AUSTRALIAN ENERGY MARKET COMMISSION

RULE

Consultation paper

ECGS Projected Assessment of System Adequacy

Proponent

Energy Senior Officials on behalf of the Energy Minister's Sub-Group

10 April 2025

Inquiries

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About the AEMC

The AEMC reports to the energy ministers. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the energy ministers.

Acknowledgement of Country

The AEMC acknowledges and shows respect for the traditional custodians of the many different lands across Australia on which we all live and work. We pay respect to all Elders past and present and the continuing connection of Aboriginal and Torres Strait Islander peoples to Country. The AEMC office is located on the land traditionally owned by the Gadigal people of the Eora nation.

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Summary

1 The Commission considers that one of the key opportunities and challenges that we need to consider during the energy transition is planning for the role of gas. The Commission is of the view that transition planning for gas in Australia's energy system must account for consumers, networks, exports, and wholesale market impacts, with one of the challenges being certainty for investors, households, and industry.[1]

2 The Acting Chair of the Energy Senior Officials and the Honourable Lily D'Ambrosio MP, Minister for Climate Action, Minister for Energy & Resources and Minister for the State Electricity Commission (the proponent) submitted a rule change request on 21 January 2025 seeking to amend the National Gas Rules (NGR) to introduce a projected assessment of system adequacy (PASA). This would include a comprehensive suite of information relating to gas supply and transport capability and gas demand, in the East Coast Gas System (ECGS).[2]

3 The proponent considers that the ECGS currently lacks a complete set of high-quality information on the adequacy of gas supply and transportation capability to meet demand over the intra-year period. They consider that this is reducing stakeholders' ability to make timely, informed and efficient decisions about how to plan for and manage any emerging reliability and supply adequacy (RSA) threats.[3]

4 The AEMC has commenced its consideration of the request, and this consultation paper is the first stage.

5 We are seeking your feedback on how we propose to assess the request to determine if it will promote the long-term interests of consumers, the materiality of the problem, the feasibility of the proposed solution, or if there are other alternatives.

This rule change is part of the stage two RSA framework reforms

6 During winter 2022, wholesale gas prices in the facilitated markets across the ECGS reached record highs, triggering administered price caps in some markets. In August 2022, Energy Ministers directed energy officials to progress a package of reforms aimed at supporting a more secure, resilient and flexible east coast gas market. This included introducing an RSA framework for the ECGS.[4]

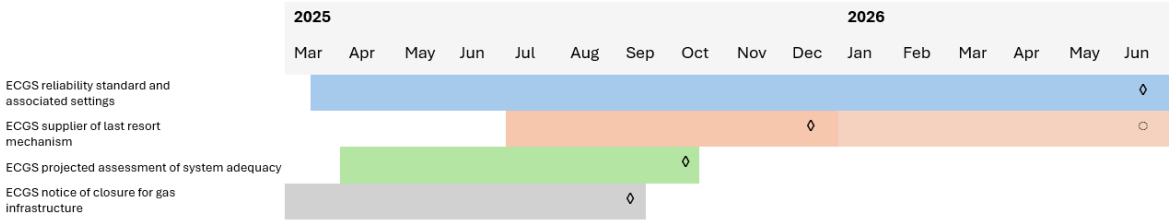
7 The RSA framework's implementation was staged. Amendments to the National Gas Law (NGL) giving effect to the first tranche of changes (stage 1) commenced on 27 April 2023, alongside supporting regulations.[5] The corresponding rule amendments came into effect on 4 May 2023.[6] These stage 1 changes expanded the Australian Energy Market Operator's (AEMO) powers under the NGL to enable better management of gas supply adequacy and reliability risks ahead of winter 2023 and beyond.[7]

8 The stage 2 RSA reforms aim to build on the stage 1 reforms. This rule change request is one of four rule change requests being progressed through the AEMC's rule change process as part of

1 AEMC, A consumer-focused net zero energy system, September 2024, p24-26.
2 Rule change request, cover letter, received 21 January 2025.
3 Rule change request, cover letter, received 21 January 2025.
4 Energy and Climate Change Ministerial Council (ECMC), Consultation on stage 2 of the RSA framework for the east coast gas market
5 The National Gas (South Australia) (East Coast Gas System) Amendment Act 2023 and the National Gas (East Coast Gas System) Amendments Regulations 2023
6 The National Gas Amendment (East Coast Gas System) Rule 2023
7 ECMC, Regulatory amendments to extend AEMO's functions and powers to manage east coast gas supply adequacy

the stage 2 reforms, see figure below, and chapter one of the Background Paper for more information on the rule change requests.

Figure 1: Indicative timeframes for the four ECGS rule change requests



Note: These timelines are indicative only and subject to final Commission approval. Timelines may vary over the course of each rule change project to account for changes in circumstances. Key: ◊ = statutory completion date for standard rule changes (noting that the ECGS reliability standard rule change has issued extension notices for both draft and final determinations) ○ = potential completion date to account for an extended timeframe to address complexity and difficulty arising from the rule change requests.

9 Additionally, the Commission is actively considering the work being undertaken by the Energy and Climate Change Ministerial Council (ECMC) to further expand AEMO's gas powers and how that relates to these rule change requests. The ECMC has tasked Senior Officials to work with AEMO to address ECGS supply issues and recommend policy options to address this over the medium term.[8]

We are seeking your views on whether there is enough quality information covering the intra-year period to support decision-making by ECGS stakeholders

10 The proponent considers that the ECGS lacks a complete set of high quality information on gas supply and demand over the intra-year period. They consider that this lack of information is reducing stakeholders' ability to make timely, informed and efficient decisions in relation to any emerging reliability and supply adequacy threats.

11 The proponent considers that this reduced ability to make optimal decisions could have a range of adverse effects on both the ECGS and gas consumers. This could include increased costs, increased volatility, and a greater reliance on AEMO intervention to resolve threats, which may be less efficient and potentially less effective.[9]

12 The Commission is interested in stakeholder views around whether a lack of a complete high-quality dataset and systematic assessment of reliability and supply adequacy in the ECGS over the intra-year timeframe is impacting stakeholder's ability to make efficient decisions, and if so, how.

We are seeking your views on the introduction of an ST and MT PASA in the ECGS

13 To address the problem identified by the proponent, they propose to introduce a principles-based framework for AEMO to produce two forecasts over the intra-year period. They consider the PASA would enable market participants to respond more effectively and efficiently when demand is forecast to exceed supply in the short and medium-term, providing participants the opportunity to shift gas demand before the situation requires AEMO intervention.[10] The two forecasts would be

8 Communique, Energy and Climate Change Ministerial Council Meeting, 6 December 2024, pp 2-3. See section 1.2.2 of the Background Paper.
9 Rule change request from Energy Senior Officials on 21 January 2025: ECGS projected assessment of system adequacy, p.23
10 Rule change request, cover letter, received 21 January 2025.

the:

- **Short term PASA** — proposed as a rolling 7-day demand, supply and infrastructure capacity forecast.
- **Medium term PASA** — proposed as a rolling 12-month demand, supply and infrastructure capacity forecast.

14 The outputs of the PASA are proposed to include the following outputs, published in a manner and form set out by AEMO in the ECGS procedures:[11]

- the forecast demand for gas, including the assumed level of gas powered electricity generator (GPG) demand in these forecasts
- the forecast supply of gas (including from production facilities, storage facilities and any LNG import facilities)(ST PASA only)
- the aggregate capacity of BB supply facilities
- any reductions in the capacity of infrastructure involved in the supply of gas that may affect the volume of gas supplied
- actual or potential risks or threats to the reliability or adequacy of the supply of covered gas (ST PASA only)
- a reliability forecast that includes AEMO's assessment of whether the reliability standard is likely to be breached and, if so, the expected size, timing, duration and location of the breach (MT PASA only)[12]
- any other information specified by AEMO in the ECGS procedures.

15 The proponent proposes that AEMO would be required to develop and set out its modelling processes and methodologies to prepare the demand forecasts and other inputs to the ST and MT PASA in the ECGS procedures.

