30 October 2025

Project Leader
East Coast Gas System
Supplier of Last Resort Mechanism GRC0077
Australian Energy Market Commission

Submitted online at: www.aemc.gov.au/contact-us/lodge-submission

Dear Project Leader

SUBMISSION: CONSULTATION PAPER ON *NATIONAL GAS RULES* CHANGE PROPOSAL - EAST COAST GAS SYSTEM SUPPLIER OF LAST RESORT MECHANISM

CS Energy welcomes the opportunity to provide a submission in response to the consultation paper (**Paper**) on the proposal for an East Coast Gas System (**ECGS**) Supplier of Last Resort Mechanism (**SoLRM**).

About CS Energy

CS Energy is a Queensland-owned and based energy company that provides power to some of the State's biggest industries and employers. We generate and sell electricity in the wholesale and retail markets, and we employ almost 700 people who live and work in the regions where we operate.

CS Energy owns thermal power generation assets, and we are building a more diverse portfolio. We also have a renewable energy offtakes portfolio of almost 300 megawatts, which we supply to our large commercial and industrial customers in Queensland. CS Energy is developing a 400 MW gas-fired peaking generator at Brigalow near Kogan Creek in Queensland.

Key recommendations

Does the Proposal address an underlying problem with gas supply

CS Energy considers that changing the *National Gas Rules* (**Rules**), or any other new regulatory intervention, is a poor response to the gas supply concerns behind this Rule change proposal. The Australian Competition and Consumer Commission's (**ACCC**) September 2025 *Interim Update on the East Coast Gas Market* observes in relation to the Gas Code, Heads of Agreement and the Australian Domestic Gas Security Mechanism (ADGSM) that although:

> *… these measures may have resulted in some additional gas being offered or supplied into the domestic market, they have not led to a material improvement in market outcomes. They may also be having some unintended incentive effects and causing inefficiencies in gas supply negotiations.*

> *The instruments were introduced or amended in periods of heightened concern about gas supply and prices. However, the instruments have not addressed underlying constraints and so have had limited impact on the long-term outlook.*
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> *Producers confirmed that the announcement of the Emergency Price Order and Gas Code affected their decisions about longer term gas supply and, for some, contributed to decisions to pause investment.*

The Australian Energy Market Operator's (**AEMO**) 2025 *Gas Statement of Opportunities* (**GSOO**) states that:

> *Shortfall risks under peak conditions are forecast in southern Australia from 2028, later than forecast in the 2024 GSOO due to expected falls in residential, commercial and industrial consumption of gas, and the delayed retirement of Eraring Power Station reducing forecast gas-powered generation (GPG) of electricity in the near term while it remains online. Seasonal supply gaps may emerge from 2028 if conditions lead to sustained high gas usage.*
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> - *The completion of committed and anticipated gas supply developments is vital to minimise shortfall risks.*
> - *Ongoing availability and operation of all deep and shallow gas storages will be critical in minimising the risk of peak day shortfalls and seasonal supply gaps, providing operational flexibility that is important now and into the future to manage gas use variability.*
>
> *From 2028, seasonal supply gaps may emerge in southern Australia if conditions lead to sustained high gas usage, while expanded production of uncertain supply will be needed to meet domestic and export positions in northern Australia.*
>
> *In 2029 and later, despite falling forecast gas usage, annual supply gaps are forecast meaning a structural need for new gas supply beyond developments classified as committed and anticipated is necessary to maintain gas supply adequacy, as southern gas production continues to decline.* (p.3)

The ACCC's and AEMO's findings strongly indicate that the way to avoid shortfalls in gas supply is to increase domestic gas production through a return to market-driven exploration, extraction, transport, trading and use of the nation's gas resources. In that regard, it is relevant that access to gas resources is not a level playing field because different States have very different policies and legislation shaping the exploration and extraction of gas resources.

SoLRM Options

The Paper presents 6 options for a SoLRM design, ranging from the retention of AEMO's current trading function through combinations of supply and demand side measures to an integrated co-optimising supply and demand side mechanism. CS Energy, as argued above, does not consider the current arrangements useful and does not support adopting any of the proposed SoLRM designs.

The 2025 GSOO indicates that a shortfall condition under which any of the SoLRM options might be used is likely to arise from very limited physical availability of the resource, rather from a failure of supply infrastructure. The Paper states (p.43) that AEMO might be required to buy gas at the price cap (in the Short Term Trading Market or Victoria's Declared Wholesale Gas Market) or through brokers in the other market but might not, in any case, find itself having to pay the cap price or a high market price. We think this is unlikely. In our view, in conditions of extreme resource scarcity the price of gas will be at the cap in the capped markets or extremely high in the uncapped markets. It therefore is highly likely the use of any SoLRM will merely and expensively reallocate available gas from one or more sets of suppliers and customers to other sets of suppliers and customers and so only shift the location of any shortfall of supply.

AEMO would find itself in a very difficult position. It would find itself facing opposing pressures from different governments and different customer groups. CS Energy does not expect the existence of Rules provisions requiring AEMO to have regard, for example, to the potential of its actions to distort the market would prevent conflict and disputation. Governments concerned about gas supplies in their jurisdictions should transparently buy gas and delivery services in the market and so ensure they are directly accountable for the expenditure to its assumed beneficiaries.

Pre-conditions

The Paper states the framework for signalling ECGS reliability conditions set out in the Australian Energy Market Commission's recent directions paper[1] could provide a sound framework for informing market participants of the "likelihood, nature and severity of an identified risk or threat" to supply (p.31). That framework has three tiers of threat level (early warning, alert and emergency) and allocates forecast conditions among those tiers by the probability of them occurring. The Paper points out that the temporal and special features of gas supply and demand mean that current market participants and potential investors can respond commercially to avoid forecast gas shortfalls.

CS Energy supports the development of this framework. In combination with more resource exploration and extraction, the framework will be sufficient to maintain an adequate supply of gas.

If you would like to discuss this submission, please contact Don Woodrow, Market Policy Manager, on either 0407 296 047 or dwoodrow@csenergy.com.au.

Yours sincerely

Dr Alison Demaria
Head of Policy and Regulation

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[1] Australian Energy Market Commission, *National Gas Amendment (ECGS Reliability Standard and Associated Settings) Rule*, Directions Paper, 28 August 2025.