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## RE: Feedback on Gas Market Review implementation

AGL Energy (AGL) welcomes the opportunity to respond to the Australian Government Department of Climate Change, Energy, the Environment & Water (DCCEEW) on the Gas Market Review Report.

### Key Points

AGL Energy (AGL) supports the direction of reform set out in the Gas Market Review and considers that durable improvements in gas affordability, reliability and security require a single, coherent regulatory framework that restores investment confidence and enables new supply.

- Develop a **well designed, prospective domestic gas reservation scheme (DGRS)** as the central, durable mechanism to support domestic supply and affordability, while reducing exposure of the east coast market to international price volatility and minimising the need for further interventions in order to allow for a stable investment and contracting.
- **Repeal the ADGSM, the \$12/GJ reasonable price mechanism, the CME framework and the Gas Market Code EOI process**, as these measures have distorted commercial behaviour, undermined long term contracting and discouraged investment in new supply and infrastructure.
- **Design the DGRS to actively support investment and new supply, recognising that reservation alone does not create gas.** The framework must encourage timely development of production, transport and storage capacity, and provide clear, stable signals for longterm capital allocation.
- **Embed transparency through independent verification of gas reserves and gas available** for sale, supporting confidence in compliance while avoiding rigid price or quantity controls that risk further undermining market confidence.

Supply-side reform should be complemented with demand side measures, including electrification and efficiency, to reduce structural pressure over time and prioritise gas for firming, gas powered generation and hard to abate uses during the energy transition.

A successful domestic gas reservation policy will depend on the efficient movement of Queensland gas to demand centres across the east coast, as well as the careful management of domestic demand profiles, domestic production, and LNG production. Retailers already perform this balancing role, drawing on diverse portfolios, transportation arrangements, storage assets, and established customer relationships that give them deep insight into consumption needs.

Given this, retailer involvement is essential to designing a reservation mechanism that works in practice, avoids unintended market impacts, and supports reliable, affordable outcomes for customers. AGL is ready



to participate actively in the detailed design process to help ensure the policy is effective, efficient, and well-integrated with existing market structures.

## Reports Recommendations

The Gas Market Review has found that fundamental reform to gas market regulation is needed. Australia's domestic market needs new supply, ongoing investment, and a more efficient, streamlined regulatory framework to ensure the adequate supply of gas at lower prices.

Importantly, the Review has recommended establishing a DGRS, along with the removal of the ADGSM, the HoA, and elements of Code including the \$12/GJ reasonable price mechanism, CME framework and the EOI process set out in Parts 2 and 3.

AGL supports the removal of these regulatory measures.<sup>1</sup> Taken individually and together, they have hindered efficient market functioning and contributed to uncertainty for domestic gas users and producers.

In practice, each mechanism now presents identifiable issues that limit market efficiency. The \$12/GJ reasonable price mechanism (first introduced as the temporary emergency gas price cap and later incorporated in the mandatory Gas Market Code) has operated more like a de facto price floor, discouraging flexible pricing and dampening incentives for innovative and long-term contracting. The ADGSM has struggled with predictability and has introduced uncertainty into investment and export planning.

Meanwhile, the HoA, combined with the Code's EOI process, has constrained the ability of buyers and sellers to negotiate bilateral contracts, pushing transactions into formalised pathways, some of which exclude market segments such as gas-powered generation or industrial users which reduces commercial flexibility and long-term contracting.

Our experience is consistent with the ACCC's findings, which highlight that these measures have not materially improved market outcomes and, in some cases, have introduced inefficiencies and distorted incentives in gas supply negotiations.<sup>2</sup> The ACCC also observed that:

- the Emergency Price Order and Gas Code have affected the decisions of producers about longer term gas supply and, for some, contributed to decisions to pause investment
- the 2023 amendments to the ADGSM appear to have reduced LNG producers' incentives to produce uncontracted gas and to make a net contribution to the domestic market
- the 2022 changes to the HoA appear to have had minimal impact on LNG producers' production or domestic supply strategies

These measures should be removed to resolve the issues they have introduced into the domestic market. Their removal is also necessary to implement a successful DGRS that encourages investment in new supply, increases volumes available to domestic users, addresses emerging shortfalls, and enhances competition in upstream markets.

AGL considers that these instruments should be removed without delay, as a prerequisite to meaningful consultation on the detailed design of a DGRS. The government announcement on 22 December 2025 to introduce a DGRS is already affecting negotiations for gas supply as it is unclear to buyers and sellers how it will apply to gas contracts entered into from that date. The Government must swiftly repeal the remaining instruments whilst still undergoing appropriate consultation with industry on the remaining DGRS design.

AGL is supportive of the following recommendations from the Report:

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<sup>1</sup> We note the HoA expired on 1 January 2026. The LNG exports are no longer required to meet the commitments set out in the HoA.

<sup>2</sup> ACCC, *Gas Inquiry 2017-30 September 2025 Interim Report, chapter 3*



1. **Implementation of a DGRS:** AGL is supportive of the development of a well-designed DGRS and agree with the outcomes the government is seeking to achieve (proactive supply to the domestic market, improvements in gas affordability, and insulation from international price volatility).
2. **Parameters guiding the scheme:** AGL is supportive of the parameters set out in the Gas Market Review that are intended to inform the development of the DGRS, noting that proactive, genuine engagement with industry, and flexible timeline which allows for same, ensuring that the scheme operates effectively and unintended consequences are avoided.
3. **Appropriate Design:** AGL supports an appropriate design which includes the prompt revocation of the ADGSM, the CME framework, EOI framework and the price cap and does not renew the HoA.
4. **Implementation:** AGL views that to achieve positive outcomes and reduce unintended market consequences, that the proposed timeline of a Q4 2026 implementation is not appropriate, noting our view that the ADGSM, the CME framework, EOI framework and price cap can be revoked expeditiously as the design process for the DGRS acts as a de-facto regulatory instrument over gas contracts in the intervening period.

