

23 April 2026

Australian Energy Market Commission
Via AEMC website portal: GRC0077

Submission to ECGS Supplier of Last Resort draft rule determination

Dear Sir/Madam

Squadron Energy (SQE) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) draft rule determination in respect of the Supplier of Last Resort mechanism.

We are Australia's leading renewable energy company that develops, operates and owns renewable energy assets in Australia. We have 2 gigawatts (GW) of renewable energy in operation and construction, and will be the single biggest contributor to helping Australia meet its renewable energy and decarbonisation targets.

Our development pipeline has projects at differing stages of development and includes wind, solar and firming capacity such as batteries and gas peaking plants. We also own a fully constructed LNG regasification terminal at Port Kembla in NSW (PKET) designed to support system reliability and manage peak gas demand in the face of declining domestic gas production.

SQE welcomes the AEMC's draft rule to create a supplier of last resort mechanism (SoLR) which aims to provide guidance to the Australian Energy Market Operator (AEMO) on how it can use the East Coast Gas System (ECGS) trading function under the National Gas Law (NGL). SQE supports the greater clarity and certainty that the draft rule would provide AEMO, industry participants, jurisdictions and consumers compared with the current trading function. We also support the introduction of a tiered threat framework under the ECGS enhancing reliability and supply adequacy arrangements which provides the guidance for AEMO in respect of the use of its SoLR directions and trading function.

We strongly support the overarching need to maintain industry participants' investment and contracting incentives and consider that the proposed tiered assessment classification should assist in preserving those incentives.

More broadly, SQE supports the overarching framework proposed under the SoLR draft rule and does not intend to comment on any of the various aspects of that rule, other than with one significant exception.

SQE notes that the AEMC does not intend to provide for the ability of AEMO to contract LNG, or LNG storage services, under the proposed SoLR mechanism. While SQE acknowledges that LNG may not be considered a 'covered gas' under the NGL, SQE does not consider that this, of itself, provides a sufficient basis to preclude AEMO from accessing such products or services. In SQE's view, the SoLR framework should retain the flexibility to allow AEMO to procure LNG related products or services where these represent the least cost option available to AEMO and are effective in addressing the identified gas supply adequacy or reliability risk.

SQE acknowledges that the Commonwealth and jurisdictions are currently consulting on the introduction of the LT RSA tool which proposes, among other things, to:

- Clarify the scope of AEMO's ECGS function to specify that AEMO may also trade in LNG

- Expand the definition of relevant entities as it relates to AEMO's ECGS directions powers to include LNG service providers and suppliers
- Allow AEMO to invest in LNG regasification facilities

However, there is significant regulatory sequencing risk associated with deferring consideration of including LNG regasification services within the SoLR framework. The timing of the LT RSA consultation process remains uncertain, and if Energy Ministers were to progress an LT RSA model that provides for AEMO to consider investment in LNG facilities under that framework, a material period would be required to develop and legislate that framework. This would in turn necessitate subsequent amendments to the SoLR mechanism to provide for AEMO to consider procuring of LNG regasification services under that mechanism, creating the prospect of misaligned or delayed regulatory tools relative to the supply adequacy and reliability risks the SoLR is intended to address.

Given these timing uncertainties and considering that the AEMC is proposing to have the SoLR mechanism implemented by winter 2027, it would seem a more prudent approach would be to provide for AEMO to procure services available from LNG regasification terminals in the SoLR mechanism at the outset.

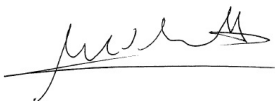
SQE notes that the National Gas Law and National Gas Rules already have provisions that place obligations on LNG regasification and LNG export facilities. Further, SQE is not aware of the reasons as to why LNG appears to have been excluded from the definition of 'covered gas' under the NGL, and acknowledges that there may be very good reasons as to why it is. However, having regard to the problem the SoLR mechanism is designed to address, SQE considers that there is no evident basis for explicitly excluding LNG regasification services from eligibility for procurement by AEMO.

Given the forecast potential scale of gas supply shortfalls identified in both successive Gas Statement of Opportunities, and in successive ACCC Gas Inquiry reports, it is clearly foreseeable that services that could be provided by regasification facilities could be the most efficient option available to AEMO to address any future forecast supply shortfall.

For the above reasons, we encourage AEMC to reconsider its position to await the outcomes of the LT RSA consultation process, and include within the SoLR mechanism the ability for AEMO to procure services available from an LNG regasification facility, should such services be found to be appropriate in the context of the SoLR decision making framework.

If you would like to discuss this submission or any related content, please contact walter.schutte@squadronenergy.com.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Walter Schutte', written over a horizontal line.

Walter Schutte

EGM, Customer and Energy Markets