

AEMO ECGS RELIABILITY AND SUPPLY ADEQUACY FUNCTIONS CONSULTATION PAPER

13 FEBRUARY 2026

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial (C&I) energy users. Our members are the engine room of the Australian economy, producing many of the products that households and business use every day including bricks, glass, steel, cement, aluminium, paper, fertilisers, explosives, food and beverages. Combined, our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

Thank you for the opportunity to make a submission to the AEMO ECGS Reliability and Supply Adequacy Functions Consultation Paper (Reliability and Supply Adequacy Consultation Paper). The EUAA have long advocated for significant changes to the domestic gas market that would deliver better outcomes for Australian businesses and households. We are supportive of the general direction of the current reform agenda (including the Gas Market Reform Final Report¹) as governments seek to deliver reliable supply at competitive prices.

We continue to be conscious of the negative impact of regulatory change on investor confidence and the willingness for counterparties to enter into long-term Gas Supply Agreements (GSA's) and we hope that with a satisfactory outcome from the current reform processes, including the successful introduction of a domestic gas reservation scheme, that governments will no longer feel compelled to intervene in gas markets to protect Australian energy users.

After a period of uncertainty there is now widespread support for the continuing role for gas in terms of both electricity generation to support a VRE dominant energy system and as an input to our manufacturing industries that supply products consumers use every day. However, while attitudes have shifted, the need for decisive action has never been more acute. It is the experience of EUAA members that the market has failed to supply gas at competitive terms and conditions, despite well-meaning government intervention over many years. The reasons for this have been well articulated in the Gas Market Reform Final Report.

The uncompetitive state of the domestic gas market is particularly problematic for manufactures exposed to international competition and extreme pressure from low cost imports. These factors, along with significant international uncertainty driven by financial and military conflict, has stymied the ability of large commercial and industrial customers to enter into long-term gas supply agreements. Unfortunately we have already seen demand destruction occurring with a number of significant industrials closing their doors in recent years with escalating gas prices seen as a major contributor to these decisions².

¹ <https://www.dccew.gov.au/energy/markets/gas-markets/gas-market-review> The Gas Market Review Final Report was delivered to Energy Ministers on 22 December 2025.

² <https://www.afr.com/policy/energy-and-climate/gas-costs-could-sink-more-manufacturers-after-genos-aig-20240418-p5fl03>

Modelling undertaken by ACIL Allen as part of the Reliability and Supply Adequacy Consultation showed considerable benefit of facilitating investment (should the need be clearly identified) including “avoiding 122 PJ of demand destruction.”³

Using the concurrent process of delivering key recommendations of the Gas Market Reform Final Report and an appropriately designed and highly targeted Supply Adequacy Consultation Paper (should it be deemed necessary), we have the opportunity to develop a framework that can stand the test of time, can be adaptive to future market changes and produce an outcome that appropriately balances the interests of both buyers and sellers.

We strongly recommend a high degree of coordination between these concurrent work streams as consumers seek the most efficient market design possible with the least amount of regulatory uncertainty and government intervention. Continued regulatory uncertainty is a bad outcome for sellers and buyers of gas. Therefore, we look forward to continued engagement with government, market bodies, supply side participants and commercial and industrial energy users as we can only truly solve the gas crisis once and for all through respectful engagement and constructive dialogue that leads to a well-designed and executed package of reforms.

OVERARCHING COMMENTS

Gas shortages are a particular concern on peak demand days where there is a lack of flexibility and or availability of short-term supply, storage and transportation services. In most cases it appears we have sufficient “average day” supply of gas (or potential supply of gas) but it is not always available when and where it is needed the most. There are also issues associated with market power of a small number of large producers and the high barriers to entry for providers of new gas supply and associated services, especially where long-term GSA’s are required to underpin financial arrangements.

In a well-functioning domestic gas market that includes a domestic gas reservation policy, there should be no need for AEMO or Ministers to intervene via an asset underwriting approach as described in the Reliability and Supply Adequacy Consultation Paper. However, the emergence of well-functioning domestic gas market is not guaranteed and at the very least may take some time to evolve. Therefore we are open to supporting some form of underwriting approach for new gas production, storage and other related infrastructure where it is targeted at resolving these issues provided that:

- The design of the LT RSA does not create an environment where it is not seen as a “last resort investment tool” but as the primary driver of all future investment that simply transfers risk and cost from market participants to consumers.
- New gas supply underwritten by the LT RSA must form part of the proposed Domestic Gas Reservation Scheme announced by the Federal Government on 22 December 2025⁴.
- Smaller gas producers be given priority access to underwriting of new gas supply via the LT RSA. This would result in more supply and more suppliers which would lead to a more competitive domestic market.
- We ensure the highest level of transparency and accountability of Ministerial and/or AEMO decisions, including the expected cost impact on consumers. It would be of great concern to consumers if the

³ Reliability and Supply Adequacy Consultation Paper, Page 20

⁴ <https://www.minister.industry.gov.au/ministers/king/media-releases/affordable-gas-australian-homes-and-businesses>

assessment and decision-making process is a “black box” as this would erode consumer trust and undermine private investment.

- We ensure, to the greatest extent possible, minimal duplication and strong alignment with existing and/or emerging policy frameworks including existing gas trading arrangements and emerging platforms in electricity.
- There is an equitable cost sharing arrangement that includes ensuring those who have already entered into long-term supply arrangements (i.e. have already underwritten new supply) are not also forced to pay a broader underwriting cost.

According to the Reliability and Supply Adequacy Consultation Paper, the primary problem that needs to be addressed is:

“..market participants have noted increasing barriers to entering contracts for the term and/or scale that proponents require to make a final investment decision (FID) and proceed to develop the project (see Figure 2.1). This increasingly means that contracting arrangements alone are failing to provide the required revenue certainty for investments to proceed.”⁵

There are many parallels with the issues identified in the Reliability and Supply Adequacy Consultation Paper and the electricity industry as articulated in the recent NEM Wholesale Market Settings Review (Nelson Review) that was delivered to Energy Ministers on 16 December 2025⁶. The so called “Tenor Gap”⁷ identified by the Nelson Review is very similar in nature to the issues described in the Reliability and Supply Adequacy Consultation Paper, being a reluctance for counterparties to enter into a long-term contracts to underpin new asset development.

In response, the Nelson Review has proposed the establishment of the Electricity Services Entry Mechanism (ESEM) while the Reliability and Supply Adequacy Consultation Paper proposes to implement a long-term reliability and supply adequacy (LT RSA) tool where it is clear that the market is unable (or unwilling) to invest. While the two responses seek to resolve similar issues (lack of long-term revenue certainty) in similar ways (they are both intended to provide underwriting support for new investment) the ESEM is intended to be a permanent, “always on” feature of the electricity market from 2030 onwards while the LT RSA is only to be used as “a last resort investment tool”.

This key difference and the method of determining if the last resort investment tool is genuinely required will be one of the biggest design challenges facing the LT RSA. For example, how will it be determined that the potential shortfall is likely to occur as a result of genuine investment barriers or as a result of project proponents seeking to create an environment where a long-term, government sponsored contract is made available. Many project proponents may prefer the AAA credit rating these government backed agreements would offer, making financing more attractive than if contracting with a counter-party with a lower credit rating⁸.

⁵ Reliability and Supply Adequacy Consultation Paper, Page 10

⁶ <https://www.dccew.gov.au/energy/markets/nem-wms-review>

⁷ This article provides a good overview of the approach proposed by the Nelson Review

<https://energysynapse.com.au/esem-explained-how-the-nelson-review-improves-bankability-for-renewables-and-storage/>

⁸ A majority of Australian non-government energy companies and most large industrials have BBB credit ratings

Transparency and accountability will be key to ensuring that project proponents do not attempt to game the LT RSA by creating a potential shortfall. In this regard we are in general agreement with the approach described in Section 3.7 of the Reliability and Supply Adequacy Consultation Paper⁹ although more detail is required.

There will always be a concern that intervention by government may hinder private investment and the normal functioning of markets. There will also be concerns that energy users and/or taxpayers will take on risks that project proponents should normally take. However, the LT RSA is intended as a last resort mechanism, meaning it is only triggered if it is clear that private investment isn't flowing, or markets are failing to deliver the desired outcome. Therefore, the design detail will be absolutely crucial to ensuring the LT RSA does not inadvertently result in disincentivising private investment.

From a consumer protection perspective, we take some confidence from the following statement from the Reliability and Supply Adequacy Consultation Paper that describes the overall approach to be adopted.

“The mechanism has been designed to favor selecting projects where a significant proportion of the project has been underwritten by foundation customers contracts (i.e. customers from the outset of the project) or by the project proponent itself. This is intended to ‘crowd in’, rather than ‘crowd out’, investment and promotes selecting projects that are sought by the market, minimizing the likelihood of ‘white elephants’ (see section 3.3.2).”