The proposal identifies an uplift in the information provided to AEMO on the ECGS to support the PASA

16 The rule change request is accompanied by an ECGS PASA feasibility report from AEMO, which identifies a suite of changes that would need to be made across Part 18, 19, 20, and 27 of the NGR to ensure AEMO has access to the data it needs to produce the proposed PASA forecasts. These changes would aim to make sure that there are no gaps in the data collected by AEMO, and that it is of a sufficient quality to underpin the integrity of the PASA. We are interested in stakeholder views on opportunities for streamlining of information collection, and on matters of compliance and enforcement.

The proponent proposes a staged implementation timeline

17 The proposal provides for the new information collection obligations to commence, and AEMO to develop and put in place the new PASA within 12-18 months of the final rule being made. It suggests AEMO could be required to start publishing the first ST and MT PASA reports within 15-18 months of the final rule being made. The proponent notes this timeline balances providing AEMO with time for implementation and the urgency of addressing potential threats to reliability and supply adequacy in the ECGS. It also allows three months for a trial to be operated with industry before the final PASA commences. We are seeking your views on this proposed

11 The ECGS procedures are the procedures that relate to AEMO's ECGS RSA function that covers all states and territories except WA. AEMO is required to publish and maintain them as part of its obligations under Part 27 of the NGR. The current suite of ECGS procedures and guidelines can be found here.

12 This is dependent on the development of an ECGS reliability standard, which is being progressed separately through another rule change request. For more information, see the *Reliability standard and associated settings* project page.

implementation timeline or whether there are other approaches.

We consider that there are four assessment criteria that are most relevant to this rule change request

18 Considering the NGO[13] and the issues raised in the rule change request, the Commission proposes to assess the rule change request against four assessment criteria.

19 Please provide feedback on our proposal to assess the request against:

- **Safety, security, and reliability** — Would the proposal support more timely, informed and efficient decision-making and market-led responses to reliability or supply adequacy threats, thus improving security and reliability outcomes in the ECGS?
- **Principles of market efficiency** — Would the proposal reduce information asymmetry and promote competition by ensuring all stakeholders have a clear view of reliability and supply adequacy in the ECGS?
- **Implementation considerations** — Would the proposal ensure the information collection and compliance burden on stakeholders is both minimised and justified by the benefit of providing the new information to the industry? Is the uplift required by AEMO justified and implemented in a way that minimises the implementation burden on AEMO and industry? Are there timing synergies that should be considered?
- **Principles of good regulatory practice** — Is the solution aligned with this broader direction of reform, including the other gas rule changes being considered by the Commission?

Submissions are due by 8 May 2025 with other engagement opportunities to follow

20 There are multiple options to provide your feedback throughout the rule change process.

21 Written submissions responding to this consultation paper must be lodged with Commission by 8 May 2025 via the Commission's website, www.aemc.gov.au.

22 There are other opportunities for you to engage with us, such as one-on-one discussions or industry briefing sessions. See the section of this paper about "How to engage with us" for further instructions and contact details for the project leader.

Full list of consultation questions

Question 1: Is there enough quality information covering the intra-year period to support decision-making by ECGS participants, AEMO and policymakers?

Do you agree that there is insufficient information for the intra-year period to support optimal decision making by ECGS participants, AEMO and policymakers? Does this apply over the short term (about seven days) and/or long term (about 12 months). If so, how is your decision-making impacted by insufficient information? If not, why not?

13 Section 23 of the NGL.

Question 2: Do you consider a principles-based approach to be the most appropriate solution?

What are your views on the strawperson ECGS PASA objective? Do you think it includes any irrelevant considerations? Are there important considerations missing?

How do you think future changes should be made to the PASA? Do you consider requiring AEMO to follow the NGR consultation process to develop and update the PASA would provide stakeholders with sufficient certainty and predictability while minimising the potential burden on industry? Are there other options that we should consider?

Question 3: Which factors should guide AEMO's development of ECGS PASA modelling regions?

How should modelling regions be defined? Should this be undertaken by AEMO? Do you consider the factors identified by AEMO to be comprehensive or are there other relevant factors?

Question 4: Is the proposed ST PASA design fit for purpose?

What are your views on the proposed inputs, outputs, and other ST PASA design elements? Is anything missing? Are there unnecessary inputs or outputs?

Question 5: Is the proposed MT PASA design fit for purpose?

What are your views on the proposed inputs, outputs, and other MT PASA design elements? Is anything missing? Are there unnecessary inputs or outputs?

Question 6: What are your views on compliance and enforcement?

Do you consider that the proposed penalty/compliance approach will ensure that the inputs for a PASA are of sufficient quality? Are there gaps in the current compliance and enforcement framework that should be addressed to ensure the integrity of a PASA?

Question 7: Are there additional opportunities for streamlining or to remove duplication?

Are there other opportunities to streamline the provision of information on the ECGS to AEMO? Are there redundant requirements that could be removed?

Question 8: What are your views on implementation timing?

What are your views on the costs or benefits of implementing an ECGS PASA before a reliability standard has been developed? Are there potential benefits from a staged approach to

implementation?

Question 9: Are there alternative solutions that would be preferable?

Can you share any alternative solutions that would provide ECGS stakeholders with the information needed to make efficient decisions over the intra-year timeframe that you think would be preferable and more aligned with the long-term interests of consumers? Are there alternative solutions that sit outside of the gas rules such as industry or jurisdictional initiatives that could address the issue?

Question 10: Assessment framework

Do you agree with the proposed assessment criteria? Are there additional criteria that the Commission should consider or criteria included here that are not relevant?

How to make a submission

We encourage you to make a submission

Stakeholders can help shape the solutions by participating in the rule change process. Engaging with stakeholders helps us understand the potential impacts of our decisions and, in so doing, contributes to well-informed, high quality rule changes.

We have included questions in each chapter to guide feedback, and the full list of questions is above. However, you are welcome to provide feedback on any additional matters that may assist the Commission in making its decision.

How to make a written submission

Due date: Written submissions responding to this consultation paper must be lodged with Commission by 8 May 2025.

How to make a submission: Go to the Commission's website, www.aemc.gov.au, find the "lodge a submission" function under the "Contact Us" tab, and select the project reference code GRC0080.[14]

You may, but are not required to, use the stakeholder submission form published with this consultation paper.

Tips for making submissions are available on our website.[15]

Publication: The Commission publishes submissions on its website. However, we will not publish parts of a submission that we agree are confidential, or that we consider inappropriate (for example offensive or defamatory content, or content that is likely to infringe intellectual property rights).[16]

Other opportunities for engagement

There are other opportunities for you to engage with us, such as one-on-one discussions or industry briefing sessions.

14 If you are not able to lodge a submission online, please contact us and we will provide instructions for alternative methods to lodge the submission.

15 See: https://www.aemc.gov.au/our-work/changing-energy-rules-unique-process/making-rule-change-request/submission-tips

16 Further information is available here: https://www.aemc.gov.au/contact-us/lodge-submission

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1 The context for this rule change request

This consultation paper seeks stakeholder feedback on the rule change request submitted by the Acting Chair of the Energy Senior Officials and the Honourable Lily D'Ambrosio MP, Minister for Climate Action, Minister for Energy & Resources and Minister for the State Electricity Commission (the proponent). The request seeks to provide a systematic forecast of the supply and transport capability of, and demand for, gas in the ECGS over the intra-year period.

This rule change request is part of a suite of reforms agreed to by energy ministers to ensure that stakeholders, participants, market bodies, and policymakers are equipped to manage reliability and supply adequacy challenges and threats that are forecast to emerge in the ECGS.

An initial stage of reforms — referred to as RSA stage one reforms — were made prior to winter 2023 to address impending risks to reliability and supply adequacy. Following this, in June 2023, officials consulted on a subsequent package of reforms to complete the framework that was introduced in the RSA stage one reforms. This package includes four rule change requests that have been submitted to the AEMC, of which this is one. To streamline stakeholders' experience in engaging with these rule change requests, and to avoid extensive duplication across the consultation papers, we have published a background paper that covers the background and context for the stage 2 RSA package. For more information on the context for the stage 2 RSA reforms, see Section 1.2.1 of the background paper.

