



12 May 2022

Ms Sarah Woenne
Energy Policy WA
Locked Bag 11
Cloisters Square, WA, 6850

Lodged email: submissions@energy.wa.gov.au

Dear Ms Woenne,

RE: Increasing the threshold for application of the electricity generation licence exemption consultation paper

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to respond to the Western Australian Government's consultation on increasing the threshold for application of the electricity generation licence exemption.

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 more than 185,000 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](#).

General Comments

Shell Energy is supportive of the proposal to increase the threshold for the existing generation licencing exemption to allow the generation of electricity from a facility greater than 30MW but less than 100MW.

We understand that the proposed increase to the threshold for a generation licencing exemption is an interim measure to reduce regulatory and administrative burden, prior to Parliamentary consideration for full removal of a licencing requirement for generators.

Shell Energy also encourages the Western Australian Government to commit to repealing the licencing requirement for electricity generation, as was raised in 2015 as part of the consultation to amend the *Electricity Industry Act 2004* (the Act) and subsequently by the *Licensing and Other Authorisations Amendment Bill 2016* which did not pass through Parliament. The basis for this proposed amendment was determined by the Public Utilities Office which stated that *"there are sufficient regulatory and commercial arrangements in place to effectively manage the*

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.

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*operation of generating works, without the need to licence generators”.*³ This reasoning was unanimously supported by all 11 public submissions and remains the view of Shell Energy, with our expectation that the repeal is considered by Parliament as soon as practicable.

Reducing regulatory and administrative burden

As discussed in the consultation paper, there are many other technical regulation mechanisms that control the connection to the grid. For the effort the audit demands, the benefits are very low. The performance and compliance audits undertaken as part of generator licencing are costly and resource intensive.

Substantial costs incurred include administrative charges for licence applications, annual licence fees, standing charges, periodic performance audit and asset management review costs and internal compliance costs.

In addition, resourcing required for performance audits includes time allocated for power station staff to manage compliance deadlines, prepare reports and most significantly, to provide the time required by the auditors in direct enquiry and provision of documents for various questions. Therefore, the high costs and resourcing effort for licencing does not correlate to the perceived benefit of performance audits.

The Market Rules strictly govern the operational generation behaviour, and the Department of Mines, Industry Regulation and Safety and the Environmental Protection Act govern the safety and environmental performance of the power station. Shell Energy has obligations under several instruments as both a generator and a retailer, ensuring Shell Energy's compliance with safety and environmental requirements across multiple frameworks in order to maintain good electricity industry practice.

Conclusion

Given the high level of accountability Shell Energy already demonstrates, the application of compliance requirements through electricity generation licencing and the associated direct and indirect costs, makes the proposed increase to the exemption threshold a sensible approach.

Whilst we are supportive of this interim measure to increase the threshold and understand this is a transition to move towards an amendment to the Act, Shell Energy cannot envisage any barriers to not repeal this in totality for all generators. As noted above, all generators were supportive of this in 2015 and 2016.

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

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³ Joint industry letter to Public Utilities Office, January 2018.