We look forward to working through the details of how this actually occurs.

Other issues that must be addressed include:

- While a competitive tender can be a reasonably efficient means of delivering a least cost outcome, the structure and rules of competitive tenders must guard against “zombie bids and/or zombie projects¹⁰”. The Federal Governments Capacity Investment Scheme (CIS) included a number of design elements intended to avoid zombie projects but despite granting significant numbers of contracts, most projects have yet to achieve financial close¹¹. It is speculated that in order to win a CIS contract many of the winning proponents offered price bands that were too low to attract suitable financing arrangements so careful consideration of tender design is critical. Some suggestions that may limit the impact of zombie bids/projects could include:
 - Strict prequalification that require projects to have planning and environmental approvals well advanced or in place
 - Milestone based contracts that include “use it or lose it” clauses where projects are terminated if they fail to meet specific financial and/or commencement of construction dates
 - Oversubscribed tender approach where more contracts than needed are awarded to create a competitive environment where only those who reach financial and/or commencement of construction dates

⁹ Reliability and Supply Adequacy Consultation Paper, Pages 35 and 36

¹⁰ Zombie bids are a common occurrence in auctions of this nature where bidders deliberately underbid the auction for the sole purpose of excluding and or damaging competitors. Zombie projects may be genuine bids but are delayed for a range of issues but still create “pinch points” in policy delivery timelines

¹¹ <https://www.infradebt.com.au/post/why-the-cis-s-design-is-stranding-australia-s-renewable-pipeline>

- Financial penalties and/or conditions that includes a “bid bond” or security deposit that would be forfeited if the proponents fails to reach financial close.
- Any form of underwriting has the potential to shift most of the project development and price risk from the seller to the Australian energy consumer, more so than in the case of a long-term bilateral GSA between buyers and sellers where risks tend to be more evenly shared (although a majority if price risk still sits with the buyer). Ensuring the scheme design focusses not only on lifting supply but increasing competition will be important to help balance the “risk-reward” trade-off for Australian energy users.
- It is our view that if the Australian taxpayer and/or energy user is providing underwriting support for new gas supply and infrastructure then they must receive all of the benefits. It would be completely unacceptable if new gas production occurred as a result of the LT RSA only for the proponent to use this increased supply to gain access to LNG export markets, either directly (sale of new gas supply to an LNG exporter) or indirectly (LNG exporter using this increased supply to fill contract volumes or take advantage of LNG spot markets). Therefore, new gas supply underwritten by the LT RSA must form part of the proposed Domestic Gas Reservation Scheme announced by the Federal Government on 22 December 2025¹² and it must result in a genuine increase in domestic supply, not simply a re-shuffling of existing gas.
- We do not believe the LT RSA should support LNG Import Terminals (or associated infrastructure such as expanded pipeline capacity) as imported LNG is likely to be more expensive and have higher emissions than locally sourced gas. The LT RSA must be focussed on delivering more domestic gas and improving market competition.
- The ACCC has long identified the market power of the LNG exporters¹³. Therefore, not only do we need more domestic gas supply, but we also need a greater diversity of domestic gas suppliers. This is an opportunity to begin to address this market power problem. We would recommend that smaller gas producers be given priority access to underwriting of new gas supply via the LT RSA. This would result in more supply and a more competitive domestic market.

RESPONSE TO CONSULTATION PAPER QUESTIONS

QUESTION	EUAA RESPONSE
1. Is the market likely to respond to the projected supply shortfalls identified by both AEMO and the ACCC? If you consider the market is unlikely to respond, why do you think that is?	It is more likely than not that the market will respond to near-term shortfalls of “average day” gas as they always have, but this is likely to come from reallocation of existing reserves (i.e. re-direction of potential spot cargoes). However, there is reason to doubt a longer-term investment horizon given the reasons articulated in the discussion paper. The near-term issues appear to be far more acute for expanded storage and pipeline infrastructure. We need more peak-day storage which would be hard to justify given the intermittent need while expanded pipeline capacity would be difficult to finance given the long-term (50+ years) nature of these investments.
2. Do you agree with the list of investment related barriers identified in section 2.2? Are there other barriers that you think may be impeding market-led supply-side investments in the ECGS? What do you consider is the main barrier(s) to supply-side investment?	We do not necessarily believe that buyers reluctance to enter into long-term GSA's is a cause of the investment barrier problem, but more a symptom of an uncompetitive market. We would argue that buyers don't enter into these agreements because the pricing and risk profile is unacceptable. We do not see that long-term GSA's offer a significant price discount in exchange for the customer taking long term price risk. It is all risk and little reward.
3. Do you think the market will be able to overcome these barriers to investment in time to address the	We can certainly see scenarios where the market is unable (or unwilling) to overcome the barriers outlined in the discussion paper. If this is the case then it