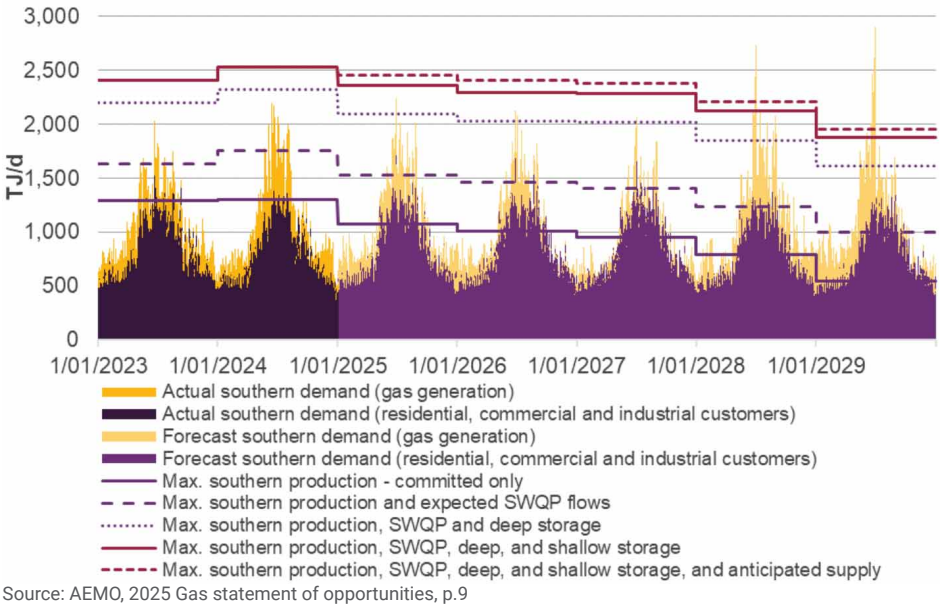
The Commission considers that one of the key challenges or opportunities we need to consider during the energy transition is planning for the role of gas. The Commission is of the view that transition planning for gas in Australia's energy system must account for consumers, networks, exports, and wholesale market impacts, with one of the challenges being certainty for investors, households, and industry.[17]

1.1 AEMO forecasts seasonal gas supply gaps from 2028 onward and annual gaps from 2029

In its 2025 Gas Statement of Opportunities (GSOO), AEMO forecasts that there will be insufficient capacity in the ECGS from 2028 to meet demand in southern Australia in winter on extreme peak day conditions. This occurs against a backdrop of expected increasing demand from GPG as electrification continues and other large thermal units retire from the NEM.

17 AEMC, A consumer-focused net zero energy system, September 2024, p24-26.

Figure 1.1: Actual daily southern gas system adequacy since January 2023, and forecast to 2029 using existing, committed and anticipated projects



Source: AEMO, 2025 Gas statement of opportunities, p.9

Note: Peak demand levels reflect weather conditions that drive one-in-20 year gas demand, and one-in-10 year electricity peak demand. The degree to whichgas demand and electricity demand peaks coincide will influence the gas supply adequacy.

1.2 The Commonwealth government has engaged with stakeholders about this request

In June 2023 the Department of Climate Change, Energy, the Environment and Water (DCCEEW) asked stakeholders to provide feedback on the design of the Stage 2 RSA framework which could complement stage 1. This included consultation on the design of an ECGS PASA, which helped inform this rule change request. We have reflected on and referenced this feedback where relevant throughout this paper.

More information on the consultation process, including stakeholder submissions, can be found here.

1.3 The ECMC is continuing its consideration of reliability and supply adequacy in the ECGS

Further work on reliability and supply adequacy in the ECGS is ongoing. At the 6 December 2024 ECMC meeting Ministers tasked Senior Officials to work with AEMO on potential expanded powers for AEMO to address ECGS supply issues, and recommend policy options to address this over the medium term.[18]

The Commission will consider the impact of this advice, if any, on the proposed rule change as relevant context as we progress this process.

18 Communique, *Energy and Climate Change Ministerial Council Meeting*, 6 December 2024, pp 2-3. See section 1.2.2 of the Background Paper.

1.4 The ST and MT PASA operate in the NEM and have informed the proponent's rule change request

This rule change request draws inspiration, in part, from the reliability framework currently employed in the NEM. This subsection provides a brief overview of the reliability framework in the NEM. For a more detailed overview, see Chapter 4 of the background paper.

The reliability framework in the NEM is designed to ensure that reliability is delivered at a level that consumers value. The core objective of the principles-based framework is to meet reliability through market mechanisms to the largest extent possible. In the ECGS, a PASA would support the market to achieve reliability by providing stakeholders with a high-quality, regular dataset on supply and transport capability, and demand.

In the NEM, AEMO must be guided by the PASA objective in its administration of PASA.

Box 1: NEM PASA Objective

The PASA is a comprehensive program of information collection, analysis, and disclosure of medium term and short term power system security and reliability of supply prospects so that registered participants are properly informed to enable them to make decisions about supply, demand and outages of transmission networks in respect to periods up to 2 years in advance (or up to three years in advance, where specified).

Source: NER clause 3.7.1(b)

The high-level objectives of the NEM ST and MT PASAs are outlined in the following sections, to provide context in the proponent's proposed translation to the ECGS.

1.4.1 The NEM ST PASA has two objectives

AEMO defines the objective of ST PASA in the NEM to be:[19]

1. Provide information to the market on the expected level of short-term capacity reserve and allow the market to respond to the power system needs.
2. Provide a benchmark for AEMO to intervene in the market through the reserve trading provisions of the National Electricity Rules, and then commit extra capacity (either scheduled generation or loads) into the spot market.

This rule change aims to implement an ST PASA in the ECGS with a similar objective to objective (1) above. The proponent considers an ECGS ST PASA would support objective (2) in conjunction with two of the other stage 2 RSA rule changes: *ECGS Reliability standard and associated settings*, and *ECGS Supplier of last resort mechanism*. The former looks to provide the benchmark for any intervention, and the latter to provide the ability for AEMO to act as a supplier of gas into the ECGS.

1.4.2 The NEM MT PASA helps stakeholders make better decisions in the medium term

MT PASA assesses the adequacy of expected electricity supply to meet demand across the two-year horizon through regular assessment of any projected failure to meet the reliability standard. This assists Registered Participants and other stakeholders making decisions about supply, demand and transmission network outages over that period.

19 See here for more information on AEMO's implementation of PASA.

An ECGS reliability standard is the subject of another rule change request and will not be directly considered through this process.[20] However, we will account for the possibility of a future reliability standard in our consideration of different solutions. This is also reflected in our inclusion of "principles of good regulatory practice" as one of the proposed assessment criteria for this rule change request, where we will consider interactions with other potential reforms underway.

Similar to the MT PASA in the NEM, this rule change request aims to make changes that would provide stakeholders with a complete set of information on gas supply and demand in the ECGS over the medium term to empower them to form their own view on the ability of supply to meet demand. The proponent considers that this, in turn, would allow stakeholders to adjust their behaviour to achieve reliability and supply adequacy outcomes.

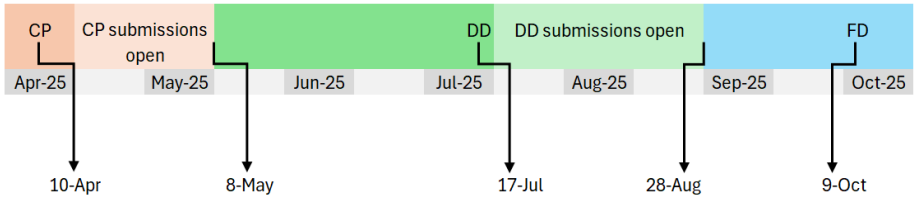
1.5 We have started the rule change process

This paper is the first stage of our consultation process. A standard rule change request includes the following formal stages:

- a proponent submits a rule change request
- the Commission commences the rule change process by publishing a consultation paper and seeking stakeholder feedback
- stakeholders lodge submissions on the consultation paper and engage through other channels to make their views known to the AEMC project team
- the Commission publishes a draft determination and draft rule (if relevant)
- stakeholders lodge submissions on the draft determination and engage through other channels to make their views known to the AEMC project team
- the Commission publishes a final determination and final rule (if relevant).

