30 October 2025

Australian Energy Market Commission (AEMC)

Via AEMC website: *www.aemc.gov.au*

National Gas Amendment (ECGS Supplier of last resort mechanism) Rule

Alinta Energy welcomes the opportunity to provide feedback on the proposed East Coast Gas System (ECGS) Supplier of last resort (SoLR) mechanism consultation paper.

Key points:

- **We support the Commission's intention to clarify when AEMO's powers may be exercised.**
- **We continue to hold concerns around the usefulness and distortionary impacts of existing AEMO powers and note that these do not improve the supply and demand balance across the east coast market.**
- **We support option 1B and consider the reliability and supply adequacy (RSA) rule change will provide the adequate guidance that AEMO needs to administer its existing powers, with the addition of an administered demand response mechanism providing a potential low-cost lever for AEMO to address RSA threats the market cannot solve.**
- **We recommend that the AEMC delays the Rule Change until such a time that the Gas Market Review underway has been finalised given the wide-ranging proposals currently being considered by the government.**

We support the Commission's intention to clarify when AEMO's powers may be exercised.

Alinta Energy is supportive of the AEMC's consideration of approaches to provide further guidance to AEMO in using its powers in the case of ECGS RSA threats.

Whilst we support this intention of the rule change, we consider a SoLR mechanism would not adequately address underlying supply issues and could distort the market.

With that in mind, we consider there are opportunities to minimise potential risks and enhance the effectiveness of this rule change request. To that end, we make the following recommendations for the Commission's consideration.

Policy options and design features

Whilst we agree with the concerns raised regarding potential future gas shortfalls, the underlying issue is a lack of recent gas development.

Expansion of interventionist mechanisms alone will not resolve the forecast gas shortages on the East Coast. Regulatory constraints and policy uncertainty continue to restrict the options available to bring to market new supply to address supply-demand imbalances.

As the AEMC has acknowledged, recent reforms and rule changes are not intended to incentivise increased gas supply through exploration or production[1]. Without a clear mechanism to secure additional supply, participants face limited ability to meet reliability standards under constrained conditions. AEMO's proposed 'supplier of last resort' powers may allow intervention, but they do not address the root cause of supply shortfalls and could expose customers to greater price risks and uncertainty.

A SoLR mechanism will not address supply shortfalls and will risk distortionary impacts in the market.

While AEMO's core function is to operate the gas market, it has progressively been granted a range of intervention powers – including directing transport providers to supply volumes (even where this may conflict with existing contracts), instructing participants to fill storage facilities, managing LNG stocks at the Dandenong facility, and directly procuring and trading gas reserves.

The proposed SoLR framework would further expand AEMO's remit. We are concerned that these expanding powers – particularly under the SoLR proposal – risk creating a perception that the market will not be allowed to function independently. This could distort price signals, undermine investment certainty, disrupt contracting arrangements, and expose consumers to unnecessary cost risks.

Intervention powers should be clearly defined and limited to genuine emergency situations and not overtake existing market mechanisms that aim to complete similar aims, for example contingency gas in the STTMs. AEMO's role must remain focused on market operations, with boundaries that avoid duplicating enforcement functions already served by mechanisms such as the ADGSM. The ADGSM provides a last-resort safeguard for supply shortfalls, and further expanding AEMO's powers under the SoLR proposal does not address the underlying supply constraints. Instead, it risks increasing regulatory uncertainty, reducing transparency, and discouraging market participation.

We recommend that the AEMC carefully consider the implications of the SoLR proposal on market confidence and investment signals. AEMO's remit should be constrained to operational responsibilities, with emergency powers used only in exceptional circumstances and subject to clear governance and accountability.

Guidance can be provided to address the proponents' concerns without expanding AEMO powers.

We consider the proposed threat signalling framework and probabilistic approach in the 'ECGS reliability standard and associated settings rule change' can address the proponent's concerns of insufficient guidance to existing AEMO powers.

