

Australian Energy Markets Commission

17 April 2025

Submitted online: www.aemc.gov.au

AEC Submission to ECGS Reliability standard and associated settings – Consultation paper

The Australian Energy Council (AEC) welcomes the opportunity to make a submission in response to the AEMC National Gas Amendment (ECGS Notice of closure for gas infrastructure) – Consultation paper.

The Australian Energy Council is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

Please find attached our submission that has utilised your stakeholder feedback template.

Any questions about this submission should be addressed to peter.brook@energycouncil.com.au or by telephone on (03) 9205 3116.

Yours sincerely,



Peter Brook
Wholesale Policy Manager
Australian Energy Council

ECGS Reliability standard and associated settings

STAKEHOLDER FEEDBACK TEMPLATE

The template below has been developed to enable stakeholders to provide their feedback on the questions posed in the consultation paper and any other issues that they would like to provide feedback on. The AEMC encourages stakeholders to use this template to assist it in considering the views expressed by stakeholders on each issue. Stakeholders should not feel obliged to answer each question but rather address those issues of particular interest or concern. Further context for the questions can be found in the consultation paper.

SUBMITTER DETAILS

ORGANISATION: Australian Energy Council

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DATE: 17 April 2025

PROJECT DETAILS

NAME OF RULE CHANGE [OR REVIEW]: ECGS Reliability standard and associated settings

PROJECT CODE: GRC0076

PROPONENT [DELETE IF NOT APPLICABLE]: Energy Senior Officials/Victorian Minister for Energy and Resources

SUBMISSION DUE DATE: 17 April 2025

QUESTION 1

1. Do you agree with the proponents' reasons for introducing the tools proposed in this rule change request?	Yes
1.1. Why or why not?	Need to ascertain the appropriate balance between risk, reliability and what gas users want.
1.2. Are the proponent's concerns sufficiently material to support	Yes

developing the proposed solutions?	
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QUESTION 2

<p>2. Will the proposed reliability standard effectively address the issues raised by the proponents?</p>	<p>A well designed standard could provide some certainty as to when and how AEMO may use its powers to intervene in the gas market. Furthermore, it may help prevent additional government interventions and policies that have so far undermined certainty in the market, especially for exploration and development of new supply.</p> <p>It will be challenging to develop a meaningful reliability standard for gas because many of its critical assets represent single points of failure that can have very large impacts on supply (ie, production facilities and transmission pipelines) if they fail. This is the nature of the ECGM and any attempt to try and reduce this risk would impractical, uneconomic and extremely costly.</p>
<p>2.1. Do you consider the proposed dual reliability standard will be effective in promoting more efficient, timely and informed decisions that have regard to the value customers place on reliability?</p>	<p>If a reliability standard is to be pursued then the AEC considers an annual USG to be the best form to investigate (ie, Option a).</p> <p>The AEC does not support the addition of the secondary peak day deliverability measure, (which is simply a form of loss of supply/load probability), as this will only indicate potential for a shortfall, and not the size of any shortfall. We consider that this secondary measure has the potential to be allocated conservative estimates of its impact undermining the annual USG standard resulting in unwarranted market intervention and increased costs to consumers.</p> <p>The AEC does not consider it necessary to explicitly create a standard for infrastructure over and above the failure probabilities associated with it when modelling the USG simulations. Because (unlike electricity), there are not as many production and transportation assets and a failure of any would have extreme consequences, an N-1 standard for infrastructure is not appropriate. Much of the production and transport infrastructure would not satisfy this standard and it would be both irrational and uneconomic to replicate to satisfy such a standard.</p>
<p>2.2. Do you think the proposed form of the dual reliability standard is optimal?</p>	<p>Its unclear to the AEC how the proposed dual standard would deliver efficient outcomes for consumers. The secondary peak day deliverability measure in our view has the potential to override the primary annual USG standard. We note that a similar form of secondary standard has been rejected on numerous occasions by the NEM Reliability Panel as well as market participants and consumers. We also note that no details have been provided as to how the modelling will be conducted eg,</p>

