

AEMC DRAFT DETERMINATION: NATIONAL GAS AMENDMENT (ECGS SUPPLIER OF LAST RESORT MECHANISM) RULE 2026 (GRC0077)

23 APRIL 2026

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our members are the engine room of the Australian economy, producing many of the products that households and business use every day including bricks, glass, steel, aluminium, paper, food and beverages. Combined, our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

EUAA members are focussed on making products that meet their own customers' requirements where energy is just one input to the process albeit a critical one. Their expectation is that the energy industry continues to provide energy services that are fit for purpose and consistent with the National Electricity Objectives (NEO) so that our members can continue to provide a fit for purpose product for their customers.

Thank you for the opportunity to make a submission under the AEMC Draft Determination: National Gas Amendment (ECGS Supplier of Last Resort Mechanism) Rule 2026.

We acknowledge and support the AEMC's decision not to make AEMO a market participant buying, storing and selling gas, and instead to require AEMO to contract third parties to perform the Supplier of Last Resort (SoLR) function.

However, we have four key concerns with the Draft Determination:

1. **Cost allocation:** Large C&I consumers with flat, fully contracted loads do not drive peak demand or pipeline congestion, yet the proposed consumption-based cost allocation would require them to pay for SoLR interventions.
2. **Cost exposure:** The framework contains no upper limit on aggregate SoLR intervention costs, and the proposed \$800/GJ price limit is outdated and insufficient as a constraint.
3. **Guardrails:** The rules-based safeguards governing AEMO's discretion and procurement processes are not strong enough.
4. **Accountability:** While transparency measures are welcome, accountability must be strengthened through mandatory reporting comparing forecasts to actual outcomes.
5. **Overlap with Commonwealth mechanisms:** The Draft Determination does not clearly distinguish the ECGS SoLR from broader government intervention powers.

FAIR DISTRIBUTION OF SoLR COSTS

The EUAA does not support the proposed consumption-based cost allocation methodology. It unfairly penalises consumers who have fully contracted their gas load and who do not contribute to peak demand conditions that trigger SoLR interventions.

Large C&I users typically operate flat 24/7/365 loads with minimal variation for maintenance. They hold long-term GSAs and transportation agreements or retail contracts covering 100% of their consumption. They do not cause winter peak demand or pipeline congestion.

By contrast, peak demand events in recent years have been driven by **gas-powered generation (GPG)**, which is often not fully contracted and is responsive to scarcity pricing in the National Electricity Market (NEM). When NEM prices approach the \$20,300/MWh market cap, GPG enters the market, adding large, intermittent loads to the ECGS and increasing the likelihood of supply shortfalls.

A “causer pays” approach would therefore allocate SoLR costs to those whose behaviour drives the need for intervention and who are best placed to manage the associated risks. This approach would also:

- encourage full contracting of gas loads
- send efficient investment signals to pipeline operators and GPG proponents
- avoid penalising consumers who already manage their demand responsibly

Members have indicated that if they are required to pay SoLR costs, they may reduce contracting to 70–80% of their load to mitigate financial risk—directly undermining the intent of the SoLR framework.

Recommendation: Adopt a causer pays cost allocation methodology that targets the loads responsible for triggering SoLR interventions.

COST LIMITS AND CAPS

The Draft Determination removes the existing \$35 million DWGM trading fund cap and does not replace it with an equivalent limit for the broader ECGS. The proposed \$800/GJ price limit is not an effective constraint because:

- AEMO’s intervention costs are driven by **volume**, not price alone.
- The \$800/GJ figure is based on a 25-year-old DWGM value of lost load and is not representative of current ECGS conditions.
- It does not reflect the true cost of lost GPG, which is the primary driver of peak demand.

Without a cumulative cap or volume limit, consumers face unbounded financial exposure. The threat-signalling framework could enable extended interventions, materially increasing costs beyond those contemplated under the current regime.

Recommendations:

- Introduce an explicit aggregate cap on SoLR intervention costs.
- Recalculate the value of lost load to establish a contemporary and evidence-based price limit.
- Pair any price limit with a volume limit or cumulative cost threshold.

GUARDRAILS AND PROCUREMENT

While flexibility in AEMO’s procurement approach is important, excessive reliance on AEMO-developed procedures risks weakening essential safeguards. Key elements should be embedded directly in the Rules, including:

- minimum procurement duration and contract term requirements
- limits on repeat or sequential interventions
- obligations to exhaust market-based responses before intervening

Clear, rules-based guardrails will reduce uncertainty, prevent intervention from crowding out commercial supply, and ensure consistent governance.

The EUAA is also concerned that AEMO’s procedures are not subject to mandatory periodic review. In a rapidly evolving energy market, this is inadequate.

We further question the decision not to include a **SoLR Panel**. A panel—similar to the NEM’s RERT framework—would enable competitive procurement without requiring AEMO to enter into firm contracts when services may not be needed. Medium- and short-notice RERT have demonstrated the value of such an approach in reducing costs while maintaining system security.

Recommendations:

- Codify minimum procurement requirements in the Rules.
- Require a mandatory review two years after implementation and every four years thereafter.
- Incorporate a SoLR Panel option into the final rule.

TRANSPARENCY AND ACCOUNTABILITY

The EUAA strongly supports the Draft Determination’s transparency measures but believes accountability must be strengthened through a formal feedback loop comparing forecasts to actual outcomes.

AEMO’s NEM forecasting has historically been overstated, leading to unnecessary interventions and higher consumer costs. Previous attempts to improve forecasting transparency through guidelines have not delivered meaningful change.

To build trust in the ECGS reliability framework, the EUAA recommends:

- **Prescriptive NGR requirements** for regular Forecasting and Accuracy Reports (monthly during peak periods, quarterly otherwise).
- **Incident reports** for any SoLR intervention, detailing causes, market responses, and costs.
- **Independent oversight** (AER or AEMC) of forecasting accuracy and reporting, given AEMO’s dual role as forecaster and SoLR.

With all reports comparing the forecast with the actual outcomes, and where these vary, recommendations for improving forecast models.

Self-reporting by AEMO presents a clear conflict of interest.

SEPARATION FROM OTHER MECHANISMS

The Department of Climate Change, Energy, the Environment and Water (DCCEE) is consulting on a separate Commonwealth SoLR mechanism with broader intervention powers. The AEMC must ensure that:

- the two frameworks are clearly delineated
- overlaps are removed or minimised
- consumers are not charged twice for similar services

CONCLUDING REMARKS

The EUAA supports the direction of the Draft Determination but considers that several improvements are necessary to ensure a fair, transparent and efficient SoLR framework:

- adopt a causer-pays approach to cost recovery
- update the price limit and introduce an aggregate cost cap
- strengthen guardrails and procurement processes
- embed a rules-based feedback loop for forecasting accuracy
- clarify the distinction between the ECGS SoLR and Commonwealth mechanisms

The EUAA welcomes further discussions with us and our members around the issues raised in this submission.

Do not hesitate to be in contact with EUAA Policy Manager Dr Leigh Clemow, should you have any questions.



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