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Australian Energy Market Commission Reliability Panel

4 February 2026

2026 Reliability Standard and Settings Review

AGL Energy (AGL) welcomes the opportunity to respond to Australian Energy Market Commission (AEMC) Reliability Panel 2026 Reliability Standard and Settings Review (RSSR) consultation.

About AGL

Proudly Australian since 1837, AGL provides over 4.5 million gas, electricity, and telecommunications services to our residential, small, and large business, and wholesale customers across Australia. AGL operates the largest private electricity generation portfolio in Australia, with a total operated generation capacity of almost 8000 MW across Australia as of 30 June 2025. AGL owns Australia's largest privately-owned fleet of hydro assets and operates the largest portfolio of renewables and storage assets of any ASX listed company. Since 2006, AGL has invested billions of dollars in the construction and delivery of over 2 GW of renewable and firming capacity in the National Electricity Market (NEM).

Draft recommendations

AGL acknowledges the depth of modelling undertaken by the Reliability Panel and the balanced consideration given to customer outcomes, market efficiency, and system reliability during a period of rapid structural change in the NEM.

We support the Panel's draft recommendations to:

- Retain the market price floor at -$1,000/MWh and set the market to automatically clear at the market floor price during Minimum System Load level 3 (MSL3) conditions.
- Retain the administered price cap and administered floor price at $600/MWh and -$600/MWh, respectively.

However, we do not consider the modelling necessarily presents sufficient justification for the draft recommendation to adjust the reliability standard to sit within a range of 0.002 per cent to 0.004 per cent expected unserved energy (USE).

It is not clear that any changes to the reliability standard are warranted

We acknowledge the Panel's comprehensive approach; however, we are not satisfied that the draft report establishes a sufficiently strong case to change the current reliability standard in this review cycle.

In particular, the evidence presented suggests the incremental benefits of change are small, while the system costs of reducing regulatory predictability could be disproportionate. We note the Panel's modelling illustrates marginal consumer outcome differences within the proposed band. The draft report indicates that 0.002 per cent USE is approximately 10 minutes per year and 0.004 per cent USE is around 21 minutes per year (customer-equivalent), implying only a modest difference in expected USE exposure across the range and a correspondingly small change near the midpoint.

Further, several key drivers of the modelling results appear sensitive to assumptions and aggregation choices, which (in our view) supports caution before altering the standard:

- While the Panel's preferred load-weighted approach implies an overall decline in value of customer reliability (VCR), the AER's latest VCR results show divergent movements across customer cohorts e.g. residential VCR values in 2024 are higher than 2019 across almost all residential segments (with one exception), whereas business VCR values, particularly for industrial customers, are materially lower than 2019. This divergence indicates that reliance on a single aggregated VCR movement can mask differences in valuation across customer classes and therefore warrants caution in drawing conclusions about consumer preferences from aggregate changes alone. We note this is recognised in the paper and sensitivities shown, but the overall outcome is ambiguous at best.

- The draft report identifies pronounced differences in the depth and duration profile of USE events by region, which in turn drives materially different regional market price cap (MPC)/cumulative price threshold (CPT) frontiers; yet a single NEM-wide MPC/CPT must ultimately be selected. This structural feature reinforces the need for a clear, demonstrated net benefit before changing the standard.
- The report acknowledges key modelling limitations and simplifying assumptions, including calibration/post-hoc capacity addition approaches and challenges forecasting revenues outside scarcity/USE periods. These factors affect revenue sufficiency and therefore the implied “efficient frontier” outcomes.

Finally, we note the current regulatory environment remains in considerable flux, which increases the value of stability in the interim. The Panel itself notes the interaction with broader wholesale market reforms, e.g. the NEM wholesale market settings review (Nelson Review) final recommendations which were released on 16 December 2025, with substantial design and implementation work expected to follow. In our view, these concurrent reforms could materially affect investment signals, contracting conditions and the appropriate calibration of reliability parameters over the same horizon.

On balance, where forecast welfare gains from changing the standard appear second order (small differences in expected USE and limited effect on experienced reliability), but the policy setting is significantly uncertain, we consider it prudent to retain the existing standard and settings unless and until the Panel can demonstrate a clearer and more robust net consumer benefit consistent with its own materiality threshold.

Regulatory stability is preferred over fluctuating settings

We support the Panel’s emphasis on regulatory stability and note that long-term consistency in reliability and price settings is essential to providing investment certainty. Stable reliability standards and market price settings reduce financing risk, support efficient capital allocation, and enable market participants to make long dated investment decisions with confidence.

Frequent or reactive changes to these fundamental parameters risk increasing costs to consumers by undermining confidence and increasing risk premiums at a time when significant investment in firming capacity, storage and renewable generation remains critical.

While we acknowledge the Panel’s intent to better align the reliability standard with VCR and the lowest cost generation technology that is needed to procure the next incremental unit of capacity to deliver electricity, we recommend any future changes (particularly those that affect price settings) are carefully considered to avoid creating an environment with volatile price settings.

The form of reliability standard remains fit-for-purpose

AGL continues to support a market-led approach to delivering reliability and investment in the NEM. The existing reliability standard and associated market settings remain fit-for-purpose and continue to align with the National Electricity Objective (NEO), delivering efficient price signals, managing participant risk, and supporting investment decisions across the market.

We consider changes to these settings should only be pursued where there is clear and significant evidence that they would better contribute to the NEO than the status quo. In particular, enduring energy price signals, such as the MPC and CPT, play a critical role in encouraging both efficient operational behaviour and timely investment and should be preserved as the primary mechanism for driving reliability outcomes over the long term.

