



21 June 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 2 Consultation Paper

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to respond to Energy Policy WA's (EPWA's) Stage 2 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 June 2023. We look forward to contributing to the Review and appreciate the opportunity to provide feedback at Stage 3 which will inform amending WEM Rules.

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.

UNRESTRICTED



Shell Energy representatives attended the Transformation Design and Operations Working Group (TDOWG) meeting held on 15 June 2023, which provided a brief outline of each proposal contained in the Consultation Paper. During the discussion in the TDOWG, there was commentary around amending the draft Amending Rules featured in this Consultation Paper. We encourage EPWA to consider all feedback holistically and note that it becomes difficult for stakeholders to provide effective feedback when changes are proposed through various working groups during an open consultation period. Currently, there are several major policy framework reviews being undertaken in the WEM and as a result, we encourage EPWA to provide sufficient time for stakeholders to contribute in a meaningful way.

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

Section 2.2.2: Actual activation of services

The Consultation Paper provides feedback on a questionnaire issued by AEMO to stakeholders who participated in the 2022/2023 SRC process. In Section 2.2.2 EPWA considers that not activating a service that had previously received an activation notice would be best addressed in the Supplementary Capacity Contracts and that as such, a rule change is not required.

Shell Energy consider that SRC contracts should contain a provision to protect providers from losses eventuating from activation notices that fail to result in activation of services. SRC providers will incur costs preparing to respond to the SRC activation. As such, where the activation doesn't eventuate, we propose that the Supplementary Capacity Contracts should incorporate cost recovery provisions into 4.24.13(h)(ix) to capture this issue (such as a minimum payment).

Proposal 2: Formalisation of testing requirements for SRC services

EPWA proposes to:

- *amend the WEM Rules to require AEMO to test every service subject to a Supplementary Capacity Contract as soon as practicable after entering into that contract.*

We understand that EPWA intends to address the non-performance issues associated with some SRC contracts during the 2022/2023 SRC operation through strengthening testing requirements by introducing mandatory testing of all SRC Contracts. We support mandatory testing requirements however, consistent with previous SRC contracting practice, we consider that any requirement to demonstrate capability of Eligible Services should be compensated at the contractual rates. This allows adequate cost recovery for providers of SRC and provides a deterrent for AEMO to unnecessarily test Eligible Services as retailers will incur costs associated with the testing requirements.

Conclusion

Thank you for the opportunity to review the Stage 2 Consultation Paper and as outlined in this submission, Shell Energy would appreciate consideration of the concerns we have raised prior to finalisation of the Amending Rules and Standard Form Contracts, noting that there are two interacting consultations running concurrently.

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

James Ell

A/General Manager – Regulatory Affairs & Compliance

03 9214 9324 – james.ell@powershop.com.au