13 July 2023

Department of Climate Change, Energy, the Environment and Water

By online submission

Reliability and supply adequacy framework for the east coast gas market

Alinta Energy welcomes the opportunity to provide a submission on the Department's consultation paper on stage 2 of the above matter. Alinta Energy's feedback to the specific questions raised in the consultation paper is set out in the attachment to this submission. In addition to the feedback contained in the attachment, Alinta Energy provides the following comments:

Governance frameworks for market price settings should be reviewed
Alinta Energy recommends that the Department consider reviewing the governance frameworks for market price settings reviews across AEMO's east coast markets as part of stage 2. The lack of alignment in these frameworks has arguably contributed to the challenges faced in the energy markets in 2022. This is discussed further below.

In Alinta Energy's view, the ideal solution to this lack of alignment would involve:

1. a change of law to expand the scope of the Reliability Panel (or create a gas Reliability Panel that is coordinated with the NEM panel) to provide advice to the AEMC in respect of AEMO's gas markets as well as the NEM; and
2. corresponding changes to the National Gas Rules to align governance arrangements for market price settings reviews for the STTMs and the DWGM with that of the NEM. The governance arrangement for the gas markets in this respect are generally less robust and less consistent with participant's expectations than arrangements in the NEM.

Alinta Energy considers that this consultation is an appropriate vehicle for this matter – particularly given that the consultation is already considering the alignment of governance frameworks for a possible gas reliability standard – and that the Department is well-placed to lead such a reform.

Governance arrangements for market price setting reviews may have contributed to the events of winter 2022
After the NEM's suspension in winter 2022, Alinta Energy requested that the AEMC pursue an urgent rule change to increase the level of the administered price cap (APC). The case was made that the level of the APC was not reflective of short run marginal costs (SRMCs) of gas-

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fired generators and needed to be increased to allow the market to function. While volatility in the SRMC of marginal generators was identified as a risk in the Reliability Panel's 2018 reliability standard and settings review (RSS), it seems likely that the fragmentation of market price setting review processes across the markets contributed to the failure to identify the relationship between the gas market APCs and the NEM APC in 2018.

The relationship between gas market APCs and the NEM APC was subsequently addressed and considered in the 2022 RSS, however the review process was complicated by the fact that the gas market parameter review is conducted by a different body (AEMO) and in series, six months after the RSS, rather than in parallel.

The recent, and impending, closure of coal fired generation capacity has driven a greater need for gas-fired generation in the NEM, particularly during periods of high electricity demand. As a result, electricity and gas markets are now more interrelated than ever. Therefore, it is essential to ensure that price settings are appropriately aligned across these markets.

RSA contracting obligations add costs and do not deliver any benefit

The potential application of an RSA contracting obligation on both/either GPGs and/or retailers is unlikely to be effective and would lead to perverse outcomes because:

- GPG gas demand is increasingly uncertain and driven by conditions in the NEM (given their primary role as peaking power plants) making the application of a contracting obligation problematic. This difficulty has been highlighted by the ACCC and AEMO numerous times in their east coast gas market reports and Alinta Energy would caution any requirement on forcing forward contracting onto GPG.
- Where their underlying customer base allows them to, retailers will forward contract in order to hedge their positions. However, due to the impact of policies such as the Gas Market Code, many C&I customers have shown reluctance to enter into long term contracts with retailers that would enable the retailer to enter into correspondingly long term contracts with producers. Under a contracting obligation, retailers would be put in an untenable position of being required to forward contract without being able to appropriately cover their position in the retail market. The collapse in recent years of a number of retailers highlights the fact that significant costs are being faced by retailers who are not sufficiently hedged during extreme pricing events - the key issue here is that the proposed contracting obligation does not impact the behaviour of such end-users (or self-contracting users who represent a significant portion of demand).

The electricity RRO has led to increased costs to retailers and not demonstrated any benefit in the NEM – see for example the reliability instrument that was called in South Australia for Q1 2024. This has led to a number of retailers withdrawing from participation in the market for that period and offering contracts starting after the affected period. An RSA contracting obligation would be an even worse fit for the east coast gas market given gas market dynamics in the upstream – with concentrated market shares of production and asymmetrical power during negotiations of GSAs. Requiring producers to provide gas on certain terms and conditions under a market liquidity obligation is also unlikely to be helpful (see for example the impact that the Gas Market Code has had on forward contracting generally and the market liquidity obligation in respect of the aforementioned event in South Australia). The only solution to such structural supply issues is to facilitate better market outcomes by:

1. Supporting upstream developments (removing political barriers and better government management of social messaging).
2. Avoiding policy that increases uncertainty in the market and therefore decreases willingness to forward contract.

Finally, we do not believe that an RSA contracting obligation would provide a viable basis for

causer pays cost allocations in respect of other emergency response mechanisms (see our response to question 44(b) in the feedback template for more detail).

Clarification is needed on how the ADGSM and ECGS emergency powers function together
The east coast gas industry is now subject to both the ADGSM and AEMO's east coast gas system emergency powers. There are clearly overlapping intentions in the design of these two policy instruments and, noting that each of these instruments is managed by different parties, there is a risk that simultaneous uncoordinated courses of action are taken in response to a threat to east coast gas system reliability; leading to inefficiencies and potentially reliability risks of their own.