This process and the key indicative dates for this rule change request are set out below in Figure 1.2

Figure 1.2: Indicative rule change process timeline



Note: In the timeline CP means consultation paper, DD means draft determination, and FD means final determination. This timeline is indicative only, and the Commission may extend the timeframes if we consider that the proposal raises issues of sufficient complexity or difficulty, or if there is a material change in circumstances.[21]

Information on how to provide your submission and other opportunities for engagement is set out at the front of this document on page vii.

You can find more information on the rule change process on our website.[22]

To make a decision on this proposal, we seek stakeholder feedback on how we propose to assess the request, the stated problem and the proposed solutions.

20 For more information see the *ECGS reliability standard and associated settings* rule change request project page.

21 The AEMC has power to extend statutory timeframes on these bases under Section 317 of the NGL.

22 See our website: https://www.aemc.gov.au/our-work/changing-energy-rules.

2 The problem raised in the rule change request

This chapter seeks stakeholder feedback on the problem identified in the rule change request — whether it is or will soon become a problem and if so, the scale and impact of the problem.

2.1 There is insufficient information in the intra-year period to support informed decision-making by ECGS participants, AEMO and policy-makers.

The proponent considers that the ECGS lacks a complete set of high quality information on gas supply and demand over the intra-year period. This is reducing stakeholders' ability to make timely, informed and efficient decisions about how to plan for and manage any emerging reliability and supply adequacy threats. AEMO's 2025 GSOO forecasts the emergence of seasonal supply gaps in southern Australia from 2028 on, with annual supply gaps forecast to emerge from 2029 on.[23] In this context of a tightening supply-demand balance in the ECGS, the proponent considers it is imperative that stakeholders are empowered to make the best decisions with respect to their supply and demand for gas. This would enable them to take action, including:[24]

- reducing demand
- increasing supply
- altering infrastructure maintenance plans
- taking any other actions to alleviate reliability or supply adequacy threats.

The proponent considers that an inability of participants to respond in this manner could have a range of adverse effects on both the ECGS and gas consumers. This could include:[25]

- increased costs due to inefficient decision making with respect to supply and demand
- increased volatility when threats arise
- greater reliance on AEMO intervention to resolve threats, which may be less efficient and potentially less effective.

The proponent notes that while the stage one RSA reforms increased the scope of information market participants are required to report to AEMO relating to gas supply and demand in the ECGS, there is not a systematic intra-year assessment of ECGS reliability or adequacy of supply.[26] It also notes that while AEMO can publish updates if new information comes to light, neither the GSOO nor the Victorian Gas Planning Report (VGPR) are designed to be updated with the regularity required to provide participants the information they would require to have a good understanding of the intra-year reliability or adequacy of supply and to respond accordingly. The request considers that while the bulletin board (BB) may be suited to publishing such data at a higher frequency, there are a number of limitations with the data collected for the BB that mean it cannot be relied upon for this purpose.

The AEMO ECGS PASA report outlines these limitations, noting that there is a wide selection of information on ECGS supply and demand available to it through the BB and the provisions introduced in the stage one RSA reforms but there are gaps in the data and issues with data quality. As a result, AEMO considers it would not "be viable or advisable to seek to publish a PASA"

23 AEMO, 2025 Gas Statement Of Opportunities, p.3.
24 Rule change request from Energy Senior Officials on 21 January 2025: ECGS projected assessment of system adequacy, p.23.
25 Rule change request from Energy Senior Officials on 21 January 2025: ECGS projected assessment of system adequacy, p.23.
26 Rule change request from Energy Senior Officials on 21 January 2025: ECGS projected assessment of system adequacy, p.18.

without addressing these gaps and harmonising the obligation on stakeholders to provide good-faith best estimates across all inputs.[27] AEMO has identified a suite of regulatory changes that would be necessary to provide the uplift in data availability and quality that it considers is required to produce an ECGS PASA report. These are outlined in section 3.3.1 and section 3.4.1.

Question 1: Is there enough quality information covering the intra-year period to support decision-making by ECGS participants, AEMO and policymakers?

Do you agree that there is insufficient information for the intra-year period to support optimal decision making by ECGS participants, AEMO and policymakers? Does this apply over the short term (about seven days) and/or long term (about 12 months). If so, how is your decision-making impacted by insufficient information? If not, why not?

2.2 An ECGS reliability assessment is being considered separately

The rule change request refers to a lack of any "systematic intra-year assessment of the adequacy of supply and the infrastructure used in the supply of gas to meet demand" in the ECGS. A separate rule change process, that was also part of the stage 2 RSA process, is underway to assess the introduction of a reliability assessment that joins a gas supply and infrastructure availability projection with a demand projection and compares the result to a defined standard.[28] As such this rule change process will focus on the information that is provided to stakeholders on the availability of gas supply and infrastructure and demand. Any future implementation of a reliability standard will be considered as part of the ECGS reliability standard rule change process. This is discussed in more detail in section 3.7.

27 AEMO, Developing a projected assessment of system adequacy (PASA) for the east coast gas system, p.34.

28 For more information, see the *ECGS reliability standard and associated settings* project page.

3 The proposed solution and implementation

This section discusses and seeks feedback on the substantive detail provided by the proponent on the proposed ST and MT PASA for the ECGS, including:

- designing a principles-based framework that can evolve over time
- approaches to dividing the ECGS into regions for the purpose of the PASA
- inputs, outputs and other features of the ST PASA
- inputs, outputs and other features of the MT PASA
- opportunities for streamlining
- compliance and enforcement.

The proponent considers the proposed ST and MT PASA would enable market participants to respond more effectively and efficiently when demand is forecast to exceed supply in the short and medium-term, providing participants the opportunity to shift gas demand before the situation requires AEMO intervention.[29]

The proponent's proposal was informed by AEMO's ECGS PASA report, published alongside the rule change request. AEMO's report was developed as an ECGS PASA feasibility study, at the request of the proponent. The report identifies the inputs, processes and outputs for an ECGS PASA and assesses the adequacy of the information currently available to AEMO to produce an ECGS PASA. Where this chapter refers to AEMO's proposal or recommendations, we are referring to views and statements made in this report. We will be seeking updated views from AEMO throughout this rule change process.

In addition to the solution outlined in this paper, the proponent considered two other options either standalone or in combination with ST and MT PASA:[30]

- Retain the existing monitoring and communication tools in the NGL and NGR (i.e. the GSOO, VGPR, BB, and Part 27) (do nothing option)
- A seasonal PASA report that could be published by AEMO on a quarterly basis and provide the market with an easily digestible snapshot of upcoming reliability or supply adequacy threats that market participants can use to inform their decision-making and seasonal readiness plans.

Following stakeholder consultation, the proponent elected to only recommend the ST and MT PASA for implementation. It noted that the 'do nothing' option was not a credible option, and that many stakeholders did not consider a seasonal report added much, if any, benefit over a rolling ST and MT PASA.

3.1 The proposal is for a principles-based framework

The proponent's proposal is broadly for a principles-based framework, with AEMO being required to outline the substantive detail and methodology for producing the ST PASA in the ECGS procedures. This would include:

- the method AEMO will use to prepare the demand forecasts and other key inputs to the ST and MT PASA
- the regions to be used for the ST and MT PASA

29 Rule change request, cover letter, received 21 January 2025.

30 Rule change request from Energy Senior Officials on 21 January 2025: ECGS projected assessment of system adequacy, pp.23-27.

- the processes and methodologies to be used by AEMO when preparing the ST and MT PASA
- the outputs to be published as part of the ST and MT PASA, over and above those specified in the NGR
- the manner and form in which ST and MT PASA outputs will be published (including how this information will be aggregated or disaggregated) and the timetable for publication.

In developing any ECGS PASA, the Commission would need to balance the certainty provided by prescriptive, rules-based measures, with the flexibility afforded by a principles-based framework guided by an ECGS PASA objective. A principles-based framework could allow the framework to evolve in line with stakeholder requirements over time, without the need for ongoing AEMC rule change processes.

