



30 October 2025

Our Reference: APLNG – COR –1053536

Project Leader (GRC0077)
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

By electronic lodgement: www.aemc.gov.au/contact-us/lodge-submission

Dear [REDACTED]

Australia Pacific LNG Pty Limited (APLNG) welcomes the opportunity to contribute to the Australian Energy Market Commission's (AEMC) consultation process on the '*ECGS Supplier of last resort mechanism*' rule change request.

APLNG is an incorporated company and one of the largest producers of natural gas in eastern Australia, delivering a reliable energy source to customers in Australia and Asia. We are the largest net contributor of gas supply to Australia's domestic east coast gas market, providing over 2,300 PJ of gas into the domestic market since the project was sanctioned.

APLNG does not believe that introducing a supplier of last resort (SoLR) mechanism will incentivise the domestic investment needed to address the fundamental challenges facing the east coast gas system (ECGS), namely:

- unlocking additional supply, particularly in southern jurisdictions
- addressing infrastructure constraints.

New gas must be developed and made available close to demand centres to minimise the risk of supply shortages. Removing regulatory barriers, not introducing more regulation, is key to achieving this.

APLNG also notes that the Commonwealth Gas Market Review is currently underway and aims to develop policies that support energy security, investment certainty and Australia's reputation as a reliable LNG supplier. Considering this, we believe that further changes to the ECGS reliability and supply adequacy framework should be paused until the review is complete. Proceeding with reforms ahead of its findings risks introducing unnecessary or misaligned measures.

The following sections outline the key points from our submission. Further detail is available in the attached stakeholder feedback template.

Preferred policy option

APLNG supports Option 1B—status quo plus a standalone administered demand response mechanism. We caution against introducing a SoLR mechanism due to the following issues:

- It may reduce incentives for retailers and large gas users to proactively secure adequate gas supply and storage contracts, increasing reliance on interventionist measures.

- It risks compounding supply shortages by relying on constrained in-market resources and distorting price signals during critical periods.

If a SoLR mechanism is introduced, it should be geographically and seasonally constrained to southern jurisdictions during winter months, where reliability and supply adequacy threats are likely to be most prevalent.

Guiding factors

If a SoLR mechanism is introduced, it must be guided by clearly defined principles, preconditions, triggers and assessment criteria embedded in the National Gas Rules. While high-level principles are useful, they must be complemented by prescriptive requirements to ensure the Australian Energy Market Operator's (AEMO) interventionist actions are transparent, predictable, proportionate and cost-effective.

Cost management

APLNG supports constraining SoLR costs via a willingness to pay (WTP) metric. However, we believe implementation should be deferred until a robust and fit-for-purpose WTP metric is developed. The interim metrics proposed by the AEMC are either outdated, inaccessible without introducing new information disclosure requirements or unlikely to reflect customers' reliability preferences. Implementing an interim solution would increase regulatory costs and risk inefficient outcomes.

Demand response

Mechanisms that incentivise gas users to reduce or shift consumption during risk or threat periods could play a key role in mitigating peak day supply shortfalls and/or their impact and duration. APLNG therefore supports the establishment of a register of potential demand response providers, which AEMO can draw upon when a risk or threat is identified and market-based responses are insufficient.

Transparency and accountability

We recommend embedding the proposed SoLR market notices within the existing ECGS notification framework to reduce administrative burden and mitigate information fatigue. A live dashboard would also improve market visibility of risks or threats and AEMO's interventionist actions.

We agree that AEMO should publish post-intervention reports and maintain separate financial accounts for its SoLR activities. However, we question the value of biannual reporting.

Implementation timeframe

APLNG considers a minimum lead time of 12 months from rule commencement is required to ensure effective implementation and stakeholder readiness. This timeframe will allow AEMO to update procedures, consult meaningfully with industry and develop standard contracts. It also provides time to align with related ECGS Stage 2 reforms, such as enhancements to the risk or threat signalling framework and the development of a robust WTP metric, which are not expected to be finalised until late 2026 or 2027.

Thank you for the opportunity to provide feedback on the consultation paper. We look forward to further engaging with the AEMC as this rule change progresses. Should you have any queries relating to this submission, please contact Kieran Olsen, Compliance Manager, on 07 3021 3347 or via email at compliance@aplng.com.au

Yours sincerely



Simon Game

General Manager Commercial
Australia Pacific LNG Pty Limited

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

ORGANISATION: Australia Pacific LNG Pty Limited

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DATE 30 October 2025

PROJECT DETAILS

NAME OF RULE CHANGE: ECGS Supplier of last resort mechanism

PROJECT CODE: GRC0077

PROPOSER: Energy Senior Officials/Victorian Minister for Energy and Resources

SUBMISSION DUE DATE: 30 October 2025

CHAPTER 2 – DEFINING THE PROBLEM

1. Defining the problem	
1. Do you agree that these are problems to be addressed by this rule change process?	The problems to be addressed by this rule change process are symptoms of bigger issues facing the east coast gas system (ECGS), being the lack of new gas supply and infrastructure constraints. Australia Pacific LNG Pty Limited (APLNG) does not believe that making further amendments to the ECGS reliability and supply adequacy framework will incentivise the domestic investment needed to address these fundamental challenges. New gas must be developed and made available where it is needed, close to demand centres. Removing regulatory barriers, not introducing more regulation, is key to achieving this.