Thankyou for your consideration of Alinta Energy's submission. If you would like to discuss this further, please contact me at hugh.ridgway@alintaenergy.com.au.

Yours sincerely,

Hugh Ridgway
Wholesale Regulation Manager

Submission from Alinta Energy

The template below has been developed to enable stakeholders to provide feedback on Stage 2 of the development of the reliability and supply adequacy framework for the east coast gas market.
As noted in the consultation paper, Officials have not yet formed a view on whether a reliability standard, additional monitoring and communication tools or reliability and supply adequacy tools should be included in the framework. Officials are therefore interested in stakeholders' views on whether they think there is merit in including one or more of these additional elements in the framework and, if so, how they should be designed and implemented (e.g. as a package or sequenced in a particular way). There may of course be other options that are not identified in this consultation paper, which Officials would welcome feedback on.
Officials strongly encourage stakeholders to use this template, so that it can have due regard to the views expressed by stakeholders on each issue. If you wish to provide additional feedback outside the template, wherever possible please reference the relevant question to which your feedback relates.

Chapter 2: Reliability Standard

No.	Questions	Feedback
Section 2.2: Questions on the potential need for and role a reliability standard could play		
1	Do you think there is value in including a gas market reliability standard in the reliability and supply adequacy framework? Please explain your response.	Yes, an appropriate form of reliability standard, if appropriately designed, could: 1. provide an objective basis for determining market price settings in the gas market 2. play a role in planning functions and any mechanisms that seek to address gas shortfalls or other threats to gas system security 3. provide guidance for AEMO in the exercise of its new powers under the ECGS stage 1 reforms
2	What, if any, impact(s) do you think the introduction of a gas market reliability standard could have on market participants and the market more generally?	Alinta Energy supports the overall improvement of supply/demand information available to AEMO and the market in general, although we have concerns around possible mechanisms that could be triggered by it.
3	Qualitatively, what do you think the main costs, benefits and/or risks would be of implementing a gas market reliability standard?	A poorly designed reliability standard that does not account for the unique characteristics of the east coast gas market could potentially lead to inefficiencies in the gas market (see discussion below on an N-1 standard, for example), but this would depend heavily on what other functions were tied to the reliability standard. See discussion below on RSA contracting obligations.
4	Do you think a reliability standard is the appropriate solution to address the potential problems set out in section 2.2.1, or are there other alternatives that you think should be considered by Officials? If there are other alternatives you think should be considered, please outline what they are and explain why you think they are more appropriate.	While Alinta Energy supports the development of a reliability standard we caution that it will not solve the fundamental issues around the declining supply & demand balance on the east coast.

No.	Questions		Feedback
Section 2.3.1: Questions on reliability standard design options			
5	If a decision is made to implement a gas market reliability standard, what form do you think it should take: a. A USG standard with either: i. a common standard that applies across the east coast (Option 1a)? ii. different standards for northern and southern jurisdictions (Option 1b)? b. A peak demand standard with either: i. a common standard that applies across the east coast (Option 2a)? ii. different standards for northern and southern jurisdictions (Option 2b)? c. A deterministic N-1 redundancy standard that focuses on the resilience of the supply infrastructure (i.e. production, storage or transportation infrastructure) in the east coast or on a northern and southern jurisdictional basis to either: i. an outage of the largest supply infrastructure in the east coast or on a regional basis (i.e. in northern jurisdictions and southern jurisdiction basis (Option 3a)? ii. an outage of individual components of key infrastructure (Option 3b)? d. A combination of options 1 and 2 (i.e. a dual annual USG and a peak demand reliability measure), with either: i. common standards that apply across the east coast (Option 4a)? ii. different standards for northern and southern jurisdictions (Option 4b)? e. A combination of options 1, 2 and 3 (i.e. a tripartite annual USG, peak demand and N-1 redundancy measure), with either: i. common standards that apply across the east coast (Option 5a)? ii. different standards for northern and southern jurisdictions (Option 5b)? f. Another option not identified in the consultation paper? If you think another option should be considered, please explain what the standard is and why you think it would be more appropriate than the options listed above. Please explain your responses to these questions and any views you may have on the levels at which these standards should be set.		Any reliability standard needs to be cognisant of the underlying physical supply and demand challenges that the east coast gas market current faces. Any N-1 type arrangement will effectively guarantee shortfalls given the lack of redundancy in the gas supply chain and common reliance on single points of failure (particularly in the south such as the Longford gas plant, Iona Gas Storage and gas transmission infrastructure generally (e.g. MSP)) and so is not likely to be fit for purpose. A peak demand standard would have the benefit of being aligned with AEMO's existing forecasting and planning functions although with declining peak capacity in the southern regions there is potentially limited ability to respond to this.
6	If you think a USG standard (Option 1) should be implemented, do you think it will be capable of identifying potential shortfalls in peak day deliverability?		No comment
7	If a peak demand standard was to be used under either Options 2 or 3:	a. Do you think a 1-in-2 year, 1-in-10 year or 1-in-20 year standard should be adopted? Please explain your response.	No comment
		b. Do you think a different peak demand standard should apply to GPG? Please explain your response.	No comment