## Reserves Reporting

A modern domestic gas reservation policy will also require a credible, transparent, and independently verified reporting framework that requires producers to provide accurate quantities of gas reserves and gas available for sale to the relevant regulator(s). This will ensure correct quantities of gas are contributed to the domestic market.

DCCEEW confirmed their intention to create an obligation on LNG exporters to produce an annual compliance plan to monitor supply obligations. Independent auditing should form part of the reporting obligations under the compliance plan, and key information should be made publicly available. An independent audit process would provide confidence that producers are meeting reservation obligations and that reported data reflects genuine supply availability. Establishing such an audit process would help prevent under-reporting, strategic misclassification of gas, or inconsistencies across producers, all of which could undermine the integrity of a reservation scheme.

We have previously advocated for this type of independent verification as a potential enhancement to the GSOO, and incorporating it into a reservation-based regulatory architecture would materially strengthen compliance, transparency, and market confidence. The compliance plan reporting should be reported as part of the GSOO, strengthened by the audit requirements. Embedding independent audit requirements complements the broader shift away from blunt, interventionist mechanisms toward a durable, rules-based system that supports a mature and stable east coast gas market, and reliable reporting on gas reserves is a necessity for any domestic gas reservation policy, and becomes particularly important if DCCEEW proceed with their proposal for a static percentage reservation.

The LNG exporters should be required to provide the AER with a public version of their annual compliance plans for publication on the AER's website. Clear and strict rules should govern what information may be redacted, ensuring an appropriate balance between protecting commercially sensitive material and serving the public interest.

## Market Making Obligations

Any introduction of a market-maker regime should be strictly voluntary and supported by appropriate compensation to reflect the risks, obligations, and liquidity services provided by participating entities. A mandatory scheme risks distorting trading behaviour and imposing disproportionate burdens on individual participants. Moreover, consideration of any such mechanism should only occur after recently proposed market interventions have had sufficient time to stabilise and their effects can be properly assessed. Allowing these measures to "settle" is essential to avoid layering additional, potentially unnecessary reforms onto a market that is still adjusting to prior changes.



## **Concurrent Reviews**

The implementation of any domestic gas reservation policy, or the delivery of any other recommendations arising from the Gas Market Review should not be considered or implemented in isolation. These reforms intersect significantly with a wide range of ongoing regulatory uncertainty, and a concerted effort is required to align them to avoid fragmented or conflicting outcomes. For example, the market would benefit from incentivising producers to align gas supply term with the term required to underwrite infrastructure projects to limit overhang risk. This includes ensuring coherence with other reforms that Energy Ministers have agreed to implement – in particular, the Stage 2 Reliability and Supply Adequacy reforms including the introduction of a Supplier of Last Resort mechanism.

Policy makers should keep in mind the potential for AEMO's powers to be extended to allow for a new last resort investment support tool as they develop the detail for the reservation policy. While this idea is yet to receive support from Energy Ministers, there is a risk of creating unintended consequences and adverse market outcomes if they are each designed and implemented in isolation.

## **Regulatory process**

AGL considers that the experience with the Gas Market Code underscores the importance of adhering to established best practice regulation processes when developing significant market wide reforms. The Code was developed in exceptional circumstances and on a highly compressed timeframe, which limited the opportunity for full consultation, comprehensive cost–benefit analysis and a detailed regulatory impact assessment.

In practice, this has contributed to a range of unintended consequences, including the Code capturing entities and activities beyond the intended focus of the regulatory framework and imposing obligations that do not clearly advance the Code's underlying policy objectives. As the Government considers future gas market reforms or amendments to the Code, AGL strongly encourages a return to standard regulatory processes, including robust stakeholder consultation, rigorous impact analysis and careful legislative design. We are concerned that the Reports recommended timeline of a 2026 implementation do not allow for these steps to return. They are critical to ensuring that future measures are proportionate, administrable and capable of delivering durable improvements to market outcomes without imposing unnecessary cost, complexity or regulatory uncertainty.

If you have any queries about this submission, please contact Jordan Dodd at [jdodd@agl.com.au](mailto:jdodd@agl.com.au) or on 0421 418 428.

Yours sincerely,

**Ralph Griffiths**  
**General Manager, Policy and Market Regulation**

## **About AGL**

At AGL, we believe energy makes life better and are passionate about powering the way Australians live, move, and work. Proudly Australian for more than 185 years, AGL supplies around 4.52 million energy, telecommunications, and Netflix customer services. AGL is committed to providing our customers simple, fair, and accessible essential services as they decarbonise and electrify the way they live, work, and move.

AGL operates Australia's largest private electricity generation portfolio within the National Electricity Market (NEM), comprising coal and gas-fired generation, renewable energy sources such as wind, hydro and solar, batteries and other firming technology, and storage assets. We are building on our history as one of Australia's leading private investors in renewable energy to now lead the business of transition to a lower



emission, affordable and smart energy future in line with the goals of our Climate Transition Action Plan. We'll continue to innovate in energy and other essential services to enhance the way Australians live, and to help preserve the world around us for future generations.