29 January 2026

Mr Rainer Korte
Chair, Reliability Panel
Australian Energy Market Commission

Submitted online at: Lodge a submission | AEMC

Dear Mr Korte

SUBMISSION: DRAFT REPORT OF THE 2026 RELIABILITY STANDARD AND SETTINGS REVIEW

CS Energy welcomes the opportunity to provide a submission in response to the Draft Report of the Reliability Panel's 2026 review of the reliability standard and market settings (**Draft Report**).

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

Minimum System Load 3 Conditions Triggering Market Floor Price

The Draft Report proposes that a Minimum System Load 3 (**MSL 3**) condition trigger application of the Market Floor Price (**MFP**) of $-1000/MWh. The benefits the Draft Report cites in favour of this measure are that it will "send the strongest possible market signal for participants to respond" to the MSL 3 event by incentivising:

- any flexible loads or storage that can increase consumption to do so,
- any generators still online to reduce their output if not stop producing, and
- rooftop PV systems to temporarily curtail their exports or shift to consuming energy on-site.

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CS Energy recognises the risk presented by low system load conditions, but we do not support this measure as proposed. The threat of MSL events is the result of unprecedented levels of investment in rooftop PV systems and currently these systems are not responsive at scale to spot prices. Under these conditions, the imposition of an economic incentive on market participants that are not the causers of the problem would be especially inefficient and carries potential for unintended consequences. Coal-fired plant already must ramp down output at times of high rooftop PV output and then must ramp up to provide reliable and secure supply at other times. A market price intervention as proposed would serve only to further undermine the economic position of coal-fired plant and so its ability to fund the costs imposed by flexible operating requirements contrary to good operating practise. The more efficient and effective measure is for reforms that lead to distributed resources, including rooftop PV and batteries, facing the same incentives as grid connected assets.

Value of Customer Reliability and the Reliability Standard

The Draft Report proposes the reliability standard be loosened to 0.003% unserved energy (**USE**) in any financial year from the current level of 0.002% USE. The current standard has been in place since the National Electricity Market (**NEM**) started in December 1998. This does not mean the standard should not be changed, yet it suggests there should be a significant preponderance of evidence in favour of a change.

The Australian Energy Regulator's 2024 report (**AER Report**) on the Value of Customer Reliability (**VCR**) found:

- the average residential VCR increased by 16% ($ real 2024) over 2019 to 2024 reflecting an increased average willingness to pay (AER Report, p.44);
- the VCR of business customers with a peak demand under 10MVA decreased (all $ real 2024) -
    - The agriculture overall VCR in 2024 of $22.25/kWh is 48.74% of that VCR in 2019 of $45.65/kWh,
    - The commercial overall VCR in 2024 of $34.39/kWh is 64% of that VCR in 2019 of $53.66/kWh, and
    - The industrial overall VCR in 2024 of $33.49/kWh is 43.56% of that VCR in 2019 of $76.89/kWh; and
- Very large industrial, mining and metals customers' VCRs fell dramatically across 2019-2024. Notably, industrial customers' VCR collapsed from over $140/kWh to around $10-12/kWh. The VCR of the services sector rose from about $10/kWh to over $35/kWh. (See AER report p.59 figure 21).

The five years 2019-2024 were shaped by the highly unusual economic conditions caused by the policy responses to Covid 19. Bearing in mind the reliability standard is intended to contribute to long term investment certainty, an abundance of caution is warranted in considering these VCR results in recommending a change to the reliability standard.

In particular, the five year change in the reported very large customer VCR is such an extreme result that it should be investigated in much greater depth before it is used to justify a loosening of the reliability standard. Issues to be considered include:

- the AER Report notes that only 20% of the very large customers surveyed for the 2024 AER Report were surveyed for the 2019 VCR report. This places in doubt the utility of the comparative information for assessing the value of reliability and so the reliability standard;

- the AER Report observes many of the very large customers reported using their own back-up power and this bore on their reported willingness to pay and reported VCR –
    - why did those customers acquire in-house back-up supply and what technologies did they select for that back-up supply?
    - for example, if those customers selected solar panels and, or, batteries to provide their backup have they considered their VCR in low insolation conditions or after their stored energy is exhausted?
- Assuming the data are robust, has the increase in the services sector VCR been given appropriate weight as that sector contributes the great majority of gross domestic product?

Given these questions, CS Energy does not support relaxing the reliability standard until greater vigour is applied in analysing the VCR data.

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

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