No.	Questions		Feedback
8	If an N-1 redundancy standard was to be used, do you think it should assume an outage of the largest supply infrastructure or sub-components of that infrastructure?		See (5) above, an N-1 redundancy standard is likely to be problematic even where assuming an outage of sub-components of infrastructure (particularly in relation to transmission infrastructure).
9	Are there any specific matters you think need to be considered when estimating a gas VCR?	a. Do you think widespread and long duration outages likely to be more relevant in gas than they are in electricity and should be factored into the gas VCR?	Yes, there are more single points of failure in gas production and transmission, so the likelihood of a long term outage is correspondingly higher.
		b. Do you think an east coast wide VCR should be estimated, or do you think separate VCRs should be estimated for: i. each region (i.e. for southern jurisdictions and northern jurisdictions)? ii. each jurisdiction?	Given the differences in demographics of gas users between regions (for example the relatively high residential use of gas in Victoria vs other states) it would make sense to estimate VCRs separately. If there is a need to determine an east coast wide VCR it should be relatively straightforward to calculate a weighted-average VCR for the east coast from regional VCRs.
10	Do you think the reliability standard should apply to natural gas only or could it apply to other covered gases that are suitable for consumption as natural gas (e.g. biomethane)? If it were to apply to other covered gases that are suitable for consumption as natural gas, what, if any effect, do you think this could have on the development of renewable gases?		Alinta Energy cannot think of any reasons why the reliability standard would exclude any covered gas that is suitable for consumption.
11	Are there any specific matters that you think need to be considered when determining the level of a gas market reliability standard?		Consideration should be given to interaction of a gas reliability standard with the current NEM reliability settings. For example, impacts of increasing/decreasing GPG across both markets.
Section 2.3.2: Questions on governance arrangements for a reliability standard			
12	Do you think that the governance arrangements for the reliability standard should be based on the standard NGR governance arrangements with: – the AER responsible for estimating a gas VCR; and – the reliability standard specified in the NGR and the AEMC responsible for considering any rule changes related to the reliability standard and facilitated market parameters? If not, please explain why.		Yes. As noted in the cover letter, Alinta Energy strongly supports the alignment of governance arrangements for market price settings (facilitated market parameters) reviews between the gas markets and the NEM and considers that the framework in the NEM for such matters, including the reliability standard, is more robust and consistent with industry and consumer expectations than the current state of affairs in the gas markets.
13	Do you think there is a need to provide for periodic reviews of the reliability standard and facilitated market parameters? If so, who do you think should undertake these periodic reviews: a. the AEMC in consultation with market participants and market bodies? b. a gas market reliability panel?		As noted above, Alinta Energy supports the alignment of these processes with the NEM. A gas market reliability panel could be appropriate, but given the clear interlinkages between the markets it may be more effective to expand the scope of the existing reliability panel in the NEM to cover both electricity and gas. Alternatively, provision should be made to facilitate coordination between a gas market reliability panel and the NEM reliability panel.

No.	Questions		Feedback
14	If you think a gas market reliability panel should undertake the reviews, please set out:	a. What you think the benefits would be of establishing such a panel relative to the AEMC undertaking the reviews in consultation with market participants and market bodies.	An independent panel can more easily leverage industry expertise, gives a direct voice for all relevant participant types in the process (producers to consumers), and is less vulnerable to inappropriate political influence.
		b. If you think those benefits are likely to outweigh the costs and risks of establishing and maintaining such a panel.	Yes.
15	Are there any other governance options that you think should be considered?		No comment
Other feedback			
Please set out any other feedback you may have on a gas reliability standard here.			No comment

No.	Questions		Feedback
Section 3.2: Questions on the need for and role of additional monitoring and communication tools?			
16	Gas PASA	a. Do you think there is value in providing for a gas PASA in the reliability and supply adequacy framework? Please explain your response.	It seems likely that AEMO will need to perform some type of system adequacy assessment in order to perform its new role under the stage 1 reforms. There could well be value to industry for this to be developed into a public PASA arrangement. We note again the usual caveats around the structural differences between the NEM and the east coast gas markets with respect to lack of redundancy in transmission and production infrastructure.
		b. What, if any, impact(s) do you think the introduction of a gas PASA could have on market participants and the market more generally?	Alinta Energy notes that existing reporting requirements on the gas industry provide the necessary underlying information to create a gas PASA. The gas industry has experienced a massive increase in regulatory burden relating to transparency in recent years and the costs associated with this are having a material impact on the cost of gas to consumers. AEMO is also under substantial strain from the burden of constant reform and the consequential costs of this are passed on to industry and consumers. These matters should be given due weight in the consideration of any new systems to monitor gas system adequacy. That being said, given the large uplift in the information that AEMO is currently receiving then it seems sensible that this is used for the benefit of the industry.
		c. Do you think a gas PASA is the appropriate solution to address the potential problems set out in section 3.2.1, or are there other alternatives that you think should be considered by Officials? If there are other alternatives you think should be considered, please outline what they are and why you think they are more appropriate.	No comment
17	Objective threat signalling mechanism	a. Do you think there is value in providing for an objective threat signalling mechanism in the reliability and supply adequacy framework? Please explain your response.	We do not see a strong immediate need for this. AEMO is already required to provide sufficient information in relation to a threat notice under the stage 1 reforms. Assessment of the adequacy of threat signalling should be delayed for the time being and reviewed at a future point in time once there is sufficient experience of the ECGS stage 1 reforms in action.
		b. What, if any, impact(s) do you think the introduction of such a signalling mechanism could have on market participants and the market more generally?	No comment
		c. Do you think an objective threat signalling mechanism is the appropriate solution to address the potential problems set out in section 3.2.1, or are there other alternatives that you think should be considered by Officials? If there are other alternatives you think	No comment

