

NATIONAL ELECTRICITY MARKET WHOLESAL MARKET SETTINGS REVIEW | *DRAFT REPORT CONSULTATION*

Australian Energy Producers | 22 September 2025

Australian Energy Producers welcomes the opportunity to provide input into the *National Electricity Market (NEM) Wholesale Market Settings Review Draft Report*.

Australian Energy Producers supports the Panel's finding that gas powered generation remains critical for NEM security and reliability. Gas powered generation (GPG) continues to play a pivotal structural role in the NEM meeting on average around 5 per cent of total electricity demand in 2024.¹ The ability for GPG to be dispatched at short notice makes it indispensable for system reliability as renewable penetration grows.

GPG is critical for deep emissions reductions across the NEM, as highlighted by the Australian Energy Market Operator (AEMO). AEMO projects natural gas demand in power generation will increase by 170 per cent in the next two decades to support the decarbonisation of the NEM, under the Orchestrated Step Change scenario. This level of generation will need about 15 Gigawatts (GW) of new peaking GPG to support the closure of coal while ensuring reliability. This increase in the strategic role for GPG will enable NEM emissions to fall from over 100 MtCO₂-e today to below 10 MtCO₂-e in the future.

To ensure GPG continues to support energy security and emissions reductions across the NEM, Australian Energy Producers recommends:

- 1. The review must emphasise the critical role of GPG across the NEM,** in supporting the roll-out of renewables and the phase out of coal, meeting peak power demand, and providing essential services to ensure reliability while supporting emissions reduction.
- 2. NEM wholesale market settings must support long-term investment in GPG,** recognising the evolving role of GPG in delivering critical, dispatchable generation with declining capacity factors.
- 3. GPG should be included in the Capacity Investment Scheme (CIS), or an alternative mechanism such as the Electricity Services Entry Mechanism (ESEM)** to ensure the commercial viability of GPG as a firming solution across its asset life.
- 4. The inclusion of GPG under the ESEM firming services pillar could support its continued role in the NEM.** This could reduce the risk of premature or uncoordinated GPG withdrawal arising from short-term financing constraints while strengthening system reliability and maintaining alignment with the [Orderly Exit Management Framework](#).

Australian Energy Producers looks forward to engaging further with the NEM Panel.

¹ DCCEEW [Australian electricity generation - fuel mix](#)