Australian Energy Market Commission

AEMC
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RULE

Draft rule determination

National Gas Amendment (ECGS Enhancing reliability and supply adequacy arrangements) Rule 2026

Proponents

Energy Senior Officials
Victorian Minister for Energy and Resources

26 February 2026

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Reference: GRC0076

About the AEMC

The AEMC reports to the energy ministers. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the energy ministers.

Acknowledgement of Country

The AEMC acknowledges and shows respect for the Traditional Custodians of the many different lands across Australia on which we live and work. The AEMC office is located on the land of the Gadigal people of the Eora nation. We pay respect to all Elders past and present, and to the enduring connection of Aboriginal and Torres Strait Islander peoples to Country.

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Citation

To cite this document, please use the following:
AEMC, ECGS Enhancing reliability and supply adequacy arrangements, Draft rule determination, 26 February 2026

Summary

1 The Australian Energy Market Commission (AEMC or Commission) has made a more preferable draft rule that will amend the National Gas Rules (NGR) to enhance the existing reliability and supply adequacy (RSA) arrangements for the East Coast Gas System (ECGS), which came into effect on 4 May 2023. This draft determination and draft rule responds to the rule change request submitted by the Chair of the Energy Senior Officials Group and the Hon Lily D'Ambrosio MP, Victorian Minister for Climate Action, Minister for Energy & Resources and Minister for the State Electricity Commission (the proponents) in July 2024, which seeks to introduce a reliability standard and other reliability tools to complement the existing arrangements.

2 The Commission agrees with the concerns expressed by the proponents in the rule change request that as the ECGS becomes more exposed to tightening supply and demand conditions, the current RSA framework may not support efficient outcomes. We therefore support the objective of the request to ensure market participants and the Australian Energy Market Operator (AEMO) have the right tools and information to make efficient decisions when responding to risks and threats to the RSA in the ECGS, both in the short- and longer-term.

3 After analysing stakeholder feedback and the application of the proposed mechanisms, the Commission is making a more preferable draft rule that proposes a framework designed to support efficient responses from the market and AEMO, to be able to manage the emerging reliability and supply adequacy risks in the ECGS.

4 The Commission considers these new arrangements will provide fit-for-purpose, principles-based frameworks that would promote market-led responses to reliability and supply adequacy risks or threats. The proposed changes would also enhance planning and investment information to help maintain efficient and reliable outcomes in relation to covered gas services in the ECGS.

5 The draft rule consists of three major components:

- **A risk or threat signalling framework** - introducing a more objective and transparent framework for AEMO to assess, classify and communicate risks or threats to reliability and supply adequacy in the ECGS.
- **New governance arrangements for market settings reviews** - establishing a Gas Reliability Committee (GRC) and corresponding governance arrangements to support the reviews of the declared wholesale gas market (DWGM) and short term trading market (STTM) settings.
- **Enhancements to AEMO's Gas Statement of Opportunities (GSOO) and Victorian Gas Planning Report (VGPR)** - including information on the likelihood of forecast supply shortfalls and, where reasonably practicable, more granular regional assessment of gas supply adequacy in the GSOO. In addition, AEMO would consult on and publish its gas supply adequacy assessment methodology.

6 The more preferable draft rule does not introduce a reliability standard in the ECGS. The Commission considers that such a standard would not be effective for the ECGS, is not proportionate to the concerns expressed by the proponents, and is not aligned with the National Gas Objective (NGO). The Commission considers that applying a framework based on what currently exists in the National Electricity Market (NEM), which is intended to support long-term planning, to resolve short-term demand-supply imbalances, is not the most effective or appropriate solution to meeting the objectives and outcomes outlined in the rule change request.

7 We are seeking feedback on our draft determination and rule by **9 April 2026**.

The Commission has considered stakeholder feedback in making its decision

8 Our draft determination has been shaped by the feedback we received from stakeholders in response to our directions paper.

9 During consultation, most stakeholders supported the AEMC's direction to enhance the RSA framework without introducing an ECGS wide reliability standard, noting the risks of inefficiency and unnecessary complexity. Some stakeholders, including AEMO, Commonwealth Department of Climate Change, Energy, the Environment and Water (DCCEEW) and the Energy Users Association of Australia (EUAA) argued that a standard could help guide intervention decisions, highlighting the trade-offs between reliability and interruption costs.

10 Stakeholders supported the introduction of a more objective and transparent risk or threat signalling framework, though several emphasised the need for independent oversight or clear thresholds to manage AEMO's discretion. There was also broad support for establishing a GRC to review market settings, though views differed on whether willingness-to-pay (WTP) should be a factor to be considered in the reviews.

11 This feedback helped refine the draft rule to better balance transparency, proportionality, and practical implementation across the ECGS.

We assessed our draft rule against four assessment criteria

12 The Commission has considered the NGO[1] and the issues raised in the rule change request and assessed the draft rule against the assessment criteria of:

- safety, security and reliability
- principles of market efficiency
- implementation considerations
- principles of good regulatory practice.

13 The Commission considers the more preferable draft rule would contribute to achieving the NGO by:

- promoting efficient market responses by supporting clearer communication from AEMO to the market, in relation to identified risks or threats to reliability and supply adequacy in the ECGS
- balancing implementation considerations by introducing fit-for-purpose tools that can satisfy reliability and supply adequacy objectives
- promoting a principles-based approach over prescription to provide additional predictability and transparency while also providing enough flexibility for AEMO and the proposed GRC.

The risk or threat signalling framework would support reliability outcomes

14 This framework would improve reliability outcomes in the ECGS by promoting more efficient, market-led responses to emerging supply shortfall risks.

15 The framework requires AEMO to provide clearer, more granular, and more transparent information, such as the likelihood, severity, timing, and location of potential shortfalls through tiered notices. This strengthened communication is intended to give market participants more timely and clearer signals, enabling proportionate responses and reducing the need for costly last resort AEMO interventions.

1 Section 23 of the NGL.

16 The approach also aligns with related stage 2 reforms, Projected Assessment of System Adequacy (PASA) and Supplier of Last Resort (SoLR), supporting coherent and efficient implementation across the wider reliability and supply adequacy framework.

The GRC governance for the review of the market settings would support good regulatory practice and minimise implementation complexity

17 The GRC structure gives industry, consumer representatives and AEMO a meaningful role in advising on the STTM and DWGM market settings, while allowing the AEMC final decision-making authority. This approach would support coordination across markets, enable predictable and principles-based reviews, and would avoid unnecessary rule changes.

18 The new governance model is designed to minimise complexity and costs, with the GRC convened only once every four years for each review rather than operating continuously.

Enhancements to the GSOO and the VGPR information and forecasting approach would support long term reliability outcomes

19 AEMO would be required to include information on the likelihood of supply shortfalls in its gas supply adequacy assessments. It will also, where reasonably practicable, provide more granular, region-specific forecasts. These changes would enable more targeted planning and investment decisions across the ECGS. This would also address stakeholder feedback by allowing AEMO to largely utilise data sources available to it when making its assessments.

20 The draft rule would require AEMO to consult on and publish its forecasting methodology, increasing transparency and confidence in medium- and long-term forecasts without adding unnecessary regulatory burden. This approach avoids the complexity of AER developing best-practice guidelines, while still improving clarity, credibility and stakeholder engagement in AEMO's forecasting processes.

The proposed changes would be implemented and operational from winter 2027

21 The rule change request proposes the enhancements to the RSA framework would need to be implemented by winter 2027. For the updated framework to be operational by then, the Commission considers the new risk or threat signalling framework, as well as changes to the GSOO and VGPR, would need to be operational by 1 April 2027. The Commission acknowledges that the solutions' effectiveness will rely on AEMO developing key elements, such as tier thresholds and assessment methodologies, by leveraging as much as possible existing modelling capabilities and supported by the new PASA mechanism to also be implemented. We are seeking stakeholder feedback on the feasibility of this implementation timeframe.

22 Under the NGR, AEMO is currently scheduled to review the STTM market settings by October 2026. Given the timing of this rule change, which will not be finalised until mid-2026, the Commission is proposing AEMO still conducts this year's review. While we recognise that establishing a GRC is the right policy, having AEMO retain the role for this year's review would ensure it occurs on time and would allow the first GRC-led review to proceed on a full and orderly four-year cycle. The GRC would therefore take over from the 2030 review cycle, for the settings to be in place for the 2032-2036 period.

How to make a submission

We encourage you to make a submission

Stakeholders can help shape the solution by participating in the rule change process. Engaging with stakeholders helps us understand the potential impacts of our decisions and contributes to well-informed, high quality rule changes.

How to make a written submission

Due date: Written submissions responding to this draft determination and draft rule must be lodged with Commission by 9 April 2026.

How to make a submission: Go to the Commission's website, www.aemc.gov.au, find the "lodge a submission" function under the "Contact Us" tab, and select the project reference code GRC0076.[2]

Tips for making submissions on rule change requests are available on our website.[3]

Publication: The Commission publishes submissions on its website. However, we will not publish parts of a submission that we agree are confidential, or that we consider inappropriate (for example offensive, defamatory, vexatious or irrelevant content, or content that is likely to infringe intellectual property rights).[4]

Next steps and opportunities for engagement

To assist stakeholders in providing feedback to this draft determination we will hold an information session on this draft determination. Details about this information session and how to register are available on the AEMC website.[5]

You can also request the Commission to hold a public hearing in relation to this draft rule determination.[6]

Due date: Requests for a hearing must be lodged with the Commission by 5 March 2026.

How to request a hearing: Go to the Commission's website, www.aemc.gov.au, find the "lodge a submission" function under the "Contact Us" tab, and select the project reference code GRC0076. Specify in the comment field that you are requesting a hearing rather than making a submission.[7]

For more information, you can contact us

Please contact us with questions or feedback at any stage, noting the project code.

Email:	aemc@aemc.gov.au
Telephone:	(02) 8296 7800

2 If you are not able to lodge a submission online, please contact us and we will provide instructions for alternative methods to lodge the submission

3 See: https://www.aemc.gov.au/our-work/changing-energy-rules-unique-process/making-rule-change-request/our-work-3

4 Further information about publication of submissions and our privacy policy can be found here: https://www.aemc.gov.au/contact-us/lodge-submission

5 See: ECGS Enhancing reliability and supply adequacy arrangements.

6 Section 310(2) of the NGL.

7 If you are not able to lodge a request online, please contact us and we will provide instructions for alternative methods to lodge the request.

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This Australian Energy Market Commission (AEMC or Commission) is making a more preferable draft rule in response to a rule change request submitted by the Chair of the Energy Senior Officials and the Hon Lily D'Ambrosio MP, Victorian Minister for Climate Action, Minister for Energy & Resources and Minister for the State Electricity Commission (the proponents) in July 2024.

The rule change request proposed introducing a range of tools for the East Coast Gas System (ECGS) to manage risk and threats to reliability and supply adequacy (RSA).[8] The request also proposed:

- an ECGS-wide reliability standard to highlight where and when supply inadequacies or risks or threats to reliability may occur
- the level of the reliability standard to be informed by a value of gas customer reliability (VGCR) that would be calculated by the Australian Energy Regulator (AER)
- the reliability standard, to be defined by the AEMC, to inform a threat signalling mechanism based on the extent and type of a potential breach to the reliability standard
- the facilitated market settings, to be reviewed by the AEMC and informed by the reliability standard
- a reliability forecast to be introduced in the Gas Statement of Opportunities (GSOO) and Victorian Gas Planning Report (VGPR) which would be an assessment of supply adequacy against the reliability standard
- an assessment of credible risks to system resilience to also be introduced in the GSOO and VGPR.

In addition, a potential or actual breach to the reliability standard would have triggered the Australian Energy Market Operator's (AEMO's) directions and trading function, and the proposed SoLR mechanism.

We are seeking feedback on this draft rule.

This chapter outlines:

1. the three key improvements we are proposing in the more preferable draft rule
2. our key reasons for not introducing a reliability standard
3. the key themes that emerged from stakeholder feedback
4. how this rule fits into the broader work relating to the ECGS.

1.1 Our draft rule would enhance several tools that contribute to ECGS reliability

The Commission agrees with the proponents that, as the ECGS becomes more exposed to tightening supply and demand conditions, the current RSA framework may not support efficient outcomes. This may result in disproportionate responses to reliability risks or threats.

To address these issues, and in response to the rule change request and stakeholder feedback, the Commission is making a more preferable draft rule that proposes a number of rule amendments that would improve reliability outcomes and the effectiveness of AEMO's RSA functions by enhancing the existing framework with fit-for-purpose mechanisms. The three key amendments to the National Gas Rules (NGR) are outlined below.

8 ECGS Reliability standard and associated settings rule change request, p 4.

The Commission's draft decision is that these improvements do not require the introduction of the proposed ECGS reliability standard. Further information on our reasoning for not introducing such a standard is set out in section 1.2.

1.1.1 We would establish a more objective and transparent risk or threat signalling framework

The draft rule would introduce a more objective and transparent framework for AEMO to assess, classify and communicate risks or threats to reliability and supply adequacy in the ECGS. In this paper this is referred to as the 'risk or threat signalling framework'.

Under this framework, AEMO would estimate the likelihood and the potential consequences of identified risks or threats to reliability and supply adequacy. Based on this assessment, AEMO would classify the level of risk and communicate this information to the ECGS' market participants by issuing tiered risk or threat notices. The notices would intend to elicit market participant responses to mitigate the identified risks or threats in a proportionate and targeted way.

The Commission considers this would, in turn, improve market efficiency, as AEMO would only need to exercise its direction and trading functions as last-resort options, when AEMO considers responses from market participants are inadequate. See chapter 3 for more details on the proposed arrangements.

