 |       |
| * 1. Are there any issues the AEMC should consider if the DWGM intervention powers and an ECGS SoLR mechanism are to co-exist?
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**CHAPTER 6** – Operating a soLr mechanism

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| 1. Key steps in operating a SoLR mechanism
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| 1. Do stakeholders see any additional steps not identified in the consultation paper that should be included in AEMO’s use of a SoLR mechanism (if introduced)?
 |       |
| 1. Does the operational sequence outlined in the consultation paper align with stakeholder expectations of how AEMO would use a SoLR mechanism?
 |       |
| 1. Arrangements to transport gas to address a reliability threat
 |  |
| 1. Drawing on the issues and scenarios above, how do you think AEMO would acquire, transport and pay for gas through a SoLR mechanism?
 |       |
| 1. To what extent should intermediaries be involved in transporting gas procured under the SoLR mechanism? Why?
 |       |
| 1. Would using AEMO’s directions power be appropriate for transporting gas procured under the SoLR mechanism? Why?
 |       |
| 1. Conditions required to enter or vary reserve contracts
 |  |
| 1. What requirements should be in place to enable AEMO to enter into and vary contract conditions for a SoLR mechanism?
 |       |
| 1. Is publishing a reserve establishment notice a sufficient precondition for AEMO to enter into or vary a contract using a SoLR mechanism?
 |       |
| 1. How to relinquish capacity and transfer gas from a SoLR storage reserve
 |  |
| 1. To reduce risks of crowding out, should the NGR specify a mandatory, discretionary or hybrid approach to the relinquishment of capacity and transfer of gas for SoLR storage reserves?
 |       |
| 1. Which type of approach balances the need to minimise market distortion while supporting reliability and cost-effective outcomes for consumers?
 |       |
| 1. Buying and selling gas through facilitated markets
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| 1. Should a SoLR mechanism include requirements that AEMO bid to buy and offer to sell gas in the facilitated markets at the relevant market price cap?
 |       |
| 1. Should a SoLR mechanism include requirements regarding how AEMO buys and sells gas through the GSH and DAA? If so, is it appropriate to require AEMO to use a broker, or should additional or different requirements be imposed?
 |       |
| 1. What, if any, requirements should be in place for AEMO buying and selling gas outside the DWGM, STTM, GSH or DAA?
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**CHAPTER 7** – administered demand response

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| 1. Role of demand response in gas market arrangements
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| 1. How responsive are gas users to price given underlying bilateral contracts or GSAs? What are the barriers to gas users reducing consumption based on higher prices?
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| 1. How do current market arrangements across the ECGS (both the facilitated markets and outside of those markets) enable gas users to reduce demand to meet supply? For example, in the STTM, how effective are MOS, MSV, and contingency gas arrangements in this respect?
 |       |
| 1. What are the barriers to reducing consumption using existing gas market arrangements?
 |       |
| 1. Using flexible demand to address supply shortfalls
 |  |
| 1. How much capacity could be made available through an administered demand response mechanism implemented across the ECGS?
 |       |
| 1. Does the potential amount of responsive demand vary between jurisdictions or is it evenly distributed across the ECGS?
 |       |
| 1. Does the potential amount of responsive demand vary between seasons?
 |       |
| 1. Factors that may impact demand response participation
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| 1. What are the factors that could impact gas users’ ability to participate in an administered demand response mechanism?
 |       |
| 1. What impact would the terms of gas supply and transport agreements have on gas users’ ability to participate in an administered demand response mechanism? Would these contracts require amending to enable participation in demand response mechanism?
 |       |
| 1. Would an availability fee help overcome some barriers and enable greater participation in an administered demand response mechanism?
 |       |
| 1. Would an alternative approach of making demand response-relevant information available to AEMO enable it to make informed decisions that support a demand response in the ECGS?
 |       |
| 1. Potential designs for an administered demand response mechanism
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| 1. In reference to the outlined design options in Table 7.1, what potential design options could be successful for an ECGS administered demand response mechanism? Why?
 |       |
| 1. Are there other design options the AEMC could consider?
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**CHAPTER 8** – cost recovery and proceeds distribution