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[1] Alinta Energy response to 'ECGS reliability standard and associated settings rule', 17 April 2025.

We recommend the SoLR rule change be delayed until the outcomes of the Gas Market Review.

We recommend that the AEMC consider the outcomes of the ongoing Gas Market Review before progressing to a Draft Determination on this rule change (and others within the stage 2 package). Given the concerns outlined above regarding the expansion of AEMO's intervention powers, we believe it is prudent to defer the Draft Determination until the Commission can gain greater clarity on how the proposed SoLR mechanism will interact with the outcomes of the Gas Market Review, particularly any changes to the ADGSM, HoA or the Code. Incorporating the findings of the Gas Market Review will help ensure that any rule changes are appropriately calibrated and do not inadvertently undermine market confidence or investment signals.

Operating a SoLR mechanism

Noting our lack of support for the SoLR mechanism, if adopted, the market must be given adequate opportunity to respond prior to any AEMO intervention.

Should the SoLR proposal be adopted, we recommend the pre-conditions to trigger the SoLR mechanism in step 1[2] be designed with the objective of providing the market with adequate opportunity to exhaust all market-driven solutions prior to the triggering of any AEMO intervention.

We consider the design of the preconditions and trigger should align with the probabilistic approach and threat signalling framework to be developed as part of the *ECGS reliability standard and associated settings* rule change, as noted in our submission[3]. We have outlined our recommendations in line with this in the 'market notices, accountability and transparency' section below.

Administered demand response

A well-designed administered demand response mechanism would negate the need for a SoLR mechanism.

As noted in our initial response to the ECGS Stage 2 consultation[4], we support the introduction of an administered demand response capability. A well-designed administered demand response mechanism would:

- negate the need for a SoLR mechanism through using flexible demand to address supply shortfalls in the case the market is unable to do so[5];
- provide a "lower cost option to address a reliability or supply adequacy threat" (according to the proponents)[6]; and
- provide flexibility with payments to demand response providers[7].

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[2] AEMC, 'ECGS Supplier of last resort mechanism Rule', Consultation Paper, p. 82.
[3] Alinta Energy response to 'ECGS reliability standard and associated settings rule', 25 September 2025.
[4] Alinta Energy response to 'Reliability and supply adequacy framework for the east coast gas market – Stage 2 of framework development' consultation paper, 13 July 2023.
[5] Alinta Energy response to 'Reliability and supply adequacy framework for the east coast gas market – Stage 2 of framework development' consultation paper, 13 July 2023.
[6] AEMC, 'ECGS Supplier of last resort mechanism Rule', Consultation Paper, p. 46.
[7] Alinta Energy response to 'Reliability and supply adequacy framework for the east coast gas market – Stage 2 of framework development' consultation paper, 13 July 2023.

The mechanism should be designed in to provide sufficient incentives to potential participants (such as availability fees as noted by the AEMC)[8]. We consider Option 1[9] - ad-hoc contracting as shortfalls arise – to be the preferable option. When the tiered threat signalling and probability approach is defined in the final determination of the 'ECGS reliability standard and associated settings' rule change, this will provide AEMO and industry with the appropriate guidance on how and when demand response will be used.

Given the complexity of designing and implementing a demand response mechanism we would assume that the AEMC would further consult with industry around implementation and design challenges.

Noting our collective responses in this submission, we support policy Option 1B[10].

Cost recovery

We do not agree with expanding the current trading fund.

In line with recommendations noted above, we do not support expanding the additional funding available to AEMO nor a SoLR mechanism.

Our preference is to retain the current trading fund and $35 million cap without use of a SoLR mechanism (a subset of option 1)[11]. In the event a SoLR mechanism is adopted, participants need to be able to recover both direct and indirect costs.

