

Enhancing reliability and supply adequacy arrangements in the ECGS

The Commission has made a more preferable draft rule to enhance existing gas reliability and supply adequacy arrangements

The Commission has decided to make 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 draft rule introduces new arrangements that would support efficient responses from market participants and the Australian Energy Market Operator (AEMO) to reliability and supply adequacy (RSA) risks or threats in the ECGS, including:

- **A risk or threat signalling framework** - a more objective and transparent framework for AEMO to assess, classify and communicate risks or threats to reliability and supply adequacy in the ECGS.
- **Governance arrangements for market settings reviews** - establishing a Gas Reliability Committee (GRC) and 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 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.

The Commission assessed the feasibility of a reliability standard for the ECGS as proposed in the original rule change request, but has not progressed this proposal in the draft rule. The Commission does not consider a reliability standard would address the needs of the ECGS in the same way it does in the national electricity market (NEM). Instead, the Commission considers the arrangements introduced by the draft rules will provide fit-for-purpose, principles-based frameworks that would promote efficient market-led responses, balance implementation considerations and promote flexibility for AEMO and the proposed GRC.

Our draft rule introduces a tiered risk or threat signalling framework

The draft rule establishes a framework for AEMO to assess, classify and communicate risks or threats to the reliability and supply adequacy of the ECGS.

The framework would include three tiers for classifying risks or threats. AEMO would classify risks informed by its assessment of the likelihood and severity of a forecast supply shortfall. The classification could be escalated or de-escalated based on updated assessments. 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.

Alongside any tier 3 risk or threat notice, AEMO would be required to specify the time after which it 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.

The draft rule works with the Projected Assessment of System Adequacy (PASA) mechanism. It includes changes to the PASA draft rule to remove unnecessary duplication between the risk or threat signalling framework and the proposed PASA outputs.

Our draft rule introduces governance arrangements for the review of the market settings

Under the draft rule, the market settings for the DWGM and STTM would be reviewed by a GRC convened by the AEMC. This approach would enable broad stakeholder representation in reviewing the settings, while also providing strong governance from the AEMC. The AEMC would develop an operational manual and consult on guidelines for the GRC to follow. The AEMC would also issue terms of reference for each review.

The draft rule would also require the GRC to have regard to the potential impact of any proposed changes to the market settings 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.

The draft rules would not explicitly require the GRC to consider a willingness to pay (WTP) metric. Rather, the draft rules provide flexibility on the factors the GRC could consider (including WTP) to ensure the settings remain fit-for-purpose as the gas markets continue to evolve.

The GRC's first review would be completed in 2030, with recommended market settings to take effect in 2032. Under the draft rule, AEMO would still be required to conduct the review of STTM market settings currently scheduled for the second half of 2026.

Our draft rule introduces enhancements to the GSOO and VGPR

The draft rule also includes specific enhancements for the GSOO and VGPR to support efficient investment and planning decisions in the ECGS. AEMO would be required to consult on and publish its gas supply adequacy assessment (GSAA) methodology, which would set out its forecasting practices and processes, increasing transparency and confidence among stakeholders. Additionally, where a GSAA in either the GSOO or VGPR, identifies a risk of supply shortfall, AEMO would be required to include its assessment of the likelihood of that supply shortfall occurring.

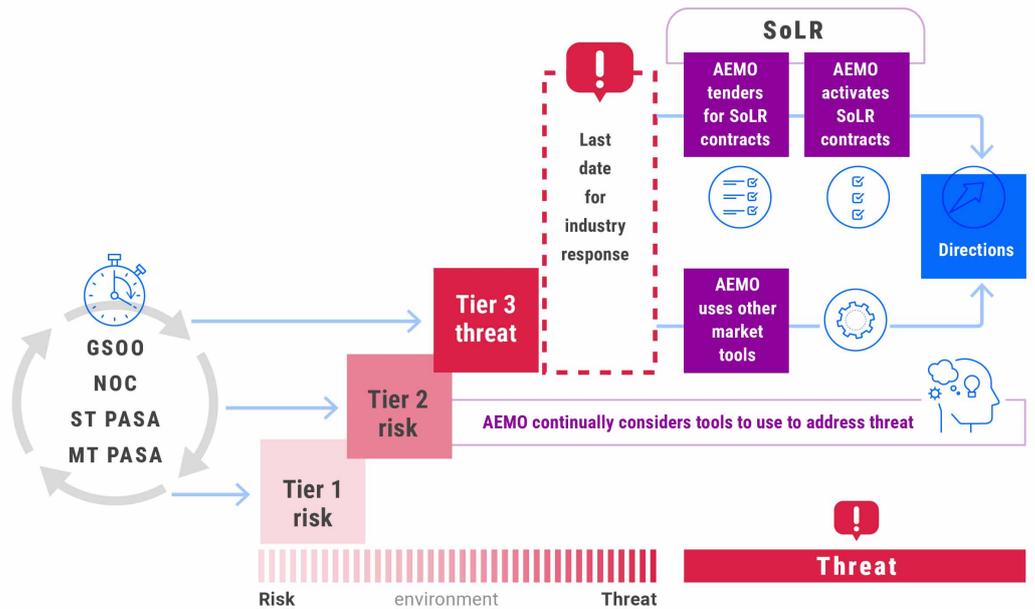
Finally, where reasonably practical, the GSOO would also include a regional breakdown of the GSAA. AEMO would be able to determine the regional groupings as appropriate.

Our draft rule would interact with the broader package of 'RSA - stage 2 reforms'

We have considered the interaction of this draft rule with the related rule changes and corresponding rules, including the [Notice of closure](#) (NOC) final rule, [PASA](#), and the [Supplier of last resort](#) (SoLR) draft rules.

AEMO's assessment, classification and communication of reliability and supply adequacy risks or threats would be informed by forecast supply shortfalls identified by assessment processes such as PASA or GSOO. This might include input from a notification of closure of a gas supply facility from the NOC requirement.

A tier three threat and AEMO's notification of a last date for industry response for a specific threat, stemming from this draft rule, would allow AEMO to consider the use of the SoLR mechanism alongside AEMO's use of existing tools (eg STTM contingency provisions) that could be used to manage the risks or threats.



Our draft rule was informed by stakeholder feedback

We received 13 submissions to the directions paper published on August 2025 from a range of stakeholders. Stakeholders generally supported the Commission’s revised approach to enhancing the RSA framework for the ECGS. Most stakeholders agreed with our reasoning for not progressing the reliability standard proposed by the rule change request and strongly supported establishing a more objective risk or threat signalling framework for the ECGS.

However, some stakeholders expressed some concerns about potential conflict of interests arising from the establishment of the GRC and the introduction of the risk or threat signalling framework in the absence of a reliability standard. The Commission considered those concerns when making the draft rules.

Next steps

Written submissions responding to the draft determination must be lodged with the Commission by **9 April 2026**. We will be hosting a virtual information session on this draft determination on **Friday 13 March 2026**. The session will also provide information on the SoLR draft determination. Details about this information session, including a registration form are available on the AEMC website: <https://www.aemc.gov.au/calendar/online-forum-understanding-draft-reliability-arrangements-ecgs-overview-and-qa>

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