18 July 2024

Australian Energy Market Commission
Level 15
60 Castlereagh St
Sydney NSW 2000

RE: ERC0395 – Better Integrating Gas into the ISP/ERC0396 - Improving consideration of demand-side factors in the ISP

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 Australia[1], Shell Energy offers integrated solutions and market-leading[2] 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 also operates the 60MW Riverina Storage System 1 in NSW. 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.

Better Integrating Gas into the ISP

Shell Energy supports the proposed change to the National Electricity Rules (Rules) that would see the Integrated System Plan (ISP) consider the gas supply chain in greater detail, in particular the adequacy of the gas transmission and storage network to support the forecast optimum gas-powered generation deployment. Specifically, we see the role of the proposed gas analysis as supporting the electricity modelling and, assessing its ability to be implemented, rather than delivering a development plan for gas infrastructure and we support the rules being clear on this point. Improving understanding of interactions between gas industry supply chain dynamics and the electricity market will be critical to assessing the future reliability of the energy supply system. As the ISP is primarily designed to determine an optimal *electricity* transmission development path, we consider that more detailed gas market analysis can improve the assessment of the viability and relative cost of scenarios assessed under the ISP modelling.

Consideration should be given to the cost of the additional analysis undertaken by AEMO. It is our view that substantial resources are currently employed in ISP modelling and that expanding the scope to include detailed

[1] By 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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gas supply chain analysis as an entirely new function could increase costs substantially. We suggest that existing processes and data should be used by AEMO wherever possible as this will help limit the costs which are ultimately born by consumers. For this reason, Shell Energy supports the proposal to amend the Rules to enable AEMO to utilise information provided to it under other functions.

There may be opportunities for efficiency within AEMO in cases where the ISP modelling overlaps with Gas Statement of Opportunity modelling and other processes. As part of this rule change process, we recommend that the Commission encourage a thorough assessment of the areas of overlap of regulatory requirements between the two processes and consider consolidation or abolition of any redundant obligations.

Shell Energy is concerned that the commercial nature of some information provided to AEMO under the National Gas Rules may make it inappropriate to publish. Shell Energy recommends that the Rules include a requirement that AEMO de-identify data where possible and aggregate data to a level that makes attribution impossible where simple de-identification would be ineffective at masking the commercial interests of participants reporting information for other purposes.

Shell Energy considers that there is currently insufficient detail in the proposed Rule change about what gas information, received under the NGR, can be published as part of the ISP. We support clear guidance being provided in the Rules on this matter and believe that it would be appropriate for the Rules to also require an AEMO procedure or guideline be developed in consultation with market participants and other stakeholders.

Improving consideration of demand-side factors in the ISP

Shell Energy supports the proposal to explicitly require AEMO to consider demand side and consumer energy resources in detail in the ISP. The identification and assessment of the impact of distribution network constraints would be a major improvement to the ISP modelling. However, the volume of potential constraints within the distribution network is very large and we recommend that a significance threshold be applied to the analysis. Only constraints that meet or exceed the threshold should be analysed as part of the ISP.

The current assumption that constraints do not bind may not be flawed but the costs associated with relieving constraints within the distribution network must form part of the assessment of the ISP. This assessment should include detailed analysis of the relative costs of delivering solutions within the transmission network compared to distribution networks.

Clarifying AEMO's role in collecting technical information, including constraint information, from Distribution Network Service Providers (DNSPs) is essential to the development of a more robust CER outlook. Shell Energy supports the proposal to expand the information disclosure requirements for DNSPs as well as the proposal for AEMO to develop a guideline outlining its approach to forecasting and analysing CER and distributed resource development.

We consider that the Rules should contain clear guidance on the level of detail and scope of information to be provided by DNSPs. It is also appropriate that AEMO develop a guideline that would specify exactly what information should be provided, the timing and how it should be communicated. It is critical that the DNSP disclosure requirement guideline and CER forecasting guidelines be subject to open consultation with all stakeholders to ensure that appropriately detailed information is shared without placing burdensome requirements on participants.

Please contact Peter Wormald (peter.wormald@shellenergy.com.au) for any questions regarding this submission.

Yours sincerely,

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