¹² <https://www.minister.industry.gov.au/ministers/king/media-releases/affordable-gas-australian-homes-and-businesses>

¹³ <https://www.accc.gov.au/media-release/lng-exporters-must-divert-gas-to-the-domestic-market-to-avoid-shortfalls>

structural shortfalls that are projected by the end of the decade, or do you think additional measures or policy reforms are required to support investment in the immediate term? If you think additional measures or reforms are required, please outline what you think is required and why	may be necessary for Governments of the day, acting in the national interest, to forcibly redirect export cargoes into the domestic market to ensure sufficient supply (via a revised ADGSM or export licence regime). One could argue that the domestic reservation policy proposed in the Gas Market Reform Final Report would go a long way to ensuring sufficient domestic supply and avoiding structural shortfalls. This being the case then we hope the proposed LT RSA is never required.
4. Do you think that AEMO's powers should be extended to include the proposed LT RSA tool described in Chapter 3? Please explain your response. a. If you answered "no" to the question above, are there alternative options ECOM could consider to facilitate market-led investment in time to address the projected supply shortfalls?	While members recognise a potential "tenner gap" problem may exist and that some form of asset underwriting may be required, they remain nervous about certain elements of the proposal, especially where significant decision-making power is given to AEMO and/or ministers without a commitment to strong transparency and accountability frameworks. Having said that, if the LT RSA is progressed then it must be targeted with respect to: a) Increasing competition through supporting smaller gas producers b) Increased supply is linked to domestic reservation c) Ensuring the highest level of transparency and accountability of Ministerial and/or AEMO decisions, including the expected cost impact on consumers. d) Ensuring minimal duplication and strong alignment with existing and/or emerging policy frameworks. e) There is an equitable cost sharing arrangement that includes ensuring those who have already entered into long-term supply arrangements (i.e. have already underwritten new supply) are not also forced to pay a broader underwriting cost.
5. Do you have any views on the potential inclusion of a competition authorization in the NGL?	Not at this stage.
6. What, if any, impact(s) (positive, negative or unintended) do you think the introduction of the proposed LT RSA tool could have on market participants and the market more generally?	If targeted with respect to: a) Increasing competition through supporting smaller gas producers b) Increased supply is linked to domestic reservation we think it could have a positive effect on the market more generally. We could see why this approach would not be seen as helpful for large incumbent players who may not enjoy the additional competition and downward pressure on domestic gas prices.
7. What do you think the main costs, benefits and/or risks would be associated with implementing the proposed LT RSA tool?	The ESEM proposed by the Nelson Review is an "always on" underwriting scheme with a strong market test built onto the framework. The LT RSA is intended to be a "last resort investment tool" with similar market tests to the ESEM but is only triggered in specific circumstances. Establishing a method of determining if the LT RSA is genuinely required will be the biggest design challenge facing the LT RSA. For example, if the process lacks transparency and accountability then it could become a de-facto "always on" investment mechanism, transferring significant price and volume risks to consumers. If it provides Energy Ministers with too much discretion and/or the process becomes a "black box" due to confidentiality, this will create uncertainty and "crowd out" participants as described by ACIL Allen¹⁴ in the Reliability and Supply Adequacy Consultation Paper.
8. Are there any ways that you think the costs and/or risks identified in your prior response could be mitigated (e.g. through legislative changes, NGR, or otherwise)?	We agree with the measures outlined on page 21 of the Reliability and Supply Adequacy Consultation Paper, as they create a good platform. Transparency and accountability of market participants will be key to mitigating risks and costs. For example, greater transparency of the availability of gas supply must continue to improve with the governing body (ACCC or AER) given powers to require data on reserves and cost of production. Targeting LT RSA support in a way that we describe in this submission may also have a risk mitigating effect as