	We encourage the Australian Energy Market Commission (AEMC) to carefully consider whether the reforms are needed and to undertake detailed cost-benefit analysis of all feasible options. It would also be valuable for the AEMC to develop a range of risk or threat scenarios to demonstrate how the supplier of last resort (SoLR) mechanism would function in practice, and how it would provide a response that goes beyond what market participants would deliver.
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CHAPTER 3 – POLICY OPTIONS FOR A PROPOSED SOLR MECHANISM

2. Policy options	
1. What do you consider to be the best policy option outlined? Why?	Of the options presented, APLNG supports Option 1B, being the status quo plus a standalone administered demand response mechanism.
1. Are there other potential benefits and costs of the policy options identified?	In our view, introducing a SoLR mechanism risks exacerbating the current issues associated with the ECGS trading fund, due to the proposed uncapped nature and expanded scope of the SoLR mechanism. Specifically:
2. Are there any variations to the policy options outlined that would better address the problem?	- The presence of a SoLR mechanism may diminish the incentive for retailers and large gas users to proactively secure adequate gas supply and/or storage contracts. If participants perceive that the Australian Energy Market Operator (AEMO) will intervene if there is a risk or threat, they may be less motivated to manage their own supply risks. This could increase reliance on interventionist measures and undermine the adoption of sound risk management practices across the market. - The proposed SoLR mechanism would rely on AEMO procuring services from in-market resources—the same resources likely to be constrained during risk or threat periods. This approach risks compounding supply shortages, rather than alleviating them. It may also distort price signals during these critical periods. If the AEMC considers that a SoLR mechanism is necessary, APLNG strongly recommends that it be limited to the southern jurisdictions only. Our response to Question 6 provides further detail. Additionally, it should be limited to short-term use to minimise the risk of AEMO holding a long-term position and distorting market outcomes. Finally, APLNG sees merit in exploring demand-side solutions. Policy responses to date have predominantly focused on supply-side measures. However, mechanisms that incentivise gas users to reduce or shift consumption during risk or threat periods could play a key role in mitigating peak day supply shortfalls and/or their impact and duration.

CHAPTER 4 – KEY DESIGN FEATURES OF A SOLR MECHANISM

3. 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?	APLNG supports the inclusion of principles in the National Gas Rules (NGR) to guide AEMO's use of a SoLR mechanism, provided they are supported by clearly defined preconditions, triggers and assessment criteria.
2. What is the appropriate set of principles for the SoLR mechanism? Why?	While principles can provide high-level guidance, they must be complemented by prescriptive requirements to ensure operational clarity and reduce the risk of inconsistent application. Without such guardrails, there is a risk that AEMO's actions may lack transparency and predictability.
3. Should these principles be mandatory or part of AEMO's broader discretion?	In relation to the principles proposed by the proponent, we are concerned that AEMO will experience practical challenges in assessing and minimising distortionary impacts arising from its SoLR activities. AEMO does not have full visibility into the operational and commercial realities of market participants and gas users, which limits its ability to apply this principle in practice.
4. Do you have any views on how any principles should complement other more prescriptive obligations in the NGR or the ECGS Procedures?	We broadly support a principle that requires AEMO to consider customers' willingness to pay (WTP) before activating the SoLR mechanism. However, we note that the proposed value of gas customer reliability metric is unlikely to be developed under the ECGS Stage 2 reforms. An alternative metric or approach will need to be developed to constrain AEMO's costs.
4. 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?	No feedback.
2. Which matters regarding the types of SoLR reserves are best left to the ECGS Procedures?	No feedback.
5. 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?	APLNG supports constraining the costs of the SoLR mechanism (if introduced) via a WTP metric. However, we believe that the establishment of the SoLR mechanism would need to be postponed until a robust and appropriately designed WTP metric is available. Implementing an interim metric would increase regulatory costs (e.g. duplicate one-off implementation costs and stakeholder engagement costs) and will likely result in a misalignment between what parties are willing to pay for gas reliability and the actual costs of the mechanism. We also have concerns with the potential interim metrics proposed by the AEMC: 1. No metric—This option is not viable if AEMO is required under the NGR to consider WTP, the National Gas Objective (NGO) and/or the least cost solution. It could also lead to parties paying more for gas reliability than they are willing to.

