



8 July 2024

Energy Policy WA
Level 1
66 St Georges Terrace
Perth WA 6000

Lodged email: energymarkets@dmirs.wa.gov.au

Dear Energy Policy WA,

RE: Exposure Draft for Amending Wholesale Electricity Market Rules (Miscellaneous Amendments No. 3)

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to provide feedback to Energy Policy WA (EPWA) on the proposed Amending Wholesale Electricity Market (WEM) Rules (Miscellaneous Amendments No.3) (the Amending Rules), outlined in the Exposure Draft also provided for consultation, released on 10 June 2024. We understand that following stakeholder consultation and legal review, the proposed Amending Rules in the Exposure Draft, will be submitted to the Minister for Energy for making and gazettal.

About Shell Energy in Australia

Shell Energy is Shell's renewables and energy solutions business in Australia, helping its customers to decarbonise and reduce their environmental footprint.

Shell Energy delivers business energy solutions and innovation across a portfolio of electricity, gas, environmental products and energy productivity for commercial and industrial customers, while our residential energy retailing business Powershop, acquired in 2022, serves households and small business customers in Australia.

As the second largest electricity provider to commercial and industrial businesses in Australia¹, Shell Energy offers integrated solutions and market-leading² customer satisfaction, built on industry expertise and personalised relationships. The company's generation assets include 662 megawatts of gas-fired peaking power stations in Western Australia and Queensland, supporting the transition to renewables, and the 120 megawatt Gangarri solar energy development in Queensland.

Shell Energy Australia Pty Ltd and its subsidiaries trade as Shell Energy, while Powershop Australia Pty Ltd trades as Powershop. Further information about Shell Energy and our operations can be found on our website [here](#).

¹By load, based on Shell Energy analysis of publicly available data.

² Utility Market Intelligence (UMI) survey of large commercial and industrial electricity customers of major electricity retailers, including ERM Power (now known as Shell Energy) by independent research company NTF Group in 2011-2021.

UNRESTRICTED



General Comments

Shell Energy understands that feedback on the Exposure Draft will be used to inform the final drafting of the Amending Rules. We understand that some of the amendments contained in the Exposure Draft have gone through consultation processes, such as the Demand Side Response Review (dynamic baseline methodology) and Cost Allocation Review (contingency reserve raise cost allocation method). However, there are several amendments that have not been previously proposed to Market Participants (MPs) and other stakeholders, and we strongly encourage EPWA to properly consult with stakeholders on these prior to final drafting instructions being published.

Representatives from Shell Energy attended the Transformation and Design Operation Working Group (TDOWG) meeting held on 18 June 2024, and we appreciate EPWA's efforts in running this session. Shell Energy raised concerns outlined in our submission and would like to reiterate that stakeholder feedback must be properly considered, despite the proposed Amending Rules being at quite a progressed stage, with consultation having only been undertaken on the miscellaneous amendments that were captured through the DSR Review and Cost Allocation Review. We do not believe there has been adequate consultation undertaken for several of the proposed amendments and strongly urge EPWA to commence proper consultation for these specific items.

Shell Energy have outlined our response to the Exposure Draft and have provided feedback on key amendments under the subheadings below.

Monitoring the effectiveness of the market - 2.16.3A to 2.16.3E

Require AEMO to inform EPWA and the ERA of any issues that are likely to adversely affect the effectiveness of the market or achievement of the Wholesale Market Objectives

Shell Energy supports the drive towards improvements on the effectiveness of the WEM however we are concerned with the amendments inserted, including WEM Rule 2.16.3A to 2.16.3E. When read together with draft amendments in 10.4.4A, these rules dilute the governance arrangements in place to protect MP's confidential information, effectively broadening information sharing powers between AEMO, EPWA and the ERA, supposedly to monitor the effectiveness of the WEM. We are concerned that the changes outlined in this section place a very broad obligation on AEMO, and create a burden (as well as cost) for AEMO and other parties and heightened risk.

There seems to be insufficient justification and information to support this proposed amendment, noting that this amendment gives effect to creating a subsequent flow of confidential information which does not appear to be governed by any process. Whilst there may be a temporary requirement for greater collaboration between AEMO, the ERA and EPWA due to the new WEM outcomes, a long-term amendment to existing governance arrangements which protects the sharing of MP's confidential information is concerning.

Additionally, we see these amendments as overly onerous on AEMO from a cost and resourcing perspective and seek clarification as to why this amendment needs to be inserted, as stakeholders have not been advised that the current process is ineffective. We believe it is important to consider that all MPs are operating in a new market environment, and transitional circumstances will likely be impacting the monitoring of market effectiveness, and we expect this to dissipate as the market settles. Therefore we believe that it would be more prudent to withhold these changes until there is a case established or a failure that needs addressing.

Amending the current market fee structure - 2.24.3.

Removal of the following fee categories:

- i. Market operation services;
- ii. System planning services;



- iii. Market administration services; and
- iv. System management services.

Shell Energy seeks clarification on the proposed amendment to remove the above fee collection categories and only require AEMO to publish market fees as a single line item. This will decrease transparency for MPs in an environment and market where increased transparency has been at the forefront of AEMO, EPWA and the ERA decision making, and has been considered a key objective in most policy reform projects in recent years.

Significant incident reporting by AEMO - 3.8B.

Require AEMO to investigate and report on significant incidents in the SWIS;- civil penalty provision which is not stipulated but decided by AEMO.

The introduction of a civil penalty provision in this proposed amendment is concerning given that there has been no consultation undertaken on this change. The change will effectively broaden AEMO powers and introduce further civil penalty risks for MPs. Shell Energy requests EPWA consider the introduction of a civil penalty provision against fairness and appropriateness as an enforcement tool in the circumstance, and we question whether the heavy handedness of using civil penalties is justified and/or proportionate. Furthermore, we strongly encourage EPWA to provide reasoning for this amendment and conduct further consultation to provide more information than what is currently very minimally outlined in the Exposure Draft.