1.1.2 We would introduce new governance arrangements for market settings reviews

The draft rule would introduce new governance arrangements for the review of the declared wholesale gas market (DWGM) and the short term trading market (STTM) settings.

Under the proposed governance arrangements, the AEMC would convene a gas reliability committee (GRC). The AEMC would also be required to publish an operating manual and consult and publish market settings guidelines to govern the GRC reviews of the market settings.

During the reviews, the GRC would be required to consider the impact of market settings on spot prices, bilateral gas supply contract prices, the supply capacity of covered gas and financial risks to market participants. The AEMC would provide terms of reference to the GRC at the beginning of each review.

The GRC would conduct the reviews based on the guidelines and terms of reference and would recommend any necessary updates to the market settings levels to the AEMC. See chapter 4 for more details on the proposed arrangements.

The Commission considers changing the responsibility for future reviews from AEMO to the GRC would give stakeholders and industry representatives a meaningful voice in the process and leverage their expertise in gas markets. It would also allow the AEMC, if necessary, to weigh the GRC recommendations against broader policy, technical, and economic considerations.

1.1.3 We would enhance the GSOO and VGPR

The draft rule would require AEMO to provide additional information as part of the GSOO and VGPR.

Under the new arrangements, the GSOO and VGPR would include information on the likelihood of a risk or threat to reliability and supply adequacy in the ECGS, in addition to existing information such as supply shortfalls in the coming years. It would also indicate the region or regions within the ECGS where a shortfall is forecast, if applicable.

AEMO would also be required to consult and publish its forecasting methodology for the GSOO and VGPR gas supply adequacy assessments. Therefore, the draft rule would not require the AER

to develop forecasting best practice guidelines for AEMO to follow, as proposed in the rule change request. See chapter 5 for more details on the proposed arrangements.

The draft rule would not require AEMO to conduct an additional assessment of credible risks to system resilience.

1.2 Introducing an ECGS reliability standard would not contribute to achieving the National Gas Objective

In the rule change request, the proponent proposed introducing an ECGS-wide reliability standard intended to support the assessment of reliability risks or threats (expressed through 'a potential or actual breach of the standard') and subsequently guide AEMO's operational and communication responses to a breach.

Due to the fundamental differences between the electricity and gas markets and systems, the Commission considers that the reliability standard framework proposed by the proponent, similar to the one established in the national electricity market (NEM), would not be effective in benchmarking efficient reliability outcomes for the ECGS. This would render a system-wide reliability standard unfit for the ECGS and would therefore not promote the National Gas Objective (NGO).

As discussed in section 1.3, submissions to the directions paper were generally supportive of the Commission's direction of not progressing with the introduction of a reliability standard. Since then, we received no additional evidence that would lead us to reconsider this position.

The Commission's proposed draft rules do not progress the proposed ECGS reliability standard, consistent with the position expressed in the directions paper. Below, we set out the key reasons for this decision.

1.2.1 An ECGS reliability standard would be ineffective in supporting deliverability

The Commission considers the proposed reliability standard an inadequate tool to manage emerging supply-demand tightening (short-term, < 1 year) and gas deliverability issues, which are a key problem this rule change seeks to address. As noted in our directions paper, in the short-term, reliability and supply adequacy risks are primarily driven by the deliverability of gas.[9] That is, the ability to transport available gas to where it is needed, rather than by the overall availability of gas molecules.[10]

A 'static' reliability standard (for example, an unserved gas metric across the ECGS) would not reflect the true drivers of deliverability, which depend on dynamic, location-specific factors such as storage withdrawal rates, distances between supply sources and demand, and linepack management.[11] It would therefore be inappropriate to compare dynamic local system conditions against an ex-ante benchmark, as this could lead to unnecessary or inefficient interventions.

9 For more details on the problem underpinning this rule change request, see chapters 4 and 5 of our directions paper, and the rule change request document, pp 8-9.

10 As noted in our directions paper, we consider 'deliverability' to fall within the scope of 'reliability and supply adequacy'.

11 As noted in our directions paper, these features are unique to gas systems and do not exist in electricity markets, where supply must meet demand instantaneously.

Therefore, the Commission considers that applying a NEM-like framework, which was designed to support long-term investment and system planning, to resolve short-term demand-supply imbalances, would not be fit for purpose.[12]

1.2.2 An ECGS reliability standard would not deliver additional benefits to existing RSA tools

The rule change request also proposed using the reliability standard to enhance existing tools that intend to support longer term reliability. This would involve integrating the standard into the review of market settings for the DWGM and STTM, as well as in the GSOO and VGPR reports, which would provide forecasts of gas supply and demand against this standard (reliability forecasts).

However, even in this context, the Commission considers that a reliability standard would not provide additional benefits or incentivise efficient reliability outcomes across the ECGS in the long term.

A key reason is the standard's limited applicability across a diverse system (the ECGS), which is not a centrally coordinated wholesale market like the NEM. The ECGS includes regions with materially different supply portfolios, demand patterns and reliability expectations. In the facilitated gas markets, for example, existing distinctions between firm and non-firm services already reflect these differences. Consequently, a single system-wide reliability standard risks being too conservative for some areas or customer segments and too lenient for others, reducing its value as a planning tool.

Further, in considering potential improvements to the DWGM and STTM market settings review process, we found that establishing a standard would not allow the settings to promote additional supply capacity or further minimise any financial risk to market participants.

The Commission also considers the complexity of establishing and maintaining a reliability standard to be disproportionate to its intended function. In the Commission's view the proposed standard's main practical function would have been to trigger AEMO's procurement of gas and gas services under the proposed ECGS SoLR mechanism. This issue is being addressed separately through the ECGS SoLR consultation, with its draft determination.

Given its limited effectiveness, and the complexity of establishing and maintaining a reliability standard in the ECGS, the Commission does not consider that its introduction is justified. Similarly, developing interim measures (e.g. an interim reliability standard and or interim value of gas customer reliability) would likely produce inefficient or distorted market outcomes.

In light of these considerations, the draft rule introduces, what the Commission considers to be more targeted and proportionate frameworks to address the proponent's concerns around future reliability and supply adequacy in the ECGS. The Commission considers the proposed changes better align with how gas reliability risks arise and can be managed in practice, and therefore more effectively meet the NGO. Further details on the assessment of the tools proposed in this draft determination are provided in chapter 2.

1.3 Stakeholder feedback shaped our draft determination

We received 13 submissions to the directions paper published on August 2025. Submissions came from retailers, gas producers, gas powered generators (GPGs), liquified natural gas (LNG) and pipeline operators, government and industry organisations.[13]

12 The Commission also notes that the proposed use of the ECGS reliability standard to support short-term risk or threat signalling activities and AEMO last-resort procurement is not aligned with its NEM counterpart frameworks (e.g. LOR notices and RERT procurement, which do not rely on the NEM reliability standard as a formal trigger).

13 ECGS Enhancing reliability and supply adequacy arrangements.

Stakeholders generally supported the AEMC's revised approach to enhancing the RSA framework for the ECGS and the Commission's direction in progressing such a framework. Some stakeholders, such as the Department of Climate Change, Energy, the Environment, and Water (DCCEEW) and AEMO, disagreed with some aspects of the proposed approach. Below, we highlight the key areas of feedback that emerged from these submissions and informed this draft determination.

Most stakeholders (8 out of 13) agreed with our reasoning for not progressing the ECGS reliability standard.[14] For example, APLNG outlined that "a dual reliability standard for the ECGS would be costly and risk inefficient outcomes, even with strong governance arrangements in place".[15] On the other hand, AEMO, DCCEEW, and the Energy Users Association of Australia (EUAA) considered a standard to be necessary to ensure the ECGS delivers an efficient level of reliability and to guide AEMO's intervention decisions. AEMO stated that while the ECGS has operated without a standard to date, "the lack of a reliability standard increases the risk of either 'over-intervention' (imposing unnecessary costs) or under-intervention (accepting excessive reliability risks)".[16]

Most stakeholders (11 out of 13) strongly supported establishing an objective risk or threat signalling framework for the ECGS.[17] In particular, EUAA, AGL, Origin, APA and AGPA supported the introduction of a probabilistic assessment of gas supply shortfalls as outlined in the directions paper.[18] However, half of the stakeholder submissions expressed concerns about AEMO's potential discretion in defining thresholds for the risk or threat tiering system, advising that these be set by an independent entity or through consultation with industry. For example, Alinta commented "[w]e perceive a potential conflict of interest to the extent the entity responsible for intervening in the market is also responsible for setting the tiers (or criteria) that may permit them to intervene".[19]

Most stakeholders (10 out of 13) agreed that convening a GRC is the preferred governance arrangement for the review of the market settings.[20] DCCEEW disagreed and found no added value in establishing the GRC.[21]

Stakeholders expressed diverse views on how a willingness to pay (WTP) value should be estimated and whether, for example, such estimation should exclude gas customers that cannot be easily curtailed, such as residential customers.[22] Further, some stakeholders considered the GRC to be best placed to oversee the estimation of customers' WTP.[23]

There were diverse views on the proposed changes to the GSOO and VGPR. Stakeholders strongly supported the inclusion of a probabilistic assessment of forecast shortfalls in the medium to longer term, consistent with the proposed approach for assessing shorter-term risks or threats to reliability and supply adequacy in the ECGS. However, CS Energy, APLNG, AFMA and Origin cautioned that these improvements should be based on existing information and publicly available data, rather than additional data collected from market participants. For the same reason, there

14 Support for Commission's direction of not progressing with the reliability standard: see submissions to the directions paper: AFMA, p 1, AGL, p 1, Alinta, p 1, APA, p 2, APGA, p 4, APLNG, p 1, EnergyAustralia, p 1, and Origin, p 1.

15 APLNG, p.1.

16 Submissions to the directions paper: AEMO, pp 1-2, DCEEW, pp 1- 2, EUAA , p 2.

17 AFMA, pp 1-2, AGL, pp 1-2, Alinta, p 3, APA, pp 4-5, APGA, p 1, APLNG, p 2, CS Energy, p 2, EnergyAustralia, pp 1-2, EUAA, pp 1-2, Origin, pp 1-2, and Shell, p 2.

18 AGL, pp 1-2, AGPA, p 1, APA, pp 4-5, EUAA, pp 1-2, Origin pp 1-2.

19 AFMA, pp 1-2, Alinta, p 3, EnergyAustralia, pp 1-2, Shell, p 2, APA, pp 4-5 and APGA, p 1.

20 AFMA, p 2, AGL, p 2, Alinta, p 2, APA, p 7, APGA, p 4, CS Energy, p 2, EnergyAustralia, pp 2-3, EUAA, p 3, Origin, p 2, and Shell, pp 2-3.

21 DCCEEW, pp 3-4.

22 APA, APGA, EnergyAustralia and AFMA agreed that 'non-curtailed' customers should be excluded from any willingness to pay calculations. APA, p 6, APGA, p 4, EnergyAustralia, p 3, and AFMA, p.2.

23 AFMA, p 2, EUAA, p 3, Alinta, p 2, Shell p 3, and APA, p 7.

was no strong support for including an assessment of credible risks to system resilience within the GSOO or VGPR.[24] Shell, EnergyAustralia and the EUAA thought that the AER should develop forecasting guidelines for AEMO for the purpose of GSOO and VGPR, rather than AEMO developing its own guidelines.[25]

In addition to considering stakeholder feedback to the directions paper, the Commission also considered AEMO's input in relation to existing processes and systems that enable it to identify risks or threats to reliability and communicate those to the market. This provided confidence that the amendments to the NGR, where they affect AEMO's modelling systems and procedures, could be implemented efficiently if made final. The Commission recognised the need to consider this rule change request alongside the related stage 2 RSA requests. As such, the draft rules design considered the need to provide a solution that would work with the ECGS projected assessment of system adequacy (PASA) and the ECGS supplier of last resort (SoLR) proposed draft rules.

1.4 Our determination would support the 'stage 2 reforms' for improved gas reliability and supply adequacy

This rule change request forms part of a broader package of reforms to implement the 'stage 2' RSA framework through amendments to the NGR. The background to the stage 2 reforms is outlined in our background paper published in March 2025.

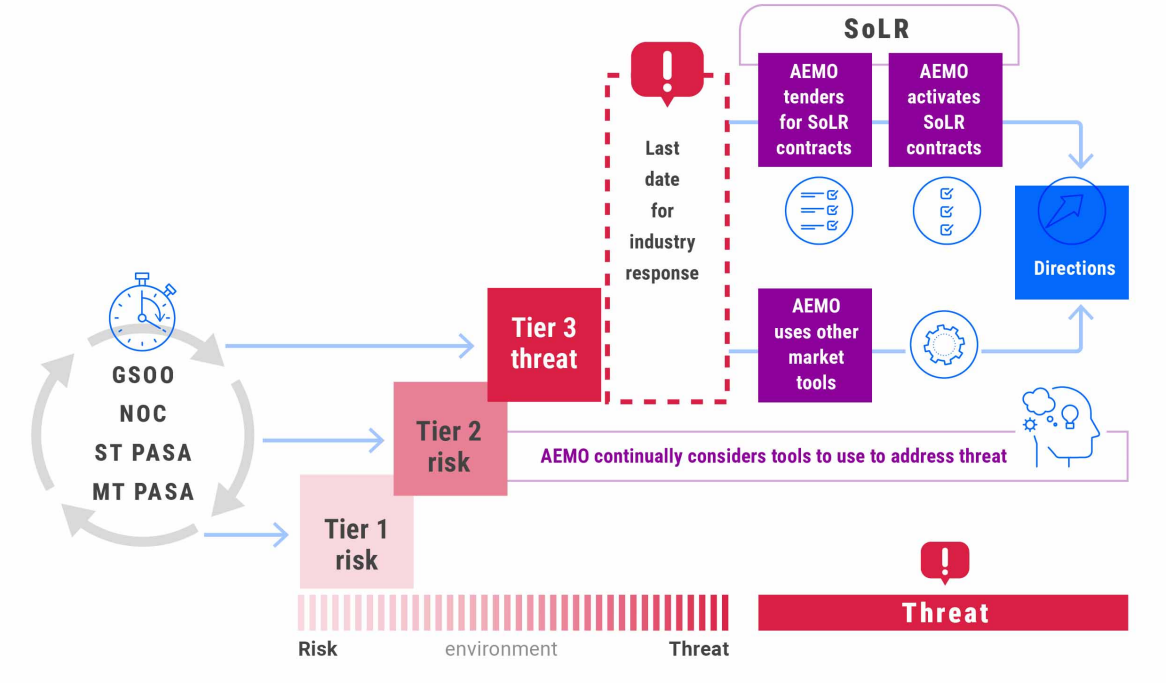
In making this draft determination, the Commission has considered the links with the ECGS Supplier of Last Resort (SoLR) mechanism and the ECGS PASA draft rules.[26] This has meant considering the draft rules' market and technical arrangements holistically when testing their ability to promote the NGO.

