

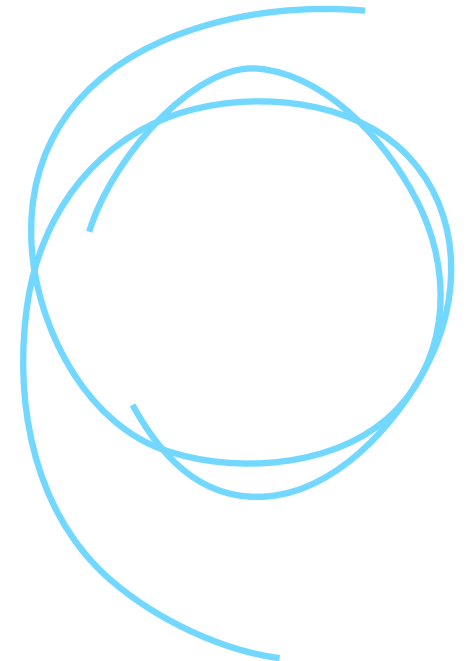
A decorative graphic at the top of the slide. It features a dark blue background with a dense field of small, light blue dots. In the center, there is a horizontal orange rounded rectangle containing the text 'Stakeholder Forum'. Below this rectangle, several light blue lines of varying lengths extend downwards, each ending in a small light blue circle. These lines and circles are scattered across the width of the slide, creating a sense of a network or a forum. The bottom edge of the graphic is a wavy, light grey line.

Stakeholder Forum

Australian Energy Market Commission

Understanding the draft reliability arrangements for the ECGS

13 March 2026



COMPETITION PROTOCOL

KEY PRINCIPLES



The AEMC is committed to complying with all applicable laws, including the ***Competition and Consumer Act 2010*** (CCA), during this forum. Breaching the CCA can lead to serious penalties for individuals involved in any breach (including large financial penalties and imprisonment for key individuals involved). This protocol governs the way in which discussions will proceed at this forum, and each attendee agrees to adhere to this protocol in order to comply with the CCA.

Each attendee must make an independent and unilateral decision about their commercial positions and approach in relation to the matters under discussion in this forum.

Attendees must not discuss, or reach or give effect to any agreement or understanding which relates to:

- **pricing** for the products and/or services that any attendee supplies or will supply, or the terms on which those products and/or services will be supplied (including discounts, rebates, price methodologies etc)
- **targeting (or not targeting) customers** of a particular kind, or in particular areas
- **tender processes** and whether (or how) they will participate
- any decision by attendees:
 - about the purchase or supply of any products or services that other attendees also buy or sell
 - to not engage with persons or the terms upon which they will engage with such persons (i.e. boycotting); or
 - to deny any person's access to any products, services or inputs they require
- **sharing competitively sensitive information** such as non-publicly available pricing or strategic information including details of customers, suppliers (or the terms on which they do business), volumes, future capacity etc
- **breaching confidentiality obligations** that each attendee owes to third parties.

COMPETITION PROTOCOL

COMMUNICATION AND MEETING GUIDELINES



Attendees must ensure that all communications (including emails and verbal discussions) adhere to the ***Key Principles***.

This forum will be conducted in accordance with the following rules:

- The agenda for this forum does not include anything that could contravene the Key Principles set out in this protocol.
- We will read and minute the below *competition health warning*:
 - Attendees at this forum must not enter into any discussion, activity or conduct that may infringe, on their part or on the part of other attendees, any applicable competition laws. For example, attendees must not discuss, communicate or exchange any commercially sensitive information, including information relating to prices, marketing and advertising strategy, costs and revenues, terms and conditions with third parties, terms of supply or access.
 - Participating in this forum is subject to you having read and understood the protocol including the Key Principles.
- We will keep accurate minutes of the forum, including details of attendees.
- If something comes up during the forum that could risk contravening any competition laws, attendees should:
 - Object immediately and ask for the discussion to be stopped.
 - Ensure the minutes record that the discussion was objected to and stopped.
 - Raise concerns about anything that occurred in the forum with their respective legal counsel immediately afterwards.
- All attendees understand that any competitively sensitive matters must be subject to legal review before any commitment/agreement can be given.
- Any decision about whether, and on what terms, to engage with customers and suppliers is an independent and unilateral decision of each attendee.

CONSENT TO USE OF PERSONAL INFORMATION

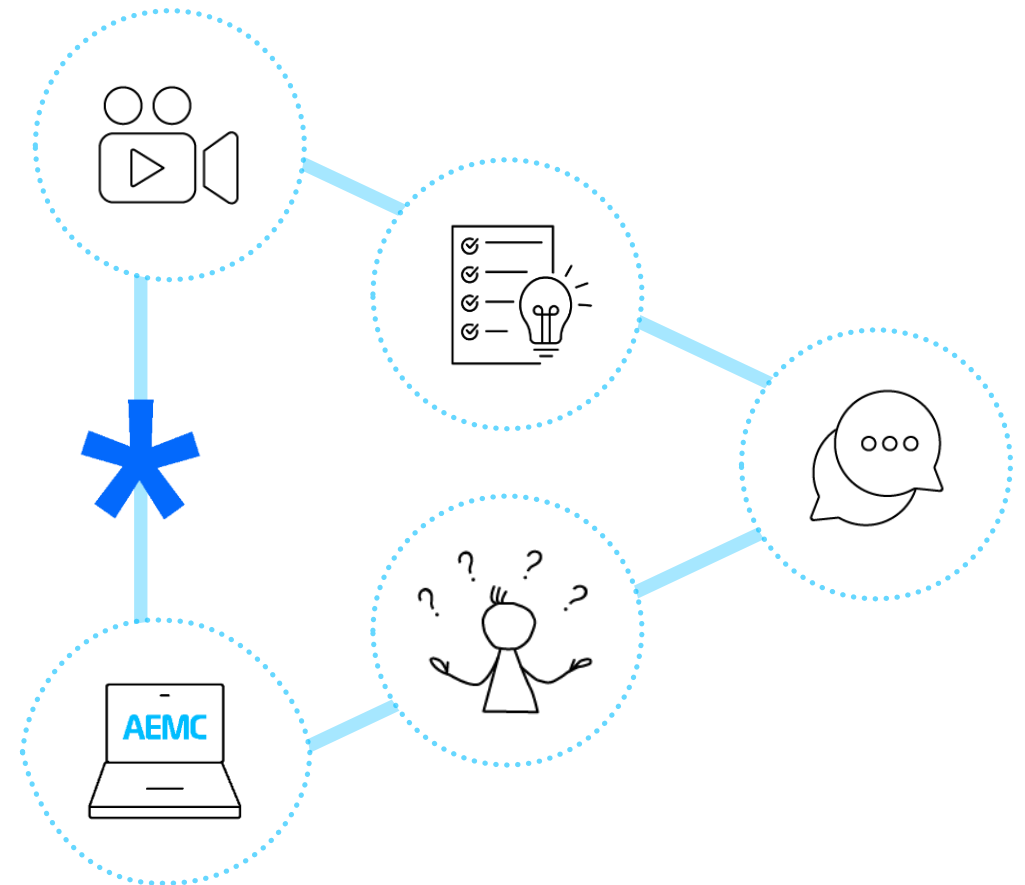


By participating in this forum, **you give your consent** to our collection, use and disclosure of the personal information you provide to us during this forum (like your name) for the purpose of completing our consultation and publishing our draft and final determinations and reports on this rule change or review.

This may include **publishing a recording or transcript of the forum, including your questions or comments.** We will not publish any participant questions or comments that we consider inappropriate, including offensive or defamatory language.

Please read our [privacy policy](#) for more information.

We may publish a transcript or recording of this forum, which may include your questions or comments



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 the enduring connection of Aboriginal and Torres Strait Islander peoples to Country.

ACKNOWLEDGEMENT OF COUNTRY



Agenda

1	Background and context
2	ECGS Enhancing reliability and supply adequacy (ERSAA) rule change
3	ERSAA Q&A
4	ECGS Supplier of last resort (SoLR) rule change
5	SoLR Q&A
6	Next steps and close

Context of the reliability and supply adequacy reforms

On 12 August 2022, Energy Ministers directed officials to develop and progress a package of reforms to establish a reliability and supply adequacy (RSA) framework for the east coast gas system (ECGS).

