



23 April 2026

Australian Energy Market Commission (AEMC)

Via AEMC website: www.aemc.gov.au

National Gas Amendment (ECGS Supplier of last resort mechanism) Rule

Alinta Energy welcomes the opportunity to provide feedback on the proposed East Coast Gas System (ECGS) Supplier of last resort (SoLR) mechanism Draft Determination.

Key points:

- **We support the Commission's intention to clarify the exercise of AEMO's powers but maintain that a SoLR mechanism would not adequately address underlying supply issues and is likely to be highly distortionary to the market.**
- **A well-designed administered demand response mechanism may reduce the need for a supply-side SoLR mechanism.**
- **The mechanism should embed sufficient flexibility in tier assessments to prevent the early escalation to intervention driven by conservative interpretations of forecasts and misaligned incentives.**
- **Joint development of the procedures underpinning the risk or threat signalling framework between AEMO and industry is necessary to ensure proportionate responses to threats and to mitigate potential conflicts of interest.**
- **When required within a facilitated market, SoLR gas should be scheduled last to retain market signals and ensure the clearing price is reflective of the scarcity.**
- **A causer pays methodology should be considered in recovering SoLR costs.**
- **Full transparency should be provided to the market in the exercise of SoLR powers.**

We support the Commission’s intention to clarify the exercise of AEMO’s powers but maintain that a SoLR mechanism would not adequately address underlying supply issues and is likely to be highly distortionary to the market.

Alinta Energy supports the Commission’s intent to provide further guidance to AEMO in using its powers in the case of ECGS RSA threats.

However, we maintain our position that a SoLR mechanism would not adequately address underlying supply issues and is likely to distort the market. As set out in our prior submission¹, we continue to hold the view that:

- Forecast gas shortfalls are driven primarily by a lack of new gas development, which interventionist mechanisms alone cannot resolve.
- Expanding AEMO’s intervention powers through a SoLR mechanism risks distorting price signals, contracting arrangements and investment incentives, potentially undermining market confidence and exposing consumers to increased cost and price risk.
- The proposed threat signalling framework in the ‘ECGS enhancing reliability and supply adequacy arrangements’ (ERSAA) rule change can adequately address some of the proponent’s concerns of insufficient guidance to existing AEMO powers.
- Consideration of the SoLR proposal should be deferred until the outcomes of both the Gas Market Review and the proposed extension of AEMO’s reliability and supply adequacy functions², to ensure regulatory settings are coherent, appropriately calibrated, and do not undermine investment certainty.

While our concerns remain unchanged, we acknowledge the Commission’s intention to proceed and therefore provide the following recommendations to refine the proposal, better manage the risks identified above and support its effective implementation.

Demand and supply options

A well-designed administered demand response mechanism may reduce the need for a supply-side SoLR mechanism.

We remain supportive of a well-designed demand response mechanism. We consider that a demand response mechanism would be more effective in averting shortfalls than a supply-side response. A demand response mechanism would address the supply-demand balance, by reducing demand while a SoLR mechanism is unable to create new gas, and we note that in periods of tight market conditions, participants will be utilising all available supply.

Noting this, we see benefit in the Commission’s proposal for availability payments to provide sufficient incentives for demand-side participation. To reinforce this outcome, we propose that the final rule be agnostic around either option (supply or demand) to help avoid or reduce the forecast shortfall.

¹ Alinta Energy response to the Consultation Paper, 30 October 2025.

² ‘Proposed Extension of AEMO’s East Coast Gas System Reliability and Supply Adequacy Functions’, DCCEE, 7 January 2026.

Preconditions and triggers

The mechanism should embed sufficient flexibility in tier assessments to prevent the early escalation to intervention driven by conservative interpretations of forecasts and misaligned incentives.

In finalising the SoLR mechanism, the Commission should adopt a risk hierarchy that provides certainty to AEMO and market participants, while embedding sufficient flexibility in forecast-based tier assessments to support proportionate, market-first outcomes.

A structured hierarchy can assist in clarifying when AEMO would utilise the SoLR mechanism; however, the underlying criteria must be designed to avoid overly conservative interpretations of forecasts that could prematurely escalate risks, particularly to a Tier 3 threat.

Consistent with a market-first approach, the SoLR mechanism should be exercised only after the market has had a reasonable opportunity to resolve emerging supply risks through commercial responses. This requires that tier escalation be informed not only by the existence of forecast supply gaps, but by the degree of confidence that can reasonably be placed on those forecasts (of both supply and demand) at the time the assessment is made.

Forecast inputs used to assess supply shortfalls, including PASA (including the existing electricity PASA), GSOO and notices of closure, are inherently uncertain and subject to change as market conditions evolve. The framework should therefore allow flexibility in how these inputs are weighed, reflecting their varying levels of accuracy and reliability. Without such flexibility, there is a risk that conservative interpretations of forecast data could drive premature SoLR activation.

Accordingly, the final rules should explicitly provide sufficient discretion in tier assessments to prevent early escalation to intervention in circumstances where market-based solutions remain viable. In doing so, the Commission should give due consideration to the approach adopted in the ECGS PASA Final Rule when developing the final SoLR framework.

Joint development of the procedures underpinning the risk or threat signalling framework between AEMO and industry is necessary to ensure proportionate responses to threats and to mitigate potential conflicts of interest.