For example, the risk and threat signalling framework outlined in this draft determination would utilise PASA outputs. The SoLR draft rule then builds on the risk or threat signalling framework.

As a result, the combined effect of the draft rules is a framework that provides guidance for AEMO to inform industry participants about the nature of risks or threats, and, as relevant, the use of the SoLR mechanism and other interventions. If implemented, this streamlined approach should result in a single, systematic arrangement that AEMO and industry participants can use and reference. The relationships between the draft rules, and the NOC final rule, is illustrated in Figure 1.1 below.

24 AFMA, p 2, AGL, p 3,Alinta, p 2, APA, p 7, APGA, p 5, APLNG, pp 2-3, CS Energy, p 2, EnergyAustralia, p 3, EUAA, pp 3-4, Origin, p 2, and Shell, p 3.
25 EnergyAustralia, p.3, EUAA, pp 3-4, Shell, p 3.
26 The ECGS Notice of closure of gas infrastructure (NOC) rule change process was completed on 11 September 2025.

Figure 1.1: Stage 2 RSA reforms: relationship between NOC, PASA, ERSAA and SoLR draft rules

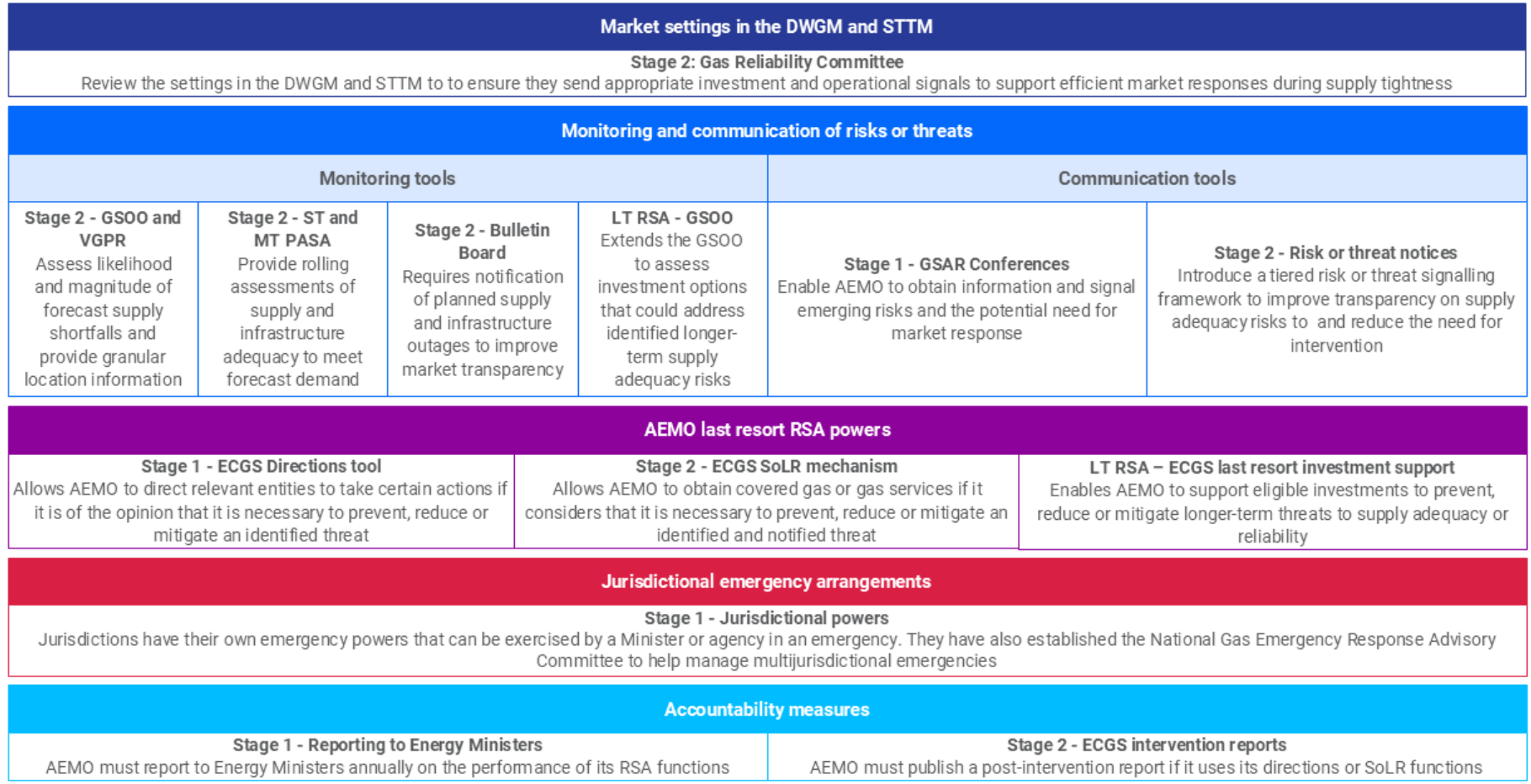


Source: AEMC

In addition, the Commission has considered the context of other reforms and the interconnected nature of those with the stage 2 RSA rule changes. Specifically, the Long-term reliability and supply adequacy (LT RSA) reforms and gas market review recommendations build on the proposed form of the stage 2 rule change requests. While there are some differences in the details of the rule change requests and the draft rules, the broader reform program and the interconnectedness of different tools, requirements, and mechanisms warrant consideration. However, the Commission has considered the arrangements in place at this time, while remaining alert to potential new developments. Figure 1.2 outlines the key changes being considered in the other ECGS reforms, either recently completed or currently underway. Further details on the draft determinations and rules for both rule changes can be found on our website.[27]

27 ECGS Supplier of last resort, ECGS Projected assessment of system adequacy.

Figure 1.2: Key components of the RSA framework



Note: Stage 1 reforms came into effect in May 2023, Stage 2 is being delivered via current AEMC rule changes, and Energy Ministers are consulting on the long-term reliability and supply adequacy (LTRSA) package
Source: AEMC

2 The rule would contribute to the energy objectives

We consider our more preferable draft rule would promote the NGO. In particular:

- promoting efficient market responses by supporting clearer communication from AEMO to the market, in relation to identified risks or threats to reliability and supply adequacy in the ECGS
- balancing implementation considerations by introducing fit-for-purpose tools that can satisfy reliability and supply adequacy objectives
- promoting a principles-based approach over prescription to provide additional predictability and transparency while also providing enough flexibility for AEMO and the proposed GRC.

2.1 The Commission must act in the long-term interests of energy consumers

The Commission can only make a rule if it is satisfied that the rule will or is likely to contribute to the achievement of the relevant energy objectives.[28]

For this rule change, the relevant energy objective is the NGO:

The NGO is:[29]

> to promote efficient investment in, and efficient operation and use of, covered gas services for the long term interests of consumers of covered gas with respect to—
>
> (a) price, quality, safety, reliability and security of supply of covered gas; and
>
> (b) the achievement of targets set by a participating jurisdiction—
>
> (i) for reducing Australia's greenhouse gas emissions; or
>
> (ii) that are likely to contribute to reducing Australia's greenhouse gas emissions.

The targets statement, available on the AEMC website, lists the emissions reduction targets to be considered, as a minimum, in having regard to the NGO.[30]

2.2 We must also take these factors into account

The rule change request noted that there could be a potential for consequential amendments to be required in Part 19 of the NGR, which relates to the DWGM.

The Commission is able to change Part 19 rules as the Victorian Minister is a proponent of the rule change request.

2.2.1 We have considered whether to make a more preferable rule

The Commission may make a rule that is different, including materially different, to a proposed rule (a more preferable rule) if it is satisfied that, having regard to the issue or issues raised in the rule change request, the more preferable rule is likely to better contribute to the achievement of the NGO.[31]

28 Section 291(1) of the NGL.
29 Section 23 of the NGL.
30 Section 72A(5) of the NGL.
31 Section 296 of the NGL

For this rule change, the Commission made a more preferable draft rule. The reasons are set out in section 2.3 below.

2.2.2 We have considered how the rule would apply in Western Australia

The rule change request focuses on the new reliability and supply adequacy framework for the ECGS. Accordingly, the WA NGR is not impacted.

2.3 How we have applied the legal framework to our decision

The Commission must consider how to address potential inefficient decisions from AEMO and market participants when responding to future reliability or supply adequacy risks or threats over the short, medium and longer term against the legal framework.

We identified the following criteria to assess whether the proposed rule change, no change to the rules (business-as-usual), or other viable, rule-based options are likely to better contribute to achieving the NGO:

- safety, security and reliability
- principles of market efficiency
- implementation considerations
- principles of good regulatory practice.

These assessment criteria reflect the key potential impacts of the rule change request, for impacts within the scope of the NGO. Our reasons for choosing these criteria are set out in section 4.2 of the consultation paper.

The Commission has evaluated the impacts of the more preferable draft rule against the assessment criteria, taking into account stakeholder submissions.

The rest of this section explains why the draft rule best promotes the long-term interest of consumers when compared to other options and assessed against the criteria.

We have made a more preferable draft rule, taking into account feedback provided by stakeholders in response to both the consultation and directions papers.

Under our more preferable draft rule, a reliability standard informed by a VGCR would not be implemented. See section 1.2 for the reasoning behind this decision. Instead, the following changes are proposed in the more preferable draft rule:

- a tiered risk or threat signalling framework that would support clearer communication to market participants about risks or threats to reliability and supply adequacy in the ECGS
- establishing the GRC to concurrently review the DWGM and STTM market settings
- introduction of high level criteria for the review of the market settings
- enhancements to the GSOO and VGPR and related forecasting process to better support medium to long term planning and investment decisions.

The Commission's view is that, after having regard to the issues raised in the rule change request, the more preferable draft rule will, or is likely to, better contribute to the achievement of the NGO than the proposed rule by also interacting constructively with other reforms underway such as ECGS PASA, ECGS SoLR and the Commonwealth LT-RSA.

The reasons for the more preferable rule are summarised below in the sections below.

2.3.1 The risk or threat signalling framework would support short-term reliability outcomes

The risk or threat signalling framework would promote the efficient operation and use of covered gas services

We consider the risk or threat signalling framework (the framework) would promote market efficiency by encouraging market-led responses to forecast gas supply shortfalls and reducing the need for more costly AEMO interventions in the ECGS. The draft rule would support these outcomes by improving the transparency, timeliness and utility of the information AEMO provides to ECGS participants when they are advised on emerging RSA risks or threats.

The draft rule would require AEMO to include additional information about the identified risk or threat in risk or threat notices ('notices'), including the assigned risk or threat tier, the circumstances surrounding the risk or threat, its likely onset, and the affected location.

Through a tiered approach, market participants would be able to discern whether the notice refers to a low risk or to a potentially severe and highly likely supply shortfall (high risk) and respond to such risks in a timely and proportionate manner. For example, an early notice provided by AEMO about a potential winter shortfall in Victoria, with low/medium probability of occurrence, would prompt storage market participants to adjust injection plans into a storage facility. On the other hand, a tier 3 notice stating that a shortfall is highly likely within the next 2–3 days and AEMO would intervene unless conditions improve, may incentivise participants who are best placed to respond cost-effectively to take action. This would not only reduce participants' uncertainty around AEMO's potential use of its direction and trading functions (or the proposed SoLR), but also reduce the risk of untimely intervention by AEMO when its powers might be needed as last-resort tools.

With the draft rule allowing for a clear escalation and de-escalation of tiered notices as conditions evolve, the proposed framework would also improve the timeliness and utility of the information provided to market participants. This would further contribute to eliciting more efficient responses from market participants, as participants could make decisions based on information that more closely reflects system conditions.

Finally, the framework would further enhance the transparency of information provided to participants by requiring AEMO to assess and classify all identified risks or threats in accordance with risk and threat assessment procedures, developed in consultation with industry and made public. The Commission considers this would improve confidence in AEMO's reliability and supply adequacy-related communications and promote proportionate and timely market responses.

As a result, the Commission considers the framework would promote market efficiency by supporting more informed commercial decisions by market participants, incentivising responses through pricing instead of directions, and enabling those parties best placed to manage risks or threats in the ECGS to take timely and appropriate action, supporting market-led outcomes.

The risk or threat signalling framework would improve safety, security or reliability within the ECGS

The Commission considers the framework would also improve reliability within the ECGS by encouraging market-led responses to forecast supply shortfalls and providing more granular information about emerging risks or threats to reliability and supply adequacy. The framework would - indirectly - also contribute to the security of the ECGS. While the threat signalling framework supports gas shortfalls that can be forecast, we consider the improved, tiered notices would support AEMO in communicating the emergence of risks or threats to RSA resulting from compromised system operability, for instance, from events such as a pipeline failure.

