



25 November 2021

Sam Markham  
Australian Energy Market Commission  
GPO Box 2603  
Sydney NSW 2000

Dear Ms Markham

## **RE: Removal of unaccounted for energy from liable load in the Retailer Reliability Obligation**

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) consultation paper on the removal of unaccounted for energy (UFE) from liable load in the Retailer Reliability Obligation (RRO).

### **About Shell Energy in Australia**

Shell Energy is Australia's largest dedicated supplier of business electricity. We deliver business energy solutions and innovation across a portfolio of gas, electricity, environmental products and energy productivity for commercial and industrial customers. The second largest electricity provider to commercial and industrial businesses in Australia<sup>1</sup>, we offer integrated solutions and market-leading<sup>2</sup> customer satisfaction, built on industry expertise and personalised relationships. We also operate 662 megawatts of gas-fired peaking power stations in Western Australia and Queensland, supporting the transition to renewables, and are currently developing the 120 megawatt Gangarri solar energy development in Queensland. Shell Energy Australia Pty Ltd and its subsidiaries trade as Shell Energy.

[www.shellenergy.com.au](http://www.shellenergy.com.au)

### **General comments**

The Australian Energy Market Operator (AEMO) has submitted a rule change request designed to remove UFE from calculation of liable load for the purposes of the RRO. We appreciate that the AEMC considers that this is a non-controversial rule change and intends to process this rule change on an expedited basis.

Shell Energy agrees with AEMO that UFE introduces a source of variability and uncertainty that cannot be managed in advance. As such, AEMO proposes it should be removed when calculating 'liable load' and determining compliance with the RRO. We consider that this is a logical and sound approach given that UFE is a small but unmanageable risk for parties. Market customers (and liable entities under the RRO) are unable to do anything on an individual basis to manage the level of UFE for their customers as it is a simple pass-through from AEMO based on load.

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<sup>1</sup> By load, based on Shell Energy analysis of publicly available data

<sup>2</sup> 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 2011-2020.



Given the intent of the RRO is to encourage retailers to contract to meet peak demand, this will continue to occur with or without UFE in the calculation of liable load. The risk for retailers (or opt-in customers) is that the inclusion of an uncertain volume of UFE could drive them into non-compliance. The only potential solution to this risk is to contract more. Higher contracting levels would meet the Energy Security Board's (ESB) aims for the RRO, but it would likely add to overall costs to consumers for no actual improvement to reliability.

We therefore agree with AEMO's proposed solution of excluding UFE from the calculation of liable load, which the AEMC classifies as option 2 under its proposed set of options. Option 2 presents the simplest approach of excluding UFE altogether, thereby eliminating the issue. While there are advantages to Option 3, in that it UFE is only included if negative, the reality is that this would not change retailer behaviour, but would provide a small safety net against non-compliance. Overall, Shell Energy supports option 2 and recommends that AEMO's proposal of removing UFE by redefining liable load as metered energy multiplied by the distribution loss factor be implemented.

We consider that the AEMC's proposed option 4, which would allow liable entities to appeal to the AER if non-compliance is due to UFE, is administratively complex and should not be pursued. It will add costs to liable entities who will then have to engage with the AER over if a breach occurs. This will also add to the AER's resourcing needs and add time to AEMO's assessment of any penalties as well as the allocation of Procurer of Last Resort (PoLR) and Reliability and Emergency Reserve Trader (RERT) costs.

Further, the AEMC notes in the consultation paper that the AER's RRO guidelines do not reference UFE. Were the AER to have to determine whether RRO compliance hinged on UFE, then several of these guidelines would likely need to be revised to factor in UFE.

We consider that the proposed 1 April 2022 implementation date should be reasonable as it will have no material impact on liable entities. As the consultation paper notes, AEMO will have to update its PoLR cost procedures. Similar to this consultation paper, as a non-controversial change, AEMO should be able to make these changes relatively easily.

For more detail on this submission, please contact Ben Pryor (0437 305 547 or [ben.pryor@shellenergy.com.au](mailto:ben.pryor@shellenergy.com.au)).

Yours sincerely

[signed]

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