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Our Ref: 18284469
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Contact Officer: Darcy Searl

12 May 2025

Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
SYDNEY, NSW, 2001

Dear Ms Collyer

Re: AEMC ECGS Reliability standard and associated settings consultation paper

The Australian Energy Regulator (AER) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) consultation paper on East Coast Gas System (ECGS) Reliability and associated settings.

The AER supports improved visibility of the reliability and adequacy of gas supply in the ECGS. We note that under the current arrangements, inefficient decisions about how to respond to gas reliability or supply adequacy threats may be made by market participants, AEMO and policy makers and that the costs of these inefficiencies would be borne by gas customers.

The rule change proposal gives the AER responsibility in developing, estimating and reviewing a reliability standard for the ECGS that reflects the value gas customer place on reliability (VGCR). This submission provides comments on this proposed function for the AER.

Introducing a VGCR in the specified timeframe

The rule change proposal sets out a timeframe for the AER to develop the first VGCR by June 2026, to help address the increasing threats to the supply and adequacy of the ECGS.

Under the National Electricity Rules the AER is responsible for reviewing and setting the Values of Customer Reliability (VCR) in electricity every five years. Based on our experience undertaking that function we have concerns that the development of a VGCR may not be

achievable by June 2026. For example, the AER's 2024 VCR review took 12 months¹ to complete and maintained the same methodology from the 2019 VCR review with only minimal changes. This highlights the significant time required to undertake a review of VCR, even in the absence of significant methodological changes. Previous VCR studies by AEMO have also taken a similar amount of time.² Additionally, there are a number of proven methodologies to derive electricity VCRs which have been utilised. However, there are not many VGCR studies or reviews which have been undertaken in Australia or overseas jurisdictions that could be drawn on to develop a VGCR methodology.

Developing a robust and reliable VGCR will require a comprehensive and resource intensive process. Given the novel nature of the VGCR compared to electricity VCRs, the AER would likely need to commission and work extensively with expert consultants and academics to develop robust methodological approaches for the VGCR. Stakeholder views would need to be sought on potential methodologies via consultation. Pilot studies may also need to be undertaken to test whether a potential methodology could produce robust and accurate results. Given the time-consuming nature of these processes, we do not believe the completion of a VGCR would be achievable by June 2026 and would likely need more than 12 months to deliver this function. We would appreciate further engagement with the AEMC on the timeframe for the AER to produce the first VCR as the rule change develops.

The rule change proposal also sets out transitional arrangements which require the AEMC to develop an interim VGCR whilst the AER develops the permanent VGCR. To the extent it is practicable, it would be desirable for consistency in approach between the methodology used for the AEMC's interim VGCR and the AER's first VGCR. We would welcome the opportunity to closely engage and work with the AEMC on potential approaches to deriving the VGCR.

Continued engagement

We appreciate the opportunity to provide feedback on the consultation paper and are available to discuss our comments further if needed. Darcy Searl can be contacted via email at [REDACTED].

Yours sincerely

Stephanie Jolly
Executive General Manager
Consumers, Policy and Markets

Sent by email on: 12.05.2025

¹ AER, [Values of Customer Reliability 2024 final report](#), December 2024

² AEMO, [Value of customer reliability statement of approach](#), November 2013, p.14.