Stage 1 came into effect on 4 May 2023 and focused on expanding AEMO's functions under the National Gas Law (NGL) and National Gas Rules (NGR) to enable it to:

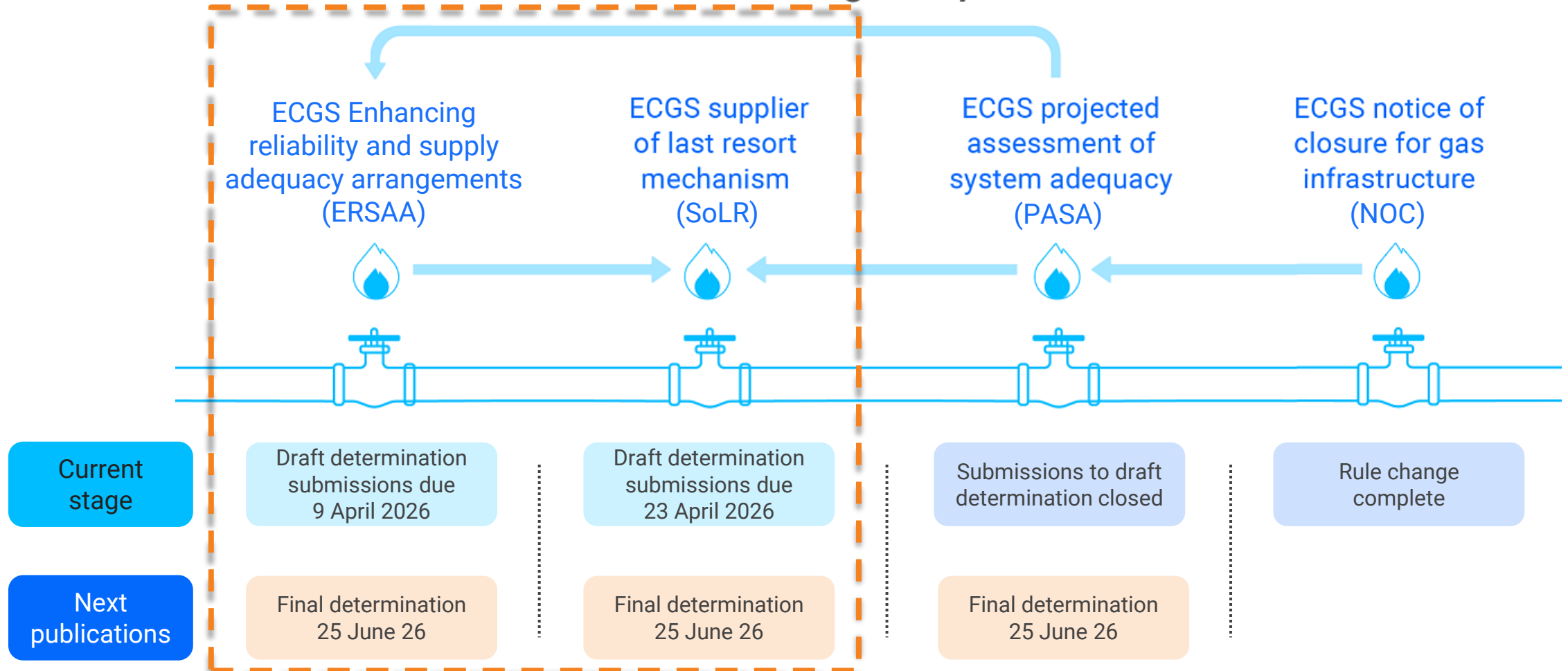
- monitor and communicate risks or threats to the reliability or adequacy of gas supply
- respond to any such risks or threats by using new directions and/or trading functions if AEMO is of the opinion it is necessary to prevent, reduce, or mitigate the threat.

Stage 2 focuses on enhancing the stage 1 reforms, aiming to facilitate more timely and efficient market-led responses and to guide AEMO in utilising its new functions. It comprises four rule change requests from Energy Ministers.

Stage 2 RSA reforms – where are we now?