¹⁴ ACIL Allen assessment of cost, benefits and risks. Reliability and Supply Adequacy Consultation Paper pages 19 & 20

	it would be easier to demonstrate that these smaller producers (or proponents of storage) would not be capable of entering the market without assistance.
9. Do you have any views on the costs, benefits or risks identified by ACIL Allen (see section 3.1.2)?	We believe they establish a good foundation for understating and defining the costs, benefits and risks.
10. Are there any potential interactions between the proposed LT RSA tool and other policies that need to be considered? Please explain your response.	Yes there are several interactions with the reforms proposed in the Gas Market Review ¹⁵ , in particular the proposed Domestic Gas Reservation policy. We believe that if future assistance is offered to project proponents (mostly centred on supply) that this supply must be made available for domestic users. This would increase the amount of domestic only supply, which over time may reduce the requirements of LNG producers to divert gas domestically. The other key interaction will be around supporting storage, especially storage designed to meet peak day demand, the growing importance of which has been identified for both gas users and the electricity system.
11. Are there any other conditions or approval requirements that you think should apply to the use of LT RSA to ensure that it is only used as a last resort?	Not at this stage of the consultation process, however we would need to review the responses of supply side participants before forming a complete view.
12. Are there any other design elements or changes to the LT RSA design you think are required to ensure that it: a. is only used as a last resort? b. preserves market-led investment? c. minimizes direct and indirect costs and risks? If so, please explain what they are and why you think they are required.	As per our responses to questions 7 and 8.
13. Are there any potential impacts (positive, negative or unintended) of the introduction of the proposed LT RSA tool on end users of specific groups, for example on vulnerable energy consumers, First Nations people, specific gender groups and/or LGBTIQ+ people, or people with disability?	For EUAA members the LT RSA could deliver some very positive outcomes, but that will depend entirely on the detailed design of the scheme. We must also recognise the LT RSA scheme will not operate independently from other key gas market reforms. We are not in a position to speak for the impacts on the other groups mentioned other than to say that increased availability of affordable gas will help all consumers by lowering their household energy bills and lowering their bill at the supermarket as lower input costs flow through to lower grocery prices.
14. Do you agree with the types of investments that AEMO could support using the LT RSA tool? If not, please explain why not.	We support new supply, storage and pipeline infrastructure as types of investments potentially underwritten by the LT RSA tool (provided it is targeted as described in our answers to questions 4 and 6). However, we are opposed to using the LT RSA to support LNG import terminals and any other supporting infrastructure including storage and expanded pipeline capacity. We can't see how imported LNG can be cheaper than domestically sourced gas due to the liquefaction, transport and regasification costs. The cost of any LNG import cargo would be linked to an international market (i.e. JKM) as the sellers next best alternative. If global LNG prices fall then domestic price markers such as the ACCC Netback would follow, unless of course if we are faced with a situation where gas producers wanted to game the domestic market for additional financial returns. LNG import terminals could also stymie domestic production, especially from smaller producers.
15. Do you agree that Ministers (rather than AEMO) should be responsible for determining whether the LT RSA tool should be used to support projects subject directly or indirectly to material production risks? If not, please explain why not.	In situations where there is little transparency and accountability, Energy Ministers should not have unrestricted power to make decisions. Whoever the responsible party is, governance frameworks and a high degree of transparency must be central to the approach including clear rationale and evidence to support decisions and clear communication of costs on a regular basis.. This is critical for decision making of both buyers and sellers of gas. A "black box" approach will add risk and cost for all parties.

¹⁵ <https://www.minister.industry.gov.au/ministers/king/media-releases/affordable-gas-australian-homes-and-businesses>