We have adhered to principles of good regulatory practice and considered implementation matters

The draft rule favours a principle-based approach over prescription, except where prescription is necessary. For example, the draft rule identifies the factors and matters that AEMO must consider when classifying risks or threats, leaving specific parameters to AEMO's procedures. As AEMO would consult with industry in developing these procedures, we consider this solution to strike a balance between predictability and flexibility.

The Commission also considered how the framework could support the other related stage 2 gas reforms currently before the Commission, the SoLR and the PASA rule changes. If made final, the risk or threat framework would likely leverage PASA outputs, as AEMO would use this information to classify a risk or threat into a tier. The SoLR rule change, if progressed, would likely leverage the tiered risk or threat notices of the framework as preconditions for the procurement and activation of SoLR. These reforms would be implemented as a 'package' and be made cohesive in the NGR.

2.3.2 Establishing a GRC to review the market settings would support good regulatory practice and minimise implementation complexity

The GRC governance would promote good regulatory practice by establishing clear roles and responsibilities

Establishing a GRC as described in chapter 4 would strengthen the robustness of the STTM and DWGM market settings reviews. The proposed governance arrangement would allow the AEMC to retain the final decision-making authority while drawing on diverse views from relevant representatives. The proponents recommended that the AEMC would be responsible for future reviews of the market settings, and this would be more closely aligned with statutory functions for the AEMC. The rule change request also suggested that if the AEMC decided to establish a panel, committee or working group, then its composition would be a matter for the AEMC.[32]

The Commission considers establishing a GRC to conduct future reviews of the DWGM and STTM market settings would improve the coordination and transparency of the reviews and would address the issues raised by the proponents with AEMO carrying out the review. The Commission considers the GRC would significantly benefit from having industry, consumer and stakeholder representation. Having these inputs would provide the AEMC with access to technical and expert input to inform the market settings reviews.

The draft rule would make it explicit that both STTM and DWGM market settings must be reviewed concurrently after the NEM market settings review. Under the current rules, AEMO is only required to review the STTM market settings. There is no explicit requirement for AEMO, or anyone else, to review the DWGM market settings. Regardless, over the years, AEMO has decided to review both. Formalising the requirement for review of the STTM and DWGM market settings would promote predictability and stability in the regulatory framework for stakeholders.

In addition to the governance arrangements, the Commission considers adding principles for the market settings reviews is also important as this would add to the predictability and stability of the reviews by also providing a principles-based approach instead of over prescription. See section 4.7.

The GRC is designed to minimise implementation complexity and achieve efficient operation

We have also considered the proposed structure of the GRC would minimise cost and complexity of implementation. Chapter 4 describes how the draft rule and the GRC would operate. Although

32 Rule change request, p 51.

the proposed framework appears similar to the NEM reliability panel arrangements, there is an important difference. The GRC's role is limited to the market settings reviews, which only occur every four years (unlike the Reliability Panel which has a range of statutory functions). Therefore, the GRC would only need to exist for the duration of a review and would not operate continuously. This could limit the administration costs of the GRC. The proposed arrangement would also minimise implementation costs by avoiding a rule change process following the GRC's review of the settings. Rather, the AEMC would implement any new market settings levels by using an instrument to be published in the South Australian Gazette.

The Commission notes there were some concerns expressed by stakeholders regarding the process by which the GRC would decide on any new settings. In response to these concerns, the Commission has made a draft decision that the governance framework would require the AEMC to make a final decision on any new market settings based on the GRC recommendations. This approach would ensure the AEMC can leverage stakeholder and industry expertise in the gas markets as part of the review, while also allowing it to manage any bias or perceived conflict of interest; and consider any broader policy, technical or economic considerations. The AEMC would also convene the GRC, manage membership for each review, and consult on and publish market settings guidelines for the GRC.

2.3.3 Enhancements to the GSOO and the VGPR information provision and forecasting approach would support long term reliability outcomes

The introduction of the likelihood of gas supply shortfalls information and regional assessment in the GSOO would support efficient planning and investment of covered gas services

The two proposed enhancements to the GSOO and the VGPR would provide valuable information to ECGS participants, which should support long term reliability outcomes by promoting efficient investment in covered gas services.

The Commission considers including information on the likelihood of forecast gas supply shortfalls in AEMO's gas supply adequacy assessments (in the GSOO and the VGPR) is important for market participants to make efficient planning and investment decisions that would support long term reliability outcomes.

Similarly, the Commission considers that the further regional disaggregation into region specific forecast shortfalls, where practicable, should promote more targeted investment and planning responses from market participants. Stakeholders supported this idea.

We are not recommending a new explicit requirement to assess system resilience risks in the NGR. Instead, AEMO would continue to rely on NGR rule 135KB(1)(i), which already requires AEMO to include in the GSOO any factors that may affect gas supply, pipelines or storage facilities, such as planned and unplanned outages and, for transmission pipelines, unaccounted-for gas. We consider this requirement broad enough to capture the type of 'system resilience' assessment proposed by the rule change request, and as such there is no need to introduce a change to continue to support efficient planning.

AEMO consulting and publishing its forecasting methodology would promote principles of good regulatory practice

The proposed changes would also require AEMO to consult and publish on its GSOO forecasting methodology. This would promote principles of good regulatory practice by increasing transparency for all stakeholders in relation to AEMO's medium to long term forecasting applied in the GSOO and VGPR.

The Commission considers it is important the methodology underpinning AEMO's forecasts published in the GSOO and VGPR is transparent, credible and as robust as possible, particularly to increase confidence in market participants. Confidence in the forecasts, which would highlight opportunities to address reliability and supply adequacy risks, should result in confident planning and investment decisions. The Commission considers this change can achieve additional transparency without disproportionately adding complexity or unnecessary costs, which would have resulted from requiring the AER to publish the proposed 'Gas forecasting best practice guidelines' to provide AEMO with guidance for its forecasting practices and processes in developing gas forecasts.

Introducing the AER best practice guidelines would increase regulatory costs and would not necessarily address one of the key proponent's concerns related to the challenges in developing forecasts, primarily in relation to gas demand. This view was supported by stakeholders in response to the consultation paper.

3 How the risk or threat signalling framework would operate

Box 1: The draft rule introduces a tiered risk or threat signalling framework to support market efficiency and reliability in the ECGS

The draft rule would require AEMO to:

- Develop risk or threat assessment procedures to support the objective and transparent assessment and classification of identified risks or threats
- Consult with industry in developing these procedures
- Assess, classify and communicate risks or threats in accordance with the procedures
- Determine, review and amend regions within the ECGS
- Publish, following a tier-3 notice, an estimate of the latest practicable time for an adequate market response before considering the use of direction or trading functions

The draft rule would also:

- Define the term 'supply shortfall' to clarify the object of the likelihood and severity assessments under the new procedures

The draft rule would establish a more objective and transparent framework (risk or threat signalling framework) for AEMO to assess, classify and communicate risks or threats to the reliability and supply adequacy of the ECGS. The Commission considers the framework would:

- support AEMO's assessment and classification of risks or threats
- improve the transparency of existing risk or threat notices to ECGS participants.

The framework would introduce three tiers for classifying risks or threats, reflecting the degree of market (ie industry) response required to mitigate or prevent them. The risk or threat classification could be escalated or de-escalated over time based on updated assessments of the likelihood and severity of forecast shortfalls. AEMO would be required to communicate changes in the classification of the risk or threat via the risk or threat notices. The Commission considers this approach would enable participants to respond to forecast supply shortfalls in a timely and proportionate manner, reducing the need for AEMO interventions.

AEMO would also be required to publish an additional notice alongside any tier-3 risk or threat notice. This notice would specify the time after which AEMO may need to consider intervening if the risk or threat is not addressed by the market. The Commission considers this would improve the predictability of the potential exercise of AEMO's functions and powers, including the direction and trading functions.

3.1 The framework would support AEMO's assessment and classification of risks or threats

In response to the Commission's directions paper, most stakeholders (11 out of 13) supported the introduction of the risk or threat signalling framework by noting it would promote greater

transparency and objectivity in AEMO's communication across the ECGS.[33] APA supported the Commission's proposed direction not to use the ECGS reliability standard to inform the framework's tiers.[34] This view was consistent with broader stakeholder feedback supporting not progressing with the reliability standard (see section 1.2 of this paper for details).

Having regard to stakeholder feedback and our own assessment, the Commission has designed the framework with the following features:

- an assessment of the likelihood and severity of a supply shortfall
- tier classification based on both the likelihood and severity of a supply shortfall and other matters AEMO considers appropriate
- three risk or threat tiers, enabling escalation and de-escalation as conditions change
- to support, but not constrain, AEMO's existing or future functions.

The remainder of this section illustrates the features in detail.

3.1.1 The framework would include an assessment of the likelihood of a supply shortfall

The Commission considers AEMO should classify risks by considering the 'likelihood' of supply shortfalls. This would promote a meaningful classification and communication of risks or threats to the reliability and supply adequacy of the ECGS, and in turn would promote efficient responses from market participants to mitigate such risks or threats.

A probabilistic approach would capture the uncertainty inherent in forecasting risks and threats and the likelihood of multiple adverse events occurring simultaneously. While a deterministic model can represent multiple scenarios, it would not capture the full distribution of possible outcomes or their combined likelihoods.

Most stakeholders agreed a probabilistic modelling approach was more appropriate than a deterministic approach for the ECGS. Both AFMA and Origin noted that a deterministic 'N-X' contingency framework would be impractical for the gas system, given its reliance on multiple critical infrastructure components. They noted such an approach would likely result in the market being assessed as operating in a near-constant risk or threat state.[35]

Some stakeholders raised concerns regarding potential additional data requirements associated with a probabilistic approach.[36] We do not anticipate significant new data will be required, as information provided through the gas PASA reforms is expected to be largely sufficient.

The probabilistic approach would also leverage AEMO's existing forecasting and modelling capabilities, reducing implementation time and complexity.

3.1.2 Risks or threats would be classified into tiers according to both the likelihood and the severity of forecast shortfalls

In the directions paper, we proposed classifying risks or threats into tiers based on likelihood alone. While stakeholders broadly supported probabilistic modelling, many considered that likelihood alone would be insufficient to classify risks or threats.[37] Alinta and Shell expressed concern that a probability-only approach could result in notices being issued for high-likelihood,

33 Submissions to the directions paper: APLNG p 2, Alinta p 2, CS Energy p 2, EUAA p 2, Energy Australia p 1, Origin p 1, AFMA p 1, APGA p 1, AGL p 1, APA pp 4-5, Shell p 2.

34 Submission to the directions paper: APA, p 5.

35 Submissions to the directions paper: AFMA p 1, Origin p 1.

36 Submissions to the directions paper: APLNG p 2, Shell p 2.

37 Submissions to the directions paper: APLNG p 2, Energy Australia pp 1-2.

low-severity supply shortfalls, even where a market response may not be warranted. Similarly, APLNG noted that "This approach should be complemented by consideration of other relevant factors such as the shortfall magnitude, duration, timing (for example, month or season), location, transportation constraints and infrastructure-specific incidents".[38]

In response to stakeholder feedback and following further consideration, the Commission proposes using both likelihood and severity to classify a risk or threat.

This two-dimensional approach would provide a more accurate indication of the nature of a risk or threat and a clearer signal of the need for a market response than reliance on a single metric alone.

In response to the directions paper, several stakeholders were concerned about what constitutes a reliability risk or threat.

- Origin commented, "[t]he existing rules and AEMO procedures do not sufficiently define what constitutes a system reliability risk / threat".[39]
- Shell noted that "...additional thought needs to be given to defining what "supply not meeting demand" would mean in the context of such a modelling exercise. Many results with very low supply shortfalls could result in threat notices".[40]
- Alinta commented, "[w]e support the development of a threat signalling framework to provide greater clarity to the procedures of what constitutes as a threat or risk to reliability".[41]

We propose establishing a concept around which AEMO would conduct the likelihood and severity assessments to then classify risks or threats to reliability and supply adequacy. The Commission considers a prescriptive definition may not capture the full range of possible risks or threats that could arise within the ECGS. This could constrain AEMO's ability to respond to emerging system risks or threats falling outside the defined parameters.

The Commission proposes to define supply shortfall as follows:

> A supply shortfall would refer to circumstances where, in AEMO's opinion, the supply of gas in all or part of the ECGS:
>
> - is inadequate to meet demand; or
> - cannot be relied upon to meet demand. This includes circumstances where supply (including storage) may be insufficient to satisfy seasonal demand requirements, or facilities required to supply gas are capacity-constrained or unavailable.

3.1.3 The framework would comprise three risk or threat tiers

Under the current rules, AEMO's ability to communicate changes in the severity of a reliability or supply adequacy risk or threat is constrained by the:

- absence of frequent assessment and classification of those risks or threats
- use of a single notice type and the option to vary that notice on a qualitative basis.

Under current arrangements, when supply-demand conditions improve as a result of some participants responding to an identified risk or threat, AEMO cannot clearly signal a corresponding change in severity or likelihood of the originally identified risk or threat. As a result, market

38 APLNG, submission to the directions paper, p 2.
39 Origin, submission to the directions paper, p 1.
40 Shell, submission to the directions paper, p 2.
41 Alinta, submission to the directions paper, p 3.

participants may find it difficult to gauge the seriousness of a risk or threat and respond proportionately.

To address this limitation, the proposed risk or threat signalling framework adopts a three-tier structure to classify, and if necessary, escalate or de-escalate, a risk or threat as conditions change. Stakeholder feedback to the directions paper supported this tiered structure.[42] The tiers would be arranged in ascending order, reflecting an increasing need for a market-led response, with tier 3 representing the highest level of concern.