East Coast Gas System

Rule change requests



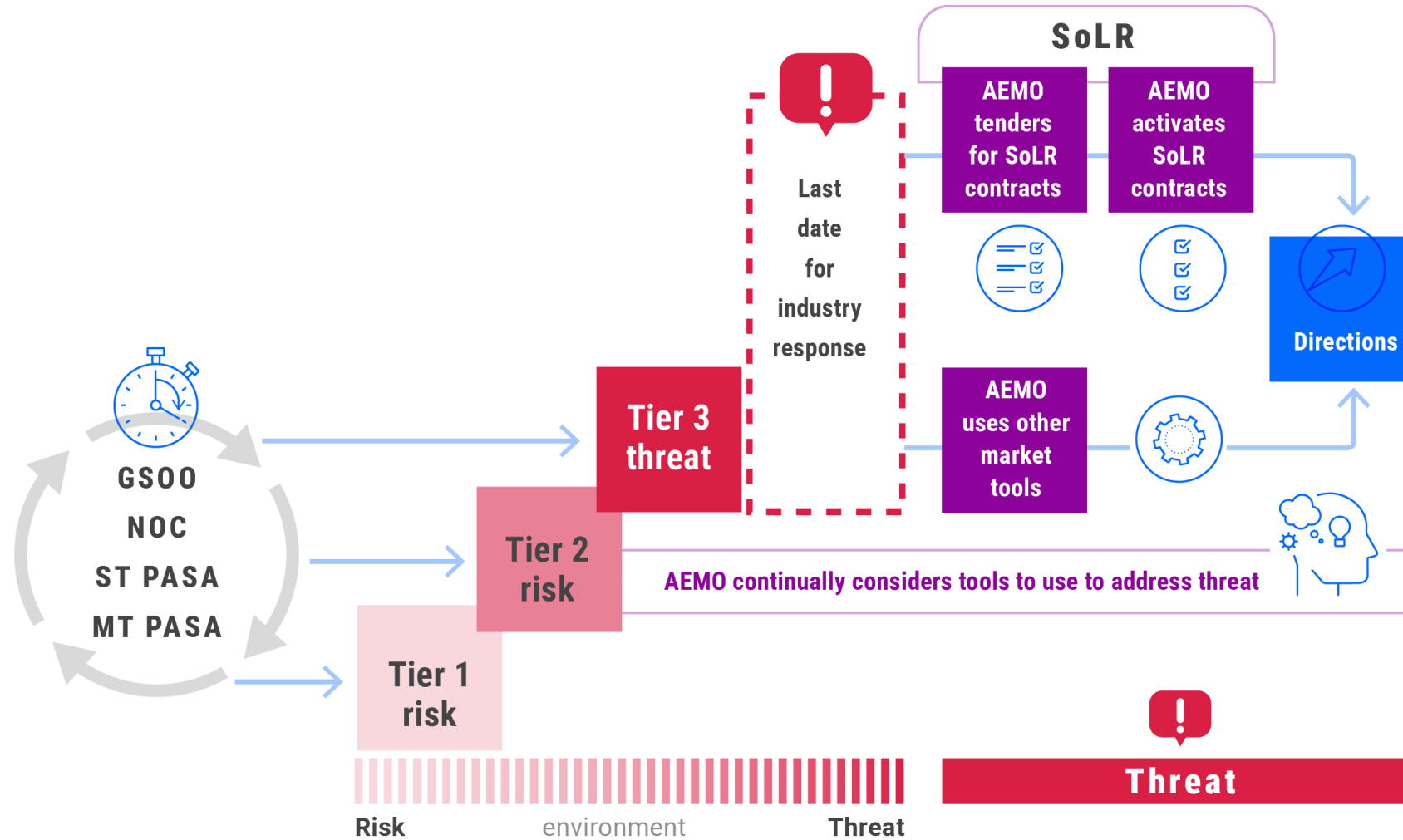
Draft determination

Australian Energy Market Commission

ECGS Enhancing reliability and supply adequacy arrangements

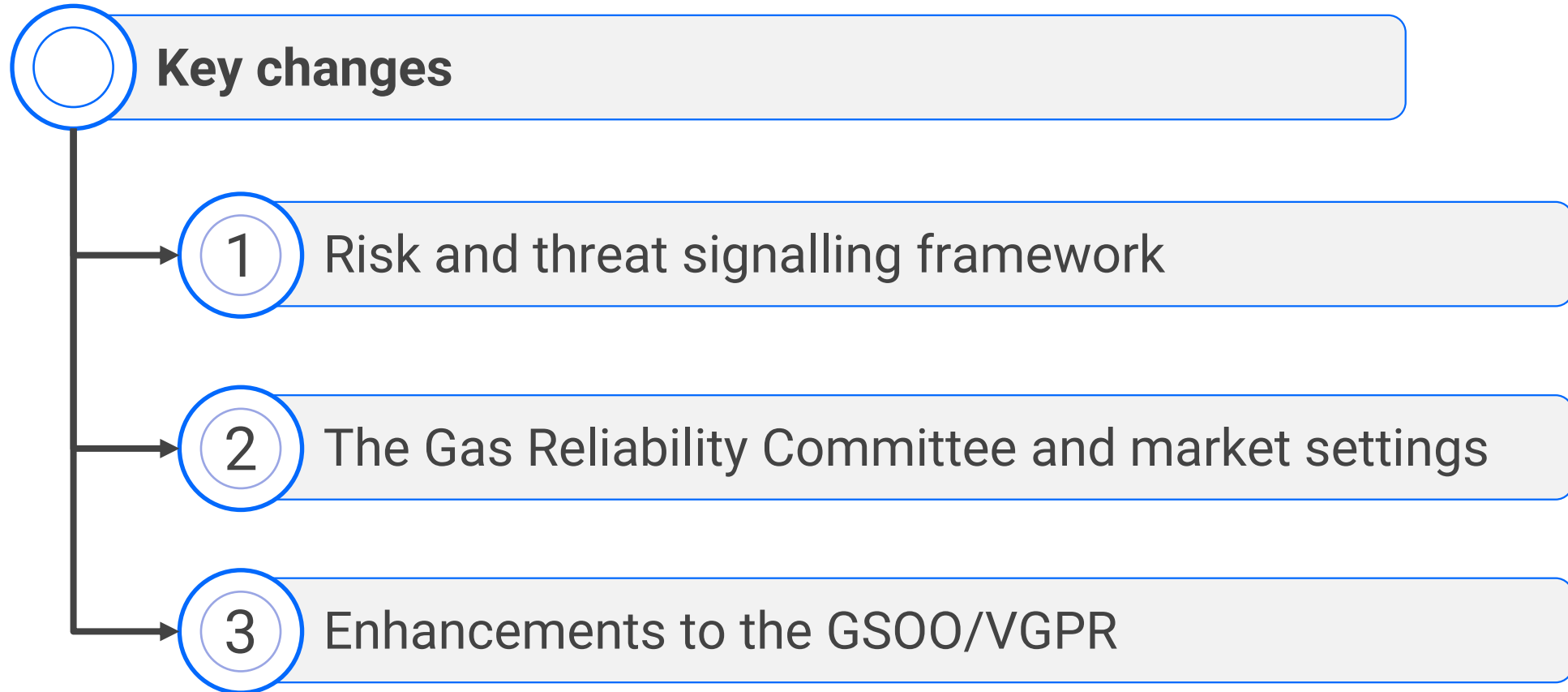


Stage 2 RSA reforms working together

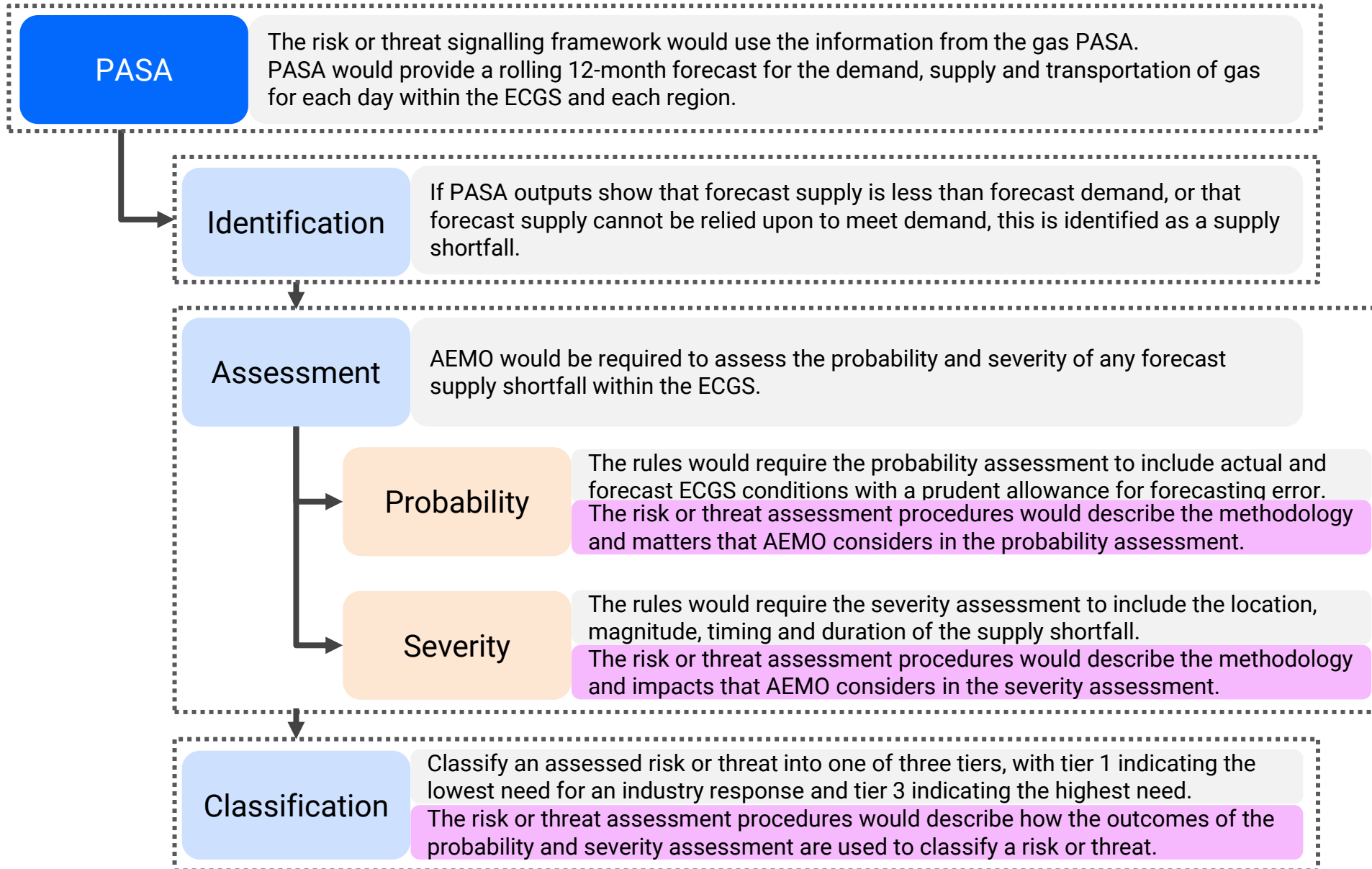


This illustration shows the interaction between the four stage 2 RSA rules based on the Notice of closure (NOC) final rule and the draft rules for PASA, ERSAA and SoLR.