16. Do you have any views on the following proposals set out in section 3.3: a. Ministerial approval process? b. EOI process? c. Competitive tender process, including: i. the matters AEMO would be required to consider when designing and conducting the tender? ii. the proposed tender evaluation criteria in the Regulations? If you think any improvements could be made to these proposed processes, please explain what those are.	We agree that the broad process described in the Reliability and Supply Adequacy Consultation Paper appear reasonable. However, it is difficult to comment on these approaches as it is the detail yet to come that will be most important. For example, specific details of the EOI threat scope will be absolutely critical to prudent and efficient decision making but until the specifics are released it is difficult to confirm if it will deliver the best outcome for consumers. As we said in our answer to question 8, the governing body and/or Energy Ministers must have access to all relevant supply side data including costs of production as a bare minimum of establishing an understanding if a potential shortage is real or if a degree of economic withholding is apparent.
17. Do you agree with the proposal to only allow AEMO to enter into revenue support contracts, or do you think AEMO should be able to enter into other types of support contracts, including physical offtake contracts? If you think AEMO should be able to enter into other types of support contracts, why do you think this is required and what are the costs, benefits and risks of doing so?	To the greatest extent possible we should seek to align processes across electricity and gas markets. This includes the types of contracts that are used as the underwriting or support vehicle. Managing similar contracting and/or market structures across electrify and gas would result in less risk for all participants and simplify governance and operations. Therefore, we would recommend revenue support contracts in the form of a CFD arrangement with a cap and floor. These are well known to participants, tend to be more “arm’s length” arrangements, still provide a high degree of certainty for the project proponent while allowing a reasonably high degree of market interaction through secondary markets and third-party arrangements.
18. Do you agree with the proposal to allow AEMO to enter into either a fixed revenue or revenue floor-cap contract? If not, please explain why.	As above.
19. Do you think the NGR should provide AEMO any guidance on when to use either of these 2 types of revenue support contracts?	As above.
20. Do you have any views on the obligations that proponents would be subject to under the support contract with AEMO?	Any support given via the LT RSA must come with the condition of domestic reservation. Recipients should also commit, to the greatest extent possible, to transparency measures and a robust reporting responsibility. If public/consumer money is funding their investments then the public/consumer become a de-facto shareholder and should be afforded the same rights to information as any other shareholder.
21. Do you agree with the proposals to: (a) extend the light-handed access regime in Chapter 5A Part 2 of the NGL to any non-pipeline (and non-gas production) infrastructure that AEMO supports? If not, please explain why not. b) provide for a greenfield price protection to be available to non-pipeline (and non-gas production) infrastructure? If not, please explain why not.	We have no comments to make at this time.
22. Are there any other matters you think support contracts should deal with, or guidance that should be included in the NGR on support contracts?	No, other than what we have already spoken about at this point of the process. We should be aiming to support investments that otherwise would not have occurred, we should be using this mechanism to increase domestic supply and competition and we should be aiming for the lightest touch possible to allow markets to continue to function.
23. Do you have any views on the proposals that AEMO be responsible for the following aspects of making LT RSA supported products/services available to the market (see sections 3.5.1–3.5.2): a. determining the sales platform to use to sell the products and services supported through LT RSA?	We would not be in favour of creating new trading platforms as it would add further complexity and cost. We would recommend using either existing platforms and/or the platform proposed by the Nelson Review to manage ESEM contracts. The goal should be simplification and avoided duplication to reduce risks and costs. For example, sometime weighted products (i.e. peak day dispatch from storage) could be facilitated via existing GSH, STTM or DWGM markets. The same principles should be pursued when designing auctions and other elements described in sections 3.5.1 to 3.5.2. There are many similarities

b. designing any auction that may be required and the associated arrangements (e.g. auction rules etc.)? c. determining the products and services to be made available to the market and release schedule? d. determining the: i. standard form user contract that would be used for the sale of any LT RSA supported products/services sold? ii. standard form operational services agreement that would be used for any subsequent on-sales? If you think any improvements could be made to these aspects of the design, please explain what those are.	to the work being undertaken in electricity markets so the greatest alignment possible should be the goal. As with the Nelson Review, we should recognise that a number of products already exist to facilitate trade and risk management between counterparties. For example there already exists a day ahead auction market for pipeline capacity and a number of spot and forward markets for gas supply. As yet we have not seen many of these tools used in the gas market with most gas being bought and sold via fairly simple, bilateral, GSA's. For the purpose of the LT RSA there is likely to be a form of contract for bulk gas purchases (volume weighted) one for transportation services (bulk/volume weighted and peak day/time weighted) and similar contracts for storage (bulk/volume weighted and peak day/time weighted). Storage contracts in particular would most likely look like capacity type payments we are seeing in the electricity sector that includes a smaller volume incentive and a higher dispatch incentive.
24. Do you think AEMO has sufficient guidance on how to perform the functions in the prior question? If not, please explain what additional guidance you think AEMO would require.	Unsure, this will depend on the specifics of the rules which are yet to be designed.
25. Do you have any views on the proposed reserve price (see section 3.5.3) for: (a) gas? (b) other LT RSA supported products/services? Are there any other matters that you think should be considered by AEMO when setting the reserve price?	Assuming a CFD style contract with cap and collar are the design choice, we would see that the collar price functions as a reserve price. We appreciate there is a risk that consumers may end up paying for capacity that is rarely used, which is the same issue in electricity markets, but we need to consider the "insurance value" of this capacity. The key therefore is to not pay more for the insurance product than the cost associated with the risk. This will vary between the three categories of infrastructure being supported (bulk supply, transportation and storage) with different caps and collars and therefore different floor prices to find the correct balance between incentivising investment and protecting consumers from volatile prices. The interaction between the Domestic Gas Reservation policy recommended in the Gas Market Review and what has been proposed in Reliability and Supply Adequacy Consultation Paper will be important to understand.
26. Do you have any views on the proposal to enable AEMO to procure any unsold LT RSA supported products/services using its trading function if the conditions for using that function are met?	This is dangerous territory for AEMO. While it appears to align with Energy Ministers desire to "preserve market incentives to invest"¹⁶ it would require AEMO to be an active participant in markets. This could be seen as a conflict of interest as AEMO would be the contract facilitator and effectively buyer of last resort. The LT RSA should put boundaries around investment and reduce investment risk, it shouldn't be used to guarantee investor returns as this would remove market signals that would otherwise incentivise prudent and efficient decision making by the proponent. It would also have the effect of stepping liquidity from short term trading markets at a time when increasing liquidity is critical.
27. Do you have any views on the proposed allocation of risks or risk management arrangements (see section 3.6)? If you think any improvements could be made to these arrangements, please explain what those are.	It is clear that AEMO would have to develop a very robust risk management plan which would require a high degree of transparency across the entire gas market. In managing price and volume risks AEMO will have to form a very clear view of the future supply/demand balance and the impact of variances in global supply, although this task is made easier where a domestic gas reservation policy is formalised. In this respect, enhancements to the GSOO will be important. Beyond these broad principles it is difficult to comment until the risk framework is developed and made available for comment.
28. Do you have any views on the proposed transparency and accountability measures (see section 3.7) that would apply to:	We are in general agreement that the transparency and accountability measures are appropriate and note that greater transparency and accountability are key recommendations in the Gas Market Review final report. In response to