Across peak periods we hold concerns that AEMO may look to procure line pack from participants who had been actively managing their multi-day position by using their storage. While this may solve the immediate problem, Alinta Energy cautions that could create further issues on subsequent days. Alinta Energy would expect that participants would be able to claim indirect costs associated with any exposures to the markets that this may create.

We agree with the AEMC's proposal to adopt a more detailed approach to cost recovery and proceeds distribution to promote greater transparency[12]. We support the aspects proposed to be included in the NGR[13]:

- What triggers cost recovery and proceeds distribution
- Who would be subject to cost recovery and proceeds distribution
- How costs would be recovered and allocated and the timing of this
- How proceeds would be distributed.

Market notices, accountability & transparency

We support the AEMC's intention to providing increased transparency and accountability in use of AEMO powers.

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[8] AEMC, 'ECGS Supplier of last resort mechanism Rule', Consultation Paper, p. 49.
[9] AEMC, 'ECGS Supplier of last resort mechanism Rule', Consultation Paper, p. 50.
[10] AEMC, 'ECGS Supplier of last resort mechanism Rule', Consultation Paper, p. 11.
[11] AEMC, 'ECGS Supplier of last resort mechanism Rule', Consultation Paper, p. 54.
[12] AEMC, 'ECGS Supplier of last resort mechanism Rule', Consultation Paper, p. 58.
[13] AEMC, 'ECGS Supplier of last resort mechanism Rule', Consultation Paper, p. 59.

As noted in our response to the AEMC's Directions paper on the 'ECGS reliability standard and associated settings rule change',[14] we support the development of a threat signaling framework in the aim to provide greater clarity to the procedures of what constitutes as a threat or risk to reliability.

We propose AEMO's *existing* powers are guided by the threat signalling framework and probabilistic approach that is proposed in the eventual Final Determination of the ECGS reliability standard and associated settings rule change.

We consider, in line with our recommendations regarding this rule change[15], that:

- review of the market price settings to inform RSA should be conducted by the GRC, led by the AEMC;
- a probabilistic approach to assessing (and signalling) potential reliability risks or threats in the future (that would underpin the triggering of the threat signalling framework) should avoid narrow projections that could trigger unwarranted market interventions;
- the threat signalling framework should be co-developed with industry and the GRC, and provide transparency around what will trigger AEMO's powers or other federal levers such as the ADGSM;
- any future ECGS reforms should be enacted with the aim of providing the market with adequate opportunity to respond to any RSA threats prior to AEMO's intervention powers being triggered; and
- this would provide AEMO with the guidance it seeks on use of its existing powers, negating the need for a SoLR mechanism.

In line with the above, whilst we broadly support the five 'action-based' notices proposed, we propose this be aligned with the threat signalling framework described in the 'ECGS reliability standard and market settings' rule change directions paper as a means to provide the guidance sought by AEMO. We propose this guidance informs AEMO's use of its existing powers, but should a SoLR mechanism be implemented, it could apply to expanded AEMO powers.

Impact on Dandenong LNG arrangements

We consider use of the Dandenong LNG storage facility should be an interim solution and not a long-term term component of a SoLR mechanism if adopted.

Alinta Energy has concerns regarding the recent determination of a four-year extension of the Dandenong LNG storage facility, as noted in our response to the rule change[16]. We consider the facility should be an interim solution with the enduring solution being one in which: the market delivers supply adequacy, limiting the extent to which AEMO's intervention powers are required, thus minimising the distortionary impact of any centrally contracted

[14] Alinta Energy response to 'ECGS reliability standard and associated settings rule', 25 September 2025.
[15] Alinta Energy response to 'ECGS reliability standard and associated settings rule', 25 September 2025.
[16] Alinta Energy response to 'Extension of the DWGM Dandenong LNG interim arrangements', 29 May 2025.

reserves on the market and bid stack. If a SoLR mechanism should be adopted in any form, we do not consider the Dandenong LNG arrangements need to be amended.

Thank you for your consideration of Alinta Energy's submission.

Yours sincerely,

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