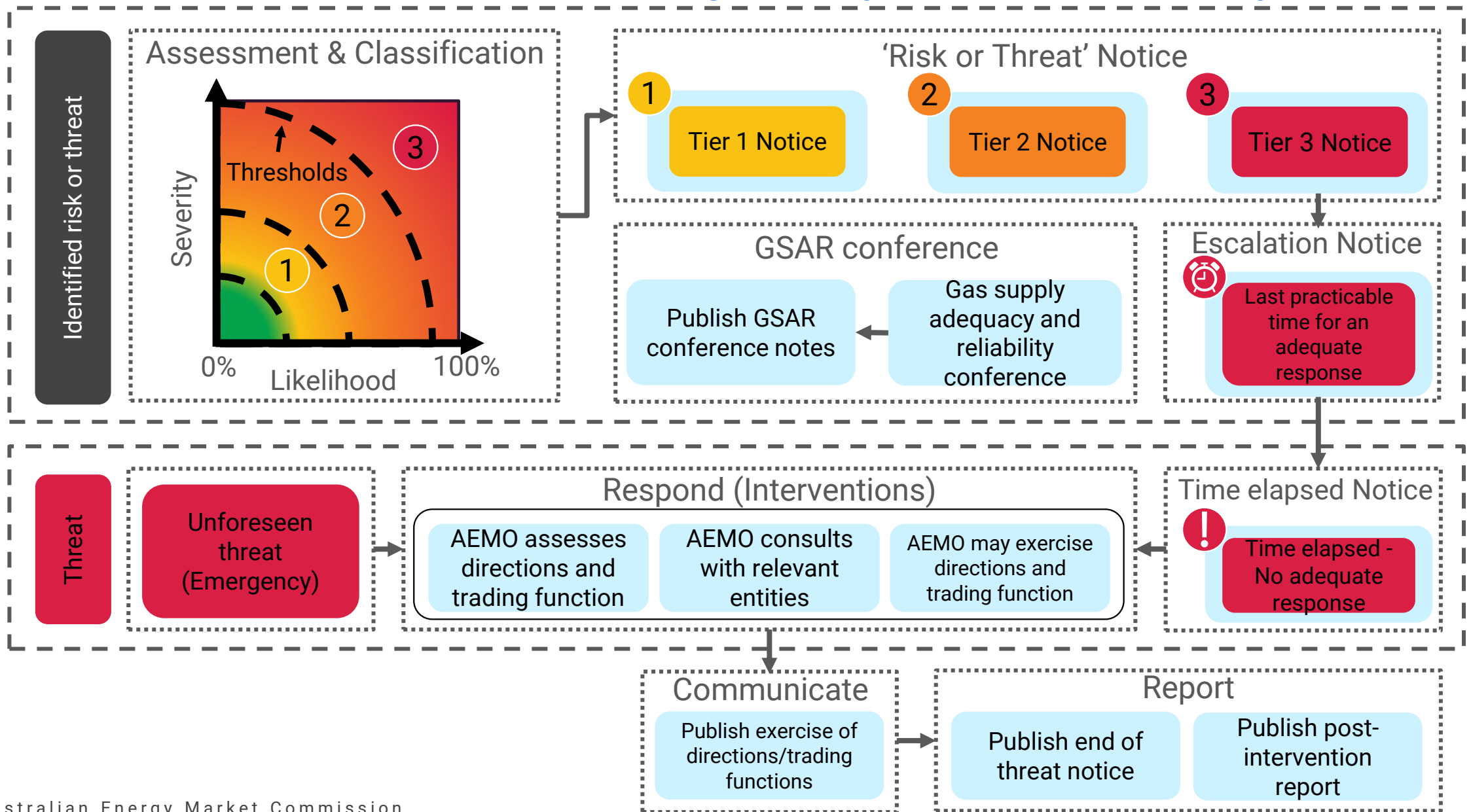
ECGS Enhancing reliability and supply adequacy arrangements



The framework supports the assessment and classification of risks and threats

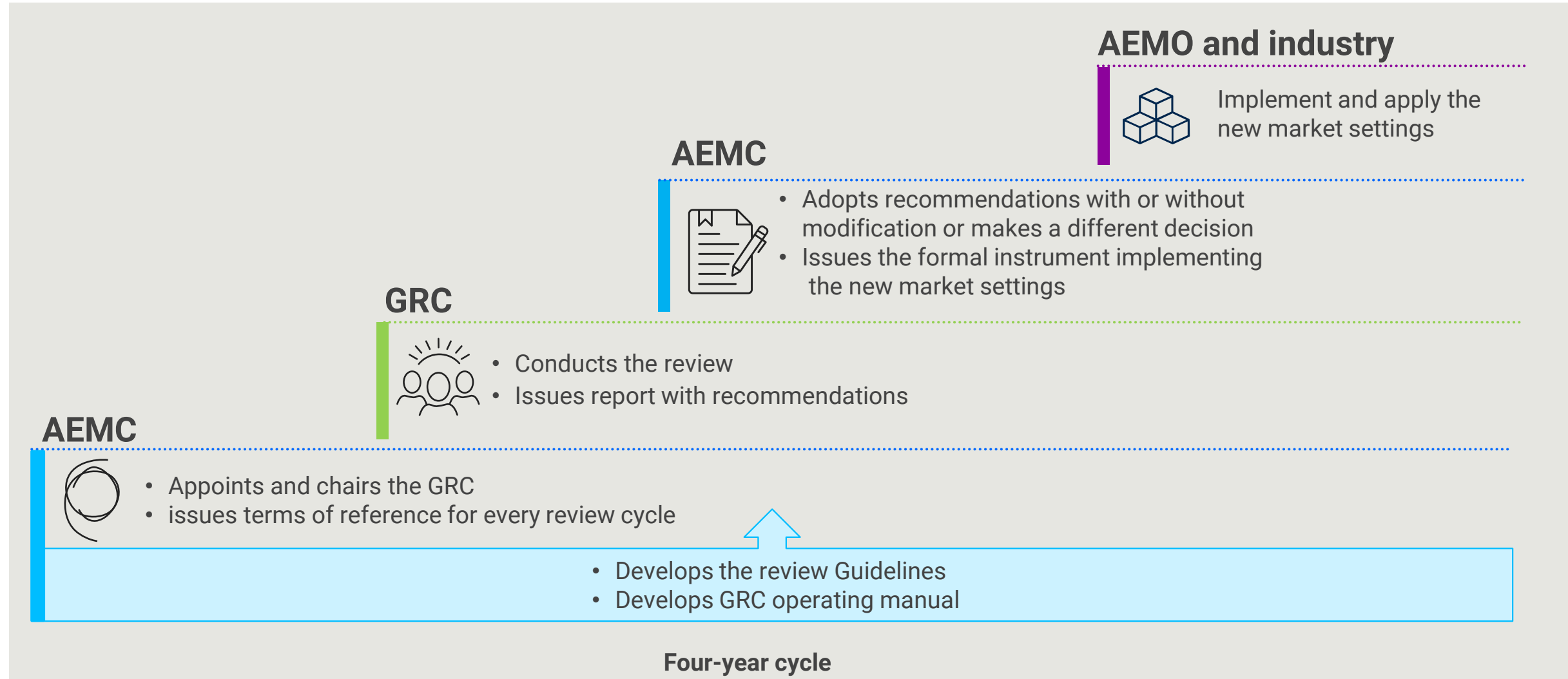


The framework would improve objectivity and transparency



AEMC would set up the GRC to review STTM and DWGM market settings

Our draft rule established a GRC, composed of the AEMC, AEMO, industry and consumer representatives. It would review the market settings in the DWGM and STTM every 4 years.



GRC membership composition

- The AEMC would consult and appoint members for the term of the relevant review.
- Members would not be liable for an act or omission made in good faith in this role.