As updated assessments of likelihood and severity assessments change, the classification and applicable tier may be escalated or de-escalated. When this occurs, the existing notice would be varied to reflect the new tier level.

3.1.4 The framework supports but does not constrain AEMO's existing or future functions

The tiers are intended to signal the need for a market-led response but do not, of themselves, require AEMO to exercise its intervention powers or constrain AEMO in the exercise of these powers when they are deemed necessary. Rather, they are intended to guide market participants on desired responses and notify the market of potential intervention if their responses are insufficient. This strikes a balance between guidance and transparency provided by the framework, reflecting stakeholder feedback on the tiers' design and their meaning under the Rules.[43]

In considering the stage 2 ECGS reforms currently before the Commission, the framework has been designed to support the draft rule for the ECGS SoLR mechanism, where establishment of gas reserves and activation of those reserves would be contingent on specified tier thresholds being reached.

Importantly, the framework would not limit AEMO's ability to exercise its existing intervention powers. Where AEMO considers there is insufficient time to assess and classify a risk or threat, it may instead act directly using its intervention powers without applying the framework.

3.2 The framework would improve the transparency of existing risk or threat notices

The draft rule would strengthen AEMO's risk or threat signalling by enhancing the content of existing notices and introducing a new notice to improve transparency and predictability around potential intervention.

3.2.1 The draft rule would enhance risk or threat notices

To better communicate the nature and severity of risks and threats, the draft rule would require AEMO to include additional information in risk or threat notices. This information is intended to reduce uncertainty and support better-informed decision-making by market participants. Risk or threat notices would be required to include:

- the applicable risk or threat tier
- the circumstances giving rise to the risk or threat
- the expected onset, the affected region within the ECGS (where applicable)

42 Submissions to the directions paper: EUAA p 2, Alinta p 3, Shell p 2, Energy Australia p 2, APLNG p 2, APGA p 3, APA p 4, AFMA p 1, Origin pp 1-3. CS Energy p 2, AGL p 1.

43 Submissions to the directions paper: APGA, pp 4-5, AFMA, p 2, Origin, p 2.

- the outcomes of the most recent likelihood and severity assessments
- any additional matters considered in classifying the risk or threat.

3.2.2 The draft rule would introduce a new notice to improve predictability around AEMO's potential intervention

When a risk or threat is classified as tier 3, AEMO would be required to publish a notice indicating the latest practicable time by which an adequate market response is required to mitigate the risk or threat before AEMO may need to intervene.

The notice would state the latest time by which AEMO considers it may need to exercise its direction or trading functions if the risk or threat is not addressed to an acceptable level. The purpose of the notice is to provide market participants with a clear timeframe to respond and greater certainty that AEMO would not intervene unless circumstances materially change within this timeframe or an emergency arises.

The draft rule would provide AEMO with discretion to determine the latest practicable time on a case-by-case basis, recognising the appropriate timeframe will depend on the circumstances of the arising risk or threat.

Once published, AEMO would be required to regularly review the estimate and publish any revisions as soon as practicable. Nothing in this framework would prevent AEMO from exercising its directions or trading function, where necessary (e.g. rupture of a pipeline).

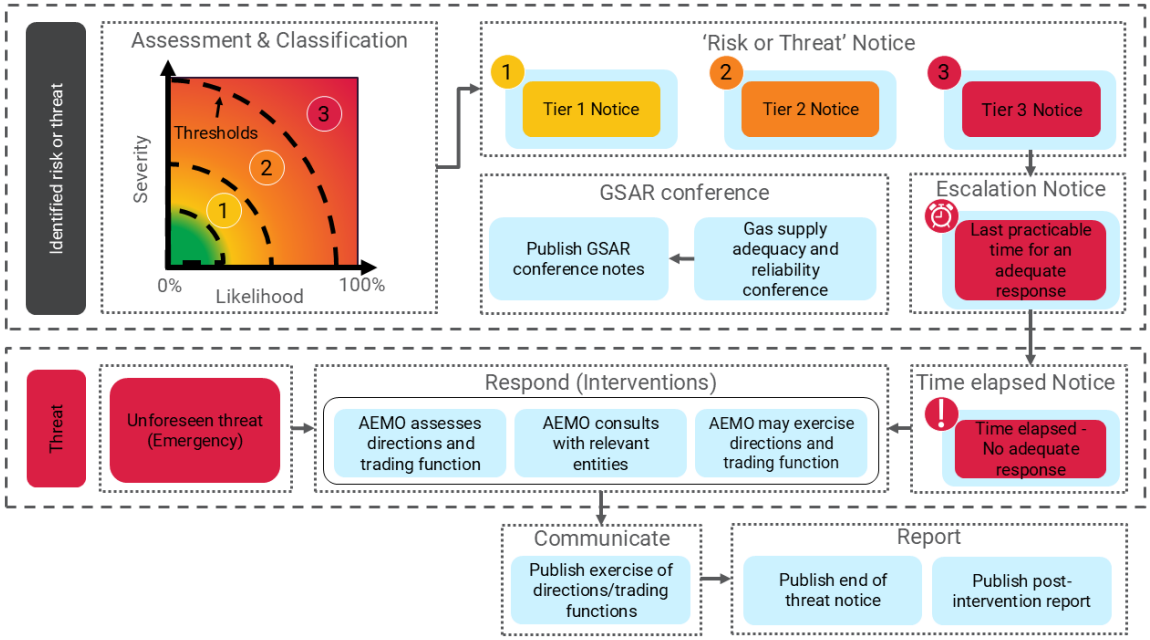
If, in AEMO's opinion, there has been no adequate response to a tier 3 identified risk or threat by the latest practicable time, AEMO would be required to publish a notice to that effect. That notice would include information currently available to AEMO regarding the exercise, or the potential exercise, of AEMO's functions including the directions or the trading function.

3.3 How the framework would operate

The rules would establish the foundational requirements for a structured framework for AEMO to assess, classify, and communicate risks or threats to the reliability and adequacy of supply in the ECGS. The draft rules that set out the framework would be principles-based. They set minimum requirements around methodology for assessment and classification while allowing AEMO discretion to develop detailed procedures, methodologies and tier 'thresholds' through consultation with industry.

The following flowchart provides an illustrative outline of the framework.

Figure 3.1: Risk or threat signalling flowchart



Note: An illustrative depiction of the risk or threat signalling framework, read left to right, top to bottom.

3.3.1 AEMO would make the procedures governing the assessment and classification of risk or threats in consultation with industry

Under the draft rule, AEMO would establish procedures for assessing and classifying identified risks or threats (risk or threat assessment procedures). These procedures would provide for both a probability assessment and a severity assessment of supply shortfalls, describe the methodologies used for each assessment, and specify the matters considered in probability and severity assessments.

Under the draft rule, AEMO would also establish in its procedures the three risk or threat tiers, with tier 1 indicating the lowest need for an industry response and tier 3 indicating the highest. The procedures would also explain how assessment outcomes are used to classify a risk or threat into a tier and provide for regular assessment and classification of any identified risk or threat. The draft rule would require AEMO to perform weekly assessments of risks or threats for the 12-month forward period, updating market participants only when appropriate (e.g., a risk moving from tier 2 to tier 3). AEMO would review these procedures at least every four years, following the approved process.

While the rules would prescribe the matters AEMO must consider in probability and severity assessments, they would not set any numerical thresholds that determine how combinations of likelihood and severity translate into a particular tier. These 'tier thresholds' would be defined by AEMO in the risk or threat assessment procedures. As the procedures are subject to consultation, AEMO would be required to consult with industry when developing or amending tier thresholds. This approach allows thresholds to be calibrated to operational conditions and refined over time while maintaining transparency and accountability. This flexible approach aims to address stakeholder feedback on the directions paper, where some stakeholders expressed concerns about AEMO's discretion to define the specifics of the framework and to intervene in the market

based on its own framework's conclusions.[44] Importantly, the Commission expects the framework's methodology to ensure tiered notices would not be released unnecessarily or too frequently, with higher tiers reserved for circumstances where a stronger or more urgent industry response is required.

3.3.2 AEMO would operate the risk or threat signalling framework through a number of steps

The process for risk or threat signalling would start when AEMO identifies a risk or threat to RSA through any of its functions within the ECGS, e.g. updates to information on the Gas Bulletin Board or potential gas supply shortfalls detected from the ECGS PASA processes.[45]

Assessment process

Following the identification of a risk or threat, the rules would require AEMO to assess the likelihood and potential severity of a supply shortfall occurring.

For the likelihood assessment, AEMO would need to have regard to ECGS conditions and a prudent allowance for forecasting errors. For the severity assessment, AEMO would need to assess the potential impacts of the supply shortfall, taking into account its magnitude, location, timing, and duration. AEMO may also consider additional impacts, such as impacts on regulated gas markets, where appropriate.

With respect to the timing and frequency of the assessment, the framework would not be limited to a defined time horizon. Under the draft rule, AEMO would be expected to assess and classify any identified risks or threats, and apply this framework to risks or threats within a 12-month forward period at least weekly. However, the rules would not limit AEMO's ability to apply the framework to longer-term risks or threats (e.g. those raised in planning reports such as the GSOO).

Classification of risks or threats into tiers

Using the outputs of the likelihood and severity assessments, AEMO would classify the identified risk or threat into one of the three tiers. This classification process is intended to be transparent, as assessment outcomes would be disclosed in the risk or threat notices. This process is also intended to be fairly predictable, as thresholds for the different probability and severity ranges would be included in published risk or threat assessment procedures.

While the draft rule would allow AEMO to consider additional matters in classifying a risk or threat, departures from the tier indicated by the likelihood and severity assessments should be supported by clear reasons and disclosed in the relevant risk or threat notice.

Publication of risk or threat notices

Following tier classification, AEMO would publish a risk or threat notice across the ECGS. This notice would include the appropriate tier and supporting information, as indicated by the draft rule, including the assessment outcomes that have determined the assigned tier, and the likely onset of the risk or threat.

The draft rule would require AEMO to publish a risk or threat notice whenever a risk or threat is classified. This ensures that risks or threats that meet the tier thresholds are communicated to the market, including where they may otherwise be addressed through existing contingency mechanisms available to AEMO.

44 Submissions to the directions paper: Alinta, p.3.

45 AEMC (2025) ECGS Projected Assessment of System Adequacy.

3.3.3 The risk or threat signalling framework would be implemented alongside other stage 2 reforms on 1 April 2027

In the rule change request, the proponents suggest the stage 2 reforms be implemented before winter 2027. The winter period is expected to present the highest risk of supply shortfalls in southern jurisdictions, and implementation by then would allow AEMO to address reliability and supply adequacy risks or threats more efficiently.

Accordingly, the Commission considers that an implementation date of 1 April 2027 would be required for the changes to be in place and operational ahead of winter 2027.

An effective application of the proposed risk and threat signalling framework would rely on the provision of timely and meaningful information to the ECGS. To achieve this, AEMO would need to develop the framework thresholds to support a meaningful tier classification resulting from the proposed likelihood and severity assessments. Although the Commission expects AEMO to leverage existing modelling and forecasting capabilities to conduct those assessments, the framework would also benefit from the implementation of the proposed PASA mechanism, which would need to be developed.

While ECGS reliability and supply adequacy arrangements are currently available to AEMO, those are less efficient and informative than the proposed framework, but would still provide tools and functions for AEMO to manage risks and threats until the new framework is fully implemented.

3.4 The framework would work with the Projected Assessment of System Adequacy draft rule

The Commission has considered how the proposed risk or threat signalling framework can work with AEMO's operation of the proposed Projected Assessment of System Adequacy (PASA) mechanism, as well as avoid any unnecessary duplicative requirements for AEMO between the risk or threat signalling framework and PASA outputs.

The Commission proposes to require AEMO to include in both the Short Term (ST) PASA and the Medium Term (MT) PASA an assessment of the supply-demand balance for each day in the forecast period. That is, 7 days and 12 months, respectively.

Currently, under the PASA draft rule, in relation to both ST and MT PASA, AEMO would be required to provide rolling forecasts of demand for covered gases and of supply and transportation facilities capacity as distinct outputs. The proposed change would introduce an explicit requirement for AEMO to also provide information on whether it considers those two factors (demand and supply) are balanced in each day of the outlook periods. If a supply shortfall is expected, AEMO would be able to then use this information to conduct a likelihood and severity assessment under the risk or threat signalling framework as explained in section 3.1, to inform a risk or threat classification. If AEMO is not required to produce a risk or threat notice because there is no supply shortfall that meets the criteria of a notice, the Commission considers the supply demand balance assessment provided by AEMO under the PASA outputs would still be useful information for AEMO to disclose to participants.

Further, under the PASA draft rule, in ST PASA, AEMO would be required to provide a rolling forecast of actual or potential risks or threats to the reliability or supply adequacy of covered gas on a gas day. Given the proposed introduction of the risk or threat signalling framework, which provides comprehensive requirements for AEMO to assess, classify and communicate risks or threats to reliability and supply adequacy, the Commission considers this requirement to be now redundant under the PASA draft rule and as such proposes its removal.

The Commission's determination in relation to these matters is reflected in the draft rules published with this determination, and would amend the draft rules published under the PASA rule change on 17 July 2025.[46]

46 See rule change GRC0080: https://www.aemc.gov.au/rule-changes/ecgs-projected-assessment-system-adequacy.

4 How the Gas Reliability Committee would review the DWGM and STTM market settings

Box 2: The GRC would review the levels of market settings in the DWGM and STTM

The GRC, composed of the AEMC, AEMO, industry and consumer representatives, would review the level of the market settings in the DWGM and STTM every four years. The AEMC would be required to:

- establish the GRC for each review
- publish an operating manual and market settings guidelines for the GRC to follow
- determine any new market settings levels taking into account the GRC recommendations.