No.	Questions		Feedback
		should be considered, please outline what they are and why you think they are more appropriate.	
18	Advance notice of closure for supply infrastructure	a. Do you think there is value in requiring an advance notice of closure for supply infrastructure mechanism in the reliability and supply adequacy framework? Please explain your response.	Yes. The vast majority of gas supply infrastructure has long lead times and it is critical that industry has sufficient warning of the closure of supply infrastructure in order to respond in a timely manner.
		b. What, if any, impact(s) do you think the introduction of such a notice could have on market participants and the market more generally?	No comment
		c. Do you think an advance notice of closure requirement for supply infrastructure is the appropriate solution to address the potential problems set out in section 3.2.1, or are there other alternatives that you think should be considered by Officials? If there are other alternatives you think should be considered, please outline what they are and why you think they are more appropriate.	Yes, Alinta Energy considers such notice an appropriate solution.
Section 3.3.1.1: Questions on gas PASA regional boundaries			
19	If a gas PASA was to be implemented:	a. What approach to determining regional boundaries do you think would be of greatest use to market participants in terms of effectively conveying information on the nature of any reliability or supply adequacy threats?	No comment
		b. Do you think the regional boundaries should be the same as between an ST and MT gas PASA, or is there value in using smaller regions for an ST PASA? If you think there is value in using smaller regions for the ST gas PASA, please set out some examples of what the breakdown could be.	Alinta Energy does not consider the distinction between ST PASA and MT PASA a useful one for the gas industry. Otherwise, we have no further comments on a potential gas PASA.
Section 3.3.1.2: Questions on gas PASA timeframes			
20	If a decision was made to implement a gas PASA, do you think there would be value in requiring AEMO to publish: a. an ST gas PASA? b. an MT gas PASA? Please explain your response		See above. Regardless of the option chosen care needs to be taken to not unnecessarily increase requirements on industry to submit additional data to AEMO. AEMO already has existing data to publish a gas MTPASA through is GSOO/VGPR (ISP) processes.
21	In relation to the information available to	a. Is there any additional information that you think AEMO would require to prepare an ST or MT gas PASA that has not been included in this table?	No.

No.	Questions		Feedback
	AEMO to prepare a gas PASA set out in Table 3.1:	b. What approach do you think should be used to forecast GPG demand for the purposes of an MT gas PASA? Please explain what this would involve.	AEMO should utilise existing processes/forecasting that it already has for GPG usage, e.g. leverage off the ISP/GSOO/VGPR/GBB/Part 27 reporting requirements.
22	If an **ST gas PASA** was to be implemented:	a. Do you think that a rolling 7-day outlook with a daily resolution updated daily (or more frequently if there is a material intra-day change) should be adopted? If not, please explain why and what timeframes you think would be more appropriate.	No comment
		b. Do you think there would be value in providing for intra-day resolution for the DWGM? If so, is it likely to result in any additional reporting obligations?	Unlikely to be any additional value in an intra-day resolution in the DWGM given current existing AEMO processes already do this.
		c. Qualitatively, what do you think the main costs, benefits and/or risks would be of implementing an ST gas PASA?	As noted in our response to question 20, care needs to be taken to not increase the data submission requirements that are already costly and onerous.
23	If an **MT gas PASA** was to be implemented:	a. What outlook period do you think should be adopted and why: i. a rolling 6 month outlook period? ii. a rolling 12 month outlook period? iii. a rolling 24 month outlook period?	We note that industry provides AEMO with maintenance data 2 years out. Other than that Alinta Energy has no comment.
		b. What do you think the main costs and benefits to market participants would be of the outlook period you think should be adopted?	See response to 20.
		c. If a 12 or 24 month outlook period was to be adopted, which of the following options do you think should be used to extend the 6 month outlook period currently provided for by the disclosure obligations in Part 27 of the NGR and why: i. Supplement the existing disclosure requirements with AEMO modelling of forecast demand and supply (Option 2)? ii. Amend the existing disclosure obligations in Part 27 of the NGR by either: (1) Extending the disclosure obligations to 12 or 24 months (Option 3A)? (2) Replacing the disclosure obligations with a principles based approach (similar to what the AEMC has implemented for the NEM ST PASA), which would allow AEMO, in consultation with industry, to determine what	No comment.