	2. Information in bilateral contracts—As noted by the AEMC, AEMO does not have access to bilateral contracts. This option would require market participants to either provide contracts to AEMO or extract the relevant information, increasing regulatory reporting burden and associated costs. 3. WTP of gas-powered generators (GPG)—It is unclear how a WTP metric for GPGs (who can load shed) can act as an efficient or accurate proxy for consumers who cannot be curtailed without significant safety risks and/or costs. 4. Market price caps in the Declared Wholesale Gas Market (DWGM) and Short Term Trading Market (STTM)—These market price caps do not currently consider the trade-off between reliability and supply interruption and have not been updated since 1999 (DWGM) and 2010 (STTM). Updated market price caps will not be available until after the expected completion date of this rule change process. Additionally, these market price caps are not suitable proxies for regions outside of these markets.
6. Geographic and seasonal scope for a SoLR mechanism	
1. What is the relevant geographic scope for a SoLR mechanism?	As outlined in Question 2 above, APLNG does not support the introduction of a SoLR mechanism.
2. Should a SoLR mechanism only be used for threats over winter or should it be available at any time of the year?	If a SoLR mechanism is introduced, we believe it should be constrained to winter months in the southern jurisdictions consistent with the AEMC's finding '<i>that the greatest threat to gas reliability occurs in the winter months in southern jurisdictions</i>'.¹ Applying the SoLR mechanism more broadly across the entire ECGS, as proposed under options 2B, 3A and 3B, would be unjustified in this context.

CHAPTER 5 – PRECONDITIONS AND TRIGGERS

7. Existing preconditions and triggers for AEMO intervention	
1. Do the existing NGL and NGR preconditions and trigger for the trading function lack transparency and clarity? Is this a significant issue? Why?	APLNG considers that the existing precondition in the National Gas Law (NGL), which permits AEMO to trade or purchase certain services to the extent necessary to maintain and improve the reliability or adequacy of supply, is sufficient. However, there are several reasons to strengthen the NGR preconditions and triggers in rules 681A and 699: - As noted in our response to Question 3, information asymmetries limit AEMO's ability to accurately assess the potential distortionary impacts of its interventions. - There is no linkage between the principle to give industry a reasonable period of time to mitigate a risk or threat and the communication of that risk or

¹ AEMC, *National Gas Amendment (ECGS Supplier of last resort mechanism) Rule*, consultation paper, September 2025, p.24.

	threat via the risk or threat signalling framework and the gas supply adequacy and reliability conferences. The term 'reasonable period of time' is also undefined, leaving it open to interpretation and potentially inconsistent application. While AEMO needs flexibility to respond to urgent and unanticipated disruptions to gas supply, business-as-usual assessments of potential gas supply shortfalls should be treated consistently and predictably. Beyond its general mandate '<i>to maintain and improve the reliability or adequacy of the supply of covered gas within the east coast gas system</i>',² AEMO is not required to explicitly consider the proportionality and reasonableness of its intervention. For example, AEMO does not need to consider the nature and scale of the risk or threat when it intervenes and whether the cost of an intervention aligns with customers' WTP or the NGO. APLNG notes these issues also apply to the direction framework. The AEMC should consider whether changes to that framework should be made to ensure consistency.
8. Using risk or threat signalling framework as a precondition	
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?	If a SoLR mechanism is introduced, APLNG supports adopting a tiered risk or threat signalling framework as a precondition for AEMO establishing a SoLR reserve. This approach addresses our concern regarding the importance of communicating emerging risks or threats to industry prior to any interventionist action (see our response to Question 7).
2. 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?	Assuming a three-tiered risk or threat signalling framework is implemented, APLNG considers it appropriate for AEMO to communicate its intention to: - establish a SoLR reserve at the 'alert' stage - activate the reserve at the 'emergency' stage. This staged communication would provide time for market-based responses to be enacted before AEMO uses the SoLR mechanism. A decision to trigger the SoLR mechanism should be guided by matters and assessment criteria prescribed in the NGR. In this regard, we broadly support the matters and assessment criteria proposed by the proponent, as outlined in the consultation paper (pp. 29 to 30). We consider this framework would be more objective than the current arrangements. Additionally, we propose that the framework incorporate an appropriately designed WTP metric. This would help ensure any intervention is cost-effective and proportionate.
3. Would a tiered system of shortfall risk provide a clear signal to the market	Yes.

