Reliability Panel
Australian Energy Market Commission
60 Castlereagh Street
Sydney NSW 2000

6 February 2026

To Reliability Panel,

2026 Reliability Standard and Settings Review – Draft Report

ENGIE Australia & New Zealand (ENGIE) appreciates the opportunity to respond to the Reliability Panel's consultation on its 2026 Reliability Standard and Settings Review Draft Report.

The ENGIE Group is a global energy operator in the businesses of electricity, natural gas and energy services. In Australia, ENGIE operates an asset fleet which includes renewables, gas-powered generation, and battery energy storage systems. ENGIE also provides electricity and gas to retail customers across Victoria, South Australia, New South Wales, Queensland, and Western Australia.

The National Electricity Market (NEM) is currently undergoing a significant transition, and it is crucial to ensure that the reliability standard and settings support efficient market outcomes aligned with customer expectations. Given there is significant uncertainty regarding the market conditions in the period under review, particularly as the State and the Commonwealth governments show an increasing willingness to intervene in the market, ENGIE appreciates that the Panel has maintained a clear commitment to regulatory stability during the course of this review.

In this submission, ENGIE sets out that the existing reliability standard should remain unchanged and outlines additional considerations in relation to the market settings to ensure they remain fit for purpose in supporting long-term investment decisions across generation, storage, and retail (as it pertains to using the spot market to incentivise new entry and ongoing plant performance).

Reliability Standard

ENGIE notes the Panel has recommended a range of 0.002 to 0.004 per cent unserved energy (USE) and has outlined that a midpoint value of 0.003 per cent USE would most likely result in minimal changes to market price settings. This would be an appropriate position to reach if the objective were solely to avoid changes to market settings or if there were a clear view that customers did not value high levels of customer reliability. However, this is not the primary purpose of the review process.

While ENGIE acknowledges and supports the modelling approach taken to-date, the extent of changes in the value of customer reliability (VCR) provides an uncertain and inconsistent signal. The AER's 2024 VCR survey results found that most residential VCRs and a small number of business category VCRs had increased materially since the 2019 survey, while the majority of business VCRs had materially decreased.[1]

Firstly, these results provide a point in time reference that may not necessarily indicate a higher tolerance for a lowered level of reliability in the future. Indeed, it might reflect a greater level of comfort for the established standard. In light of this, ENGIE considers it may be prudent to investigate longer-term measures of the VCR rather than backwards looking single-point estimates that may materially vary between surveys.

Additionally, ENGIE has observed that both the State and Commonwealth governments have shown less willingness to accept the existing standard, which has driven a range of interventions into the market. For example, the Capacity Investment Scheme and the upcoming Electricity Services Entry Mechanism and SA Firm Energy Reliability Mechanism demonstrate that governments have little tolerance to wait for investment signals to drive investment. ENGIE contends that arguments to weaken the reliability standard appear in conflict with government policies.

Lastly, ENGIE notes the experience of generators in the market shows that investor comfort in relying on revenue from a few high-priced events is becoming increasingly challenging in a market with uncertain levels of volatility, unknown retirement dates for coal-fired assets, and potential over-supply due to government interventions. With growing lag times and costs for equipment, the benefits of regulatory certainty remain high.

Thus, while ENGIE appreciates some members of the Reliability Panel may be personally in favour of a lower standard, the arguments for doing so while the existing market structure remains in the place are relatively weak. ENGIE contends that maintaining the existing standard would provide a level of certainty in an increasingly complex energy policy and regulatory environment.

Reliability Settings

ENGIE appreciates that the Panel has opted for stability and regulatory certainty regarding the form and level of the market price settings.

In relation to the Administered Price Cap (APC), ENGIE considers the APC should remain at a fixed level that is sufficiently high to allow the market to clear in periods of system stress. Following the events of 2022, the APC was raised from $300, which did not reflect the marginal cost of new generation at times of supply scarcity, to its present value of $600. The Panel's draft recommendation proposes to retain this value.

While supportive of the existing form and level of the APC, ENGIE has previously outlined that the Panel should also give consideration to 'ongoing indexation of this price' and would like to reiterate that view

[1] AER 2024, 'Values of customer reliability – Final Report', December, pp.43-62

here.[2] ENGIE considers that setting the cap too low presents more material risks than setting it at a slightly elevated level. Given the inflationary environment present in Australia, the real value of the APC will continue to decline without such indexation. Accordingly, it may be prudent to review this issue after this review process has been finalised.

Additionally, ENGIE recognises that the Cumulative Price Threshold (CPT) serves a purpose but reiterates its longstanding view that the CPT should be decoupled from Market Price Cap (MPC).[3] Ideally, the CPT needs to be set at a level based on market risk tolerances. ENGIE has previously noted that in highly extreme conditions, a price cap may no longer provide a meaningful signal for additional supply (where supply is already exhausted) and can instead impose unnecessary stress on the market, consumers, and generators unable to manage their contractual positions.[4] There should be consideration of how the CPT can be designed to be compatible with reliability requirements during renewable droughts and measured against market participants' financial resilience so as to avoid cascading default (as opposed to a mere multiplier of the MPC).

As the transition continues, there will be a need for adequate dispatchable capacity to cope with extended periods when renewable output is low. This will be required to complement both variable renewables and short-term storage which will comprise the majority of future generation. An adequate and independent CPT will be the key investment signal for this type of capacity as coal generation vacates the grid.

Concluding Remarks

ENGIE appreciates the opportunity to provide final input to this review and looks forward to the Panel's final determination.

Should you have any queries in relation to this submission, please do not hesitate to contact me by telephone on 0436 929 403.

Yours sincerely,

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[2] ENGIE 2022, '2022 Reliability standard and settings review Draft Report – Submission' 7 July, p.4

[3] ENGIE 2022, '2022 Reliability standard and settings review Draft Report – Submission' 7 July, p.3

[4] ENGIE 2022, '2022 Reliability standard and settings review Draft Report – Submission' 7 July, p.4