No.	Questions		Feedback
		information should be reported and when it should be reported (Option 3B)? iii. Targeted additional information requirements with regular reporting (Option 4)? iv. Another option not identified in the consultation paper? If you think another option should be considered, please explain what it is and why you think it should be adopted.	
		d. Do you think the MT gas PASA should have a daily resolution and be updated monthly (or more frequently if there is a material change)? If not, please explain why and what timeframes you think would be more appropriate.	No comment
		e. Qualitatively, what do you think the main costs, benefits and/or risks would be of implementing an MT gas PASA?	No comment
Section 3.3.1.3: Questions on seasonal PASA reporting			
24	Do you think there is value in requiring AEMO to publish a quarterly seasonal PASA report that would draw on information from the gas PASA, Bulletin Board, GSOO and VGPR modelling and include an assessment of things such as the adequacy of gas held in storage and emerging threats help inform the market participants' seasonal readiness plans?		No comment
25	If a quarterly seasonal PASA report was to be developed, what would you like to see included in the report?		No comment
26	Qualitatively, what do you think the main costs, benefits and/or risks would be of introducing this report?		No comment
Section 3.3.2: Questions on threat signalling mechanism			
27	If a decision was made to implement an objective threat signalling mechanism:	a. Do you think the threat levels described in section 3.3.2 (i.e. early warning, alert or emergency) should be employed, or are there more appropriate threat levels that you think should be employed?	See response to 17(a)
		b. Do you think there should be an automatic link between the NEM and gas market threat signalling mechanisms? Or are other changes required to these two signalling mechanisms to recognise the increasing interrelationship between the markets?	No, while there is a clear relationship between the NEM and the gas markets, a threat to one market does not always, or even often, mean a material threat exists in relation to the other market.
28	Qualitatively, what do you think the benefits, costs and risks would be of implementing a more objective threat signalling mechanism?		No comment
Section 3.3.3: Questions on advance notice of closure for supply infrastructure			

No.	Questions		Feedback
29	If a decision was made to implement an advance notice of closure requirement:	a. Do you think it should be restricted to supply infrastructure (e.g. production, pipeline, compression and storage facilities), or are there other facilities you think it should apply to?	Yes, the requirement of advance notice of closure should apply to 'supply infrastructure' only.
		b. What advance notice period do you think would be appropriate?	In absence of any reason to deviate, we note that the NEM uses 42 months.
		c. Do you think penalties should apply to facility operators that fail to provide sufficient notice in the same way that they do in the NEM?	Yes, however participants who are subject to such a notice requirement should be able to adjust the date without penalty where the change is due to a genuinely unexpected or unforecast factor.
30	Qualitatively, what do you think the benefits, costs and/or risks would be of implementing an advance notice of closure requirement?		See response to question 18.
Other feedback			
Please set out any other feedback you may have on additional monitoring and communication tools here.			No comment

No.	Questions		Feedback
Section 4.2: Questions on the potential need for and role of additional management tools			
31	Do you agree with the findings from the:	a. MJA study on contracting behaviour set out in section 4.2.3.1? If not, please explain your view.	Alinta Energy has concerns around the findings presented by MJA. MJA implies that if markets were functioning effectively then market participants would respond to these "short/medium/long term threats" but fails completely to consider any of the other external factors that prevent this occurring, including but not limited to state bans on additional developments, government piecemeal interventions in both the electricity and gas markets, and, more recently, uncertainty created by parallel regulatory and policy changes around the Code of Conduct, Heads of Agreement, and the ECGS reforms. Further, the ongoing federal and state government statements around the reduction of the role of gas in the future create additional uncertainty around future demands. Further discussion of our views on this are contained in our response to question 32 below. If there is a view that users of gas purchased through a market are not adequately exposed to the true cost of a reliability shortfall, that is better addressed through the market parameters- otherwise parameters such as administered price caps which are intended to limit participant exposure to unhedgable events are rendered ineffective and again, the consequence will be an increase in costs borne by consumers
		b. ACIL Allen study on demand response set out in section 4.2.3.2? If not, please explain your view.	No comment
32	RSA contracting obligation	a. Do you think there is value in providing for an RSA contracting obligation in the reliability and supply adequacy framework? Please explain your response.	No, as noted in the cover letter, the potential application of an RSA contracting obligation on both/either GPGs and/or retailers is unlikely to be effective and would lead to perverse outcomes because: • GPG gas demand is increasingly uncertain and driven by conditions in the NEM (given their primary role as peaking power plants) making the application of a contracting obligation problematic. This difficulty has been highlighted by the ACCC and AEMO numerous times in their east coast gas market reports and Alinta Energy would caution any requirement on forcing forward contracting onto GPG. • Where their underlying customer base allows them to, retailers will forward contract in order to hedge their positions. However, due to the impact of policies such as the Gas Market Code, many C&I

