

## East coast gas system supplier of last resort

**The Australian Energy Market Commission (AEMC) has made a draft rule that would enable the Australian Energy Market Operator (AEMO) to act as a supplier of last resort in the east coast gas system (ECGS). This new mechanism is designed to enable AEMO to better respond to threats to gas reliability and supply adequacy.**

### The draft rule guides how AEMO can intervene in the ECGS

The more preferable draft rule creates a supplier of last resort (SoLR) mechanism for AEMO. It aims to provide guidance on how the ECGS trading function in the National Gas Law (NGL) would be used by AEMO to respond to threats to reliability and supply adequacy. The ECGS trading function was established by energy ministers through the stage 1 reliability and supply adequacy (RSA) reforms in 2023.

The AEMC's draft rule provides greater clarity and certainty for AEMO, industry participants, jurisdictions, and consumers compared to the current trading function arrangements. It includes a comprehensive set of arrangements and specifies:

- the respective roles of industry participants and AEMO
- that the SoLR mechanism sits towards the end in the hierarchy of tools available to AEMO
- how this function would be operated in practice by AEMO
- associated information transparency and accountability arrangements.

The AEMC considers the draft rule would result in improved reliability outcomes for consumers, because it provides greater guidance and guardrails on AEMO's use of its ECGS trading function. The draft rule also promotes greater market efficiency by clarifying that industry participants are primarily responsible for managing gas reliability risks, and minimising market distortions that may arise from the presence and potential use of the SoLR mechanism. The draft rule aligns with principles of good regulatory practice by providing transparency to industry participants about how SoLR is used. For these reasons, the draft rule would contribute to achieving the national gas objective (NGO).

We are seeking feedback on our draft determination, draft rule and implementation plan by **23 April 2026**.

### Key features of the draft rule

The key features of the draft rule are that it:

- Removes the current \$35 million trading fund and associated rules.
- Introduces a SoLR mechanism that would enable AEMO to procure a range of supply and demand-side services to address identified threats to gas reliability and supply adequacy in the ECGS.
- Clarifies that the SoLR mechanism is one of a suite of tools available to AEMO to address threats to gas reliability, and should only be used after industry responses are exhausted. If threats persist, AEMO should consider other tools it has available to manage these threats (for example, STTM contingency gas) prior to using the SoLR mechanism.
- Establishes additional preconditions to those already in the NGL that AEMO must meet before it can consider undertaking preparatory steps to establish contracts under the SoLR mechanism.
- Links the trigger for activating the SoLR mechanism to the tiered risk or threat signalling framework set out in the ECGS Enhancing reliability and supply adequacy arrangements

draft rule.

- Describes how AEMO would operate the SoLR mechanism, including using a competitive tendering process to seek out potential demand and supply responses to a reliability threat.
- Provides a price limit on the amount AEMO should pay to providers of SoLR services contracted following the tender process.
- Sets out the method for recovering costs and distributing any proceeds from the use of the SoLR mechanism.
- Requires AEMO to publish a set of notices to inform market participants when it establishes, activates and ceases to use the SoLR mechanism. These notices are integrated with those in the ECGS Enhancing reliability and supply adequacy arrangements draft rule to provide a single, streamlined framework.
- Specifies that AEMO must establish and maintain separate financial accounts for the SoLR mechanism.
- Requires AEMO to make, review and update relevant ECGS procedures and guidelines.

### **Implementing SoLR for winter 2027**

The rule change request proposed the SoLR mechanism be implemented by winter 2027. This aligns with the proponents' objective to provide greater guidance on the ECGS trading function as soon as practicable.

Consistent with this objective, the draft rule sets out that the SoLR mechanism is to be in place by 1 April 2027. This would provide AEMO with nine months (from the expected date of making a final rule) to undertake preparatory actions and make any necessary changes to its relevant procedures.

### **Stakeholder feedback has informed our draft determination**

The AEMC has considered the national gas objective (NGO) and the issues raised in the rule change request in its assessment of stakeholder feedback and other information to inform the draft determination and draft rule. In doing so, there have been three relevant assessment criteria. These were set out in our consultation paper and are:

- promoting safety, security and reliability
- aligning with principles of market efficiency
- aligning with principles of good regulatory practice.

The key finding is that the majority of stakeholders supported the intent of the rule change request, which is that AEMO and industry participants need more guidance and guardrails regarding the ECGS trading function.