² Section 91AD(1f) of the NGL.

about when AEMO would consider whether to intervene?	
9. Operational factors could form part of a trigger	
1. To what extent should the preconditions for a SoLR mechanism include operational factors? Why?	APLNG believes operational factors are more relevant to AEMO's assessment of the supply and demand balance and its determination of whether a breach of the reliability forecast is anticipated. This assessment would then inform the publication of risk or threat notices and AEMO's decision to intervene in the market, if necessary.
2. What operational conditions should be part of the trigger for a SoLR mechanism?	We do not support introducing any new requirements for market participants to notify AEMO of adverse operational events. Rule 689 of the NGR currently requires BB reporting entities for BB facilities to notify AEMO of events or circumstances that affect, will affect or may affect the reliability of gas supply. The circumstances in which information must be reported to AEMO are set out in the ECGS Procedures. In addition to these notifications, AEMO already has access to a wide range of operational and market data via the Gas Bulletin Board (e.g. forecast and actual production data, capacity outlooks and linepack adequacy). This information is updated on a regular basis.
3. Are there any other factors or information that could provide greater transparency and predictability about how and when a SoLR mechanism could be triggered?	Refer to our response to Question 8, sub-question 2 above.
10. AEMO's discretion under a trigger mechanism	
1. To what extent should AEMO retain some discretion as part of the trigger for SoLR? Why?	No feedback.
11. 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?	No feedback.
2. Are there any issues the AEMC should consider if an STTM contingency gas mechanism and an ECGS SoLR mechanism are to co-exist?	No feedback.

3. 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?	APLNG supports the development of clearer guidance on the prioritisation and use of market intervention tools. Establishing a transparent framework for the order of priority would enhance predictability for market participants. Nonetheless, it is important that AEMO retains a degree of discretion to select the most appropriate intervention tool, taking into account the specific characteristics of the identified risk or threat. For example, establishing a Storage SoLR reserve in the southern jurisdiction in advance of a forecast winter deliverability issue may be less disruptive than issuing directions to market participants at the last minute.
12. 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?	No feedback.
2. Should the trigger for AEMO to use the Dandenong LNG storage facility be amended if a SoLR mechanism for the ECGS is introduced? Why?	No feedback.
3. Are there any issues the AEMC should consider if the DWGM intervention powers and an ECGS SoLR mechanism are to co-exist?	No feedback.

CHAPTER 6 – OPERATING A SOLR MECHANISM

13. Key steps in operating a SoLR mechanism	
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)?	No feedback.
2. Does the operational sequence outlined in the consultation paper align with stakeholder expectations of how	Yes. However, APLNG seeks clarification from the AEMC regarding the nature and scope of jurisdictional cost-sharing arrangements. It is our understanding that the costs associated with the SoLR mechanism are expected to be recovered from gas users or market participants (depending on the chosen cost

AEMO would use a SoLR mechanism?	recovery methodology). It is therefore unclear why AEMO would need to discuss cost-sharing arrangements with relevant jurisdictions as proposed in Step 2.
14. 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?	APLNG agrees there are wide range of issues associated with acquiring, transporting and paying for gas through a SoLR mechanism, particularly for scenarios where the gas is located outside of the facilitated markets. If the SoLR mechanism is adopted, we believe it is appropriate for AEMO to use an intermediary to buy or sell into these markets.
2. To what extent should intermediaries be involved in transporting gas procured under the SoLR mechanism? Why?	However, the use of an intermediary creates its own risks and considerations that would need to be mitigated. For example, AEMO would need to implement measures to constrain costs such as: • competitive tender processes to ensure value for money • clear contractual arrangements that define the scope and brokerage fees • caps to prevent excessive expenditure, especially given the SoLR mechanism is likely to be activated during volatile periods.
3. Would using AEMO's directions power be appropriate for transporting gas procured under the SoLR mechanism? Why?	APLNG does not believe that AEMO's directions power should be used to transport gas procured under the SoLR mechanism. This approach would be more disruptive to market participants than using an intermediary and is likely to result in higher regulatory costs. Specifically: • AEMO would need to manage cost recovery processes under two different frameworks, creating unnecessary complexity and administrative inefficiencies. • Liable relevant entities would need to contribute to multiple layers of costs, including the claimant's direct costs, the costs associated with AEMO and/or the independent expert coordinating, assessing and determining a compensation claim and SoLR-related costs. • The claimant's direct costs may not exceed the claims threshold, leaving them out of pocket. This outcome is unreasonable, given an alternative solution (i.e. use of an intermediary) is available. • The directed party may incur other costs that are unrecoverable under the compensation framework (e.g. indirect costs, consequential losses and opportunity costs).
15. Conditions required to enter or vary reserve contracts	
1. What requirements should be in place to enable AEMO to enter into and vary contract	AEMO should only enter into new reserve contracts (or vary existing reserve contracts) after a decision has been made to establish a SoLR reserve. Entering into contracts in advance of the SoLR reserve being established will lead to unnecessary

