



27 April 2026

Anna Collyer  
Chair  
Australian Energy Market Commission

Submitted online: [www.aemc.gov.au](http://www.aemc.gov.au)

Dear Ms Collyer

### **ECGS Supplier of Last Resort Mechanism – Draft Rule**

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the Australian Energy Market Commission's (AEMC) *East Coast Gas System (ECGS) Supplier of Last Resort (SoLR) Mechanism* Draft Rule.

We recognise there is a desire from governments to ensure the Australian Energy Market Operator (AEMO) has adequate tools to manage threats to supply adequacy in the ECGS. The proposed SoLR mechanism could potentially assist with managing high-demand periods (where necessary) by providing a structured framework for procuring supply, storage and demand response services. Significantly, it could help make AEMO's actions more predictable and transparent relative to a counterfactual scenario where the operator relies on its existing trading powers that are broad in scope and not well defined in terms of how they can be operationalised.

However, there are elements of the proposed SoLR framework, particularly the trigger and cost recovery arrangements, that require refinement so the mechanism does not undermine market-led responses or lock in costs for participants and consumers by seeking to address highly uncertain risks well ahead of operational timeframes. This is given market participants and current operational / regulatory tools have been effective to date in managing extreme demand days, and this is expected to continue where there is sufficient physical supply.

More detailed comments on the design of the SoLR mechanism are provided below.

#### **1. Trigger and establishment of an intervention hierarchy**

Origin agrees a clear and objective trigger is required for the SoLR mechanism to provide market participants with transparency and certainty around its potential utilisation. The Draft Rule explicitly links AEMO's use of the mechanism to the incoming ECGS threat-signalling protocol, with AEMO only permitted to commence tendering for services once a system risk exceeds a 'Tier 3 Threat' level.<sup>1</sup> This seems appropriate, notwithstanding that many of the protocol's key details are yet to be designed. This is given it should correspond to the most severe system threats / risks, and it is only in such circumstances that the use of the SoLR mechanism should be contemplated (on the condition that market response is also insufficient). The Draft Rule does not obligate AEMO to establish SoLR reserves every time a Tier 3 Threat is declared, which is appropriate and supports flexible decision making.

However, we maintain the threat-signalling protocol should also only apply to operational timeframes. As we discussed in our submission to the *ECGS Enhancing reliability and supply adequacy*

---

<sup>1</sup> Draft *National Gas Amendment (ECGS supplier of last resort mechanism) Rule 2026, r. 696B*

*arrangements* Draft Rule this change is necessary to ensure the framework is used in an appropriately targeted way.<sup>2</sup>

Separately, Origin supports the AEMC establishing a hierarchy of AEMO responses as proposed by the Draft Rule, with market participants to address risks first; then AEMO to consider using its 'other functions' (e.g. STTM contingency gas); and finally where there has been an inadequate market response and the threat persists, AEMO to consider using the SoLR mechanism or directions.<sup>3</sup> The hierarchy should also incorporate AEMO's Gas Supply Adequacy and Reliability Conference that is intended to help facilitate a market-led response ahead of any other interventions.

## 2. Cost recovery arrangements

While the Draft Determination acknowledges the limitations of allocating SoLR costs to participants based solely on consumption, including that it "disincentivises prudent contracting", the AEMC has proposed implementing a gross demand-based cost recovery approach rather than a causer pays methodology.<sup>4</sup> This is because, despite strong stakeholder support, the AEMC considers there are complex practical and administrative issues that would make a causer pays methodology challenging to implement.

In Origin's view, an equitable causer pays methodology, even if only applied on a simplified basis, would likely better link cost exposure to behaviour that contributes to system risk relative to the proposed alternative of broadly smearing costs across all market participants. We also consider some of the challenges identified in the Draft Determination could likely be overcome.

The Draft Determination notes there does not appear to be an appropriate existing source of information to enable the accurate calculation of net demand (that is, not only consumption and production, but financial and physical contracts).<sup>5</sup> A relevant proxy that should be considered is to determine and allocate costs to participants that are net withdrawers / purchasers from the AEMO-facilitated markets during a threat period, noting this would rely on information that is readily available to the market operator.<sup>6</sup> While not necessarily required if adopting a simplified model, to the extent any additional information on participant contracts is required to inform cost allocation, AEMO could potentially leverage contract data collected by the Australian Energy Regulator (AER) as part of its routine market monitoring. However, we note there would need to be a clarity around the treatment of this information (e.g. how a given contract type impacts a market participants position) if this approach was adopted.

