



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: 2024 Review of Supplementary Reserve Capacity Provisions – Consultation Paper

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to respond to Energy Policy WA's (EPWA's) Consultation Paper (the Consultation Paper) for the 2024 Review of the Supplementary Reserve Capacity (SRC) Provisions in the Wholesale Electricity Market (WEM) Rules, released on 18 June 2024. We are supportive of the review provisions following the Australian Energy Market Operator's (AEMO's) commencement of the process to acquire SRC in accordance with section 4.24 of the WEM Rules by publishing a call for tender. We look forward to providing our feedback on whether there is a requirement for improvements to the provisions, and whether the improvements from the 2023 review provided better outcomes for the most recent procurement and operation of SRC over the 2023/2024 hot season. Shell Energy participated in both the 2022/2023 and most recent SRC process and have provided feedback for all reviews undertaken by EPWA so far.

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

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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Western Australia and Queensland, supporting the transition to renewables, and the 120 megawatt Gangarri solar energy development in Queensland.

Shell Energy has recently acquired a 50% share of Kondinin Energy Pty Ltd (Kondinin) which will be our first West Australian renewables development. The centrepiece of the Kondinin project is the Kondinin Wind Farm, a wind development which would generate approximately 230MWs, across two stages, into the SWIS. Kondinin also holds approvals to develop a 80MWs solar farm and ~60MWs BESS which comprise stages three and four of the Kondinin project.

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

We welcome the 2024 review EPWA is conducting, initiated by the Coordinator of Energy under clause 4.24.19 of the WEM Rules following the call for tender for SRC in August 2023 by AEMO. The call for tender was for the provision of additional reserve capacity to the WEM as the existing market mechanisms were deemed insufficient to maintain system reliability.

Shell Energy participated in EPWA's 2023 review and provided a submission with feedback to EPWA which was undertaken in a two-stage process, where EPWA reviewed the procurement process and the operation of the service. We also participated in the procurement process for the most recent hot season and were called upon several times.

We have provided Shell Energy's feedback on the relevant proposals below.

Proposal 1 – Identification of potential suppliers

Shell Energy does not support the introduction of Clause 4.24.6AA where AEMO will be *required* to use reasonable endeavors to identify potential suppliers of supplementary capacity. This requirement does not support WEM objective B, designed to encourage competition in the market, as we see circumstances where prior to a call for tender, AEMO have already identified potential suppliers and provided them with tender information.

EPWA undertook a survey from actual suppliers of SRC following the most recent hot season and we provided feedback which included a point around timeliness of responding to the call for tender. Despite having systems and processes in place for participation in SRC as we have been a provider in previous years, we still didn't have enough time to review and respond which ultimately delayed the start of SRC service provision.

We believe that the publication of information regarding the tender should be done in a fair and equitable manner and should encourage competition in the market for participation in SRC. We agree that identification of potential suppliers may be useful for AEMO however, if this clause is inserted, we request another clause is inserted requiring AEMO to only be permitted to do this if the information has been released publicly.

Proposal 4 – Coordinator to have discretion to review SRC provisions following procurement

Shell Energy is supportive of the Coordinator of Energy exercising discretion over triggering a review following SRC activation over a hot season. We have been involved in the reviews through providing direct feedback to AEMO and EPWA on our specific services provided and our experience, and through the public reviews undertaken as per section 4.24.19 of the WEM Rules. We have seen immense value in these reviews and now that there have been two reviews and opportunities for improvement identified and actioned, we see this amendment as reasonable and support the Coordinator using their discretion.



Alternative SRC product

Shell Energy are not opposed to the idea of AEMO offering an alternative SRC product, given the feedback from the previous SRC review indicating that there was a need for flexibility for AEMO to be able to seek additional supplementary capacity from eligible services at short notice, for example in the lead up to a heat wave.

We note that in section 3.1 of the Consultation Paper, EPWA has provided stakeholder responses that indicated participants would be unlikely to contract with an activation payment only, given the costs associated with preparing the service and agreeing a contract with AEMO. As such, we believe there needs to be a high enough price offer, sitting outside of the energy price offer ceiling, to incentivise entering into an alternative activation only service. Additionally, there would need to be a collaborative approach to arranging the alternative service between AEMO, WP and the relevant eligible service provider that would support timeliness, given the purpose of the activation only alternative product being a more flexible service, required at short notice.

Shell Energy have participated in both SRC hot seasons and as such, are well placed to comment on both the procurement and operational process. We believe that a major deterring factor is the onerous nature of participating in SRC. However, Shell Energy would be willing to enter short term negotiations if the approach and process were to be not overly onerous and the alternative product were to be designed in a way that would take into account the specific circumstances of the service provider, for example, load reduction or energy producing systems. We ask EPWA to be mindful that if AEMO offered this type of activation only alternative product, this could impact AEMO's appetite to contract with activation and availability services and we request that this potential impact is carefully given consideration so that there is no impact to the existing settings.

Conclusion

We appreciate the opportunity to provide feedback to the 2024 review of the SRC provisions.

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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