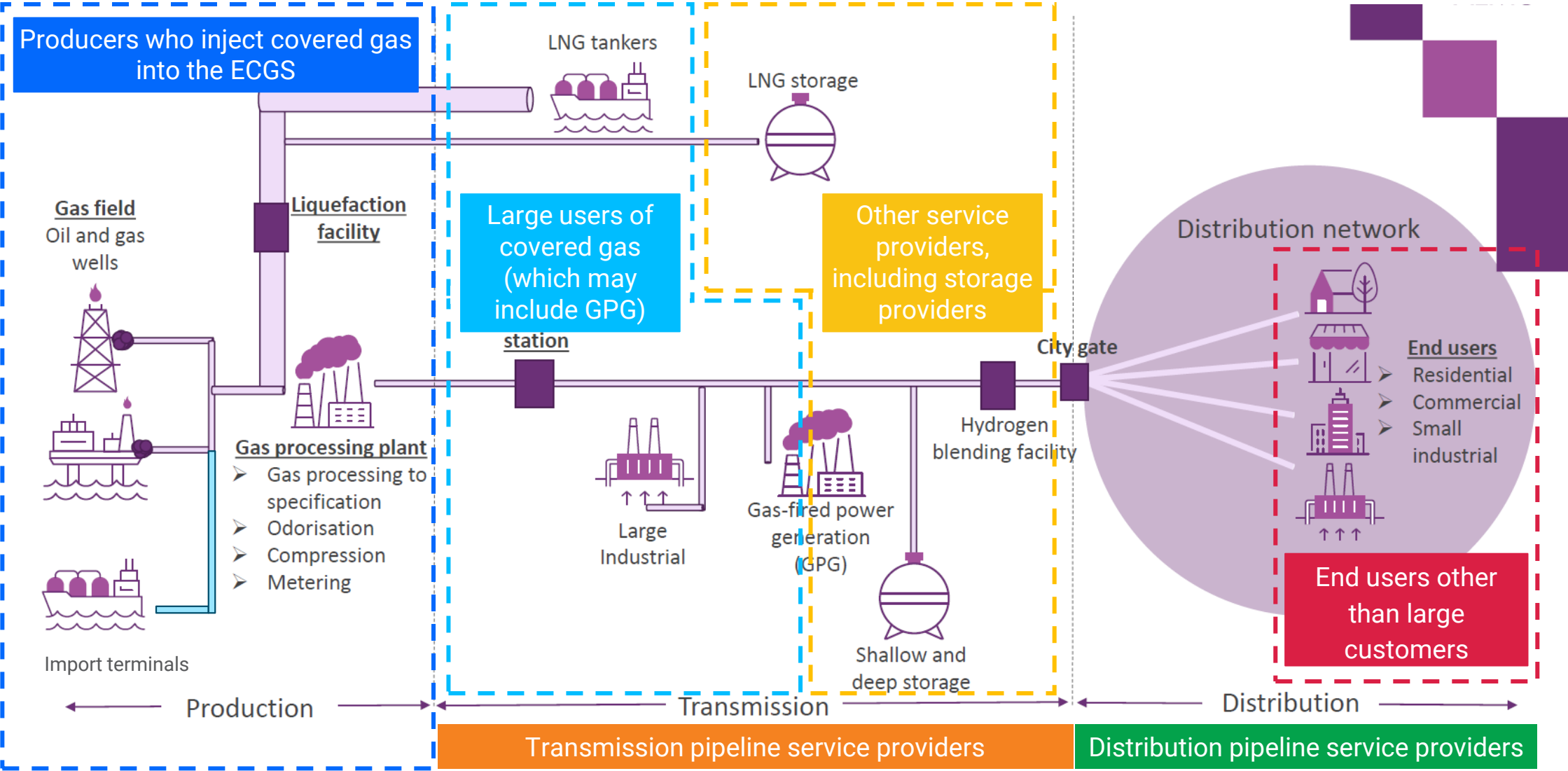
Membership composition

- An AEMC commissioner or representative as chair
- A second AEMC commissioner as a 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, industry and consumer representatives appointed by the AEMC

Key selection principles

- Broadly representative of those persons with direct interests in the STTM or DWGM, including end users
- Includes registered participants or their representatives or participating jurisdictions
- Members (other than the AEMO member) must be independent of AEMO
- The AEMC, with consultation, could reappoint and remove members

Proposed industry representatives across ECGS gas supply chain



Source: AEMO, introduction to gas training slides

GRC market settings reviews: principles

The draft rules 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 of the regulated markets and bilateral contract prices



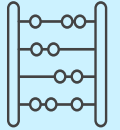
the supply of gas and the capacity and operability of covered gas industry facilities



financial risk to market participants

The guidelines and terms of reference would set out any additional factors for the GRC to consider.

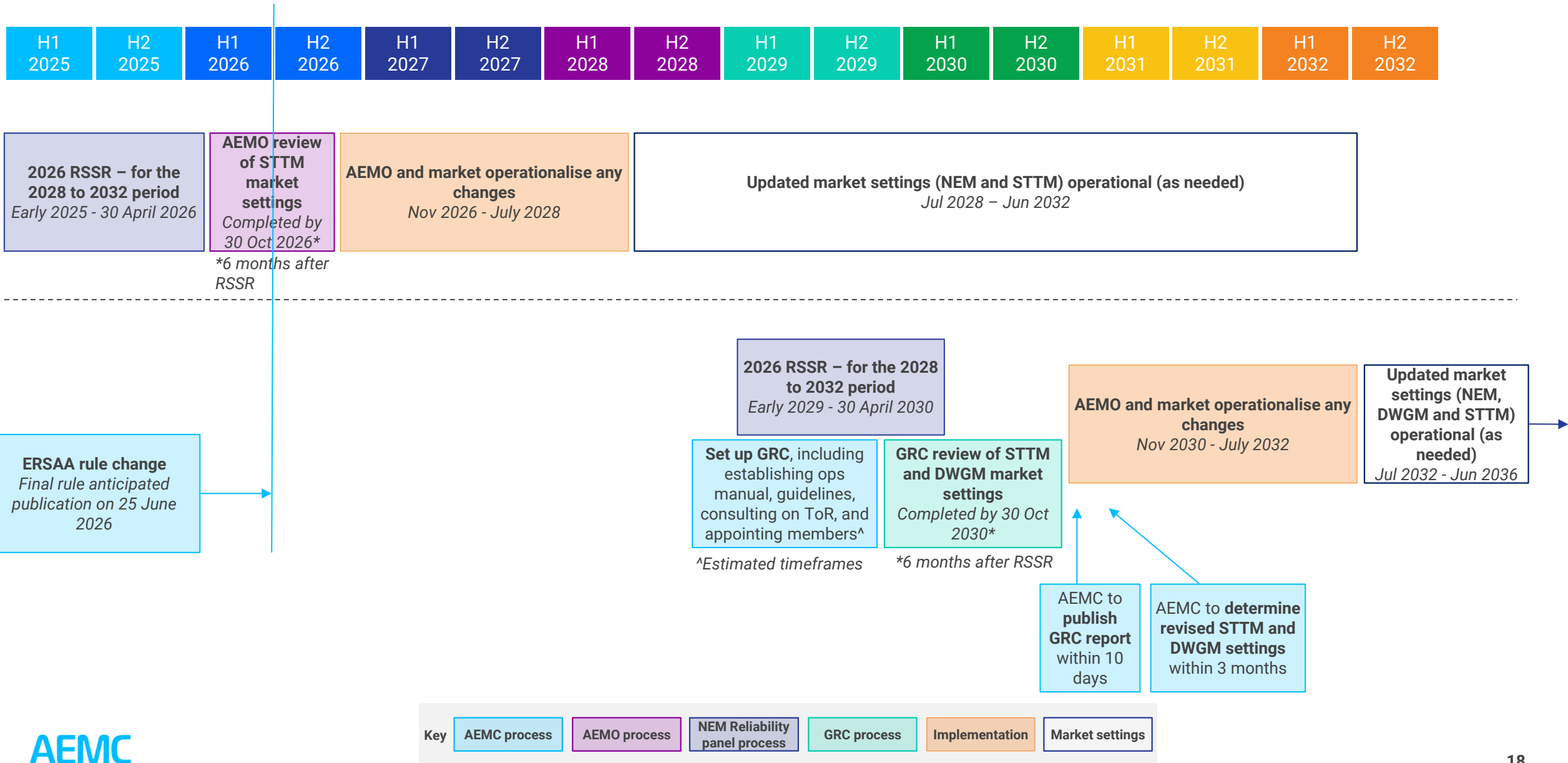
Flexibility on willingness to pay (WTP):



The Commission did not include a requirement in the rules for the GRC to consider WTP when reviewing the market settings.

Instead, the Commission may request the GRC to consider a WTP in specific reviews as part of that review's terms of reference, depending on market conditions at the time.

Proposed timeline for upcoming market settings reviews



Enhancements to GSOO and VGPR

- The draft rules make two improvements to how longer-term risks to reliability and supply adequacy are communicated, by including information on likelihood and regional impacts.
- The draft rules also enhance transparency in the forecasting approach.



Likelihood of occurrence of supply shortfall

- GSOO and VGPR should report the likelihood of supply shortfalls occurring.

AEMO to use existing and publicly available information.



Breakdown of assessment by regions in GSOO

- More granular regional forecasts, showing where supply gaps may occur, beyond the current North–South split.

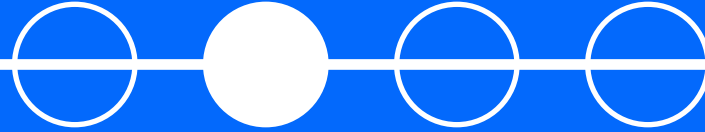
AEMO to determine regions in its procedure.



AEMO to consult and publish forecasting methodology

- AEMO would consult and publish its forecasting methodology for the gas supply adequacy assessments.

AER would not be required to prepare best practice guidelines.