		granularity. Nor do we know what probabilities will be employed to determine exceedance.
2.3.	Do you consider the proposed governance arrangements are adequate?	No because as the transition proceeds, gas is and will become increasingly important for managing electricity reliability. As such we believe the gas market settings and reliability should be treated like electricity. Therefore, we think the AEMC should establish a Gas Reliability Panel which should be tasked to review the level of the interim standard which is proposed to be implemented by the AEMC. This new Gas Reliability panel should put in place the same consulted on guidelines and processes as that used in the NEM
2.4.	Do you consider an interim reliability standard (informed by an AEMC-calculated interim VGCR) would be an effective tool until a permanent VGCR and reliability standard are calculated by AER and AEMC respectively?	<p>We don't see any benefit from rushing the process. Any standard that is not informed by a robust VGCR is likely to be either too extreme (most likely) or too lax. Furthermore, it is difficult to see what is to be gained from an interim standard in the near term because there is currently an intense focus on gas supply. Therefore, we believe it is prudent to wait.</p> <p>We agree with and support that the VGCR should be developed and calculated by the AER.</p> <p>In the long term, we support the development of the gas reliability standard determined via consultation by a new Gas Reliability Panel as opposed to the AEMC.</p> <p>However, in the short-term basic changes such as aligning the market settings between the DWGM and STTMs would be helpful. As part of this the DWGM CPT methodology should use a load weighted approach.</p>
2.5.	Do you think there are reasons for an alternative reliability standard to apply to any particular jurisdiction (e.g. Northern territory) or type of gas user?	Any decision to do this should be based on empirical data. If there are significant divergences between jurisdictions then perhaps it could be considered.

QUESTION 3

3.	Will the proposed VGCR effectively address the issues raised by the proponents?	It will be important for determining the level of the reliability standard.
3.1.	Do you consider a VGCR can be estimated in order to inform an ECGS-wide reliability standard that reflects the value different consumers place on reliable gas supply?	Unsure and the AEC withholds its view in this area pending consultation on a proposed methodology for its calculation.
3.2.	What challenges and opportunities do you consider the AER will face when calculating a VGCR?	We have no expertise in this area and await publication by the AER of its proposed methodology for consultation.
3.3.	What factors should the AER take into account?	Consideration could be given to this given the different levels of dependency on gas by households across jurisdictions as well as the potential for and

	costs of fuel switching. For example, supply in Victoria during winter is probably valued much higher than other jurisdictions but could be tempered by the ability for alternative heating provision, ie use of reverse cycle air conditioning for heating.
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QUESTION 4

4. Will the proposed approach to reviewing the market settings effectively address the issues raised by the proponents?	
4.1. Do you consider that the current market settings (STTM and DWGM) need to be informed by a reliability standard?	Yes it would be a helpful input. More importantly we would like to see the settings aligned and the DWGM CPT calculation to be load weighted. We argued for this with AEMO unsuccessfully in 2023. ¹
4.2. Is it essential for the market settings to use a reliability standard as an input or can the settings be updated directly to reflect a VGCR?	Whilst the VGCR can provide indication of the value different consumer classes place on supply of gas it does not consider the overall economic value of the resource requirements needed to provide interrupted supply to gas. This is the role of the reliability standard which determines the efficient outcomes in terms of costs and benefits.
4.3. Do you consider the proposed governance arrangements are adequate?	As the transition proceeds, gas is and will become increasingly important for managing electricity reliability. As such we believe the gas market settings and reliability should be treated like electricity. Therefore, we think a Gas Reliability Panel should be implemented to cover gas as stated in our response to Question 2.3.

