

AUSTRALIAN ENERGY MARKET COMMISSION | DRAFT RELIABILITY ARRANGEMENTS FOR EAST COAST GAS SYSTEM

Australian Energy Producers | 28 April 2026

Australian Energy Producers welcomes the opportunity to provide feedback on the draft rules published by the Australian Energy Market Commission (AEMC) relating to enhancing reliability and supply adequacy arrangements and the supplier-of-last-resort mechanism.

The east coast gas market is well supplied and is expected to remain so to 2030 and beyond.

Gas system conditions are more favourable than governments anticipated when developing the reliability and supply adequacy framework. In 2023, AEMO was forecasting a tight and deteriorating market, with structural shortfalls as early as 2027. In 2026, AEMO expects the east coast gas market to remain well supplied in the near term, owing to increased supply capability and moderating demand. At the same time, AEMO makes clear that ongoing investment in new gas supply is critical to avoid shortfalls from 2030.¹

Australian Energy Producers welcomes the proposal for a tiered risk and threat signalling framework and the decision not to proceed with a single, system-wide gas reliability standard.

The proposal, which aims to classify the severity and probability of risks, encourage market-led responses, and clarify when AEMO will consider exceptional measures, aligns with Australian Energy Producers' previous feedback. The approach recognises the importance of considering the performance of the east-coast gas market in total and by region, increasing the transparency and predictability of measures taken by the Australian Energy Market Operator (AEMO), and avoiding punitive actions against market participants.

Australian Energy Producers strongly agrees with the AEMC that stage 2 gas reforms should focus on “better information and better signalling, not more intervention”.²

Recommendations

- 1. The proposal to provide AEMO with a new supplier-of-last-resort mechanism should be paused until the implementation of Gas Market Review reforms is complete.**
- 2. The supplier-of-last resort rules should require AEMO to take account a range of critical factors** including domestic supply obligations under the national reservation scheme, the implications for forecast threats and risks within the east-coast gas system, and assessments of market responses.
- 3. Any refinements to the Gas Statement of Opportunities and Victorian Gas Planning Report should use existing reporting processes** to streamline regulatory requirements for market participants, consistent with recommendation 3 of the Gas Market Review.
- 4. The proposed Gas Reliability Committee must include strong gas market and commercial expertise**, not just electricity and market operator perspectives, given that the gas market differs fundamentally from the electricity sector.

Further detail on the Australian Energy Producers recommendations is provided below.

¹ Australian Energy Market Operator, [2026 Gas Statement of Opportunities](#), 26 March 2026.

² Andrew Lewis, Executive General Manager, Consumer, Markets and Analytics, [Stage 2 gas reforms](#), speech to Australian Domestic Gas Outlook, 1 April 2026.

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COMMENTS

The implementation of the supplier-of-last-resort mechanism should be paused to calibrate it to the prospective reservation policy under development as part of the Gas Market Review.

The Gas Market Review concluded that “fundamental reform is needed” to establish “a more efficient, streamlined regulatory framework supported by complementary measures”, and to “improve investor confidence by establishing clear, predictable, and transparent market settings, supporting supply security in the long term”.³ The AEMC’s draft rule establishes the supplier-of-last-resort mechanism as an exceptional trading or demand management tool (not an emergency power) that is to be used in high-risk but forecasted situations. The mechanism comes into play when AEMO signals a severe and likely threat to the reliability and supply adequacy of the east-coast gas system, and all options for timely market responses have been exhausted.

However, in its current form, the supplier-of-last-resort mechanism does not yet take account of the impending national gas reservation scheme or the sequencing of domestic supply obligations. Requiring AEMO to consider the operation and effects of the reservation scheme would help to avoid perverse outcomes, whereby AEMO contracting under the supplier-of-last-resort mechanism inadvertently competes with or undermines the process of offering gas domestically under the scheme. Australian Energy Producers therefore recommends delaying implementation of the supplier-of-last-resort rules until the reservation scheme and related regulatory reforms have been finalised and come into force, so the new mechanism operates in a stable, predictable policy environment, rather than compounding uncertainty for producers.

Reporting and forecasting refinements should be implemented by leveraging existing reporting processes rather than creating parallel obligations.

The Gas Market Review concluded that existing regulatory instruments have “introduced inflexible processes” and contributed to “a growing compliance burden across the gas sector.”⁴ Consistent with the government’s commitment to cut red tape, the implementation of stage 2 gas reforms should be explicitly linked to streamlining reporting requirements, including by allowing agencies to share data with other agencies and internally, where reporting entities give express permission.

The proposed Gas Reliability Committee must include strong gas-market and commercial expertise alongside electricity and market-operator perspectives.

Gas markets differ fundamentally from electricity in investment lead times, production dynamics and contract delivery. New gas supply cannot be contracted if it is not produced, and development timelines are materially longer than for many electricity resources. Rule-makers and committees that lack this commercial gas perspective risk designing settings that distort contracting incentives or penalise firm contracting, rather than facilitating efficient market solutions. Australian Energy Producers therefore requests explicit committee membership criteria that secure upstream production, pipeline and commercial contracting expertise

³ Department of Climate Change, Energy, the Environment and Water and Department of Industry, Science and Resources, [Gas Market Review Report](#), 22 December 2025, pp. 5, 89.

⁴ *ibid.*, p. 76.