Q&A—ERSAA

Draft determination

Australian Energy Market Commission

ECGS Supplier of last resort mechanism



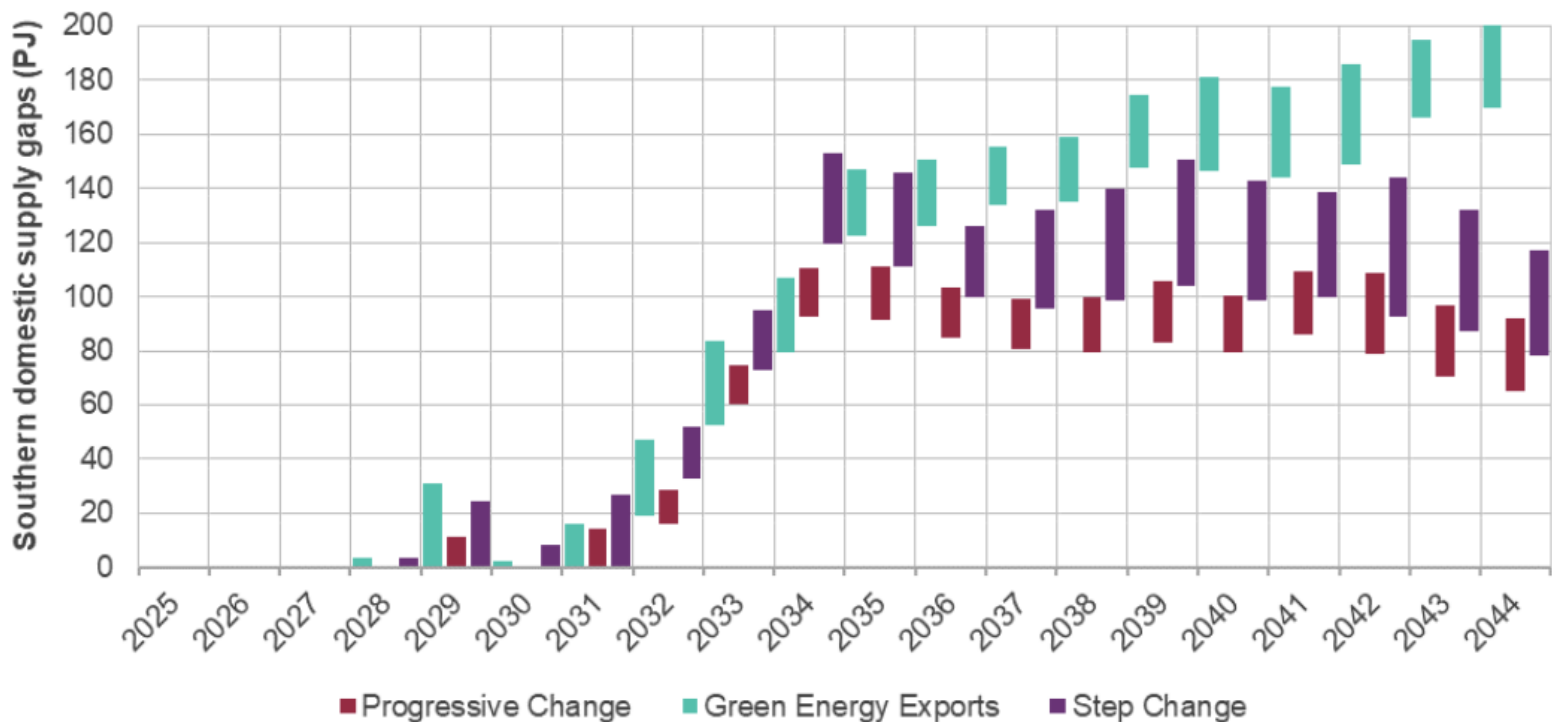
What is the problem we are trying to solve?

AEMO and ACCC report projected risks of gas shortfalls in the ECGS which may result in threats to reliability and supply adequacy

Energy Ministers introduced the ECGS trading function to enable AEMO to respond to such risks and threats

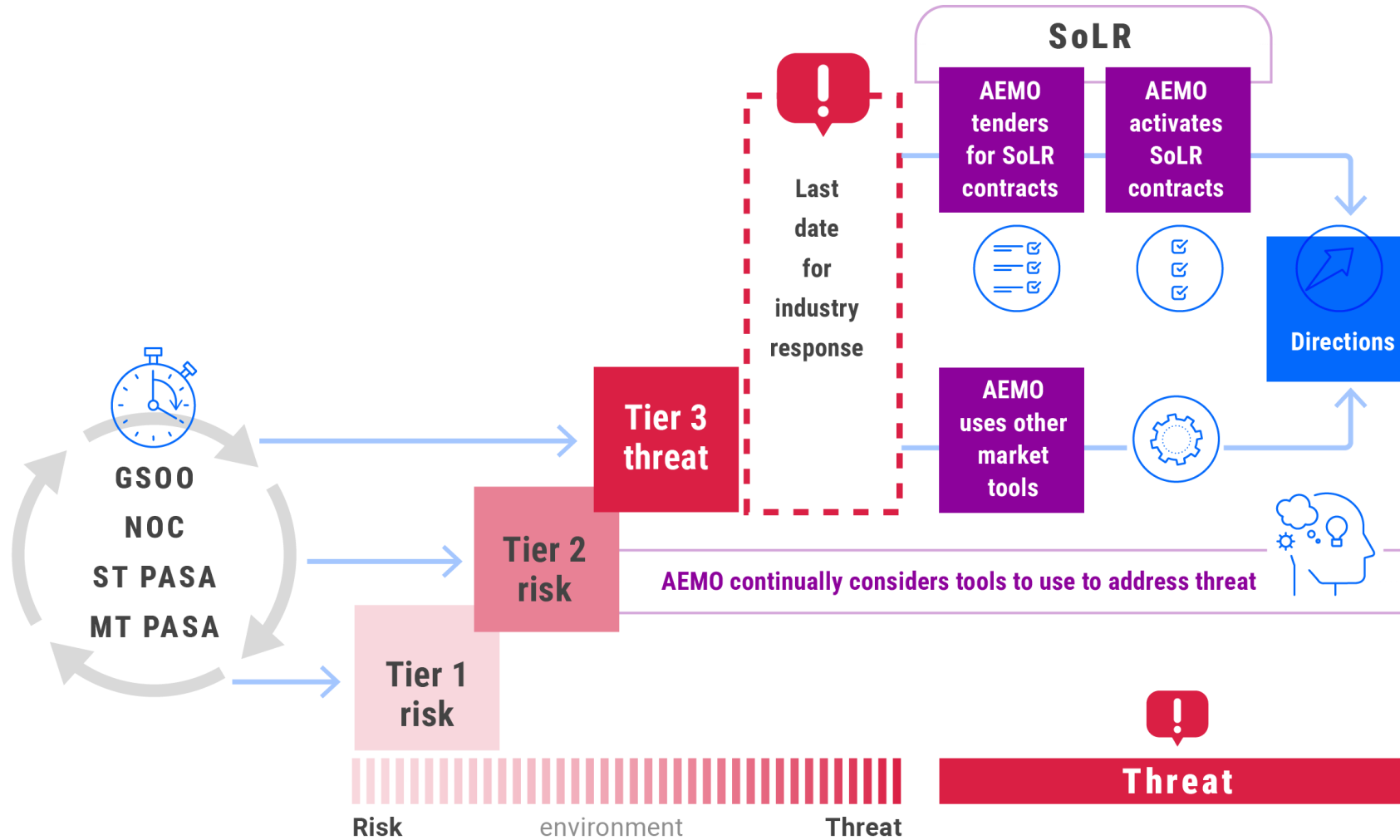
The request and stakeholders seek more guidance for AEMO to use the ECGS trading function in the NGL

Figure 2.2: Gas supply gaps forecast in southern regions 2025-2044



Source: AEMO. Gas statement of opportunities, March 2025, p 11.

Stage 2 RSA reforms working together



This illustration shows the interaction between the four stage 2 RSA rules based on the Notice of closure (NOC) final rule and the draft rules for PASA, ERSAA and SoLR.

SoLR would be a demand and supply side mechanism

The draft rule creates a SoLR mechanism that enables AEMO to contract for both supply and demand side resources to alleviate gas reliability threats.



Draft rule

The draft rule enables AEMO to contract for supply and demand responses to an identified threat to gas reliability and supply adequacy in the ECGS.

AEMO will be able to contract with parties to make gas available through demand and/or supply side responses after it has carried out a competitive tendering process for an identified threat.



Benefits

The benefits of a supply and demand side mechanism, as provided in the draft rule, are:

- The combined supply and demand side SoLR is a low-cost, low-complexity mechanism compared to its alternatives.
- Participation in providing SoLR services is voluntary.
- The design minimises market distortions and supports competition.
- Combining supply and demand into one mechanism provides consistency, coordination, and clarity in contracting and activating SoLR services.

Key design features

The draft rule includes key design features for SoLR that aim to guide AEMO and stakeholders on its use.