conditions for a SoLR mechanism?	costs, especially given the SoLR mechanism is expected to be triggered infrequently.
2. Is publishing a reserve establishment notice a sufficient precondition for AEMO to enter into or vary a contract using a SoLR mechanism?	To help mitigate timing risks, AEMO should develop a standard reserve contract in consultation with industry. This would streamline negotiations between AEMO and counterparties and enable faster execution once the SoLR mechanism is triggered.
16. 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?	Any participation of AEMO in the market, including to purchase gas or procure other services such as storage, will inevitably introduce some level of market distortion including crowding out effects. It is important that the SoLR mechanism includes clear rules governing the relinquishment of capacity and the transfer of gas from a SoLR storage reserve when a market participant seeks access.
2. Which type of approach balances the need to minimise market distortion while supporting reliability and cost-effective outcomes for consumers?	Of the options presented, APLNG considers that the alternative relinquishment mechanism offers the most balanced solution. The AEMC has correctly identified that the mandatory relinquishment function (such as the interim arrangements relating to the Dandenong LNG storage facility) can limit AEMO's flexibility to manage its storage capacity or stock of gas to address ECGS risks or threats. ³ Further, APLNG agrees with the AEMC's assessment that the mandatory relinquishment provisions may encourage gaming behaviour, where market participants rely on AEMO to secure and pay for storage and transfer capacity, and offer prices below prevailing market prices or the price AEMO initially paid for the gas if they need it, knowing that AEMO is required to accept.
17. Buying and selling gas through facilitated markets	
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?	APLNG considers a market-led response to be the most effective means of addressing the reliability and supply adequacy issues identified. Any intervention by AEMO, including acting as a market participant trading gas, will inevitably introduce some level of market distortion. The steps outlined in the rule change request highlight the importance of minimising the extent of that distortion on the relevant market.
2. 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	We support the requirement for AEMO to transact through a broker for the Gas Supply Hub (GSH), the Day Ahead Auction (DAA) and non-facilitated markets, as this strikes an appropriate balance between minimising market distortions and constraining operational costs.

³ See pp. 41 to 42 of the consultation paper.

different requirements be imposed?	
3. What, if any, requirements should be in place for AEMO buying and selling gas outside the DWGM, STTM, GSH or DAA?	

CHAPTER 7 – ADMINISTERED DEMAND RESPONSE

18. Role of demand response in gas market arrangements	
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?	No feedback.
2. 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?	Subject to mutually agreed terms, bilateral contracts can offer flexibility to adjust usage profiles at the buyer's request. However, the incentive provided through the demand response mechanism must exceed the cost of the contracted flexibility service to ensure it is financially beneficial for the buyer. Given the infrequent occurrence of supply shortfall events (and assuming the buyer does not otherwise need the flexibility service), buyers would likely view the cost of flexibility services to outweigh the potential benefits of being a demand response provider.
3. What are the barriers to reducing consumption using existing gas market arrangements?	
19. 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?	No feedback.
2. Does the potential amount of responsive demand vary between jurisdictions or is it evenly distributed across the ECGS?	Yes, the potential amount of responsive demand is likely to vary between jurisdictions based on the concentration, type and size of gas users who can turn down or shutdown at relatively short notice. Areas with a higher proportion of large commercial or industrial users, particularly those with flexible operational

	processes or alternative fuel options, are more likely to have greater responsive demand potential.
3. Does the potential amount of responsive demand vary between seasons?	No feedback.
20. Factors that may impact demand response participation	
1. What are the factors that could impact gas users' ability to participate in an administered demand response mechanism?	APLNG considers the views expressed by retailers and gas users in response to the ACIL Allen survey (pp. 48 to 49 of the consultation paper) provide a reasonable summary of the factors that may influence gas users' ability to participate in an administered demand response mechanism.
2. 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?	Refer to our response to Question 18, sub-question 2.
3. Would an availability fee help overcome some barriers and enable greater participation in an administered demand response mechanism?	While an availability fee could help encourage participation in an administered demand response mechanism, APLNG does not believe it is a cost-effective solution. This is primarily due to the infrequent nature of supply shortfall events and the practical challenges of aligning the demand response to the specific locations affected. Paying participants regardless of whether their services are used would be inefficient and is not in the interests of consumers.
4. 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?	APLNG does not support a demand response mechanism that mandates participation. Imposing compulsory obligations on gas users, regardless of their operational flexibility, commercial arrangements or ability to respond effectively during a supply shortfall, could lead to unintended operational or financial consequences. However, we acknowledge AEMO will need access to certain information to effectively assess and contract demand response capacity when a risk or threat is identified. To support this, parties interested in providing demand response should give AEMO the following information and ensure it is kept up to date: • location (e.g. physical location and connection points) • load characteristics (e.g. typical daily consumption patterns, peak demand periods and flexibility periods) • reduction capability (e.g. estimated volume of gas demand that could be reduced, the duration of