3.1.1 A principles-based framework could be guided by an ECGS PASA objective

If a principles-based framework were to be implemented, an ECGS PASA objective may be helpful to guide AEMO's oversight and continued development of the PASA. This would ensure the PASA continues to operate in line with its objectives as it continues to evolve over time. Careful consideration would need to be given to any PASA objective, to ensure that the framework is correctly framed. The rule change request did not put forward any ECGS PASA objective, however, to prompt stakeholder feedback, we have adapted the NEM PASA objective to the ECGS to form a strawperson objective to test as part of this process. We are seeking stakeholder input on the below strawperson ECGS PASA objective to inform the rule change process.

Box 2: Strawperson ECGS PASA objective

The ECGS PASA is a comprehensive program of information collection, analysis, and disclosure of medium term and short term ECGS reliability and adequacy of supply prospects so that market participants are properly informed to enable them to make decisions about supply, demand, and outages of plant and equipment used in the production, transportation and consumption of covered gases in respect to periods up to 12 months in advance.

Note: Stakeholders noted a preference for a 12-month outlook in their feedback to the consultation undertaken in the development of this rule change request, however, we are also interested in feedback on the optimal forecast horizons for both MT and ST PASA.

3.1.2 AEMO could be required to consult with stakeholders to change or evolve the PASA

If a PASA was implemented, then potentially there could also be an approach implemented that could require AEMO to undertake consultation on future changes to the PASA with stakeholders directly, guided by an ECGS PASA objective. This would avoid the need for subsequent rule changes.

The current NGR includes a generic multi-stage consultation process that is suitable to be applied by AEMO in this instance.[31]

The NGR Standard consultative procedure works as follows, at a high level, and includes two steps for consultation, ahead of a final decision being published:

1. Decision maker publishes a description of the proposal for change — stakeholders may make a written submission within 15 business days
2. Decision maker publishes a draft decision — stakeholders may make a written submission within 15 business days

31 See NGR Rule 8 for a detailed description of the procedure.

3. Decision maker publishes a final decision.

This would allow stakeholders to provide input on changes to the PASA framework as it evolves over time, without requiring an AEMC rule change process each time.

Question 2: Do you consider a principles-based approach to be the most appropriate solution?

What are your views on the strawperson ECGS PASA objective? Do you think it includes any irrelevant considerations? Are there important considerations missing?

How do you think future changes should be made to the PASA? Do you consider requiring AEMO to follow the NGR consultation process to develop and update the PASA would provide stakeholders with sufficient certainty and predictability while minimising the potential burden on industry? Are there other options that we should consider?

3.2 Three potential approaches to developing modelling regions are proposed

At present, unlike the NEM, the ECGS is not split into defined geographical regions. Different logical groupings could be made based on different factors, however, to-date no processes have required this to be formalised. In administering a PASA, AEMO has noted in its advice, that it would be necessary to divide the ECGS into more than one modelling region since the ECGS covers a wide geographic area and encompasses a diverse range of gas supply capacity and demand characteristics.[32]

The proponent does not indicate a specific preference for the ECGS PASA regions, instead referring to AEMO's report. In it, AEMO considers it would be most appropriate to define the approach to segmenting ECGS regions for PASA in the ECGS procedures to allow it to evolve over time in line with the objectives of PASA. It notes that factors to consider in consultation on the development of regions could include:

- Alignment with existing regional definitions used in the gas market and NEM.
- How the regions align with potential AEMO interventions under ECGS Rules.
- How the regions align with the new reliability standard framework.
- Data availability and granularity to support the chosen regions.
- Ability for market participants and policy-makers to use the regional information.
- Interaction with transportation capacity and other operational constraints.
- Implications for PASA modelling complexity.

In its ECGS PASA report, AEMO flags several potential approaches to defining modelling regions. These are briefly outlined below, and are discussed in more detail in section 4.1 of AEMO's ECGS PASA report.[33]

- **North/South Regions (based around Moomba)**

  This is a simple approach and divides the ECGS into two broad regions, North and South of Moomba. The division focuses on the distinct demand and supply characteristics of each region, such as the North having large production facilities that are export focused and the

32 AEMO, Developing a projected assessment of system adequacy (PASA) for the east coast gas system, p.21.

33 AEMO, Developing a projected assessment of system adequacy (PASA) for the east coast gas system, pp.21-22.

South that now depends on supply from the North to meet winter peak day and seasonal gas supply needs due to declining production.

- **Pipeline-linked regions**

  This approach groups regions based on their major transportation interconnections, reflecting the physical flow constraints. It provides more granularity and a more nuanced division than the broad North/South split, allowing for more targeted analysis of regional issues.

- **Demand/state based regions**

  This approach focuses on the dominant demand drivers in each region and the associated supply and demand dynamics. It provides the most granularity, but may result in more complex reporting.

Some stakeholder feedback on the development of regions was obtained in the consultation on the stage 2 RSA package. Broadly, stakeholders noted that ECGS PASA regions should reflect infrastructure and/or pricing constraints and should be consistent across both an ST and MT PASA. Some also noted that:[34]

- regions could comprise multiple jurisdictions (e.g. a southern region, comprising the ACT, NSW, Victoria, South Australia and Tasmania, and a northern region, comprising Queensland and the Northern Territory)
- care would need to be taken not to just rely on regional assessments, because of the interconnected nature of the east coast gas system.

Question 3: Which factors should guide AEMO's development of ECGS PASA modelling regions?

How should modelling regions be defined? Should this be undertaken by AEMO? Do you consider the factors identified by AEMO to be comprehensive or are there other relevant factors?

3.3 The ST PASA is proposed as a near term forecast

The proponent has proposed to address the intra-year forecast gap with forecasts over two horizons. The nearer-term of the two, ST PASA, would provide for a rolling 7-day outlook of the adequacy of supply and infrastructure to meet demand on each gas day in the outlook period (i.e. gas days D to D+6).

The rule change request notes the objective of the ST PASA would be:

Box 3: Proposed objective of ST PASA

To support timely, informed and efficient decision-making and market-led responses to reliability or supply adequacy threats that may arise within the next 7 days, through the publication of a rolling 7-day outlook of the adequacy of supply and infrastructure to meet demand across the east coast gas system.

Source: Rule change request from Energy Senior Officials on 21 January 2025: ECGS projected assessment of system adequacy, p.30.

The key elements of the proposed design of the ST PASA are outlined in Table 3.1 below:

34 Rule change request from Energy Senior Officials on 21 January 2025: ECGS projected assessment of system adequacy, p.25.

Table 3.1: Proposed design of ST PASA

Element	Description
AEMO's obligations	AEMO to be responsible for preparing and publishing the ST PASA which, amongst other things, would involve preparing the demand forecasts and other inputs required for the ST PASA and undertaking any modelling required to produce the required outputs.
Outlook period	Rolling 7-day outlook with a daily resolution, encompassing gas days D to D+6
Frequency of publication and updates	Daily publication on gas day D-1, with AEMO able to publish updates if it becomes aware of new information that would result in a material change in its reliability or supply adequacy assessment.
Regions	To be determined by AEMO and set out in the ECGS Procedures, with the same regions to be used for both the ST and MT PASA.
Inputs and information requirements	**Demand forecast** AEMO to be responsible for developing a rolling 7-day demand forecast. This is expected to be informed by information available to AEMO under Parts 18-20 and 27 of the NGR, as well as information available to AEMO through its NEM functions. It may also be supported by the implementation of an ECGS demand forecasting system developed by AEMO. As outlined below, some of the existing disclosure requirements in the NGR would need to be amended so that they can be relied upon for this purpose. **Supply forecast** AEMO to be responsible for developing a rolling 7-day supply forecast.This is expected to be based on nominated and forecast use information reported by BB supply facilities and BB pipelines under Part 18 of the NGR. As outlined below, some changes would need to be made to Part 18 of the NGR to improve the quality of the forecasts reported by these facilities. **Supply and infrastructure capacity forecast** AEMO to be responsible for developing a rolling 7-day infrastructure capacity forecast. This is expected to be based on short term capacity outlook information reported by BB supply and infrastructure facilities under Part 18 of the NGR. As outlined below, some changes would need to be made to Part 18 of the NGR to improve the quality of the short term capacity outlook information.
Key outputs	AEMO to publish a rolling 7-day outlook of the following for the east coast gas system and for each region specified in the ECGS Procedures: • the forecast demand for gas, including the assumed level of GPG demand in these forecasts • the forecast supply of gas (including from production facilities, storage facilities and any LNG import facilities) • the aggregate capacity of BB supply facilities • any reductions in the capacity of infrastructure involved in the supply of gas that may affect the volume of gas supplied • actual or potential risks or threats to the reliability or adequacy of the supply of covered gas

Element	Description
	• any other information specified by AEMO in the ECGS procedures The manner and form in which AEMO is to publish this information (including the level of aggregation and disaggregation) and the timing of its publication would be set out in the ECGS procedures.
Modelling processes and methodologies for ST PASA	The modelling processes and methodologies that AEMO uses to prepare demand forecasts and the other inputs to the ST PASA, as well as the ST PASA outputs listed above, are to be determined by AEMO and set out in the ECGS Procedures.