AGL also supports the continuation of the RSSR on its existing four-yearly cycle. Given the pace of technological change, policy development, and system transformation currently underway, a four-year cycle provides an appropriate balance between stability and adaptability. Any extensions to the review cycle would risk locking in settings that may no longer reflect market realities and would reduce the ability of the framework to respond efficiently to material changes in costs, system conditions, or consumer preferences.

We support the recommendation made by the Nelson Review that the Reliability Panel provide guidance on the long-term form of market price settings, noting that we consider the current form of the standard to be fit-for-purpose. The Panel is uniquely positioned, as an independent and expert body, to provide considered guidance on how the structure of the MPC, CPT, and related settings should evolve over time. Such guidance would complement the four-yearly RSSR process by providing greater certainty about the long-term direction of market design while avoiding unnecessary disruption to existing investment signals.

Interim reliability measure

We note the current interim reliability measure (IRM), 0.0006 per cent of USE, was extended from 1 July 2025 to 30 June 2028. We caution against further extensions of the IRM and consider the default reliability standard be appropriate.

We consider the IRM has had a limited analytical foundation and was introduced primarily in response to short-term pressures rather than a robust assessment of market need. Its subsequent extensions have perpetuated a measure that lacks broad stakeholder support and no longer serves a clear purpose in the reliability framework. Rather, the IRM detracts from the long-term investment signals intended by the default reliability standard.

In light of the Panel’s draft advice, we consider reliance on the IRM as a trigger for the RERT or the Retailer Reliability Obligation (RRO) should be discontinued and recommend that the IRM sunset in 2028. Importantly, the Panel should more explicitly recognise that the enduring reliability framework depends on well-calibrated market settings that drive efficient investment in capacity. Reliance on increasingly interventionist mechanisms, whether by governments or AEMO, risks undermining and distorting market signals, and creating expectations of an effective 100 per cent reliability target that the NEM was never designed to deliver.

Reliability settings should be independent of jurisdictional schemes

AGL does not consider the existence of government investment or underwriting schemes, or the potential development of additional market or system security arrangements, to be a sufficient basis for weakening or replacing these core market signals. Government schemes are typically targeted, time-limited and subject to policy change, and should be designed to do the least work necessary, complementing rather than displacing underlying market incentives. Maintaining predictable and effective market settings remains essential to supporting investment certainty across jurisdictions, incentivising long-duration storage and firming capacity, and ensuring that any future reforms build on the existing NEM framework as a stable base, rather than undermining the contracting and hedging markets that provide least-cost reliability outcomes for consumers.

Further consistency in reliability settings within the NEM would benefit the market and consumers. We note that, in practice, some jurisdictions in the NEM are pursuing significantly higher levels of reliability than those implied by the national reliability standard, such as NSW adoption of an N-2 planning standard. While these decisions reflect individual jurisdictional risk appetites, they risk fragmenting reliability settings across the NEM and creating inconsistent investment and operational signals. Divergent reliability approaches can lead to inefficient duplication of capacity, distort national market outcomes and complicate coordination by the system operator. AGL considers that a nationally consistent reliability framework remains essential to preserving the integrity and efficiency of the NEM.

While we recognise that jurisdictions retain the autonomy to pursue bespoke arrangements that reflect their individual policy priorities, an effective and well-calibrated NEM-wide reliability standard should minimise the perceived need for such interventions. To achieve this, both the Panel and the AEMC should continue to clearly articulate how the standard operates, how reliability risks are managed, and how associated costs are allocated. Strengthening the clarity and transparency of the framework would provide governments and stakeholders with greater confidence in the singular holistic approach, reducing pressure for jurisdiction-specific arrangements and supporting a more coherent, efficient reliability framework across the NEM.

Strategic reserves

Finally, we note the Nelson Review final recommendations regarding strategic reserves; we are concerned about the proposal for jurisdictionally controlled strategic reserves. AGL does not consider that jurisdictional strategic reserves are an efficient or effective solution, as they risk creating a disjointed system, distorting market signals, and increasing reliance on out-of-market interventions. Jurisdictions generally lack the operational capability and system-wide visibility required to deploy reserves efficiently during reliability events. AEMO is best placed to manage any strategic or emergency reserves on a national basis, and any such mechanisms should be carefully designed to minimise market distortion. AGL strongly supports the Reliability Panel’s independent role in providing long-term guidance to ensure reliability settings remain stable, nationally coordinated, and in the long-term interests of consumers.

Given the Panel’s draft advice on the IRM and its role in triggering mechanisms such as the RERT, it is important that any consideration of strategic or emergency reserves is approached holistically rather than added as an isolated addition to the existing framework. While we acknowledge that some form of emergency reserve mechanism may continue to be necessary, its design must be considered in the context of all reliability obligations and interventions, including the IRM, RERT, and the broader reliability settings, to avoid duplication, market distortion, and unnecessary costs to consumers. Jurisdiction-specific strategic reserves, in particular, risk further fragmenting the national framework, creating inconsistent incentives, and increasing reliance on out-of-market interventions. A more integrated and nationally coordinated assessment is required. For example, we have previously considered that a carefully designed operating reserve could have merit, provided it is implemented in a manner that complements rather than undermines existing market mechanisms.

If you have queries about this submission, please contact Alifur Rahman at arahman3@agl.com.au.

Yours sincerely,

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