No.	Questions		Feedback
			customers have shown reluctance to enter into long term contracts with retailers that would enable the retailer to enter into correspondingly long term contracts with producers. Under a contracting obligation, retailers would be put in an untenable position of being required to forward contract without being able to appropriately cover their position in the retail market. The collapse in recent years of a number of retailers highlights the fact that significant costs are being faced by retailers who are not sufficiently hedged during extreme pricing events - the key issue here is that the proposed contracting obligation does not impact the behaviour of such end-users (or self-contracting users who represent a significant portion of demand). The electricity RRO has led to increased costs to retailers and not demonstrated any benefit in the NEM – see for example the reliability instrument that was called in South Australia for Q1 2024. This has led to a number of retailers withdrawing from participation in the market for that period and offering contracts starting after the affected period. An RSA contracting obligation would be an even worse fit for the east coast gas market given gas market dynamics in the upstream – with concentrated market shares of production and asymmetrical power during negotiations of GSAs. Requiring producers to provide gas on certain terms and conditions under a market liquidity obligation is also unlikely to be helpful (see for example the impact that the Gas Market Code has had on forward contracting generally and the corresponding market liquidity obligation in respect of the above event in South Australia). The only long-term solution to such structural supply issues is to facilitate better market outcomes by: • Supporting upstream developments (removing political barriers and better government management of social messaging). • Avoiding policy that increases uncertainty in the market and therefore decreases willingness to forward contract. Finally, we do not believe that an RSA contracting obligation would provide a viable basis for causer pays cost allocations in respect of other emergency response mechanisms (see our response to question 44(b) for more detail).

No.	Questions		Feedback
		b. What, if any, impact(s) do you think the introduction of an RSA contracting obligation could have on market participants and the market more generally?	As noted in question 36 below, an RSA contracting obligation could cause the early exit of GPGs and decrease competition in the retail market by increasing costs/barriers to entry for retailers which would ultimately lead to increased costs to consumers.
		c. Qualitatively, what do you think the main costs, benefits and/or risks would be of implementing an RSA contracting obligation?	The costs associated with such an obligation would be: • Compliance costs associated with the increase in regulatory burden. • Loss of utility in markets as participants are forced to take positions that are not otherwise economically efficient. • Further shifting of risk onto retail participants from both producers (who know retailer have to buy) and end users (who know there will always be volumes available regardless of timing). Additional risks of: • Loss of competition in the NEM for dispatchable generation due to early exit if GPGs are forced to contract or run at uneconomic levels. • Loss of competition in retail as this represents a material increase in costs and barriers to entry for retailers.
		d. Do you think an RSA contracting obligation is the appropriate solution to address the potential problems identified in sections 4.2.2 and 4.2.3.1, or are there other alternatives that you think should be considered by Officials? If there are other alternatives you think should be considered, please outline what they are and why you think they are more appropriate.	No. Alinta Energy is strongly of the view that an RSA contracting obligation would have a net negative impact on both the east coast gas market as well as potentially the NEM if it applied to GPGs. To the extent that a contracting obligation was used as a tool to allocate the costs of market interventions on a causer pays basis, this would be inaccurate. Forecasts of structural supply shortfalls have not been caused by retailers or GPGs, but rather by poor policy decisions such as the Gas Market Code and restrictions on onshore gas development. It is also not clear how it would function given the key role of gas storage in managing reliability of supply during peak days. It would be inappropriate for a participant that generally relies on spot markets for supply but who sufficiently physically hedges such risk via gas storage to be considered short for the purposes of a contracting obligation or during a gas system reliability event.

No.	Questions		Feedback
33	Administered demand response mechanism	a. Do you think there is value in providing for an administered demand response mechanism in the reliability and supply adequacy framework? Please explain your response.	Yes, Alinta Energy's view is that this is the best option for a gas reliability standard use case.
		b. What, if any, impact(s) do you think the introduction of an administered demand response mechanism could have on market participants and the market more generally?	No comment
		c. Qualitatively, what do you think the main costs, benefits and/or risks would be of implementing an administered demand response mechanism?	No comment
		d. Do you think an administered demand response mechanism is the appropriate solution to address the potential problems identified in sections 4.2.2 and 4.2.3.2, or are there other alternatives that you think should be considered by Officials? If there are other alternatives you think should be considered, please outline what they are and why you think they are more appropriate.	The key solution is to encourage new supply and investment into the east coast gas market. See response to 32(a).
34	Supplier of last resort mechanism	a. Do you think there is value in building on the trading function by providing for a supplier of last resort mechanism in the reliability and supply adequacy framework? Please explain your response.	No, see response to 34(d).
		b. What, if any, impact(s) do you think building on the trading function by providing for a supplier of last resort mechanism could have on market participants and the market more generally?	No comment
		c. Qualitatively, what do you think the main costs, benefits and/or risks would be of building on the trading function by providing for a supplier of last resort mechanism?	No comment
		d. Do you think a supplier of last resort mechanism is the appropriate solution to address the potential problems identified in sections 4.2.2 and 4.2.3.1, or are there other alternatives that you think should be considered by Officials? If there are other alternatives you think should be considered, please outline what they are and why you think they are more appropriate.	It is not clear what additional value a supplier of last resort mechanism could provide if a well designed administered demand response mechanism was implemented.