Mandatory principles

In addition to the existing prescriptive NGL provisions, AEMO would also be guided by the following principles:

- 1) Actions taken by AEMO should be those AEMO reasonably expects to have the least distortionary effect on the operation of the east coast gas system
- 2) Actions taken by AEMO should aim to maximise the effectiveness of SoLR to address the threat to reliability at least cost to gas consumers
- 3) Amounts payable by AEMO under the SoLR service contract should be less than the price limit set at the DWGM MPC (taking into account both fixed and variable costs)
- 4) Actions taken by AEMO should, to the extent practicable, be consistent with the targets statement
- 5) Actions taken by AEMO should not compromise safety



SoLR services AEMO may contract

AEMO would be allowed to enter into contracts with one or more persons for one or more of the following services:

- 1) the sale or supply of covered gas
- 2) pipeline services (including transportation, delivery or haulage of covered gas and pipeline capacity related services)
- 3) storage of covered gas
- 4) administered demand response.



SoLR's availability

SoLR would be available to AEMO to operate across the ECGS at any time of the year.

Key design feature: SoLR service price limit

The draft rule sets a SoLR service price limit as the maximum amount AEMO would pay per SoLR contract.



Draft rule

- The draft rule provides a price limit per SoLR contract on the amount AEMO should pay to providers of SoLR services contracted following the tender process. The price limit applies to SoLR contracts with both fixed and variable components.
- The SoLR price limit is set at the DWGM MPC (\$800/GJ) and would be applied across the ECGS.
- As part of its market setting review, GRC can review the SoLR price limit. GRC's first review would be completed by 2030 and take effect from 2032.



Key considerations are balanced in the draft rule

In light of our assessment framework, key considerations to balance in making the draft rule were how to:

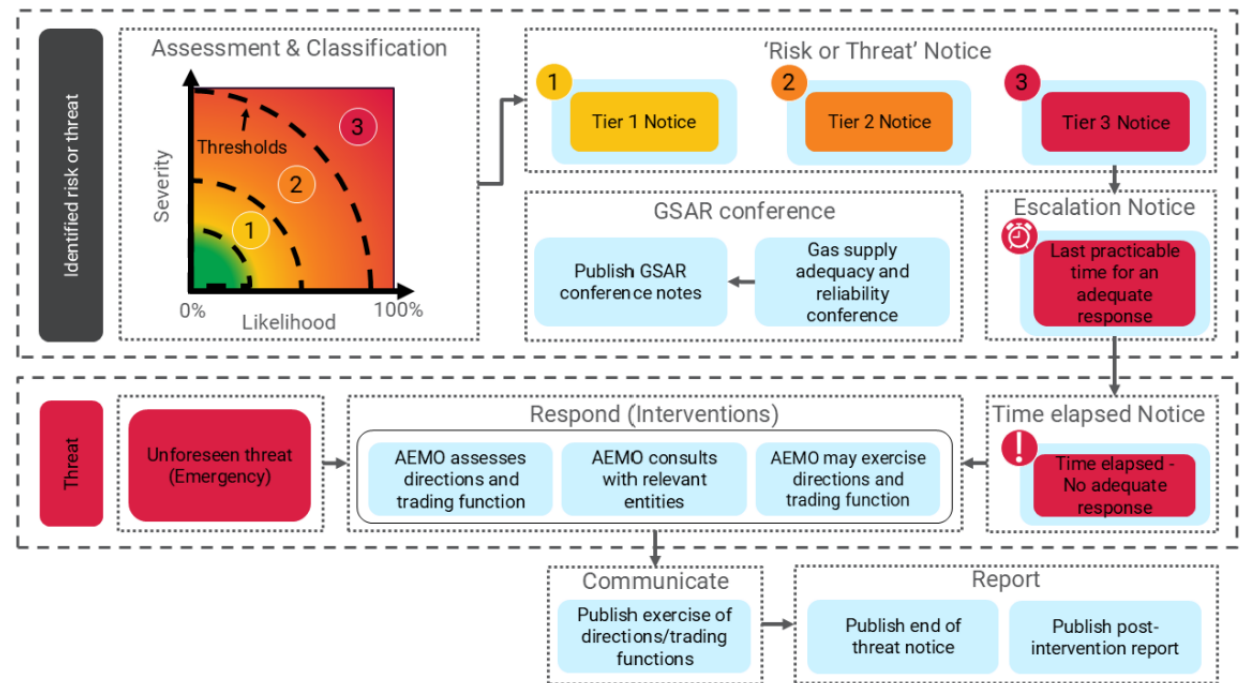
- Induce SoLR response beyond what market would ordinarily provide
- Minimise market distortions including anchoring risk and impacts on contracts market
- Minimise costs on consumers as the cost recovery approach is based on a share of gas demand

Preconditions and trigger for the SoLR mechanism

- **The precondition for tendering for SoLR services is a tier 3 threat:** This is because tier 3 signals a threat to ECGS reliability and supply adequacy, that is sufficiently severe and likely to warrant the potential use of SoLR.

- **AEMO publishes a notice that indicates the last practicable time for an adequate response:** That notice must include information available to AEMO at the time regarding the exercise, or the potential exercise, of its direction or trading function or other functions in relation to the tier 3 threat.

- **Once the latest practicable time for an adequate response has lapsed, AEMO can consider triggering SoLR:** AEMO may use SoLR services if appropriate to mitigate or address the threat (consistent with the NGL). This would allow AEMO adequate flexibility to account for operational circumstances and provide a clear temporal indicator for the point in time when SoLR can be triggered.



Source: AEMC



The draft rule provides AEMO with discretion not to use the SoLR mechanism even if the preconditions have been met.



AEMO must consider alternative options twice in the preconditions and trigger - once a tier 3 threat is reached and after the last practicable time for industry to provide an adequate response.



The SoLR principles underpin the preconditions and trigger.

SoLR operations

The draft rule places requirements on AEMO to guide its establishment and activation of SoLR contracts.



Use of assessment criteria

In operating the SoLR mechanism, the draft rule requires AEMO to:

- Consider other tools it has:
 - prior to running a competitive tender for a SoLR contract, and
 - prior to activating a contract.
- Develop and use an assessment criteria:
 - when determining whether and how to use the SoLR in response to a tier 3 threat.
 - as part of the competitive tender process.

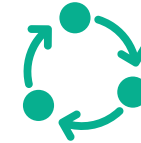


AEMO may contract only through competitive tendering

The draft rule requires AEMO to design the competitive tender process in accordance with the SoLR principles.

AEMO would only be allowed to enter into SoLR service contracts via the competitive tendering process.

AEMO would not be permitted to buy gas from facilitated markets through the SoLR mechanism.



Relinquishment requirements

The draft rule includes relinquishment requirements where market participants wish to contract for services or products obtained under the SoLR contract.

However, AEMO is not required to do so to the extent:

- it considers the requested relinquishment may prejudice or limit its ability to address a tier 3 threat, or
- it considers it would be inconsistent with the SoLR principles, or
- if relinquishment is not permitted under the terms of the SoLR services contract.

Cost recovery and proceeds distribution

The draft rule sets out a practical approach to cost recovery and proceeds distribution that best incentivises efficient market outcomes without imposing undue complexities and costs. SoLR costs would be recovered through a demand-based cost recovery approach from relevant entities.