Source: Rule change request from Energy Senior Officials on 21 January 2025: ECGS projected assessment of system adequacy, p.33

3.3.1 Input provision

AEMO's ECGS PASA report identifies the inputs that are required from industry to develop an ST PASA forecast of a similar form to that proposed in the rule change request. These are outlined in Table 3.2 below.

Table 3.2: Inputs required for the proposed ST PASA

Input	Description	Source	Comments
		Demand	
Wholesale gas market demand	A reflection of system demand in the STTM and DWGM	Participants — NGR Part 19: DWGM demand forecasts Participants — NGR Part 20: STTM Price taker bids	The DWGM demand forecasts and STTM price taker bids could provide the core demand forecasts for the market based components of the ST PASA. These inputs are critical for capturing the expected demand in the key demand centres. Challenges include ensuring participants provide accurate and timely bids, and managing any gaps or issues with bid data.
Non-market demand	A reflection of system demand outside of the wholesale gas markets	Participants — NGR Part 18: BB pipeline nominations	The forecast nominations submitted to the BB are used to capture the demand outside the DWGM and STTM. Data quality and completeness of the nominations is a key issue to manage. This non-market demand is a critical input to get a full picture of total expected demand.
GPG	A forecast of GPG demand, including GPG within wholesale gas markets	NEM connected GPG: AEMO — utilising NEM generation availabilities and other NEM forecast information. Other	Forecasting GPG demand is challenging given the various dependencies (such as electricity demand, renewable generation, and outages). AEMO will need to develop robust methodologies for projecting GPG demand based on NEM data. The GPG forecasts will also be available through the Part 18 BB pipeline nominations and

Input	Description	Source	Comments
		GPG: Participants — NGR Part 18: BB pipeline nominations	within the wholesale gas market demand forecasts.
Storage	A forecast of withdrawals into storage	Participants — NGR Part 18 forecast nominations	Forecast demand into storage facilities based on BB data. This is an important input for the supply-demand balance but has challenges around data quality and completeness similar to the non-market demand.
Export demand	A forecast of Queensland LNG export demand	Participants — NGR Part 18 — BB pipeline nominations	Forecast pipeline connection point demand for each of the Queensland LNG export facilities. This information represents a material demand in the ECGS and is a key input for the supply/demand balance in the PASA. Having the LNG participants continue to provide their forecast demand over the seven-day horizon provides the best data for the PASA.
Supply and availability			
Supply capacity	Expected supply capacity based on plant capacity and any limiting factors.	Participants — NGR Part 18	A critical input to determine supply availability, including the deliverability from BB supply facilities. This information is provided in the capacity outlooks with maintenance information incorporated into the outlook.
Transportation capacity	Transportation capacity and availability subject to maintenance	Participants — NGR Part 18	A critical input to determine supply availability. Transportation capacity into a region will be a key input.
Linepack/capacity adequacy flags	Linepack/capacity adequacy indicators	Participants — NGR Part 18 — BB pipelines and BB compression facilities	This information will support early notification of potential pipeline and compression facility issues.
Linepack forecasts	Linepack forecasts	Participants — NGR Part 27 — BB pipelines, proposed Part 18 obligation.	An input to the modelling of available supply, particularly where a risk or threat has been identified.

Source: AEMO, Developing a projected assessment of system adequacy (PASA) for the east coast gas system, pp. 12-13

Some regulatory changes would be necessary to ensure all required inputs are collected

In its ECGS PASA report, AEMO outlines the following changes to the ECGS data collection framework that it considers would be necessary to ensure that a complete dataset of the required quality is collected to inform the ST PASA. These changes would also remove some duplicate reporting obligations:[35]

- Extend the demand forecast obligation on Declared Wholesale Gas Market (DWGM) and Short Term Trading Market (STTM) participants from two-three days to seven days into the future. This could be further supported by the implementation of an ECGS demand forecasting system developed by AEMO.
- For all states and territories, introduce an obligation on BB shippers, through the BB Rules, to provide a seven-day forecast of their projected use of these BB facilities to facility operators on a daily basis.
- Clarify the definition of daily capacity so it is clear that it accounts for all constraints and limitations applicable to different facility types. AEMO recommends that the definition of daily capacity is clarified and moved from the NGR to the BB Procedures. There can be a notable difference between a facility's nameplate rating and the volume of supply or capacity that it can make available on a particular gas day, given the nameplate rating relates to maximum capacities under normal operating conditions and hence does not account for constraints and other limitations. The short- and medium-term capacity outlook is tied to the definition of daily capacity in the BB and in its current form may be confused with nameplate capacity.
- Consistency between BB and ECGS pipeline capacity outlook reporting obligations, with a preference for this reporting to be a BB reporting obligation and reported by pipeline segment — to be defined in the BB Procedures.
- Removal of the ECGS obligations on Part 27 retailers, BB large users and LNG export projects to provide daily demand forecasts out to seven days, given this information will be reported through other mechanisms.

Question 4: Is the proposed ST PASA design fit for purpose?

What are your views on the proposed inputs, outputs, and other ST PASA design elements? Is anything missing? Are there unnecessary inputs or outputs?

3.4 The MT PASA is proposed as the longer-term forecast

The longer-term component of the proposal is the MT PASA. It is proposed to cover a forecast horizon of 12 months, with a rolling weekly publication.

The rule change request notes the objective of the MT PASA would be:

Box 4: Proposed objective of MT PASA

To support timely, informed and efficient decision-making and market-led responses to intra-year reliability or supply adequacy threats, through the publication of a rolling 12-month outlook of the adequacy of supply and infrastructure to meet demand across the east coast gas system and information on any potential breaches of the reliability standard over this period.

35 AEMO, Developing a projected assessment of system adequacy (PASA) for the east coast gas system, p.13.

Source: Rule change request from Energy Senior Officials on 21 January 2025: ECGS projected assessment of system adequacy, p.38

The key elements of the proposed design of the MT PASA are outlined in Table 3.3 below:

Table 3.3: Proposed design of MT PASA

Element	Description
AEMO's obligations	AEMO to be responsible for preparing and publishing the MT PASA which, amongst other things, would involve preparing the demand forecasts and other inputs required for the MT PASA and undertaking any modelling required to produce the required outputs.
Outlook period	Rolling 12-month outlook, encompassing gas weeks W+1 to W+51
Frequency of publication and updates	Weekly publication on week W, with AEMO able to publish updates if it becomes aware of new information that would result in a material change in its reliability or supply adequacy assessment.
Regions	To be determined by AEMO and set out in the ECGS Procedures, with the same regions to be used for both the ST and MT PASA.
Inputs and information requirements	**Demand forecast** AEMO to be responsible for developing a rolling 12-month demand forecast. This is proposed to be based on a similar approach to that used for the GSOO and VGPR demand forecasts, and informed by information available to AEMO under Parts 15D, 18 and 27 of the NGR, as well as information available to AEMO through its NEM functions. As outlined below, some of the existing disclosure requirements in the NGR would need to be amended so that they can be relied upon for this purpose. **Supply and infrastructure capacity forecasts** AEMO to be responsible for developing a rolling 12-month supply and infrastructure capacity forecast. This is proposed to be based on medium term capacity outlook information reported by BB supply and infrastructure facilities under Part 18 of the NGR. As outlined below, some changes would need to be made to Part 18 of the NGR to address the limitations that AEMO has identified with the way in which medium term capacity outlooks are currently reported.
Key outputs	AEMO to publish a rolling 12-month outlook of the following for the east coast gas system and for each region specified in the ECGS Procedures: • the forecast demand for gas, including the assumed level of GPG demand in these forecasts • the aggregate capacity of BB supply facilities • the forecast capacity of infrastructure involved in the supply of gas and any reductions in capacity that may affect the volume of gas supplied • a reliability forecast that includes AEMO's assessment of whether the reliability standard is likely to be breached and, if so, the expected size, timing, duration and location of the breach* • any other information specified by AEMO in the ECGS Procedures. The manner and form in which AEMO is to publish this information and the timing of its publication is to be set out in the ECGS Procedures.