No.	Questions		Feedback
35	Are there **any other** reliability and supply adequacy management tools that you think should be considered by Officials? If so, please explain why you think they are required.		No comment
Section 4.3.1: Questions on RSA contracting obligation			
36	If a decision was made to implement an RSA contracting obligation, which of the following design options do you think should be implemented and why: – A southern jurisdiction winter deliverability contracting obligation (Option 1)? – An east coast wide firm contracting obligation (Option 2)? – Another design option? If you think another option should be considered, please explain what it is and why you think it should be adopted.		From a reliability perspective, the risk profiles of different sections of the east coast gas market are different. If an RSA contracting obligation was implemented, the risks associated with the southern jurisdictions in winter need to be properly considered in parallel with both storage and transport positions.
37	If an RSA contracting obligation was to be implemented:	a. Do you think the obligations should apply to: i. Retailers and GPGs? ii. GPGs only? iii. Retailers only? Please explain your response.	Consideration of end user behaviour also needs to be considered as discussed in question 32.
		b. In the case of GPGs: i. Do you think it would be financially viable for GPGs to be subject to an RSA contracting obligation? If not, are there any other simpler or more direct ways to address the reliability and supply adequacy threats posed by GPG demand? ii. What, if any effect, a contracting obligation or alternative approach could have on competition in the NEM?	A contracting obligation that over-forecast the level of generation that a GPG naturally provide would likely accelerate the exit of GPGs from the NEM, leading to a material decrease in competition for the provision of dispatchable generation. It is important that GPGs are free to manage their own portfolios and respond to market signals. We note our response in 32(d) and reiterate our view that the solution to structural reliability shortfalls and lack of forward contracting in the gas market is via good policy decisions that avoid barriers to the development of upstream gas production, increase long-term certainty in the regulatory framework by avoiding hasty implementation of political interventions that are not adequately consulted on with industry, and allow markets to function efficiently.
		c. Do you think a size threshold should be adopted for liable entities? If so, what do you think is an appropriate size threshold?	No comment
		d. Do you think any other reforms would be required to enable liable entities to contract on reasonable terms? If so, please explain what additional reforms you think are necessary.	Yes, but the reforms should focus on facilitating competitive markets rather than imposing additional obligations on market participants that preclude efficient outcomes. See our response to 37(b).

No.	Questions			Feedback
		e. How far in advance of a forecast reliability gap do you think the RSA contracting instrument would need to be triggered to provide liable entities sufficient time to contract and for any investment that may be required?		No comment
		f. How should the geological, land access, regulatory, commercial and other investment challenges that may be associated with the development of new supply infrastructure be recognised in the contracting obligations and/or penalty regime?		No comment
		g. Do you think the contracting obligation should allow liable entities to procure other covered gases that are suitable for consumption as natural gas (e.g. biomethane and low hydrogen blends)?		Yes
		h. Do you think it would be necessary to provide for:	i. A liquidity obligation? If so, please explain how you envisage this obligation would work.	No, see our responses to 32(b) and 37(d). There is no evidence that this provides positive outcomes.
			ii. A voluntary book build mechanism administered by AEMO to facilitate the development of any new supply and/or capacity that may be required? If so, please explain how you envisage this would work.	No, see our responses to 32(b) and 37(d).
		i. Do you think the contracting obligation would incentivise retailers to help transition customers to alternative fuels (where feasible), or would a separate tool be required to achieve this?		To the extent that customers are not already incentivised to transition it is unlikely that their current retailer will have a material impact on their decisions in this respect. It is more likely that a contracting provision would have the unintended consequence of reducing competition in the retail markets, as retailers that are unable to obtain sufficient contracts would rather cease providing the service than be forced to fund supply infrastructure that is not otherwise supported by market fundamentals or a stable regulatory environment. For example, in South Australia, under the NEM RRO a T-1 reliability instrument was called for Q1 2024. This has led to a number of retailers withdrawing from participation and offering contracts starting after the RRO event period.
38	If a southern jurisdiction winter deliverability contracting	a. Are there any additional design features that you think need to be considered (see Table 4.2)?		No comment
		b. Are there any design features that have been proposed that you think would not work in the east coast gas market (see Table 4.2)?		No comment

No.	Questions		Feedback
	obligation (Option 1) was to be implemented:	c. Are there any material costs, risks or benefits associated with this option that you think should be considered?	No comment
39	If an east coast wide firm contracting obligation (Option 2) was to be implemented:	a. Are there any additional design features that you think need to be considered (see Table 4.2)?	No comment
		b. Are there any design features that have been proposed that you think would not work in the east coast gas market (see Table 4.2)?	No comment
		c. Are there any material costs, risks or benefits associated with this option that you think should be considered?	No comment
Section 4.3.2: Questions on a potential administered demand response mechanism			
40	If a decision was made to implement an administered demand response mechanism, do you think the design option described in section 4.3.2 should be implemented, or is there another option that you think could unlock demand response in a more cost effective way?		Alinta Energy supports the implementation of an administered demand response mechanism.
41	If the administered demand response mechanism described in section 4.3.2 was to be implemented:	a. Do you think it should only be open to large gas users to participate in, or should retailers and/or demand response aggregators also be able to participate?	It seems unlikely that any parties other than large gas users would be able to provide a response, however Alinta Energy sees no reason to exclude retailers or demand response aggregators.
		b. Do you think it would be necessary to make availability payments to panel members to encourage them to participate, or could they just be paid a pre-activation or activation payment?	Having the flexibility to separate payments into an availability payment and a pre-activation or activation payment allows providers to more accurately reflect their marginal costs of providing a response (if for example the provision of a demand response incurred costs prior to either the pre-activation or activation period).
		c. Are there any additional design features that you think need to be considered?	No comment
Section 4.3.3: Questions on supplier of last resort mechanism			
42	If a decision was made to implement a supplier of last resort mechanism, which of the following design options do you think should be implemented and why: – a southern jurisdiction winter deliverability supplier of last resort mechanism (Option 1)? – an east coast wide RERT-style supplier of last resort mechanism (Option 2)? – another design option? If you think another option should be considered, please explain what it is and why you think it should be adopted.		No comment