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| 1. Removing the trading fund and its $35 million cap
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| 1. Should the trading fund:
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| * + - 1. be retained as is
 |       |
| * + - 1. be retained in an amended form, and if so, what amendments should be made, or
 |       |
| * + - 1. be removed and replaced with a cost recovery and proceeds distribution mechanism as proposed?
 |       |
| 1. Triggering the cost recovery and proceeds distribution process
 |  |
| 1. Do you consider that the appropriate trigger for using the cost recovery and proceeds distribution process is when AEMO establishes a SoLR reserve? Is there a more preferable alternative?
 |       |
| 1. Should guidance on using the cost recovery and proceeds distribution process be provided? Should this be through the NGR and/or AEMO procedures?
 |       |
| 1. How costs could be allocated
 |  |
| 1. Do you agree with the proposed cost allocation methodology — that costs be recovered from relevant entities based on their share of gas demand at the locations where a SoLR reserve is established and in each month that the SoLR reserve is in place? Or are other alternative approaches preferred? Why?
 |       |
| 1. Are there other benefits and costs of the proposed cost allocation method that the AEMC should consider?
 |       |
| 1. How proceeds could be distributed
 |  |
| 1. Do you agree with the proposed proceeds distribution methodology — that proceeds be distributed to relevant entities in a timely manner based on their share of gas demand at the locations where a SoLR reserve is established? Or are other alternative approaches preferred? Why?
 |       |
| 1. Are there other benefits and costs of the proposed proceeds distribution method that the AEMC should consider?
 |       |
| 1. Providing transparency about cost recovery and proceeds distribution
 |  |
| 1. Which aspects of the cost recovery and proceeds distribution process should be in the NGR, and which aspects should be in the ECGS Procedures to support transparency to market participants? Why?
 |       |
| 1. Establishing financial separation for the SoLR mechanism
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| 1. Do you agree with the proposal that AEMO establish a separate financial account for its use of the SoLR mechanism? Why?
 |       |

**CHAPTER 9** – providing transparency and accountability

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| 1. Improving the market notices to better inform the market
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| 1. Are the number of market notices and the information they contain provide appropriate transparency to market participants about AEMO’s actions in using a SoLR mechanism?
 |       |
| 1. Are the potential links between the risk and threat signalling levels and the SoLR-related market notices appropriate?
 |       |
| 1. Publishing a post-intervention report
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| 1. Should AEMO be required to publish a post-intervention report within one month of an intervention in the market?
 |       |
| 1. Should AEMO also have the discretion to provide a supplementary report at the four-month mark, if it considers it would be appropriate?
 |       |
| 1. Publishing biannual reports
 |  |
| 1. Would regular reporting from AEMO on its market intervention activities (in addition to postintervention reports) be valuable to market participants?
 |       |
| 1. If so, should AEMO be required to report on its SoLR activities on an annual or biannual basis?
 |       |
| 1. Reporting to energy ministers and affected jurisdictions
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| 1. Should AEMO continue to be required to provide an annual report to energy ministers about any SoLR activities, if the proposed additional reporting requirements are introduced?
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**CHAPTER 10** – implementing a solr mechanism

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| 1. Implementation costs
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| 1. Do you have any concerns about the implementation costs of AEMO procedures and/or guidelines?
 |       |
| 1. Are there other implementation costs the AEMC should consider and is there a way to minimise them?
 |       |
| 1. Closing the trading fund
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| 1. Do you agree with the proposed approach to closing the trading fund?
 |       |
| 1. Are there any other issues that may arise in a transition away from the trading fund that the AEMC should consider?
 |       |
| 1. Updating ECGS procedures and guidelines
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| 1. Is the proposed six months for updating ECGS procedures and guidelines achievable? What impact could this timeframe have on AEMO and market participants?
 |       |
| 1. If a six-month timeframe is not appropriate, what should be the alternative timeframe and/or approach?
 |       |
| 1. Are there other processes or information (in addition to those identified by the proponents) that AEMO should include in its procedures or guidelines? Why?
 |       |
| 1. Changing the Dandenong LNG interim arrangements
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| 1. What are your views on how a SoLR mechanism should apply to the DWGM Dandenong LNG storage facility arrangements?
 |       |
| 1. Should the current Dandenong LNG interim arrangements cease as anticipated in 2029, leaving AEMO to use the ECGS SoLR mechanism to address reliability and supply adequacy threats for the DWGM? What issues should the AEMC consider to achieve this?
 |       |
| 1. Should an ECGS SoLR mechanism and the DLNG arrangements co-exist? What changes to the current DLNG arrangements, and the proposed design of the SoLR mechanism, would be required in this case?
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**appendix a** – making our decision

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| 1. Assessment framework
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| 1. Do you agree with the proposed assessment criteria?
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| 1. Are there additional criteria that the Commission should consider or criteria included here that are not relevant?
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