The AEMC has also expressed concern that SoLR costs are incurred when contracts are executed ahead of time, implying that causers would need to be identified on a forward-looking basis. This issue has previously been contemplated by the AEMC in the context of cost allocation arrangements under the Retailer Reliability Obligation (RRO). In its recent Review of the RRO, the AEMC determined it was appropriate to use participants' actual (rather than forecast) positions to assess compliance and allocate Procurer of Last Resort (PoLR) costs, as reflected in the recommendation to move the Net Contract Position compliance date from T-1 to T.<sup>7</sup> The AEMC considered this change would incentivise positive behaviours (e.g. encourage participants to take additional actions to address risks) and reduce

---

<sup>2</sup> Origin, 2026, *Submission to ECGS enhancing reliability and supply adequacy arrangements – Draft Rule*, p.2

<sup>3</sup> AEMC, 2026, *National Gas Amendment (ECGS supplier of last resort mechanism) Rule 2026, Draft Rule Determination*, p. 7.

<sup>4</sup> Ibid, p. 60.

<sup>5</sup> Ibid.

<sup>6</sup> Where threats occur outside the facilitated markets AEMO could look to utilise pipeline injection and withdrawal data. AEMO already has access to data on pipeline withdrawals and could issue pipeline operators targeted requests for injection data during threat periods.

<sup>7</sup> AEMC, 2024, *Review of the operation of the Retailer Reliability Obligation, Final Report*, pp. 16-17

complexity.<sup>8</sup> If participants' actual positions were used to inform SoLR cost recovery, these same benefits could be realised.

### **3. Incorporation of demand response**

While we remain unsure as to the quantum of commercial and industrial (C&I) demand that could practically respond to system threats, we support integrating demand response into the SoLR mechanism as proposed by the Draft Rule. This avoids the duplication / complexity that would arise from creating two new intervention mechanisms each with its own supporting arrangements (e.g. trigger, cost recovery framework, etc).

### **4. Reserve price limit**

Origin supports the introduction of a price limit as it could provide cost discipline around SoLR procurement. We understand the rationale in setting this limit at the MPC as the AEMC seeks to balance potential costs / distortions associated with inducing additional supply above what would be delivered by the normal operation of the markets. We note it is somewhat difficult to comment on the appropriateness of the level of the price limit at this early stage, and consider it may be prudent to review the level of the price limit following the execution of any SoLR contracts.

### **5. Tender process and contract structures**

Origin supports the proposal to limit AEMO to only using a competitive tender process for SoLR contracts; and not allowing the operator to buy or sell gas directly in the facilitated markets. This should help reduce scheme complexity and avoid the potential distortions associated with allowing AEMO to trade in markets it operates.

The Draft Rule offers AEMO significant flexibility around the design of SoLR tenders / contracts with key details (e.g. timing, eligibility criteria, documentation, payment structures) to be set out in the ECGS Procedures. Providing AEMO with this level of flexibility is appropriate given a variety of services with different characteristics may be procured under the mechanism. We also support the proposal to require AEMO to formally consult on the development of its ECGS Procedures.

### **6. Relinquishment mechanism**

We understand the AEMC's intent in permitting AEMO to relinquish SoLR capacity and services to interested participants, which is to potentially mitigate the risk of AEMO actions crowding out market-led procurement.<sup>9</sup> We generally support the relinquishment framework set out in the Draft Rule, albeit noting many of the key details are still to be defined in AEMO's ECGS Procedures. The Draft Rule also affords AEMO the discretion not to relinquish capacity if this would limit AEMO's ability to address system threats. It would be helpful to work through potential scenarios where AEMO would not relinquish services during the procedure consultation process.

### **7. Reporting arrangements**

We support the proposed reporting arrangements. The publication of summary notices and comprehensive post-intervention reports will promote transparency and accountability around AEMO's use of the SoLR mechanism.

---

<sup>8</sup> Ibid, p. 8-12.

<sup>9</sup> AEMC, 2026, *National Gas Amendment (ECGS supplier of last resort mechanism) Rule 2026, Draft Rule Determination*, p. 54.

## 8. Implementation

The AEMC has proposed that both the SoLR mechanism and threat-signalling protocol would come into effect on 1 April 2027. While we agree these two elements should commence simultaneously, the proposed commencement date is problematic given the entire framework relies on the outputs of the new, untested gas Projected Assessment of System Adequacy (PASA) system that AEMO is only expected to publish from May 2027.<sup>10</sup> To ensure there is sufficient time to resolve any early PASA system issues, we recommend the SoLR mechanism and threat-signalling protocol commence six months after the first PASA reports are published.

If you wish to discuss any aspect of this submission further, please contact Thomas Lozanov at [thomas.lozanov@originenergy.com.au](mailto:thomas.lozanov@originenergy.com.au).

Yours Sincerely,

A handwritten signature in black ink that reads "S Cole". The signature is written in a cursive, slightly slanted style.

Shaun Cole  
Group Manager, Regulatory Policy

---

<sup>10</sup> This is explained further in Origin's submission to *ECGS Enhancing reliability and supply adequacy arrangements* Draft Rule.