In the directions paper, the Commission proposed the introduction of a GRC under the NGR to carry out the future reviews of the levels of the market settings in the DWGM and STTM. Stakeholders supported the proposal for a concurrent review of the market settings for the DWGM and STTM, noting this approach would promote consistency and better reflect the increasingly integrated nature of the ECGS.[47] The Commission has decided to draft a rule that explicitly requires the review of both the DWGM and STTM, addressing the gap in the current arrangement in which the DWGM review is at AEMO's discretion.

The Commission considered establishing the GRC as the preferred option to lead these reviews, as this would enable broad stakeholder representation without having to undertake onerous law changes. Most stakeholders who commented on this agreed with the Commission's analysis and supported the proposal of establishing a GRC.[48] DCCEEW was the only stakeholder that expressed some concerns, including:

- a potential conflict of interest arising from the GRC membership having industry representatives determining the settings for the markets in which they operate
- unclear additional value the GRC would provide beyond the standard consultation process of the AEMC.[49]

After considering stakeholders' support for the GRC and acknowledging DCCEEW's concerns, the Commission is making more preferable draft rules establishing a GRC within a governance framework that would address those concerns while still achieving the following objectives:

1. gaining valuable and meaningful input from a range of stakeholders in the facilitated markets
2. promoting an efficient review and determination process which would avoid duplication and the need for rule changes.

4.1 We considered a range of options for the governance of the review of the market settings

Given stakeholder feedback to the directions paper, the Commission considered three governance models for the GRC (Table 4.1) and chose the report and recommend approach (option 2) as the

47 Submissions to the directions paper: AGL p 2, Energy Australia p 3.
48 Submissions to the directions paper: AFMA p 2, AGL p 2, Alinta Energy p 2, APA p.7, CS Energy p 2, EnergyAustralia p 2-3, EUAA p 3, Shell Energy p 2.
49 Submission to the Directions Paper, DCCEEW, p 3.

basis for the proposed draft rule. The preferred model would enable the GRC to provide expert and diverse advice while preserving the AEMC's decision-making authority.

Table 4.1: GRC Governance options

Option	Description	Pros	Cons
1 - Technical advice	• The GRC would provide technical advice to the AEMC, similar to a technical working group. • The AEMC would conduct the market settings review by considering this input from the GRC. • The AEMC would decide on the market settings.	• Access to information provided by a range of stakeholders operating in the facilitated markets. • Maintains AEMC's full control over review and decisions.	• GRC influence in the process would be limited to providing input in the form of advice. This could limit GRC members' engagement and meaningful input. • May reduce stakeholder confidence or engagement in the process.
2 - Report and recommend (preferred)	• The GRC would conduct the market settings review and produce a report with recommendations for the AEMC to consider. • The AEMC would either adopt the recommendations, vary or make a different decision by providing reasons.	• Empowers the GRC with a meaningful role and responsibility, maximising input to the review process. • AEMC would still retain the final decision, which provides checks and balances to ensure that no conflict of interest exists within the GRC.	• If AEMC does not agree with the recommendations, it may need to engage in additional consultation. (This would be low risk as an AEMC representative would chair the GRC).
3 - Report and decide	• The GRC would conduct the market settings review and determine the market settings without further AEMC decisions.	• GRC has full decision-making autonomy.	• If a conflict of interest is present within the GRC, there is no opportunity to check and balance. • Poor decisions would require a rule change process to resolve.

4.2 The AEMC would be required to establish a GRC for each review of the market settings

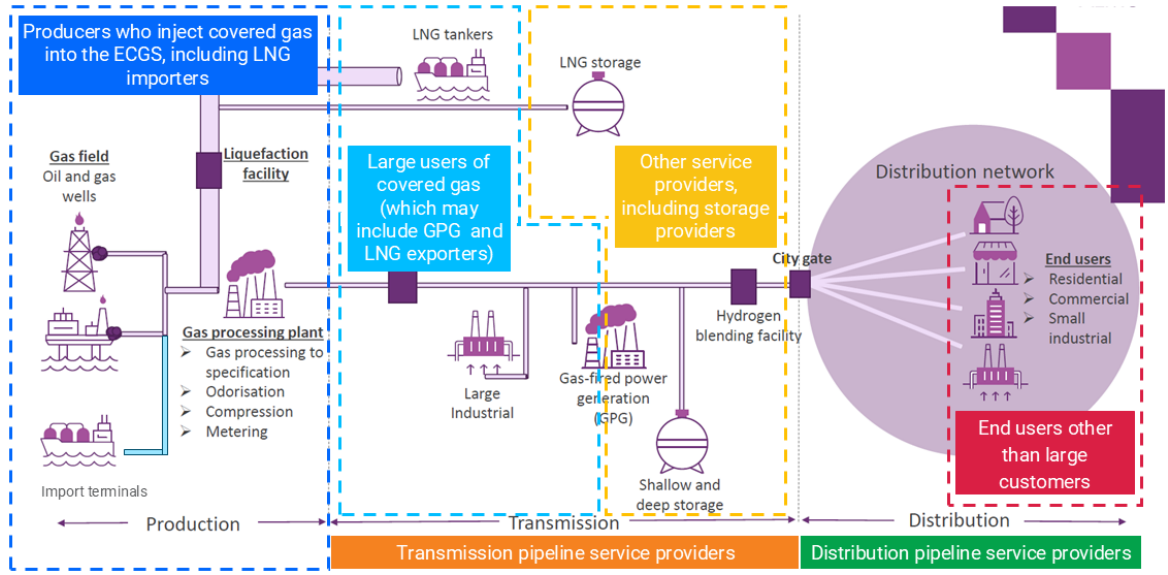
Every four years, the AEMC would initiate a review of both the STTM and DWGM market settings by establishing a GRC. The GRC would exist for a specific review, as opposed to an ongoing committee like the NEM Reliability Panel. For each review, the GRC would consist of:

- an AEMC commissioner or representative as chair
- a second AEMC commissioner as standing member or acting chair, as needed
- the Chief Executive Officer of AEMO or other person nominated by AEMO
- a minimum of one, and up to six, representatives appointed by the AEMC.

The selection of representatives into the membership of the GRC would be guided by key principles in selecting other GRC members, including:

- members should be broadly representative of those persons with direct interests in the STTM or DWGM, including end users
- members may include Registered Participants or their representatives or participating jurisdictions
- members (other than the AEMO member) must be independent of AEMO
- the AEMC would consult before appointments, and could reappoint past members and remove members.

Figure 4.1: Proposed representatives across ECGS gas supply chain



Source: Adapted from AEMO introduction to gas markets training slides

Members of the GRC would be appointed for the term of the relevant review. The AEMC would appoint a new GRC every four years, and would also maintain and publish the GRC membership list, including any alternates. Members would not be personally liable for an act or omission made in good faith while carrying out GRC functions.

4.3 The AEMC would publish an operating manual, market settings guidelines and review-specific terms of reference for the GRC to follow

To provide a robust governance model, the AEMC would also develop an operational manual, guidelines and terms of reference for the GRC.

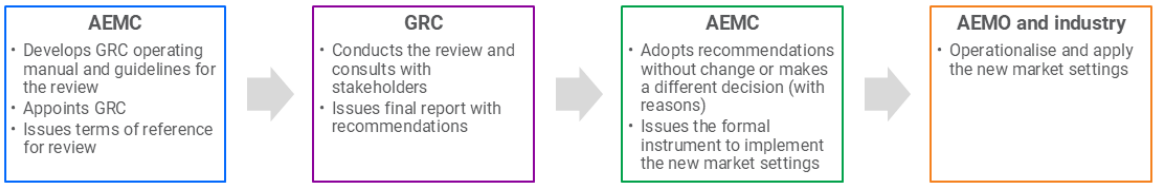
4.3.1 GRC operating manual

The operating manual would describe administrative aspects to support the GRC operations, such as frequency of meetings, communications, budgeting procedures. The AEMC would need to develop and publish the operating manual before the first GRC is established. The AEMC would not need to consult on the operating manual given it is administrative in nature.

4.3.2 GRC market settings guidelines

The guidelines would set out the principles and assumptions the GRC would use when conducting the market settings reviews, as well as the consultation procedures required for each review. The AEMC would need to develop, consult on and publish the guidelines prior to the first GRC market settings review. The AEMC would also be required to consult when updating the guidelines.

Figure 4.2: The proposed process for market settings review



Source: AEMC

4.3.3 Terms of Reference

The Commission would also issue a Terms of Reference (ToR) for each review. The terms of reference would specify any matters for the GRC to consider when reviewing the market settings in addition to the factors that would be required under the rules.

While the operational manual and guidelines are standing documents that apply across all reviews, the ToR would allow for variation from one review to another. This ensures each review can be tailored while still operating within the broader framework.

4.4 The GRC would conduct the market settings review and provide recommendations to the AEMC

The rules currently require AEMO to complete the review of the STTM market settings 6 months after the completion of the NEM Reliability Standards and Settings Review (RSSR), which is approximately 21 months before the new settings come into place.[50] In response to the directions paper, some stakeholders noted the continued importance of the links between the market price settings in the NEM and in the facilitated gas markets.[51]

50 NGR rule 492 (1)(g).
The rules do not currently set out a process or obligation for the DWGM market settings to be reviewed, but we note AEMO has conducted concurrent reviews in the past: https://www.aemo.com.au/consultations/current-and-closed-consultations/gas-market-parameter-review-2022.

51 Submissions to directions paper: AFMA p.2, AGL p.2,Alinta Energy p 2, EnergyAustralia p 3.

We consider this timeframe remains appropriate, and therefore the draft rule would require the GRC to complete the review of both the DWGM and STTM settings 6 months after completion of the RSSR.

Each review would consider the matters specified in the rules as well as any additional matters specified by the AEMC in the terms of reference for that review. Following the review, the GRC would issue a report with any recommended changes to the market settings levels. The report would explain the reasons for the recommendations and any supporting information. The supporting information would include how the GRC conducted the review in accordance with the market settings guidelines and how it considered the terms of references provided by the AEMC.

The report would outline details of all relevant market conditions and circumstances that informed the recommendations, as well as an assessment against the factors in the rules, which are described in section 4.7 of this draft determination.

The AEMC would need to publish the report from the GRC within 10 days after receiving it, on the AEMC's website.

4.4.1 The GRC would review all market settings for the DWGM and STTM

Currently, the rules set out all market settings for the STTM.[52]

For the DWGM, the rules today only set out the value of lost load (VoLL) and the minimum bid price.[53] They also require AEMO to set out the administered price cap (APC) and cumulative price threshold in administered pricing procedures.[54]

The draft rules would require the GRC to review all market settings for the DWGM and STTM:

Table 4.2: Market settings to be reviewed by the GRC

STTM	DWGM
Market price cap (MPC)	Value of lost load (VoLL)
Minimum market price (MMP)	Minimum bid price
Administered price cap	Administered price cap
Cumulative price threshold (CPT)	Cumulative price threshold
CPT horizon	Cumulative price period

The GRC would not be required to review other matters related to the market settings, such as the circumstances when administered pricing periods apply.[55]

4.5 The AEMC would determine any new market settings levels for either the DWGM or STTM

The AEMC would determine the market settings based on the recommendations provided by GRC in its report. The Commission may either adopt the recommended market settings levels, adopt

52 NGR rule 364

53 NGR rules 200 and 209(5)(a).

54 NGR rules 224(1A) and (1)(a).

55 For the DWGM, AEMO would still be required to make administered pricing procedures for setting out the process that AEMO applies to declare and end administered price periods. For the STTM, the conditions when an administered price cap state applies would still be set out in the rules as they are today.

with variations or determine different market settings levels, provided it gives reasons for doing so.

The updated market settings would take effect through an instrument to be made by the AEMC. Any new market settings would be published in the South Australian Government Gazette within an instrument called the market settings instrument. The market settings instrument would specify the market settings levels determined by the AEMC and the period for which the market settings apply. The settings would apply from 1 July in the year commencing 2 years after the year in which the GRC's report is published.

There is precedent for market changes taking effect through an AEMC-made instrument. For example, the current values of CPT and MPC in the NEM are set in this way. Under NER clauses 3.14.1(d) and 3.9.4, the AEMC must calculate the consumer price index (CPI) adjustment and publish the updated CPT and MPC for the NEM by 28 February each year to apply from 1 July of that year.

4.6 AEMO would conduct the upcoming scheduled review

The Reliability Panel is currently carrying out the RSSR for the 2028-32 period, which is due to be completed by 30 April 2026. Based on this timing, under the NGR, AEMO is required to complete the next review of the STTM market settings by 30 October 2026. As the final determination for this rule change is anticipated to be published in June of this year, we needed to consider the timing of when the GRC should commence taking over the review of the market settings in the STTM and DWGM.

The Commission determined that having AEMO conduct the upcoming review (ie, the review for the 2028-32 period) as currently required by the NGR was on balance the most preferable outcome. This would ensure that the STTM market settings are reviewed in a timely fashion while also allowing the initial GRC review to be conducted on a full timeline and sufficient time for the market to adjust to any revised settings, in line with our assessment criteria of implementation considerations and principles of good regulatory practice.

We considered four options for the next scheduled review of the market settings:

1. Status quo - AEMO to conduct the next review of STTM market settings per the existing rules.
2. AEMC to conduct the upcoming review, of either STTM market settings or both STTM and DWGM settings.
3. No upcoming review, with both the STTM and DWGM market settings in place until the next cycle of reviews is completed and operationalised (2032).
4. GRC conducts the upcoming scheduled review of both the STTM and DWGM market settings, but one or more of the following factors in the timeline is compressed:
    a. Shortened AEMC set-up of the GRC
    b. Shortened GRC review
    c. Shortened time to operationalise the settings (for example, 12 months instead of the typical 18-20 months)
    d. Gas market settings in place for less time (for example, 3 years instead of 4 years).