No.	Questions		Feedback
43	In relation to the risk of crowding out market participants:	a. Do you think it feasible to AEMO to procure 'out of market' gas (i.e. gas that would not otherwise be available to the market) or other services (e.g. transportation and storage services)? If so, how would this occur and are there any risks associated with doing so?	Other than a demand response, it is difficult to see how true 'out of market gas' could be procured. We recommend that an administered demand response mechanism be pursued instead of a supplier of last resort.
		b. If it is not feasible to procure 'out of market' gas or other services, is there any other way that you think the risk of AEMO crowding out market participants could be addressed?	No
44	Do you think:	a. The supplier of last resort mechanism should only focus on natural gas, or should it also allow AEMO to procure other covered gases that are suitable for consumption as natural gas (e.g. biomethane and low hydrogen blends)?	Alinta Energy sees no reason to limit participation to natural gas only. With respect to causer pays approaches in emergency response mechanisms such as this, we again note our concerns set out in our response to 32(d), that any attempt to create a 'causer pays' system for a supplier of last resort would fail to accurately allocate cost to cause or create an efficient incentive for market participants. Past experience shows that causer pays is an inherently difficult concept to implement, particularly: • in markets that are undergoing rapid change; and • in respect of emergencies which frequently manifest in unexpected ways. Critical flaws with causer pays provisions in respect of cost allocation during emergencies have been identified in AEMO's energy markets in the past such as the shortcomings of the DWGM market design around AMDQ, uplift and ancillary payments prior to the recent DWGM reforms. In the NEM, the difficulty of creating a causer pays system for frequency performance during emergencies has been acknowledged in the market design by simply ignoring trading intervals that were subject to contingency events. We do not suggest that attempts should not be made to allocate cost to cause in markets generally, rather that policy makers should be particularly wary of relying on causer pays provisions for emergency mechanisms which, by definition, are intended to function during unusual circumstances.
		b. Any additional measures (over and above a causer pays approach to cost allocation) are required to counter the impact that AEMO acting as supplier of last resort may have on market participants' incentives to take their own actions to address the threats?	
45	If a southern jurisdiction winter deliverability supplier of last	a. Do you think AEMO should only be able to contract and/or hold a storage reserve for the winter period, or should it be able to contract for a longer period?	Contracting for excessively long periods runs the increased risk of crowding out a market response; however, we note that the need for AEMO to intervene by holding a storage reserve may not be limited just to the winter periods.

No.	Questions		Feedback
	resort mechanism (Option 1) was to be implemented:	b. Are there any additional constraints that you think should apply to this mechanism that have not been identified in Table 4.3?	No comment
		c. Are there any additional design features that you think need to be considered for this option (see Table 4.3)?	No comment
		d. Are there any design features that have been proposed that you think would not work in the east coast gas market (see Table 4.3)?	No comment
		e. Are there any material costs, risks or benefits associated with this option that you think should be considered?	No comment
46	If an east coast wide RERT-style supplier of last resort mechanism (Option 2) was to be implemented:	a. Are there any additional constraints that you think should apply to this mechanism that have not been identified in Table 4.3?	No comment
		b. Are there any additional design features that you think need to be considered (see Table 4.3)?	No comment
		c. Are there any design features that have been proposed that you think would not work in the east coast gas market (see Table 4.3)?	No comment
		d. Are there any material costs, risks or benefits associated with this option that you think should be considered?	No comment
Other feedback			
Please set out any other feedback you may have on reliability and supply adequacy management tools here.			No comment

Chapter 5: Potential changes to the GSOO and VGPR

No.	Questions	Feedback
47	Do you think there is value in aligning the GSOO and VGPR with the reliability and supply adequacy framework? – If so, are there any changes contemplated in section 5.1 that you think are unnecessary, or are there other changes that you think should be considered? – If not, please explain why. – Are there any material costs, risks or benefits that you think should be considered when deciding whether or not to align the GSOO and VGPR with the framework?	No comment
48	Do you think there is value in trying to achieve greater alignment between the GSOO, VGPR and NEM forecasting tools? – If so, are there any changes contemplated in section 5.2 that you think are unnecessary, or are there other changes that you think should be considered? – If not, please explain why. – Are there any material costs, risks or benefits that you think should be considered when deciding whether to align the GSOO and VGPR with the NEM forecasting tools?	No comment
Please set out any other feedback you have on the potential alignment of the GSOO and VGPR here.		No comment

Implementation and other questions

No.	Questions	Feedback
49	If any of the additional elements outlined in the consultation paper were to be implemented, do you think they should be implemented as a package or sequenced in a particular way?	No comment
50	Are there any other problems, impacts or matters that you think Officials should take into account when considering whether to include any of the additional elements outlined in the consultation paper?	No comment