Further, the draft rule supports stakeholder views that industry participants have the primary role in addressing gas reliability threats. It establishes SoLR as a supporting role for AEMO to use as needed.

### **Context for our draft determination**

The draft rule has been made in response to a rule change request submitted by Energy Senior Officials and the Hon Lily D'Ambrosio MP, Minister for Climate Action, Minister for Energy & Resources and Minister for the State Electricity Commission.

The SoLR rule change request is one of four in the stage 2 RSA reform package. Together, they seek to refine and build on the stage 1 reforms introduced in 2023, which established a reliability and supply adequacy framework for the ECGS.

Since the lodgement of the stage 2 RSA rule change requests, governments have continued to work on reforming the gas sector. Of most relevance to this draft determination is a third reform package for the RSA framework (the LT RSA reforms) that, if implemented, would:

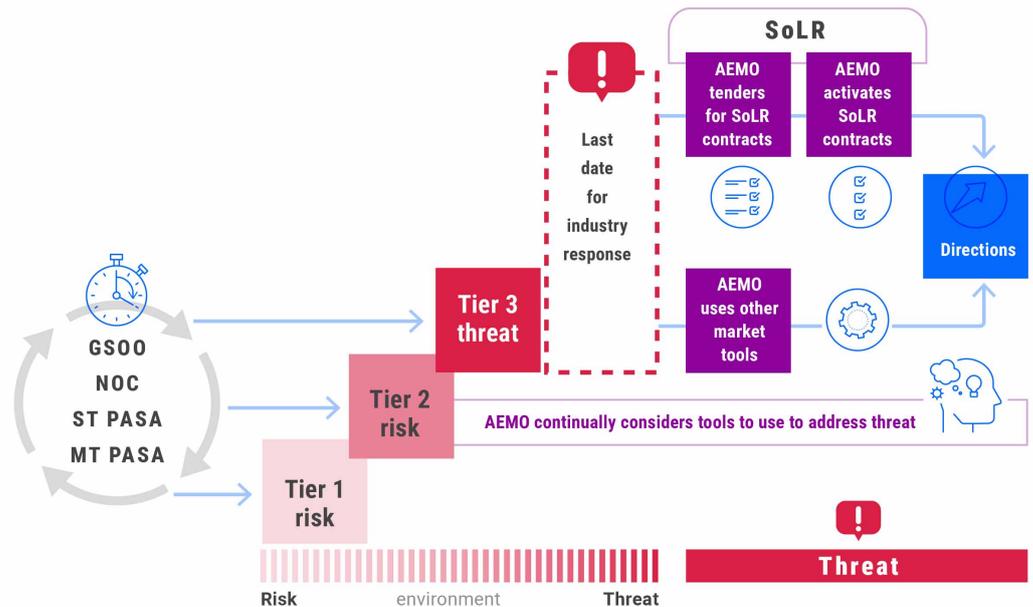
- enable AEMO to support supply-side gas investments where required to address prolonged threats to the reliability or adequacy of gas supply and industry participants are unable to deliver the investment in time.
- extend the *Gas statement of opportunities* to include AEMO's assessment of actual or

potential risks or threats to the reliability or adequacy of the supply of covered gas, and potential options to prevent, reduce or mitigate them.

In making the SoLR draft rule, the AEMC has considered its interaction with the LT RSA reforms currently under consultation. We have also considered the draft rule's interaction and impacts on the other stage 2 RSA reform package: ECGS Notice of closure of gas infrastructure rule change (NOC), ECGS Enhancing reliability and supply adequacy arrangements rule change (ERSAA) and ECGS Projected assessment of system adequacy rule change (PASA).

The relationships between the four stage 2 RSA rules are illustrated below, reflecting the final rule for NOC and the draft rules for PASA, ERSAA and SoLR.

**Figure: Relationship between the stage 2 RSA reform rules**



The AEMC has also considered the context of the Commonwealth's Gas Market Review recommendations. As these recommendations progress, we remain alert to potential new developments for those ongoing reforms.

### Next steps

Written submissions responding to the draft determination and draft rule must be lodged by 5:00pm (AEST) **Thursday 23 April 2026** via the AEMC's website, [www.aemc.gov.au](http://www.aemc.gov.au).

We will also hold an online stakeholder information session on **Friday 13 March 2026** about the SoLR draft determination and the ECGS Enhancing reliability and supply adequacy arrangements draft determination. This session is to support stakeholders in responding to the draft determinations. Please follow this [link](#) to register your attendance.

### For information contact:

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26 February 2026