	potential curtailment, lead time required to activate a response and recovery time) - the \$/GJ price they require to be paid in return for reducing their gas demand (e.g. a fixed amount or an amount linked to a prevailing gas market price) - operational constraints (e.g. safety considerations) - contact details for operational coordination.
21. Potential designs for an administered demand response mechanism	
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?	APLNG supports Option 2 (the establishment of a register of potential demand response providers) as the preferred design for an administered demand response mechanism. This option strikes an appropriate balance between implementation costs and providing AEMO with visibility of potential demand response providers in the event a risk or threat is identified. We do not believe a formal demand response panel should be established, given the panel's demand response services are likely to be triggered infrequently. In terms of the design of the administered demand response mechanism: - AEMO should initiate an expression of interest annually, ahead of winter. - AEMO should develop and consult on a standard contract for demand response, to ensure the timely activation of demand response providers once a risk or threat is identified. - The aggregate value of all demand responses in any given year should be capped to constrain costs. - The activation fees should be linked to an appropriately designed WTP metric.
2. Are there other design options the AEMC could consider?	The administered demand response mechanism could be complemented by public announcements about upcoming risks or threats. For example, retailers could send notifications to their residential gas users asking them to reduce their gas use on certain days and/or during certain periods. The notifications could include helpful tips on how to achieve this (e.g. use electrical appliances instead of gas cooktops).

CHAPTER 8 – COST RECOVERY AND PROCEEDS DISTRIBUTION

22. Removing the trading fund and its \$35 million cap	
1. Should the trading fund:	
A. be retained as is	If the SoLR mechanism is not adopted, APLNG supports retaining the existing trading fund arrangements. The trading fund is now well understood by industry, with established procedures and processes in place. Revising these arrangements will increase regulatory costs without commensurate benefits.
B. be retained in an amended form, and if so, what amendments should be made, or	
C. be removed and replaced with a cost	If a SoLR mechanism is introduced, we support replacing the trading fund with a cost recovery and proceeds distribution mechanism, subject to our responses to Question 23 to 27

recovery and proceeds distribution mechanism as proposed?	below and the inclusion of a cap to appropriately constrain costs. If the SoLR mechanism is adopted in one jurisdiction within the ECGS but not in another, we consider it appropriate that the trading fund be maintained in the jurisdiction where the SoLR mechanism is not implemented. This would ensure that AEMO retains a last resort capability (outside of its directions powers) across all jurisdictions. In this scenario, the \$35 million trading fund cap may need to be reconsidered to reflect the reduced geographic scope.
23. 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?	In general, the cost recovery and proceeds distribution process should only occur after the conclusion of a SoLR event, once AEMO has issued a revocation notice and an itemised breakdown of costs and proceeds is available. This approach helps minimise administrative burden for both AEMO and market participants, as it enables a single invoice to be issued and settled. However, if a SoLR event is prolonged, the NGR should provide AEMO with flexibility to issue invoices during a SoLR event. The ECGS Procedures should specify the circumstances under which this may occur and the frequency.
2. Should guidance on using the cost recovery and proceeds distribution process be provided? Should this be through the NGR and/or AEMO procedures?	
24. 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?	APLNG does not support the proponent's proposed cost allocation methodology. A share-of-gas-demand cost allocation methodology will: - socialise the cost of establishing a SoLR reserve across all gas customers—irrespective of whether those gas users had already invested in strategies to manage supply and mitigate fluctuations in their demand - disincentivise participants from taking appropriate actions in response to a risk or threat, or to secure contracts/contract flexibility. APLNG is of the view that a beneficiary or causer pays approach—where beneficiaries/causers are defined as purchasers of gas in the impacted area during the shortfall period—is more appropriate and will incentivise gas users to mitigate their own demand shortfalls, rather than relying on a subsidised SoLR reserve bailout. Under a causer pays approach, gas buyers that have not managed their exposure to gas availability and price fluctuations will be responsible for the costs of establishing a SoLR reserve—not gas buyers that have already costed risk mitigation contingencies into their gas contracting strategies. If the AEMC determines that share-of-gas-demand approach is to be applied, the following gas demand categories should
2. Are there other benefits and costs of the proposed cost allocation method that the AEMC should consider?	

	be excluded from the denominator of the cost allocation calculation: • LNG foundational contracts • foundational domestic supply contracts • domestic supply agreements of 12 months or longer. These gas demand categories stabilise the market and incentivise domestic production. Investment certainty for both suppliers and gas users is essential, but would be threatened if that commitment comes with additional risk and cost.
25. How proceeds could be distributed	
1. Do you agree with the proposed proceeds distribution methodology — those 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?	We support the proposal that proceeds arising from the use of the SoLR mechanism should be distributed to relevant entities on a proportionate basis using the same allocation methodology as cost recovery. Adopting a consistent approach to both cost recovery and proceeds distribution is important from a fairness and equity perspective as it ensures entities that bear the financial burden of the SoLR mechanism also receive any benefits that arise from its use. Using the same cost recovery and proceeds distribution methodology would also reduce administrative complexity for AEMO, leading to lower regulatory costs. However, as stated in our response to Question 24, we do not support allocating SoLR costs (or proceeds) using a share-of-gas-demand approach.
2. Are there other benefits and costs of the proposed proceeds distribution method that the AEMC should consider?	
26. 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?	APLNG supports embedding a certain level of prescription in the NGR to provide regulatory certainty and guide AEMO's practical application of the framework. Specifically, the NGR should include: • a requirement for AEMO to recover any SoLR costs incurred and repay any proceeds • guidance on which entities will be subject to cost recovery and proceeds distribution • the methodology for allocating costs and proceeds among liable relevant entities • a requirement for liable relevant entities to pay the SoLR and/or administered demand response mechanism costs by the due date specified in an invoice issued by AEMO • principles to guide AEMO in developing and administering its procedures. The ECGS Procedures should provide detailed operational guidance on: • how AEMO will determine liable relevant entities