QUESTION 5

5. Will the proposed communication tools effectively address the issues raised by the proponents?	We support enhanced communication between participants and market bodies.
5.1. Do you consider the proposed threat signalling mechanism and GSAR conferences would be effective tools for AEMO to better communicate reliability and supply adequacy threats so that market participants can adequately respond?	These measures appear to be no regrets, and we support them.
5.2. Do you consider appropriate for the threat level criteria	No, we do not support these being set in AEMO's ECGS procedures and strongly recommend they should be prescribed in the NGR.

¹ <https://www.energycouncil.com.au/media/lhfnbxee/20230515-aec-sub-aemo-gas-cptv1-final.pdf>

	to be set out in AEMO's ECGS procedures?	
5.3.	Could a LOR framework for the ECGS allow AEMO to more objectively issue escalating threat signals to market participants without the need for a reliability standard?	No because it conflates gas with electricity. LOR is based on unique electricity market criteria for the provision of supply side reserves above forecasts of consumption. Attaching them to gas will only create confusion with respect to how the gas LOR is determined. Gas is very different to electricity.

QUESTION 6

6.	Will the proposed reliability forecast and or the system resilience risk assessment effectively address the issues raised by the proponents?	If a reliability stand is to be implemented, then logically the GSOO and VGPR should incorporate it.
6.1.	Do you consider the proposed reliability forecast and/or the system resilience risk assessment will be effective in facilitating more informed and efficient planning and investment decisions across the ECGS?	Unsure and we await further details regarding their development including how they would be modelled and how input assumptions would be determined.
6.2.	Do you consider a reliability standard would materially improve the GSOO and the VGPR forecasts and risk assessments? Could other proposed tools (e.g. VGCR) inform those assessments more directly?	Marginally, yes.

QUESTION 7

7.	What are your views on the expected benefits and costs of the proposed solution?	<p>If the benefits outline on pages 16-17 materialises, then this process is worth pursuing. Apart from reliability the key determinant will be constraining AEMO from using its ECGS when it is not necessary. Hence, less unnecessary and inefficient intervention.</p> <p>The other key benefit is if the results of this project provide more clarity and certainty as to how AEMO will operate the market. If the key benefits don't materialise then the proposed solution will fail.</p>
7.1.	Do you agree with the expected benefits identified in the rule change request? Are there other benefits that may arise to ECGS participants and gas users	We agree that this is the intent of the rule change request however whether the rule change delivers these benefits is uncertain (ie, response to Question 7).

	or are relevant to some specific proposed tools included in this rule change request?	
7.2.	Do you agree with the expected costs identified in the rule change request? Are there other costs that may arise to ECGS participants and gas users or are relevant to some specific proposed tools included in this rule change request?	Yes, for the Table 3.2. With respect to participants, we are unsure. The Consultation paper has one sentence (p17) relating to this. We believe it would be helpful if the AEMC could do a table similar to Table 3.2 but for expected participant requirements and costs.
7.3.	What do you consider will be the costs and benefits of the proposed solution in both the short/medium-term and longer-term?	
7.4.	Are there different design approaches to any of the proposed reliability tools that could assist in improving benefits or reducing costs?	

QUESTION 8

8.	Are there alternative solutions?	Yes.
8.1.	Do you consider variations or alternatives to the proposed solutions could solve the issues being represented by the proponents?	Unsure.

QUESTION 9

9.	Assessment Framework	
9.1.	Do you agree with the proposed key assessment criteria?	
9.2.	Are there additional criteria that the Commission should consider, or criteria included here that are not relevant?	

OTHER COMMENTS

10. Information on additional issues	When developing a USG standard, the ability of gas generation to switch to diesel needs to be considered. As the transition progresses to no coal, diesel substitution is likely to be required for peak system demand hours/days during sustained VRE droughts. We have modelled diesel requirements for a 2040 ISP Step Change generation capacity and demand and a VRE drought. Significant quantities of diesel were required based on system maximum daily quantity constraints. ²
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² <https://www.energycouncil.com.au/analysis/isp-nem-2040-model-with-vre-drought-will-it-be-reliable/>