Currently under the trading function

Operation/trigger

- Funds currently held in AEMO debt facility
- \$35 million cap

Who is subject to cost-recovery proceeds distribution

- Relevant entities, participant fees, funds from other sources, including a debt facility, interest on money held in fund or any money earned from trading in gas

Cost recovery process

- Rules do not specify how AEMO cost recovers, left to procedures
- Procedure: AEMO publishes a notice no later than 1 July which:
a) specifies the relevant entities to make a contribution b) specifies the contribution rate

Proceeds distribution process

- Rules do not specify how AEMO should distribute proceeds, left to procedures
- Procedures: Relevant entities can be refunded at the end of the financial year if it exceeds the adjusted trading amount. Refund is calculated in the same proportions as the contributions

Under the draft rule SoLR mechanism

Operation/trigger

- Triggered once AEMO establishes a SoLR service contract
- AEMO settlement to operate on a monthly basis
- AEMO to maintain a separate financial account
- Removal of the cap

Who is subject to cost-recovery proceeds distribution

- Relevant entities

Cost recovery process

- Rules to specify how AEMO should cost recover, some role for procedures
- Allocating costs to relevant entities in the location(s) the SoLR reserve is established for, based on their share of gas demand, in that location(s) over the period (in each month) the reserve is in place

Proceeds distribution process

- To the extent that there are any proceeds arising: to be allocated using the same percentage allocation as that used for cost recovery

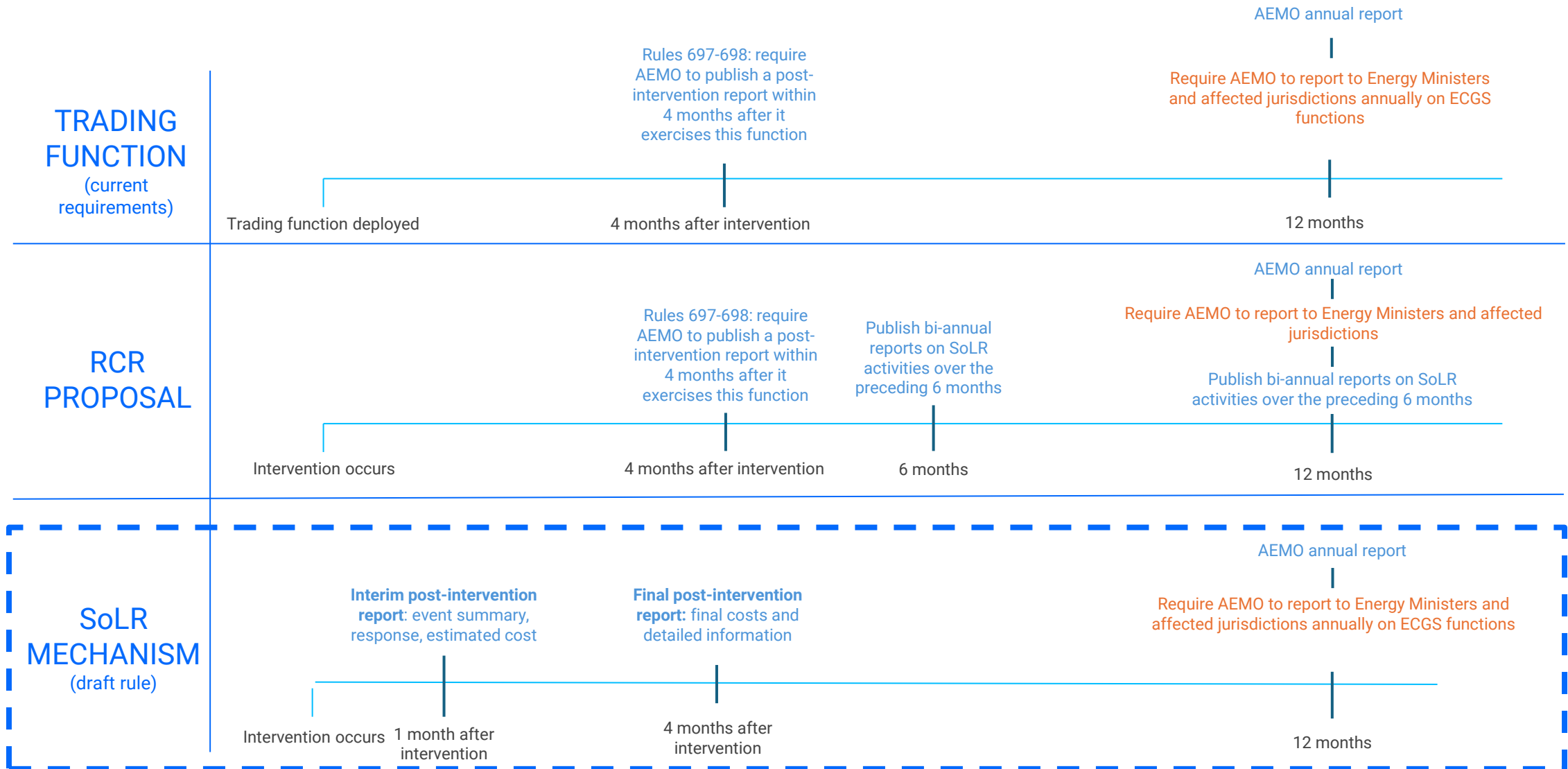
Integrated notices to inform industry participants

The SoLR draft rule integrates SoLR notices with the ERSAA tiered risk or threat signalling framework.

Tier (risk and threat signaling framework)	What the tier indicates (illustrative purposes only)	Draft rule notice requirement details (ERSSA)	SoLR information that may be included in the notice
Tier 1	Early warning: LOW probability of supply not meeting demand	Risk or threat notice (Monitor)	
Tier 2	Alert: MEDIUM probability of supply not meeting demand	Risk or threat notice (Warning)	
Tier 3	Emergency: HIGH probability of supply not meeting demand	Risk or threat notice (Alert)	
		Latest practicable time for an adequate response	<p>AEMO intends to tender for SoLR contracts, if AEMO determines this is the best approach or tool to manage the threat. Identifying:</p> <ul style="list-style-type: none"> • why AEMO intends to establish a SoLR service contract • actions AEMO considers would constitute an adequate industry response
		No adequate industry response has occurred	<p>AEMO intends to activate SoLR contracts, if AEMO determines that this is the best approach or tool to manage the threat. Identifying:</p> <ul style="list-style-type: none"> • updated timing, duration and location(s) of the threat • types of service contracts AEMO may activate • the circumstances that may lead AEMO to activate the service contract
		Variation or revocation of risk or threat	<p>AEMO has ceased to activate SoLR contracts, if a threat has also ceased. AEMO may also re-issue/amend a notice to indicate that a SoLR intervention has ceased if a threat is still ongoing, identifying:</p> <ul style="list-style-type: none"> • the circumstances that caused AEMO to activate SoLR • the extent to which it contributed to addressing or mitigating the threat • the period during which it was activated • AEMO's planned use for any contracts which were not fully utilised including relinquishment or termination.

SoLR reporting and accountability arrangements for AEMO

The draft rule creates more timely reporting arrangements and requires AEMO to publish two post-intervention reports and report to energy ministers and affected jurisdictions.



Transitional arrangements would be required

The draft rule details transitional arrangements for the trading function, trading fund, and implementation matters, including the timeframe for updates to AEMO's procedures and guidelines.



If the trading function is being exercised

If AEMO is using the trading function at the time the new rules come into effect, AEMO would continue to act under the old rules (including cost recovery and accountability) until it ceased and completed exercising the function.



Refunding \$35m held in the trading fund

If, at the time the rules come into effect, the trading function includes any amounts that have been contributed by relevant entities, AEMO would be required to refund each relevant entity in proportion to their contributions



Process for amending guidelines/procedures

AEMO would have until 1 April 2027 (approximately nine months after the AEMC publishes the final rule) to consult on and update relevant procedures and guidelines.

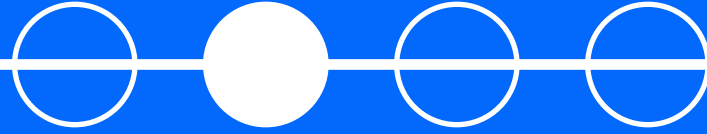


DLNG & SoLR

The SoLR mechanism would co-exist with the interim DLNG arrangements.

DLNG arrangements address system security in the DWGM while SoLR addresses a threat to gas reliability in the ECGS.

Once the interim DLNG arrangements expire in 2029, SoLR would continue to operate.



Q&A—SoLR

NEXT STEPS

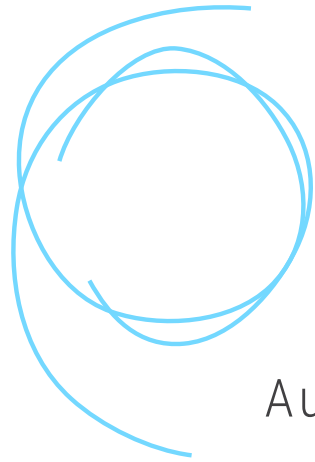


Submissions responding to the draft determinations are due on:

- **9 April 2026** for ECGS Enhancing reliability and supply adequacy arrangements (project code GRC0076)
- **23 April 2026** for ECGS Supplier of last resort mechanism (project code GRC0077)

The final determinations (and the PASA final determination) are scheduled to be published on **25 June 2026**.

Please contact us through our project pages on www.aemc.gov.au



AEMC

Australian Energy Market Commission



Level 15, 60
Castlereagh Street
Sydney NSW 2000
Australia



+61 2 8296 7800



aemc@aemc.gov.au



www.aemc.gov.au