Element	Description
	*This is dependent on the development of an ECGS reliability standard, which is being progressed separately through another rule change request. For more information, see the *ECGS reliability standard and associated settings* project page.
Modelling processes and methodologies for ST PASA	The modelling processes and methodologies that AEMO uses to prepare demand forecasts and the other inputs to the MT PASA, as well as the MT PASA outputs listed above, are to be determined by AEMO and set out in the ECGS Procedures.

Source: Rule change request from Energy Senior Officials on 21 January 2025: ECGS projected assessment of system adequacy, p.41

3.4.1 Input provision

AEMO's ECGS PASA report identifies the inputs that are required from industry to develop an MT PASA forecast of a similar form to that proposed in the rule change request. These are outlined in Table 3.2 below.

Table 3.4: Inputs required for the proposed ST PASA

Input	Description	Source	Comments
Demand			
Wholesale gas market demand	Expected demand forecasts for the DWGM and STTM	AEMO forecast	AEMO to determine medium-term forecasts using modelling.
Non-market demand	Demand outside the DWGM and STTM	AEMO forecast	AEMO to determine medium-term forecasts using modelling.
GPG	Medium term gas demand for power generation forecasts	AEMO forecast	AEMO to determine medium-term forecasts using modelling.
Storage	Medium term forecasts of storage availability	AEMO forecast	Likely to use GSOO modelling of pipeline flows to determine expected withdrawals in combination with participant storage refill forecasts from the VGPR.
Export demand	A medium term forecast of Queensland LNG exports (including feed gas)	Participants — NGR Part 27	A measure of expected physical withdrawals from the east coast gas market.
Supply and availability			
Supply capacity	Facilities expected capacity to supply based on plant capacity, field deliverability and	Participants — medium term capacity outlooks (MTCO), NGR Part 18	Used to determine expected maximum supply availability. Currently submitted on an ad hoc basis within a 24-month outlook. Used to determine expected maximum supply availability. Currently submitted as a

Input	Description	Source	Comments
	any other constraints.	Participants – Extended Daily Capacity Outlook NGR Part 27	daily capacity within a six-month outlook. Includes recall times for the 24-month outlook period.
Transportation capacity	Transportation capacity and availability subject to maintenance	Participants — MTCO, NGR Part 18	Used to determine transportation constraints and limitations.
Storage capacity	Storage injection capacity (possibly subject to expected inventory level)	Participants — MTCO, NGR Part 18	Injection capacity as a proxy for available supply capacity. May be used to forecast storage levels across outlook periods.

Source: AEMO, Developing a projected assessment of system adequacy (PASA) for the east coast gas system, pp. 12-13

Some regulatory changes would be necessary to ensure all required inputs are collected

In its ECGS PASA report, AEMO outlines the following changes to the ECGS data collection framework that it considers would be necessary to ensure that a complete dataset of the required quality is collected to inform the MT PASA. These changes would also remove some duplicate reporting obligations:[36]

- The existing BB MTCO reporting obligation requires outlooks to contain the expected start and end dates of the matters expected to affect the daily capacity of the BB facility and the expected daily capacity of the BB facility during the period it is affected. The ECGS RSA Rules in Part 27 of the NGR introduced an extended daily capacity outlook out to six months, and the reporting of MTCO recall times. AEMO recommends the integration of capacity outlooks into the BB Rules and that the obligation is to provide a daily capacity for the 24-month outlook period. The reporting of daily capacities would simplify the reporting of maintenance activities and capacities, ensuring that a capacity is always available for a day, with commentary and recall times only necessary to be included when a maintenance activity is being carried out.
- The extended daily capacity outlook could be removed from the ECGS Rules, on the basis of the BB Rules MTCO being reported at a daily granularity, with the exception of the obligation in rule 689(4) where participants are required to notify AEMO of an event or circumstances relating to the BB facility of which the BB reporting entity becomes aware that affects, will affect or may affect the reliability of gas supply, including equipment failure, which should be maintained.
- Consistent with the ST PASA proposed changes, AEMO recommends consistency between BB and ECGS pipeline capacity outlook reporting obligations, with a preference for this reporting to be a BB reporting obligation and reported by pipeline segment — to be defined in the BB Procedures.
- AEMO recommends the quantity of gas that an LNG export project expects to export be extended to align with the MT PASA reporting horizon (proposed to be 12 months) and be reported at a daily resolution. For consistency with other reporting requirements AEMO

36 AEMO, Developing a projected assessment of system adequacy (PASA) for the east coast gas system, p.17.

proposes this obligation be incorporated into the BB Rules with aggregation of the data to be applied when incorporating in the MT PASA.

Question 5: Is the proposed MT PASA design fit for purpose?

What are your views on the proposed inputs, outputs, and other MT PASA design elements? Is anything missing? Are there unnecessary inputs or outputs?

3.5 The new obligations could be integrated into the existing compliance and enforcement framework

AEMO notes that there is an existing compliance and enforcement framework that covers data collection throughout the NGR.[37] The proponent does not comment on this matter; however, the proposed additional data collection requirements outlined in section 3.3.1 and section 3.4.1 could fit within this framework. Existing and proposed information collection requirements and their associated information standard and penalty provisions are outlined in Table 3.5 below.

Table 3.5: Compliance and enforcement across existing and proposed information collection

NGR Part	Information collected	Information standard	Penalty provision
Part 18 — Gas Bulletin Board	non-market demand, storage, export demand (ST PASA horizon), supply capacity, transportation capacity, linepack/capacity adequacy flags, linepack forecasts	BB information standard — good gas industry practice	tier 1 civil penalty provision
Part 19 — DWGM rules	DWGM demand forecasts	good faith, best estimates	conduct provision
Part 20 — STTM rules	STTM price taker bids	good gas industry practice	tier 2 civil penalty provision
Part 27 — ECGS RSA	linepack forecasts, export demand (MT PASA horizon), supply capacity	ECGS information standard — good gas industry practice	tier 1 civil penalty provision

Question 6: What are your views on compliance and enforcement?

Do you consider that the proposed penalty/compliance approach will ensure that the inputs for a PASA are of sufficient quality? Are there gaps in the current compliance and enforcement framework that should be addressed to ensure the integrity of a PASA?

37 AEMO, Developing a projected assessment of system adequacy (PASA) for the east coast gas system, p.23

3.6 There may be opportunities for streamlining the information being collected

The rule change request and AEMO's report identify an opportunity to streamline regulatory requirements by removing two redundant requirements relating to data collection. These are:[38]

- the requirements under rules 687-688 for retailers, large users and LNG export projects to provide AEMO with 7-day demand forecasts and information on how much gas they expect to procure through a market versus under a gas supply agreement.
- the extended daily capacity outlook — with the exception of the obligation in rule 689(4) where participants are required to notify AEMO of an event or circumstances relating to the BB facility of which the BB reporting entity becomes aware that affects or could affect the reliability of gas supply

Question 7: Are there additional opportunities for streamlining or to remove duplication?

Are there other opportunities to streamline the provision of information on the ECGS to AEMO? Are there redundant requirements that could be removed?

3.7 The proponent proposes a staged implementation timeline

The proponent proposes a two stage implementation process:[39]

1. The following to occur within 12-18 months of the final rule being made:
   a. AEMO to:
      i. develop, and consult on, the PASA provisions to be included in the ECGS Procedures and any changes to be made to the BB Procedures, and
      ii. put in place any systems that may be required to produce and publish the ST and MT PASA.
   b. those market participants that are subject to new disclosure obligations to start reporting the new information to AEMO once AEMO publishes the updated ECGS and BB Procedures.