¹⁶ Reliability and Supply Adequacy Consultation Paper, Page 5

a. AEMO? b. proponents? If you think any improvements could be made to these measures, please explain what those are.	ongoing issues with information asymmetry between buyers and sellers and the “blind auction” process undertaken in seller EOI processes, it is proposed that the AEMO Gas Bulletin Board be expanded to include registration and timely publication of all GSA’s entered into over a set period of time.
29. Do you have any views on either: a. the proposed cost allocation arrangements set out in section 3.8? b. how costs would be recovered (i.e. through AEMO fees)? If you think any improvements could be made to these arrangements, please explain what those are.	As energy users we would like to see the costs associated with this program met by government balance sheets, as they are with the Federal Government CIS. This is especially so when much of these costs are likely to be associated with Ministerial direction. That aside, the cost allocation methodology seems reasonable. In all cases consumers and/or taxpayers will lose confidence in the approach if there is little transparency. Consumers need to understand the risks and costs associated with avoiding them as only then can they make decisions that are in their best interests.
30. Do you think any changes could be made to the cost allocation arrangements (or other elements of the design) to incentivize market participants to contract? If so, please explain what changes you think could be made.	As above.
31. Do you think any changes that have not otherwise been identified would need to be made to the other ECGS RSA tools if LT RSA was implemented?	Not at this stage. We await further detailed design to make a fully informed decision.
32. Do you think the GSOO should be extended as described in section 4.1? Please explain your response.	Yes. Information asymmetry between sellers and buyers of gas continues to be a significant issue for commercial and industrial gas buyers. The regular ACCC gas market reporting is one of the few sources of information that buyers can call upon, but this information tends to be “ex post” and therefore not as helpful as more contemporary reporting could be. We hope that a number of recommendations detailed in the Gas Market Review Final Report will begin to address this issue. Expanding the GSOO in the way described will provide buyers of gas more information to medium to long-term availability and cost of gas and will be helpful in developing a true domestic forward price curve. Expanding GSOO in the way described will also be critical in determining if a genuine shortfall is likely to occur and if triggering the LT RSA is justified. This justification must be transparent with robust governance which will be supported by the proposed GSOO changes.
33. What do you think the main costs, benefits and/or risks would be of extending the GSOO in the manner described in section 4.1?	We are sure there will be costs associated with assembling, collecting and reporting of an expanded GSOO. However, the improved quantity and quality of information this could deliver to market participants will, alongside improvements recommended in the Gas Market Review Final Report, greatly assist in reducing information asymmetry leading to a more competitive market and balanced negotiating environment. It will also be critical to managing risks associated with the LT RSA and avoiding “stranded asset” risk of investing in assets that were ultimately not required.
34. Are there any ways that you think the costs and/or risks identified in your prior response could be mitigated (e.g. through the legislative changes, NGR or otherwise)?	Transparency and accountability are non-negotiables for consumers.
35. Are there any other changes that could be made to the GSOO to support more efficient market-led investment? If so, please outline what those changes are.	We have nothing to add at this stage.
36. Please provide any specific comments you have on the: a. Proposed scope of the extended GSOO analysis (see section 4.1.1), including: (i) The project information AEMO would be required to report for supply-side projects. If there	The proposed scope of the extended GSOO seems reasonable but it should consider the differences in reporting associated with gas that will be reserved under the proposed Domestic Reservation Policy and any projects that may be subject to this policy. We would add average cost of production of existing projects and projected average cost of production on new projects to the