Consideration of each of these options revealed that all options have pros and cons, set out in detail in section 4.6.1.

We would welcome stakeholder feedback on these or other options.

4.6.1 The Commission considered four options

Table 4.3: Upcoming (2026) review options

Options	Description	Benefits	Negatives
1: Status quo - AEMO conducts upcoming review of STTM market settings per the existing rules.	AEMO conducts a 'light touch' review of the STTM settings as scheduled, to finish by 30 October this year, or with a short extension. Then, the first GRC review of the market settings is done in 2030 under the usual timeframes.	This would allow for the initial set-up of the GRC and the GRC's first review of the market settings to take the anticipated future timelines of 12 months for each activity, or for either of those stages to be extended, noting that the initial set-up of the GRC and the first review may require additional time. Additionally, the GRC's first review would be done following the implementation of other upcoming (AEMC and Commonwealth) changes to the gas market.	This would place a regulatory burden on AEMO. Additionally, the timelines would necessitate a 'light touch,' approach as discussed in section 4.6.2. Option 1 would delay having the GRC review the settings and therefore resolving the current issues stakeholders raised with AEMO carrying out the review.
2. AEMC to conduct the upcoming review	The AEMC could conduct the upcoming review, of either STTM market settings or both STTM and DWGM settings. As the final rule would not be published until 26 June 2026, it would be impractical for the AEMC to conduct the review by the 30 October date. To provide additional time for the review it could be scheduled to be completed in early to mid 2027.	This would mean a party other than AEMO conducts the upcoming review, while still allowing for full or extended timelines for the initial set-up and first review of the GRC.	As the Commission has not previously conducted a review of the gas market settings, it does not have existing expertise. Thus, the review would likely require more time than possible within the existing timeline. To allow 12 months for the review, the time for the market to operationalise the settings would have to be shortened - as addressed in row 4(c) below, we do not view this as practical.

Options	Description	Benefits	Negatives
3. No upcoming review	No review of the STTM market settings would be conducted in advance of the next phase of market settings (2028-2032), and therefore all (STTM and DWGM) market settings would stay in place until 2032.	This would avoid needing to compress the timeline or take a light-touch for any phase of the upcoming review. It would also provide stability to the market during a time of other change.	Considering the current changes in the gas market, and previously discussed tightening of the supply-demand balance, we consider that it would not be ideal for the settings to continue without any check from 2024 to 2032.
4: GRC conducts the upcoming review, but timelines must be compressed. Steps we could compress are:		GRC conducts the upcoming scheduled review.	Insufficient time to meaningfully review the settings while also providing sufficient stability and time to adapt for the market.
(a) Set up of the GRC	Compress the AEMC's initial set up of the GRC, including establishing the Guidelines, to 6 months.	The GRC could conduct the upcoming scheduled review, with the market settings in place for the full scheduled 4 years.	This would be insufficient time for both the set-up, especially considering consultation for the Guidelines, and for the first review. Additionally, even if the set-up and review were shortened to 6 months each, in order for the market settings to come into place by June 2028 (as scheduled), operationalising would also be shortened to 12 months (discussed in following row (c)).
(b) GRC review	The GRC would conduct the review in a shortened timeframe, eg 6 months (as compared to a likely 12 months for future reviews).		
(c) Time to operationalise changes	This is the time between the announcement of the future settings and when they come into place, for the market to adjust. We considered compressing to 12 months, as opposed to the typical 18-20 months.	If both operationalising and the period of the next market settings were shortened, the GRC could conduct the review with typical timelines for both set-up and the review (12 months each).	We understand it is likely industry requires a minimum of 18 months for adjusting to any changes to the market settings, but would be interested in stakeholder feedback.

Options	Description	Benefits	Negatives
(d) Period of the next market settings	The time the market settings are in place could be shortened from 4 to 3 years (2029-2032). This has previously been done in the NEM.		We would be interested in stakeholder feedback on the practicality of this approach in the gas market.

4.6.2 AEMO would likely do a light-touch review

Considering the timelines of this rule change and the existing requirement in the rules to complete the review by 30 October 2026, it is likely that AEMO would conduct a light-touch review of the settings. This review would still meet the necessary requirements for reviewing the settings but could be achieved by using the same methodology as previous reviews. The NGR currently require AEMO to follow the standard consultative procedure for reviews of the market parameters, and we do not consider this should be changed for the upcoming scheduled review.[56] If AEMO were to propose any changes to the STTM market settings, it would then be required to submit a rule change for consideration by the AEMC.

We also note that while AEMO has previously conducted concurrent reviews of both the DWGM and STTM settings, the rules only require a review of the STTM settings.[57] This would mean the DWGM market settings will not be reviewed until the first GRC review, which would be scheduled to finish in October 2030, for updated market settings to come into place in 2032.

4.7 The GRC would be required to consider certain factors when reviewing the market settings levels

Box 3: The GRC would be required to consider certain factors when reviewing the market settings levels

The draft rule would require the GRC to have regard to the potential impact of any proposed change to a market setting for the STTM or DWGM on:

- gas market prices, including both the regulated markets and bilateral contract prices
- the supply of gas and the capacity and operability of covered gas industry facilities
- financial risk to market participants.

This would be in addition to the obligation for the GRC to comply with the guidelines and have regard to the terms of reference, as set out in section 4.3.

The directions paper set out that future reviews of the market settings should consider a range of factors. Stakeholder comments focused on the WTP metric (addressed in the following section), and were limited on the other factors that the GRC should consider. Shell Energy agreed that the rules should provide guidance and principles for the GRC, including setting out a list of items for the GRC to consider.[58]

The Commission then considered what matters should be considered when reviewing market settings. We determined that requiring the GRC to have regard to prices, supply, capacity and operability, and financial risk — similar requirements to those in the NEM — would set clear, predictable expectations for the GRC's deliberations.

The specific matters the GRC must have regard to would be the potential impact of any proposed change to a market setting on:

56 NGR rule 494. The standard consultative procedure requires two rounds of consultation, as set out in NGR rule 8.
57 NGR rule 492.
58 Submission to the Directions Paper, Shell Energy, p 3.

- **Prices in the relevant regulated gas market and in other regulated gas markets, and prices under gas supply agreements:** The GRC would need to consider the impact of any recommended market settings on gas prices across markets and in bilateral agreements. Stakeholders raised the increasing interaction between the DWGM and STTM, and this will allow the GRC to take any cross-impacts into account.[59] Requiring the GRC to consider the impact of market settings on gas supply agreements acknowledges the indirect influence of market settings on those contracts, as discussed in Appendix B of the Directions paper.
- **The supply of gas, the capacity of covered gas industry facilities to deliver and store gas, and the operability of covered gas industry facilities:** The Commission agrees with the proponent that reliability and supply adequacy are important factors to consider when reviewing market settings. As those are not defined terms, we have instead proposed specifying what matters the GRC must take into account, in the interest of achieving reliability and supply adequacy.
- **Financial risk for registered participants buying or selling gas through the relevant regulated gas market:** Similar to the Reliability Panel, the GRC would be required to consider whether changes to market settings would introduce any inappropriate financial risks for market participants.

These draft requirements are set out in 140G(4) of the draft rule.

4.7.1 The rules would not explicitly require the GRC to consider willingness to pay

Stakeholder input on the benefit of requiring the GRC to consider some form of a willingness to pay (WTP) or value metric was mixed. Some stakeholders viewed that such a metric would only be relevant as part of a reliability standard (AEMO and the EUAA), while AFMA, AGL, EnergyAustralia, Shell Energy and APGA agreed with the position in the Directions Paper that it would be relevant for the market settings, but with differing views on whose WTP would be relevant and how that could be discovered.[60]

The Commission further considered the role of the market settings in the gas market, in particular that the role of the price cap is different from that in electricity. In electricity, the aim is to set the market price cap (MPC) at an optimal level to balance investment signals and financial risk. However, as found in AEMO's 2023 gas market review, the larger role of bilateral contracts in gas and the non-real-time operation of the regulated markets means "a maximum market price based on an optimal long run equilibrium may actually cap prices at a level too low to allow a market to respond to short-term situations arising from imperfections in forecasting, planning or investment".[61] In gas, the MPC should be high enough to not interfere with the operation of the markets, and in light of this, the Commission considers that if the GRC considers the current the price cap is not achieving its purpose at that level, it could consider how the MPC should be adjusted.

The Commission has made a draft decision not to include a requirement in the NGR that the GRC must consider WTP when reviewing the market settings. However, this does not limit the AEMC from requesting the GRC consider such a metric in each four yearly review, as part of the terms of reference for a review. This approach would allow the AEMC and the GRC to, at the time of each review, assess the current and future market conditions including, amongst other things, the role of price settings and bilateral contracts, if using a WTP metric would be appropriate, and which WTP should be considered.

59 Submissions to the Directions paper: Shell Energy, p 3. AGL, p 2.
60 Submissions to the Directions paper: APLNG, p 1. AEMO, p 2. AFMA, p 2. Shell, p 3. EUAA, p2. Energy Australia, p 3. APGA, p 1, 4. AGL, pp 2-3. APA, p 6.
61 Market Reform, Gas market parameters review 2022 Final recommendations report, February 2023. p 40.

We also note AEMO's view that events in Winter 2022, including higher prices, may have provided further investment signals if the MPC was set higher.[62] We note AEMO's input, including the information provided on the shadow prices. We consider that this is the type of information the AEMC and the GRC (including AEMO as a member) would be able to consider in each review.

This approach acknowledges the complexity and cost that would be required to develop a WTP metric, and ensures it would only be used when market conditions are such that the benefit of this work would outweigh the cost. It provides a flexible approach to ensuring the market settings remain fit-for-purpose as the gas markets continue to evolve.

62 Submission to the Directions Paper, AEMO, p 2.

5 How the improvements to the GSOO and VGPR would operate

Box 4: The proposed changes to the NGR would require AEMO to:

- consult and publish on its forecasting methodology used in the GSOO and VGPR
- include the following information in the GSOO and VGPR:
  - likelihood of supply shortfalls identified in the gas supply adequacy assessments in both GSOO and VGPR
  - regional assessment beyond the current north-south split in the GSOO, where reasonably practicable.

In the directions paper, the Commission proposed changes to enhance the information provide in the GSOO and VGPR, as well as the methods used to prepare that information. The objective of these changes is to support efficient investment and planning decisions in the ECGS. The proposed information-enhancement changes were:

1. The use of a probabilistic metric, or likelihood, in relation to medium to longer-term reliability risks.
2. A further disaggregation of supply-demand forecasts beyond the current north-south split in the GSOO.
3. The inclusion of an assessment of credible risks to system resilience.

The Commission also proposed AEMO should consult and publish its forecasting approach and methodology. This is in contrast to the rule change request proposal for the AER to develop best practice forecasting guidelines for AEMO to use.

Most stakeholders who provided submissions to the directions paper supported the inclusion of a probabilistic metric in relation to medium to longer-term reliability risks. However, they emphasised this new assessment should rely on existing information AEMO currently has access to, including any publicly available data, rather than requiring additional information disclosures from market participants.

A stakeholder commented: "Additional transparency about the likelihood of shortfall events will be a useful addition. The fundamental principle that risks need to be clearly, transparently and objectively communicated had been well captured by the directions paper".[63]

Stakeholders also supported the further disaggregation of reliability forecasts beyond the current north-south split so that AEMO better signals the location of risks to reliability in the ECGS and in turn support market participants in their decision-making about commercial responses.

A stakeholder commented: "Greater disaggregation of the reliability forecast will support market participants in their decision-making about commercial responses. We support further developments in this area. We note that it would be appropriate to include in the rules a minimum level of disaggregation that AEMO should implement rather than providing no guidance at all".Ibid.

In relation to the inclusion of an assessment of credible risks to system resilience, stakeholders had mixed views. Stakeholders expressed concerns regarding the modelling costs and potential

63 Submission to directions paper: Shell Energy, p 3.

additional information disclosure obligations and the risk that such assessments could distort investment signals. The Commission did not recommend an explicit assessment of risks to system resilience be introduced to the NGR.

5.1 AEMO would be required to include likelihood in relation to supply shortfalls in GSOO and VGPR as assessed in the gas supply adequacy assessments

The National Gas Law (NGL) requires AEMO to include in the GSOO an assessment of the medium to long term gas supply and pipeline capacity to meet forecast demand. AEMO also includes this assessment in the VGPR in line with NGR requirements (as set out in NGR rule 323). These assessments have been included in the form of a 'gas supply adequacy assessment' in both the GSOO and VGPR since 2013.[64]

The rule change request proposed that AEMO would include in the GSOO and VGPR a reliability forecast to objectively identify any breach to the proposed reliability standard. Since the Commission has decided not introduce a reliability standard, we are also not introducing a requirement for a new reliability forecast.

Instead, AEMO would be required to continue producing the gas supply adequacy assessment in both the GSOO and VGPR. The Commission's draft view is this could be further enhanced by requiring AEMO to include, where a gas supply adequacy assessment identifies a risk of supply shortfall, the likelihood of the supply shortfall occurring.

AEMO would be able to leverage the likelihood of a supply shortfall assessment as drafted in Part 27 as part of the risk or threat signalling framework (section 3.1), rather than creating a separate assessment for the purpose of the GSOO. This should achieve efficiencies in AEMO's implementation of this likelihood assessment, which could then be applied in relation to both shorter and longer term forecasts. A definition of supply shortfall has also been added to the more preferable draft rules in Part 27. Supply shortfall for the purpose of the GSOO and the VGPR would have the same meaning.

We note the GSOO does already include a probability of exceedance (PoE). However, this metric is limited to peak day demand. The draft rule new requirement would not replace this.

