



21 March 2023

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

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

Dear Energy Policy WA,

RE: Review of Supplementary Reserve Capacity Provisions – Stage 1 Consultation Paper

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to respond to Energy Policy WA's (EPWA's) Stage 1 Consultation Paper (the Consultation Paper) for the Review of the Supplementary Reserve Capacity (SRC) Provisions in the Wholesale Electricity Market (WEM) Rules, released on 7 March 2023. We are supportive of the review provisions following a call for SRC, having been undertaken previously in 2008, and look forward to providing our feedback on the Stage 2 consultation when released.

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 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 understand that EPWA is undertaking a review of the SRC Provisions, initiated by the Coordinator of Energy under clause 4.24.19 of the WEM Rules following the call for tender for SRC in September 2022 by the Australian Energy Market Operator (AEMO) to provide additional reserve capacity to the WEM as the existing market mechanisms were deemed insufficient to maintain system reliability.

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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Shell Energy representatives attended the Transformation Design and Operations Working Group (TDOWG) meeting held on 14 March 2023, which provided further information on each proposal outlined in the Consultation Paper and gave stakeholders the opportunity to provide verbal feedback on the proposed amendments.

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

Proposal 1: Introduction of an Expression of Interest process

EPWA proposes to:

- provide AEMO with the discretion to run a non-binding Expressions of Interest (EOI) process for SRC at any time from 1 April in any year, if it becomes aware of a potential risk that, if eventuating, could require an SRC procurement process;
- require AEMO to assess all responses to the EOI call and prepare a shortlist that includes all potential services that AEMO considers will likely meet the SRC requirements if an SRC tender is subsequently initiated by AEMO; and
- require that only potential services from the shortlist are allowed to participate in a subsequent tender process, if one is subsequently initiated by AEMO. The existence of an EOI process would not affect the rest of the current WEM Rules regarding the SRC procurement process. It is expected, however, to identify any potential SRC proponents and solutions. It would also allow more time for any enquiries and interactions with Western Power to take place prior to a formal procurement process commencing.

Shell Energy do not support a shortlist via an EOI process for SRC to be undertaken every year as we believe this should be required only if it is determined that there is a high probability of requiring SRC in the forward year. The application process for AEMO tenders is cumbersome and time consuming, and we see an annual timeframe as being problematic for participants and AEMO. We understand that maintaining a 'pool' of service providers could be helpful however, we encourage EPWA and AEMO to consider alternative options to run this process in a more efficient manner with improvements to the current process, as opposed to the introduction of a shortlist mechanism.

We are concerned that the introduction of an EOI process, with the ability for commencement on 1 April 2023 if the Amending Rules are to take effect on 31 March 2023 (as was described in the abovementioned TDOWG meeting), is not addressing the cumbersome process that was experienced by applicants during procurement in 2022.

We note that this is only the second review since 2008 and Shell Energy believes there is value in EPWA and stakeholders working together to improve the current procurement process through a careful and considered approach, and any decision to initiate a call for SRC should be made with the same weight regardless of whether it is via an EOI or a call for tender.

Proposal 3: Extension of SRC Provisions to include 16 week duration

Shell Energy are supportive of the proposal to align the maximum duration of contracts for SRC with the current Hot Season definition as per Chapter 11 of the WEM Rules, being 16 weeks. This addresses the misalignment between the maximum allowed contract length and the length of an expected Hot Season. We agree that this amendment will mitigate the risk of overlapping contracted volumes exceeding a targeted capacity and/or periods where there is insufficient SRC contracted due to availability not aligning with demand.

Conclusion

We appreciate the opportunity to review the Stage 1 Consultation Paper for the SRC Provisions in the WEM Rules and look forward to reviewing the Stage 2 consultation paper which will cover the operation of the procured services for the previous Hot Season SRC period in 2022-2023.

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

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