is additional project information that you think should be reported, please identify the information and why you think it should be reported. (ii) The information and analysis that would form part of the ECGS development options assessment. If there is additional information or analysis that you think should be reported, please identify what that is and why you think it should be reported. (iii) The scope of the extended analysis more generally. b. Proposed frequency and timing of the extended GSOO analysis (i.e. every 2 years aligned with ISP, with the ability to update in between) (see section 4.1.2). c. Potential change to the publication date for the GSOO, VGPR and DWGM system capacity modelling from 31 March to 30 April (see section 4.1.2). Do you think this change would have any? implications for market participants' contracting ahead of winter?	analysis. We think this will be important for both consumers as they undertake contracting activities and for LT RSA assessment.
37. Do you think AEMO should be required to have regard to the targets statement for greenhouse gas emissions when undertaking this additional analysis? If so, what role do you think it would play in this extended analysis?	Given the National Gas Objective¹⁷ already states: <i>"to promote efficient investment in, and efficient operation and use of, covered gas services for the long-term interests of consumers of covered gas with respect to:</i> <i>a. price, quality, safety, reliability and security of supply of covered gas;</i> <i>b. and the achievement of targets set by a participating jurisdiction—</i> <i>i. for reducing Australia's greenhouse gas emissions; or</i> <i>ii. that are likely to contribute to reducing Australia's greenhouse gas emissions."</i> it would appear to be required to consider greenhouse gas emissions as part of its considerations but that it should not be the only consideration. As we have already noted, the important role of gas for large industrial users and as a key source of firming generation in an electricity market dominated by VRE is well recognised.
38. Noting the objective of the extended GSOO analysis is to reduce information barriers to support market-led investment, do you think AEMO should be required to report equivalent project information and analysis for demand-side projects? If so, please explain: a. how the additional information and analysis on individual demand-side projects would help support market-led investment b. what types of demand-side projects should be reported on c. what information and analysis should be reported on these projects.	While we are not aware of any significant programs and/or incentives for demand side participation in gas markets and noting that most EUAA members have continuous processes that make demand side responses very difficult, providing information on demand side responses would be helpful. As we have seen in electricity markets, it is becoming increasingly difficult for AEMO to balance markets given the increasing volumes of "hidden" activity (i.e. rooftop solar and batteries). Markets always function better when information flows freely and when all participants are well informed.
39. Do you think the limitations identified in section 4.2 should be addressed? Please explain your response.	No, we do not think they should be addressed because we do not think the LT RSA should support LNG import terminals for the reasons we have already articulated. Additionally, we would be concerned if AEMO began to take a more

¹⁷ <https://www.aemc.gov.au/regulation/neo>

	active trading role in gas markets, preferring to play a role of facilitator. While it is likely that AEMO will hold LT RSA contracts for a period of time the goal should be to quickly clear these contracts back to the market. To the extent that function requires changes to the relevant regulation then that should be facilitated but be accompanied by strict guidelines about the nature of these activities to ensure the market can function to the most efficient extent possible.
40. What do you think the main costs, benefits and/or risks would be of addressing these limitations?	There will be risks and costs associated the LT RSA and the role AEMO may play. The key to managing these risks will centre around transparency, accountability and quality of data they have access to.
41. Are there any ways that you think the costs and/or risks identified in your prior response could be mitigated (e.g. through the legislative changes, NGR or otherwise)?	The role of AEMO must be carefully and clearly defined so as to not find themselves in a position of starting as the counterparty of last resort but ending up as the projects proponents preferred counterparty.

Thankyou once again for the opportunity to provide this submission and we look forward to continued engagement on the issues raised.



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