	- the approach AEMO will take to allocate costs or proceeds to liable relevant entities, including how AEMO will determine the affected location and relevant period - the datasets AEMO will rely on to calculate a liable relevant entity's share of the SoLR amount - the manner, form and timing of payments - how the framework will operate if there are overlapping SoLR and/or demand response events.
27. Establishing financial separation for the SoLR mechanism	
1. Do you agree with the proposal that AEMO establish a separate financial account for its use of the SoLR mechanism? Why?	If a SoLR mechanism is introduced, APLNG supports the proposal for AEMO to establish separate financial accounts. We consider this measure will: - help ensure costs are accurately attributed to the SoLR mechanism and not inadvertently absorbed into broader operational budgets - facilitate cost recovery and proceeds distribution - enhance transparency for market participants and other stakeholders regarding the costs incurred and proceeds generated through the SoLR mechanism - improve auditability, supporting robust financial governance and oversight - enable any future evaluations of the cost-effectiveness of, and the ongoing need for, the SoLR mechanism.

CHAPTER 9 – PROVIDING TRANSPARENCY AND ACCOUNTABILITY

28. Improving the market notices to better inform the market					
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?	No. APLNG believes the proposed SoLR-related market notices to be excessive, particularly when considered alongside the existing ECGS notification requirements. If a SoLR mechanism is introduced, APLNG recommends that the AEMC streamline the ECGS notification requirements to reduce administrative burden and minimise the risk of information fatigue. We suggest the following approach: <table border="1"> <thead> <tr> <th>Notice</th><th>Details</th></tr> </thead> <tbody> <tr> <td>Risk or threat notice</td><td> AEMO publishes an early warning, alert and/or emergency notice if an actual or potential risk or threat to the reliability or adequacy of supply is identified. Each notice should include information about the identified risk or threat and the industry response AEMO considers necessary to prevent or mitigate the risk or threat. </td></tr> </tbody> </table>	Notice	Details	Risk or threat notice	AEMO publishes an early warning, alert and/or emergency notice if an actual or potential risk or threat to the reliability or adequacy of supply is identified. Each notice should include information about the identified risk or threat and the industry response AEMO considers necessary to prevent or mitigate the risk or threat.
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		Additionally: - An alert notice should specify whether AEMO intends to establish a SoLR reserve or seek demand responses if an appropriate industry response is not received by a certain date. This notice should also contain other relevant information about the potential SoLR reserve such as its likely form. - An emergency notice should indicate whether AEMO intends to use the SoLR reserve and/or elicit demand responses from registered providers and the latest time by which it would do so.
	Actual intervention notices	AEMO publishes a notice detailing the interventionist actions it is taking/has taken to address the risk or threat (e.g. established a SoLR reserve, entered into demand response contracts or issued directions). These notices would replace the existing direction or trading notices.
	Variation notices	AEMO publishes a notice of variation in relation to a risk or threat notice or an actual intervention notice, where there is a material change in circumstances or additional information needs to be published.
	Revocation notices	AEMO publishes a notice of revocation in relation to a risk or threat. The notice should also specify that AEMO has ceased to intervene in the ECGS (e.g. AEMO has revoked any directions it has previously issued and there are no active SoLR interventions).
To further enhance transparency, APLNG suggests that AEMO implement a live dashboard on its website that displays the current risk or threat level and the status of AEMO's interventionist actions. This dashboard could be linked to the existing ECGS Notices webpage for additional detail. We believe a dashboard containing real-time information would be beneficial for market participants and other stakeholders, including those who do not receive the ECGS notices.		
2.	Are the potential links between the risk and threat signalling levels and the SoLR-related market notices appropriate?	Refer to our response above.

