



3 February 2022

Mitchell Grande
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2000

Dear Mr Grande

RE: Extension of time and reduction in scope of the 2022 reliability standard and settings review draft determination

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) draft determination on the extension of time and reduction in scope of the 2022 Reliability Standard and Settings Review (RSSR) rule change.

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 largely agrees with the AEMC's draft decision to allow for an extension of time for the 2022 RSSR and rejecting the rule change's proposal to allow the Energy Security Board (ESB) to carry out the review of the reliability settings. We consider that the Commission's draft determination recognises the importance of the Reliability Panel in considering both the reliability standard and settings together, with its diverse membership

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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and expertise. Overall, we think it beneficial to the market as a whole that the Reliability Panel will continue to review both the reliability standard and settings together and will have the necessary time to do so.

Yet, Shell Energy contends a strong case remains to provide a 12-month extension in order to allow the Reliability Panel to consider the final design of the ESB's capacity mechanism work. A 12-month extension would provide the Reliability Panel the opportunity to make recommendations on the reliability settings required under the existing energy-only market design as well as those necessary under any proposed capacity mechanism. Given the draft determination proposes removing the 2024-25 financial year from the 2022 RSSR to avoid potential disruption to the market as a result of the extension, Shell Energy believes a 12-month delay could then be provided for without any additional disruption to the market.

In the draft determination, the AEMC points to predictability and transparency; minimising uncertainty and market changes; and reducing regulatory and administrative burden as justification to both extend the timeframe of the 2022 RSSR and keep consideration of the reliability settings with the Reliability Panel. Based on these reasons, allowing for a 12-month delay to allow the Reliability Panel to consider the results of the ESB's capacity mechanism work would seem entirely logical.

We consider that the AEMC's draft determination risks increasing risk and uncertainty in the market given the reliability settings may need to change based on the capacity mechanism work. Further, to the extent that the ESB's decisions on reliability settings do not work in conjunction with the reliability standard, there is a risk that there could be distortions in a capacity mechanism until the 2026 RSSR Review can once again bring consideration of the two issues together. While we recognise that a shift to a capacity mechanism is unlikely to be immediate and that there will be an implementation period, we consider that the risk of one or two years of a disjointed reliability standard and settings could harm investment over a longer period.

In our view, a 12-month delay to the 2022 Review to allow the Reliability Panel to consider the outcomes of the ESB's capacity mechanism design work would provide an optimal solution that would minimise the total risk to the market.

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

Yours sincerely

[signed]

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