The proposed approach to developing the risk or threat signalling framework in the ERSAA draft rule³ raises a potential conflict of interest in the exercise of the SoLR mechanism. As the use of the mechanism is predicated on the tiered risk or threat signalling function, we maintain our concerns⁴ on the potential conflict of interest in allowing AEMO to set the criteria that may trigger its own intervention powers. Joint development would also facilitate industry input into the data sources, indicators and assumptions underpinning the tier thresholds, helping ensure that risk classifications reflect operational and market realities.

³ 'Enhancing reliability and supply adequacy arrangements - Draft determination', AEMC, 26 Feb 2026.

⁴ Alinta Energy response to 'Enhancing reliability and supply adequacy arrangements', 09 April 2026.

Consistent with our response⁵ to the 'Enhancing reliability and supply adequacy arrangements' (ERSAA) draft determination, industry should be jointly involved in the development of detailed assessment and risk or threat classification procedures. This would include mandated industry collaboration through working groups, and a shared decision-making mechanism. We consider that this would mitigate the potential conflict of interest associated with the market operator setting its own intervention triggers and address concerns regarding overly conservative thresholds.

Operating a SoLR mechanism

When required within a facilitated market, SoLR gas should be scheduled last to retain market signals and ensure the clearing price is reflective of the scarcity.

Further consideration is required on how the mechanism will establish any gas 'contracted' under the SoLR mechanism that would not have already been available to the market in a Tier 3 threat period. In a period of tight supply and demand balance, participants are already highly incentivised to ensure every GJ of gas is made available, given the high exposure to DWGM & STTM market price caps. We note the existing RERT framework provides some guidance on this, for example emergency resources must not be available to the NEM within existing contracts. Applications to the SoLR mechanism could include requirements that a participant holding 'length' across a period should not have access to any SoLR contract given this gas would have been available anyway. Similarly, any contractual flex under existing contracts should not have access to any SoLR contract.

While we recognise the logic behind the Commission's intent to set an upper price limit for SoLR procurement at the DWGM market price cap, it remains unclear how this may interact with STTM price caps which are currently set at \$400/GJ. SoLR gas should operate as a last-resort, however, further consideration is required on how gas procured under SoLR is priced and bid into facilitated markets to avoid unintended distortions to existing price signals.

We recommend that any gas procured under a SoLR contract must be scheduled last into the facilitated markets to ensure we retain existing scarcity price signals. It is less clear how these signals can be maintained when AEMO is procuring SoLR gas outside of the facilitated markets

It remains unclear how the SoLR provider and AEMO would nominate and schedule gas outside of the facilitated markets. While we recognise that the detailed aspects of these processes would be better dealt with by AEMO procedures we underscore the need for the Commission to ensure that any rule is formulated to ensure that market distortions are minimised.

More broadly, the Commission should further consider how the introduction of SoLR gas into the east coast market may affect price formation, clearing, offer and bid prices, and intra-day signals, especially during periods of shortage. Without careful design, the nomination, scheduling and injection of SoLR gas risks distorting market outcomes in precisely those circumstances where transparent price signals are most important for market participants to respond.

⁵ Alinta Energy response to 'Enhancing reliability and supply adequacy arrangements', 09 April 2026.

Accordingly, we recommend the final rules make clear that:

- Any SoLR gas must be out of the market: it must be proved that it would not have been available to the market otherwise; and
- SoLR gas is scheduled into facilitated markets *only after* all market-based supply has been exhausted.

Cost recovery

A causer pays methodology should be considered in recovering SoLR costs.

While we acknowledge the challenges associated with implementing a causer-pays methodology for cost recovery, we consider further effort should be directed toward adopting such an approach for the SoLR mechanism. This is particularly critical if ongoing scarcity price signals cannot be maintained if a SoLR contract is utilised.

A gross demand-based cost allocation framework spreads costs across all users, including those who have prudently managed their supply exposure, while weakening incentives for efficient contracting, supporting new gas to market and encouraging the very behaviour that could lead to further interventions.

A more targeted causer pays approach would be materially fairer and better aligned with efficient market outcomes. Allocating SoLR costs to those whose commercial positions contribute to the need for intervention would preserve market discipline and ensure the costs of last-resort action are borne by those best placed to manage the underlying risk, rather than being broadly and inequitably distributed across all gas users.

This approach would reinforce the principle that government-backed intervention should not crowd out commercial behaviour, stifle efficient scarcity signals, and should only operate where market solutions have demonstrably failed.

Market notices, accountability & transparency

Full transparency should be provided to the market in the exercise of SoLR powers.

Where AEMO intervenes through SoLR, the proposed post-intervention reporting should clearly set out the rationale for intervention, why market responses were insufficient, and the impact of the intervention on market outcomes. These post-intervention reports should be publicly available to ensure accountability and support confidence in the proportional and appropriate use of SoLR powers.

In addition, contracting arrangements for SoLR tenders should be published. Given that SoLR costs are ultimately borne by the market, participants should have visibility of who supplied services to AEMO, the volumes contracted, and the prices paid (or at least the total cost of the SoLR contract). Transparency in tender outcomes is critical to maintaining trust in the mechanism, enabling informed market participation, and ensuring that SoLR does not distort competition or price signals beyond what is necessary to address the identified reliability threat.

Thank you for your consideration of Alinta Energy's submission. If you would like to discuss this further, please get in touch with Isidora Stefanovic at

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Yours sincerely,

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