5.2 AEMO would be able to include regional supply adequacy assessments

The current gas supply adequacy assessments included in the GSOO focus on a north-south split, mainly for the purpose of highlighting annual and peak day transmission capacity and interconnection constraints as required from AEMO in the NGR (NGR rule 135KB(e)).

Under the draft more preferable rule, AEMO would be required, where practicable, to include a breakdown of the gas supply adequacy assessments by 'regions'. The Commission considers greater granular assessments would promote more targeted investment and planning decisions from market participants. The Commission does not propose to prescribe the regions in the rules, allowing AEMO flexibility in how they are defined. While regions may align with jurisdictional boundaries where appropriate, AEMO has advised that, in some cases, disaggregation at the jurisdictional level could risk breaching confidentiality. Allowing AEMO to determine the regional

64 AEMO, Gas forecasting and planning (assessed on 27 January 2026).

groupings would enable it to adopt definitions that are meaningful while still protecting confidential information.

In the directions paper, the Commission did not distinguish between the GSOO and VGPR in relation to further disaggregation of forecast beyond the north-south split. After further analysis, the Commission is not proposing to apply this change to the VGPR. This is because the planning reviews conducted by AEMO and published in the VGPR are already specific to Victoria. Furthermore, as part of the planning reviews documented in the VGPR, AEMO is required to conduct annual forecasts by system withdrawal zones. These withdrawal zones provide AEMO with the ability to identify and communicate more granular supply shortfall risks within Victoria. The existing withdrawal zones are:[65]

- Gippsland
- Melbourne
- Geelong
- Western
- Ballarat
- Northern.

5.3 AEMO would not be required to conduct a system resilience assessment

The rule change request stated that the GSOO and VGPR do not currently include an assessment of credible risks to system resilience. The request defined system resilience as 'the ability of the ECGS to limit the extent, severity and duration of a reliability or supply adequacy event'. The proponents explained that this assessment would provide market participants with 'an understanding of the risk when supply is unexpectedly removed from the system due to unplanned outages of critical infrastructure and could help inform decisions of how much gas to hold in storage'.[66]

In the directions paper, we agreed with the proponents and propose including a requirement in the NGR for AEMO to consider system resilience when preparing the GSOO and VGPR. However, the Commission notes AEMO can already conduct a form of system resilience assessment under the existing GSOO framework. Under NGR rule 135KB(1)(i), AEMO is required to include in the GSOO factors that may affect gas supply, pipelines or storage facilities and includes, for example, "planned and unplanned outages and, in the case of transmission pipelines, unaccounted for gas". Therefore, based on this, and after considering stakeholder concerns on the potential information disclosure burdens on market participants and a risk of such assessments distorting efficient investment signals, the Commission has made a draft decision not to add this requirement in the draft rule (see section 2.3.3 for more information).

5.4 AEMO would be required to consult and publish its gas supply adequacy assessment methodology

The rule change request proposed a governance framework for the GSOO and VGPR reliability forecasts, under which the AER would prepare a Gas Forecasting Best Practice (GFBP) guideline and AEMO would develop a gas reliability standard and forecasting guideline in line with the GFBP.

65 AEMO, Wholesale Market System Security Procedures (Victoria) May 2024, pp 10 -13.

66 Rule change request, ECGS reliability and associated settings, pp.43 - 44.

The proponents were aiming to address concern about the difficulty of gas demand forecasting and to improve transparency, credibility and robustness of gas reliability forecasts.

In the directions paper the Commission recommended the above concerns could be addressed by AEMO consulting and publishing on its own forecasting guidelines rather than by adding an additional step for the AER to establish guidelines.Stakeholders had mixed views. Some argued it would be desirable for a clear separation of responsibilities where the AER could set principles and AEMO could apply those, as happens in the NEM. This would reduce the risk of bias of largely inaccurate forecasts and would increase stakeholder confidence. Other stakeholders noted that such an approach would unnecessarily increase regulatory costs without resolving the proponents' concerns around the difficulty with demand forecasting and that AEMO consulting on its own guidance could address the transparency and credibility concerns.

The Commission considers that in order to reduce administration costs, the AER would not be required to prepare GFBP guidelines. Instead, AEMO would consult and publish its forecasting methodology to be used for the purpose of the gas supply adequacy assessments included in the GSOO and the VGPR. This methodology would cover AEMO's practices and processes, having regard to principles similar to the ones applied to the NEM forecasting guidelines:

- forecasts should be as accurate as possible, based on comprehensive information and prepared in an unbiased manner
- basic inputs, assumptions and methodology that underpin forecasts should be disclosed
- stakeholders should have as much opportunity to engage as is practicable, through effective consultation and access to documents and information.

The Commission considers the above arrangement to be proportionate to the proponents' concerns, and would achieve more confidence among stakeholders in relation to AEMO's forecasting practices.

A Rule making process

A standard rule change request includes the following stages:

- a proponent submits a rule change request
- the Commission initiates the rule change process by publishing a consultation paper and seeking stakeholder feedback
- stakeholders lodge submissions on the consultation paper and engage through other channels to make their views known to the AEMC project team
- the Commission publishes a draft determination and draft rule (if relevant)
  - stakeholders lodge submissions on the draft determination and engage through other channels to make their views known to the AEMC project team
- the Commission publishes a final determination and final rule (if relevant).

For this rule change, due to the rule change request raising issues of sufficient complexity or difficulty, the Commission extended the timeframes for the draft and final determinations. The extended timeframes allowed the Commission to publish a directions paper testing proposed policy positions with stakeholders. Stakeholder submissions informed the Commission's further analysis and this draft determination.

The time for making a final determination was extended to 25 June 2026, and this continues to be the case.

You can find more information on the rule change process on our website.[67]

A.1 The proponents proposed a rule to complement stage 1 of the reliability and supply adequacy framework

The proponents suggest that the additional measures to complement stage 1 of the RSA framework are required because, without those elements:

- there is currently no robust basis for determining appropriate reliability trade-offs
- current market settings may be providing inefficient investment signals
- the GSOO and VGPR may fail to provide appropriate and consistent planning and investment signals
- current risk or threat notices may not provide a clear and objective indication of the nature and severity of identified risks or threats
- AEMO has insufficient guidance on how and when to exercise its RSA functions.

A.2 The proposal seeks to address growing risks to reliability and supply adequacy in the ECGS

The proponents consider changes are needed to address the risk that, under the current arrangements (stage 1), market participants, AEMO and policy makers may make inefficient decisions about how to respond to reliability and supply adequacy risks or threats in the ECGS over the short- and long-term. The request forms part of a broader package of reforms to implement 'stage 2' of the RSA framework.

67 See our website for more information on the rule change process: https://www.aemc.gov.au/our-work/changing-energy-rules

A.3 It proposed to do so by introducing a reliability standard and other changes

The rule change request proposes complementing stage 1 of the RSA framework by introducing a reliability standard for the ECGS that reflects the value gas customers place on reliability (VGCR). This would allow gas market participants and AEMO to make better-informed decisions about the trade-offs between reliability and supply interruption costs.

The request also proposes:

- an objective risk or threat signalling mechanism to communicate the nature and potential severity of threats to reliability and supply adequacy
- market reliability settings informed by the reliability standard such that they provide the appropriate incentives to market participants
- improvements to current forecasting tools by including a reliability forecast and an assessment of credible risks to system resilience in AEMO's GSOO and VGPR
- new governance arrangements to support the proposed changes, with responsibilities for the AEMC, AEMO and the Australian Energy Regulator (AER).

A.4 The process to date

On 20 March 2025, the Commission published a notice advising of the initiation of the rule making process and consultation in respect of the rule change request.[68] A consultation paper identifying specific issues for consultation was also published. Submissions closed on 17 April 2025. The Commission received 17 submissions as part of the first round of consultation. The Commission considered all issues raised by stakeholders in submissions. Based on those submissions and further analysis, on 28 August 2025, the Commission published a directions paper to test proposed policy positions with stakeholders. The Commission received 13 submissions, which were considered for the purpose of this draft determination. Issues raised in submissions are discussed and responded to throughout this draft rule determination.

68 This notice was published under section 303 of the NGL.

B Legal requirements to make a rule

This appendix sets out the relevant legal requirements under the NGL for the Commission to make a draft rule determination.

B.1 Draft rule determination and draft rule

In accordance with section 308 of the NGL, the Commission has made this draft rule determination for a more preferable draft rule in relation to the rule proposed by the proponents.

The Commission's reasons for making this draft rule determination are set out in chapter chapter 2.

A copy of the more preferable draft rule is attached to and published with this draft determination. Its key features are described in chapter 3, chapter 4 and chapter 5.

B.2 Power to make the rule

The Commission is satisfied the more preferable draft rule falls within the subject matter about which the Commission may make rules.

The more preferable draft rule falls within section 74 of the NGL as it relates to regulating the collection, use, disclosure, copying, recording, management and publication of information in relation to the covered gas industry, the reliability or adequacy of the supply of covered gas within the east coast gas system and AEMO's east coast gas system reliability and supply adequacy functions.

B.3 Commission's considerations

In assessing the rule change request the Commission considered:

- its powers under the NGL to make the draft rule
- the rule change request
- submissions received during first round consultation
- the Commission's analysis as to the ways in which the draft/final rule will or is likely to contribute to the achievement of the NGO
- the application of the draft rule to the Western Australia.

There is no relevant Ministerial Council on Energy (MCE) statement of policy principles for this rule change request.[69]

The Commission may only make a rule that has effect with respect to an adoptive jurisdiction (relevantly, Victoria) if satisfied that the proposed rule is compatible with the proper performance of AEMO's declared system functions in that jurisdiction.[70] The more preferable draft gas rule is compatible with AEMO's declared system functions. The reasons are set out in chapter 2.

The Commission may only make a rule that affects the allocation of powers, functions and duties between AEMO and a declared service provider for a declared transmission system if AEMO consents to the making of the rule or the rule is requested by the Minister of the relevant

69 Under s. 33 of the NEL and s. 73 of the NGL the AEMC must have regard to any relevant MCE statement of policy principles in making a rule. The MCE is referenced in the AEMC's governing legislation and is a legally enduring body comprising the Federal, State and Territory Ministers responsible for energy.

70 Section 295(4) of the NGL.

jurisdiction. The rule was requested by the Minister of the relevant jurisdiction. See chapter 2 for more details.

B.4 Making gas rules in Western Australia

Under the *National Gas Access (WA) Act 2009* (WA Gas Act), a modified version of the NGL was adopted, known as the National Gas Access (Western Australia) Law (WA Gas Law). Under the WA Gas Law, the NGR applying in Western Australia is version 1 of the NGR, as amended by rules made by the South Australian Minister for Energy[71] and rules made by the AEMC in accordance with its rule making powers under section 74 and 313 of the WA Gas Law.[72]

The draft rule falls within the subject matters about which the Commission may make rules under the WA Gas Act.[73] as it relates regulating the collection, use, disclosure, copying, recording, management and publication of information in relation to natural gas services.

However, the draft rule amends Parts of the NGR that do not apply in the Western Australian version of the NGR.

Accordingly, the draft rule will not apply in Western Australia.

B.5 Civil penalty provisions and conduct provisions

The Commission cannot create new civil penalty provisions or conduct provisions. However, it may recommend to the energy ministers' that new or existing provisions of the NGR be classified as civil penalty provisions or conduct provisions.

The more preferable draft rule does not amend any clauses that are currently classified as civil penalty provisions or conduct provisions under the National Gas (South Australia) Regulations, *National Gas (Victoria) (Declared System Provisions) Regulation* or *National Gas Access (WA) (Part 3) Regulations 2009*.

The Commission does not propose to recommend to energy ministers' that any of the amendments made by the more preferable draft rule be classified as civil penalty provisions or conduct provisions.

71 The Statutes Amendment (National Energy Laws) (Binding Rate of Return Instrument) Act 2018 and the National Gas (South Australia (Pipelines Access—Arbitration) Amendment Act 2017.

72 See our website for further information at https://www.aemc.gov.au/regulation/energy-rules/national-gas-rules/western-australia.

73 Section 74 and Schedule 1 of the WA Gas Law specify the subject matter for rules that can be made by the AEMC in Western Australia.

Abbreviations and defined terms

AEMC	Australian Energy Market Commission
ACCC	Australian Competition & Consumer Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
APC	Administered Price Cap
Commission	See AEMC
CPI	Consumer Price Index
CPT	Cumulative Price Threshold
DCCEEW	Department of Climate Change, Energy, the Environment and Water (Cwth)
DWGM	Declared wholesale gas market
ECGS	East Coast Gas System
ERSAA	Enhancing reliability and supply adequacy arrangements (this rule change)
GFBP	Gas forecasting best practice
GPG	Gas powered generation
GRC	Gas Reliability Committee
GSAR	Gas supply adequacy and reliability
GSOO	Gas Statement of Opportunities
LNG	Liquefied Natural Gas
LOR	Lack of Reserve framework
LT RSA	Long-term reliability and supply adequacy
MCE	Ministerial Council on Energy
MPC	Market Price Cap
MT PASA	Medium Term Projected Assessment of System Adequacy
NEL	National Electricity Law
NEM	National Electricity Market
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
NOC	Notice of closure
NT Act	*National Electricity (Northern Territory) (National Uniform Legislation) Act 2015*
PASA	Projected assessment of system adequacy
PoE	Probability of Exceedance
Proponent	The individual / organisation who submitted the rule change request to the Commission
RCR	Rule change request
RERT	Reliability and Emergency Reserve Trader
RSA	Reliability and supply adequacy
RSSR	Reliability Standards and Settings Review
SoLR	Supplier of last resort
ST PASA	Short term projected assessment of system adequacy

STTM	Short term trading market
VGCR	Value of gas customer reliability
VGPR	Victorian gas planning report
VoLL	Value of lost load
WTP	Willingness to pay