   It notes that the 12-18 month time frame is intended to strike an appropriate balance between:

   - providing AEMO and market participants with the time they require to put in place the necessary arrangements required for the ST and MT PASA, noting that the new disclosure obligations only apply to a subset of participants and are limited in nature
   - helping to address the increasing risk of intra-year reliability and supply adequacy threats in the ECGS, by addressing the current gap in the availability of intra-year information.
2. AEMO to start publishing the first ST and MT PASA within 15-21 months of the final rule being made. This provides for a three-month period between procedures being updated and AEMO receiving the information, and AEMO publishing the first PASA, so that any issues that may be identified with the information that is initially provided can be addressed.

There is some interrelation between this rule change request and the *ECGS reliability standard and associated settings* rule change with the reliability standard requiring an MT PASA to be overlayed upon. Similarly, this rule change proposal assumes a reliability standard has been developed for

38 Rule change request from Energy Senior Officials on 21 January 2025: ECGS projected assessment of system adequacy, p.35.
39 Rule change request from Energy Senior Officials on 21 January 2025: ECGS projected assessment of system adequacy, pp. 44-45.

assessment in the MT PASA. However, given the complexity of developing a reliability standard, the Commission is progressing that rule change request on a longer timeline. The rule change request considers this possibility and notes that the PASA and reliability standard could be implemented separately through a staged implementation if the two rule change requests are progressed on different timelines. It notes the PASA could initially focus on providing information on supply and transport capability and demand to stakeholders, with the reliability standard overlaid later if it is implemented. The proponent notes AEMO's advice that the implementation of a staged approach may be more costly.[40]

Question 8: What are your views on implementation timing?

What are your views on the costs or benefits of implementing an ECGS PASA before a reliability standard has been developed? Are there potential benefits from a staged approach to implementation?

3.8 Can the problem be resolved in a different or more efficient way?

Stakeholders should consider the problem and solution presented by the proponent by also having regard to the market failures that these solutions might be able to address in a more effective way. Stakeholders should also consider whether all aspects of the solution being proposed are essential or adequate to achieve the objectives of the rule change request. The analysis provided in the 2025 GSOO may also be relevant in considering the proposal set out in the rule change request.

Question 9: Are there alternative solutions that would be preferable?

Can you share any alternative solutions that would provide ECGS stakeholders with the information needed to make efficient decisions over the intra-year timeframe that you think would be preferable and more aligned with the long-term interests of consumers? Are there alternative solutions that sit outside of the gas rules such as industry or jurisdictional initiatives that could address the issue?

40 Rule change request from Energy Senior Officials on 21 January 2025: ECGS projected assessment of system adequacy, pp. 45-46.

4 Making our decision

When considering a rule change proposal, the Commission considers a range of factors.

This chapter outlines:

- issues the Commission must take into account
- the proposed assessment framework
- decisions the Commission can make

We would like your feedback on the proposed assessment framework.

4.1 The Commission must act in the long-term interests of consumers

The Commission is bound by the National Gas Law (NGL) to only make a rule if it is satisfied that the rule will, or is likely to, contribute to the achievement of the national gas objective.[41]

The NGO is:[42]

> to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to—
>
> (a) price, safety, reliability and security of supply of natural gas; and
>
> (b) the achievement of targets set by a participating jurisdiction—
>
> (i) for reducing Australia's greenhouse gas emissions; or
>
> (ii) that are likely to contribute to reducing Australia's greenhouse gas emissions.

The targets statement, available on the AEMC website, lists the emissions reduction targets to be considered, as a minimum, in having regard to the NGO.[43]

4.2 We must also take these factors into account

For some types of rule changes, the Commission has additional mandatory considerations.

The Commission may only make a Rule that has effect with respect to an adoptive jurisdiction if satisfied that the proposed Rule is compatible with the proper performance of AEMO's declared NGL system functions.[44] If required, the AEMC will have the scope to change rules within Part 19 of the NGR as the Victorian Minister is a proponent of the rule change request.

4.3 We propose to assess the rule change using these four criteria

4.3.1 Our regulatory impact analysis methodology

Considering the NGO and the issues raised in the rule change request, the Commission proposes to assess this rule change request against the set of criteria outlined below. These assessment criteria reflect the key potential impacts — costs and benefits — of the rule change request. We consider these impacts within the framework of the NGO.

41 Section 291 of the NGL.
42 Section 23 of the NGL.
43 Section 72A(5) of the NGL.
44 Section 295(4) of the NGL.

The Commission's regulatory impact analysis may use qualitative and/or quantitative methodologies. The depth of analysis will be commensurate with the potential impacts of the proposed rule change. We may refine the regulatory impact analysis methodology as this rule change progresses, including in response to stakeholder submissions.

Consistent with good regulatory practice, we will also assess other viable policy options — including not making the proposed rule (a business-as-usual scenario) and making a more preferable rule — using the same set of assessment criteria and impact analysis methodology where feasible.

4.3.2 Assessment criteria and rationale

The proposed assessment criteria and rationale for each is as follows:

- **Safety, security, and reliability** — the proposal seeks to collect and provide to the market better information on gas demand, supply and infrastructure capacity. Would it support more timely, informed and efficient decision-making and market-led responses to reliability or supply adequacy threats, thus improving security and reliability outcomes in the ECGS?
- **Principles of market efficiency** — the proposal aims to increase transparency in the ECGS by providing all stakeholders with a more complete, consistent and reliable suite of information on reliability and adequacy of supply over the short and medium term. Would it reduce information asymmetry and promote competition between larger, more sophisticated stakeholders who can infer more information from the available information, and less sophisticated stakeholders who may not be able to do this? Would it ensure all stakeholders have a clear view of reliability and supply adequacy in the ECGS?
- **Implementation considerations** — The proposal is wide-ranging in scope and may increase the reporting burden on many different stakeholders across the gas industry. Will the solution ensure this burden is both minimised and justified by the benefit of providing the new information to the industry? Similarly, as indicated by AEMO in the design report, implementing an ST and MT PASA for gas will require material systems changes by AEMO. This will require careful consideration around both the specific requirements and timing.
- **Principles of good regulatory practice** — This rule change is part of the broader program of reform on reliability and supply adequacy in the ECGS, and as such should be assessed in the context of the rest of the stage 2 RSA work program. The reliability standard rule change is closely related to this proposal and consideration may need to be given to the direction of that project. Is the solution aligned with this broader direction of reform?

Question 10: Assessment framework

Do you agree with the proposed assessment criteria? Are there additional criteria that the Commission should consider or criteria included here that are not relevant?

4.4 We have three options when making our decision

After using the assessment framework to consider the rule change request, the Commission may decide:

- to make the rule as proposed by the proponent[45]

45 The proponent sets out its proposed rule in Chapter 4 of the rule change request.

- to make a rule that is different to the proposed rule (a more preferable rule), as discussed below, or
- not to make a rule.

The Commission may make a more preferable rule (which may be materially different to the proposed rule) if it is satisfied that, having regard to the issue or issues raised in the rule change request, the more preferable rule is likely to better contribute to the achievement of the NEO.[46]

46 Section 296 of the NGL.

Abbreviations and defined terms

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
BB	Bulletin Board
Commission	See AEMC
DCCEEW	Department of Climate Change, Energy, the Environment and Water
DWGM	Declared wholesale gas market
ECGS	East coast gas system
ECMC	Energy and Climate Change Ministerial Council
GPG	Gas powered electricity generator
GSOO	Gas statement of opportunities
LNG	Liquified natural gas
MTCO	Medium-term capacity outlook
MT PASA	Medium-term PASA
NEL	National Electricity Law
NEM	National Electricity Market
NEO	National Electricity Objective
NER	National Electricity Rules
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
PASA	Projected assessment of system adequacy
Proponent	The proponent of the rule change request
RSA	Reliability and supply adequacy
ST PASA	Short-term PASA
STTM	Short-term trading market
VGPR	Victorian Gas Planning Report