In the absence of a proper consultation with justification, we request clarification on the wording of the inserted amendment, given that 3.8B.2. and 3.8B.3. require MPs to provide a report to AEMO within a '*reasonable time period specified by AEMO*'. Please advise what *reasonable* would be in the circumstance, or alternatively, address this in consultation with stakeholders, perhaps amending the provision to state that a reasonable time should be agreed upon by the MP and AEMO. In addition, if there is specific information related to a MP's involvement in power system, dispatch or effectiveness of the WEM, the timeframes are very specific to the MP. Such information could include OEM support, participant size, OEM provider, contractual arrangements with the OEM and trading systems setups. This information plays a critical role in the MPs ability to respond on matters relating to dispatch or information which forms inputs into offer construction.

We strongly believe this amendment requires appropriate consultation and do not consider it reasonable to insert a civil penalty provision without notifying stakeholders in advance and undertaking adequate consultation.

Reducing the deadline for details of a Forced Outage - 3.21.2

Reduce the deadline for providing AEMO any final details of a Forced Outage from fifteen days to seven days after the relevant Trading Day to allow for certain settlement calculations to be performed earlier.

Shell Energy believe that reducing the timeframe for information provision to AEMO to 7 days is onerous and impractical. The current timeframe of 15 days is already very challenging due to factors outside of a MP's control that may impact their ability to meet these timeframes. Circumstances where this happens could include awaiting information from an external party such as a response from Western Power to determine if there is a network or communications issue. Rule Participants often will not receive a response within a 7 day timeframe. Additional factors such as timing and severity of the outage also contribute to longer timeframes (not meeting a 7 day deadline). Furthermore, fault finding in these instances can often create longer investigations, for example, there may be an instance that site suffers an outage on a Friday, yet the relevant staff are obligated to adhere to strict fatigue management process and therefore would not be in a position to gather the adequate information in time to meet such a deadline.

Additionally, over holiday periods such as the Christmas/New Year holidays or longer holiday periods where business days are few, the proposal to reduce to 7 days would add more costs to MPs as this may result in



requiring reporting staff to be available to respond. We consider 7 days is unreasonable and insufficient for providing final outage details and will unnecessarily increase the compliance risk associated with outage lodgment for MPs. It is unclear in the Exposure Draft how this timeframe adjustment will impact market outcomes for settlement and Shell Energy wishes to emphasise the additional compliance risk this change will have on generating assets in the WEM.

AEMO power to direct Market Participant to make submission after Gate Closure - 7.4.35.

Update clause 7.4.35 to allow a Market Participant to make a Real-Time Market Submission after Gate Closure if directed to do so by AEMO.

The current drafting of WEM Rule 7.4.35 only allows MPs to update after Gate Closure for physical reasons affecting Facilities, including Forced Outages and Inflexibility.

The proposed changes to WEM Rule 7.4.35, allowing MPs to update within Gate Closure when following a direction issued by AEMO, provides AEMO with market intervention powers previously not held. AEMO powers relating to directing MPs are contained mostly within the security and reliability of the SWIS, not submissions into a market. The explanatory note is not clear and we do not believe that AEMO should be directing or requesting updates to market submissions from MPs, AEMO have sufficient powers under the WEM rules to dispatch as required to maintain system security and reliability and in the event of a significant incident, AEMO should exercise their existing powers under WEM Rule 3.4.4 to maintain system security and reliability. AEMO has functions at 3.4.4.a to 3.4.4.f which include to direct Facilities to adjust output or operate in a particular way, in accordance with the Registered Generator Performance Standards and in accordance with information available to AEMO.

Furthermore, the definition of a 'direction', transparency of the directions, the circumstances leading to the direction and potential impacts of the direction are silent in the WEM rules. Additionally, this is also intended as a civil penalty clause and given there is no positive obligation in the drafting of 7.4.35, it is our understanding that this would leave the option open for a MP to refuse the direction (it is unclear what WEM rule clause the direction is provided under).

We request clarification as to how this clause is meant to read, notwithstanding AEMO should not be giving directions around updating submissions. We see this as inconsistent with AEMO directing from a control room and the failure to recognise the commercial structures behind operations and the facility. Shell Energy believes this clause will disregard the purpose where the market is set for commercials, and these are purposely done prior to Gate Closure and consider it better to reduce Gate Closure than allow further intervention within Gate Closure.

Managing disclosure of confidential information - 10.4.4A

AEMO may, at its discretion, disclose Confidential Information without being requested under clause 10.4.6, if the party receiving the Confidential Information is the Coordinator or the Economic Regulation Authority.

We request justification for broadening powers for AEMO to discretionally disclose confidential information where there is no formal request under clause 10.4.6. The explanatory note in the Exposure Draft does not contain adequate information for us to be able to properly understand the reasons why this is necessary for insertion, nor has there been prior consultation on this amendment. Whilst there may be a temporary requirement for greater collaboration between AEMO, the ERA and EPWA due to the new WEM outcomes, a long-term amendment to existing governance arrangements which protects the sharing of MPs confidential information is concerning. Shell Energy requests further information and justification prior to this amendment being included in



the draft package and seeks to understand why there are amendments to governance rules being included without consultation.

Conclusion

We welcome the opportunity to discuss our submission further. Please contact Tessa Liddelow at tessa.liddelow@shellenergy.com.au for any queries regarding this submission.

Yours sincerely

Libby Hawker

General Manager – Regulatory Affairs & Compliance

03 9214 9324 – libby.hawker@shellenergy.com.au