29. Publishing a post-intervention report	
1. Should AEMO be required to publish a post-intervention report within one month of an intervention in the market?	APLNG agrees that post-intervention reports are a critical measure to enhance transparency and accountability in the use of the SoLR mechanism (if adopted). However, we query whether one month provides AEMO with sufficient time to compile a comprehensive and accurate account of its SoLR activities. The AEMC should seek feedback from AEMO on an appropriate timeframe.
2. Should AEMO also have the discretion to provide a supplementary report at the four-month mark, if it considers it would be appropriate?	We believe AEMO should have the discretion to publish a supplementary post-intervention report to factor in additional or updated information. However, we do not believe a fixed timeframe of four months should be prescribed in the NGR. Instead, AEMO should provide the report as soon as practicable after receiving the additional or updated information.
30. Publishing biannual reports	
1. Would regular reporting from AEMO on its market intervention activities (in addition to postintervention reports) be valuable to market participants?	Biannual reporting on the operation of the SoLR mechanism is unnecessary. We suggest that the information intended for inclusion in the biannual report should instead be incorporated into the post-intervention report (where relevant) or published in AEMO's annual report. ⁴ This would maintain transparency while avoiding additional administrative burden.
2. If so, should AEMO be required to report on its SoLR activities on an annual or biannual basis?	
31. Reporting to energy ministers and affected jurisdictions	
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?	No feedback.

CHAPTER 10 – IMPLEMENTING A SOLR MECHANISM

32. Implementation costs	
1. Do you have any concerns about the implementation costs of AEMO procedures and/or guidelines?	Section 10.1 of the consultation paper excludes the costs associated with developing and consulting on standard contracts under the SoLR and administered demand response mechanisms.
2. Are there other implementation costs the	The paper also fails to provide any details on how AEMO's implementation costs will be recovered. For example, will

⁴ See www.aemo.com.au/about/corporate-governance/annual-reports

AEMC should consider and is there a way to minimise them?	these costs be included in the ECGS Reform Program fees currently recovered from producers and retailers?
33. Closing the trading fund	
1. Do you agree with the proposed approach to closing the trading fund?	If the trading fund is closed, APLNG generally agrees with the proposed approach outlined in Section 10.2.1 of the consultation paper. If the trading fund is in use when the final rule commences, we note that the fund cannot be closed until after AEMO has finished using its trading function <u>and</u> it has received any money earned from its trading activities and other sources.
2. Are there any other issues that may arise in a transition away from the trading fund that the AEMC should consider?	AEMO would need to dissolve any supplier panels ⁵ it has set up under its trading function and terminate any associated contracts with suppliers.
34. Updating ECGS procedures and guidelines	
1. Is the proposed six months for updating ECGS procedures and guidelines achievable? What impact could this timeframe have on AEMO and market participants?	APLNG does not believe six months is sufficient time to implement the SoLR mechanism and/or the administered demand response mechanism. Compressing the implementation timeframe could result in: - key design elements not reflecting the intent of the reforms, ambiguity and practical application issues - critical timing or sequencing issues, given the interdependencies with other ECGS Stage 2 reforms - insufficient time for industry to consider the implications of the reforms on their businesses, which could lead to compliance issues (to the extent the final determination introduces obligations on market participants) or low participation rates for the demand response mechanism (if introduced).
2. If a six-month timeframe is not appropriate, what should be the alternative timeframe and/or approach?	A minimum lead time of 12 months from the commencement of the rule is critical to ensure effective implementation and stakeholder readiness. This timeframe will help support the following key activities: - development and consultation on procedural documentation. AEMO must have sufficient time to update existing procedures and guidelines, develop new documentation/contracts and undertake meaningful consultation with stakeholders - integration with associated reforms. Elements of this rule change are dependent on complementary ECGS Stage 2 reforms such as enhancements to the risk or threat signalling mechanism and the development of WTP metrics. These components are not expected to be finalised until late 2026 or 2027 - industry's compliance with the proposed new projected assessment of system adequacy reporting obligations. Adequate time is needed to address any implementation issues and ensure the accuracy and

⁵ There are no supplier panels in place at the time of writing this submission.

	completeness of the data being used to support AEMO's reliability forecasts.
3. Are there other processes or information (in addition to those identified by the proponents) that AEMO should include in its procedures or guidelines? Why?	No feedback.
35. Changing the Dandenong LNG interim arrangements	
1. What are your views on how a SoLR mechanism should apply to the DWGM Dandenong LNG storage facility arrangements?	No feedback.
2. 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?	No feedback.
3. 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?	No feedback.

APPENDIX A – MAKING OUR DECISION

36. Assessment framework	
1. Do you agree with the proposed assessment criteria?	APLNG generally agrees with the key assessment criteria proposed by the AEMC. It is especially critical for the AEMC to consider the likely cost impact of the proposed solutions against other viable alternatives via cost-benefit analyses.
2. Are there additional criteria that the Commission should consider or criteria included here that are not relevant?	The AEMC should consider whether the proposed measures will contribute to a more cohesive reliability and supply adequacy framework. For example, as outlined in our response to Question 28, we believe there are opportunities to embed the SoLR market notices within the existing ECGS notification framework.