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Dear Meredith

AEMC draft determination – ECGS Supplier of last resort mechanism

Jemena welcomes the opportunity to respond to the Australian Energy Market Commission's (**AEMC**) draft determination on the proposed National Gas Amendment (ECGS Supplier of last resort mechanism) Rule 2026.

Jemena acknowledges the AEMC's incorporation of several elements raised in our November 2025 response to the consultation paper, including limiting activation of the SoLR mechanism to the highest tier of shortfall risk identified under the proposed three-tier risk or threat signalling framework, excluding operational factors from the activation trigger and avoiding additional reporting obligations on pipeline service providers to identify supply threats.

We welcome the meaningful consultation in this regard and note that while Jemena broadly supports the proposed design of the SoLR framework as set out in the draft determination, we submit that the following specific issues should be considered further:

1. The draft rule should expressly include liquefied natural gas (**LNG**) import services under the SoLR
2. The SoLR principles should not incorporate the consideration of emissions targets.

We also emphasise the need to ensure that price cap settings in facilitated markets are set at levels which incentivise appropriate supply risk management decisions by market participants, to ensure that mechanisms such as the SoLR genuinely act as a last resort only.

LNG import services are a legitimate option for SoLR services

AEMO has stated it believes it cannot contract LNG import services under the current framework due to the definition of 'covered gas'. However, we submit that the AEMC should remove this barrier by considering whether the draft rule can expressly include the importation of LNG within the scope of eligible SoLR services.

Including LNG import services as being eligible for the SoLR mechanism alongside other service types would be a prudent and proportionate change that would preserve, rather than displace, competitive market functions. It would increase the flexibility, effectiveness and efficiency of the SoLR mechanism in last resort scenarios where conventional supply options

– such as transporting gas from northern Australia via pipeline – may be exhausted and LNG imports may be the only viable means of addressing a physical shortfall.

However, Jemena's support for including LNG import services in the SoLR mechanism is inseparable from our position that the mechanism must remain genuinely last resort in character. This includes preserving the clear distinction between the SoLR's functions – which are focussed on shorter-term supply risks and targeted by design – and any broader power to direct, incentivise, or underwrite investment in new gas supply or infrastructure on a structural or ongoing basis – such as the Long Term Reliability and Supply Adequacy (**LT RSA**) tool currently under consideration by the Energy and Climate Change Ministerial Council (**ECMC**). In this regard, our support for removing barriers to LNG contracting within the SoLR mechanism is entirely consistent with our opposition to the LT RSA proposal and does not presuppose or pre-empt ECMC's consideration of the LT RSA.

To this end, we see the distinction as straightforward: expanding the SoLR to include LNG import services is a modest change that would broaden the options available for the mechanism to address acute shortfalls through a tightly controlled process. The LT RSA reforms, while potentially dealing with the same molecule, contemplate a longer-term, more permanent intervention in the gas market that would supplant, rather than support, critical market functions and act as a handbrake on private infrastructure investment. These are not like-for-like and, ultimately, an LT RSA is incompatible with maintaining key market principles in a way that a modest change to the SoLR mechanism (noting the current existence of the AEMO trading fund) would seek to preserve.

The opportunity exists to provide an important gas supply option through this process without distorting the long-term function of the market or materially discouraging investment. Accordingly, the sequencing of any change to the SoLR provisions to include LNG import services should be treated as a matter of priority ahead of other, parallel reforms in this space, such as the introduction of an LT RSA mechanism.

The SoLR principles

The SoLR principles proposed by the AEMC are generally sound and appropriate for assessing potential SoLR services. However, incorporating emissions targets into these principles may introduce additional complexity into the assessment process which would be counterproductive.

There may be tension between this factor and the primary SoLR objective of addressing a supply shortfall. In circumstances where a SoLR contract is required, AEMO is likely to be operating under significant pressure to secure sufficient supply at least cost to consumers. Introducing an additional requirement to consider greenhouse gas emissions reduction may therefore impede timely action or result in more costly SoLR services.

Consideration of emissions is already embedded within the National Gas Objective and we believe this provides an adequate framework to guide AEMO's decision-making where relevant without the need for the inclusion of a specific SoLR principle.

Interaction between facilitated market settings and the need for SoLR services

Jemena considers that, with appropriate price signals, policy settings and incentives, the market can deliver a resilient east coast gas system with sufficient resilience to manage low probability, high impact events. Stable policy and regulatory settings are fundamental to effective market operation and should provide strong incentives for participants to maintain

supply adequacy and avoid sustained shortfalls, particularly given the severe economic consequences associated with gas shortages.

Supply adequacy risks can arise where market mechanisms are distorted. For example, price caps in facilitated markets when set too low can stall investment needed to manage low-probability, high-impact events, while sustained government intervention risks crowding out private investment. It is therefore important that settings such as the administered price caps are set acknowledging an appropriate degree of price variability to preserve incentives for timely and efficient investment by market participants.

Should you have any questions please do not hesitate to contact James Harding, Gas Transmission and Processing Regulation Manager, at james.harding@jemen.com.au.

Yours sincerely



Ana Dijanosic
General Manager Regulation