



25 September 2025

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

RE: GRC0076 - ECGS Reliability Standard and Associated Settings – Directions Paper

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 one of the largest electricity providers to commercial and industrial businesses in Australia¹, Shell Energy offers integrated solutions and market-leading² customer satisfaction, built on industry expertise and personalised service. 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, as well as the 200MW Rangebank Storage System and 370MW Koorangie Storage System both located in Victoria.

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 welcomes the opportunity to comment on the Directions Paper. The key points of our submission include:

- Further consultation on the probabilistic threat tiering approach is warranted so that the rules can include clear guidance on an approach to calculating the levels themselves.
- The proposed notice format should include more detail on the timing of expected shortfalls.
- The proposed Gas Reliability Committee should be given clear guidance in the Rules about what considerations to incorporate in their analysis. A minimum requirement in the rules would give stakeholders confidence that market price settings will be appropriately considered.
- Support for more transparency through probability information and disaggregation in the GSOO and VGPR.
- The Rules should require the AER to oversee the forecasting process through a best practice guideline.

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.



Operational Threats and Signalling

Shell Energy supports the concept of the proposed probabilistic, tiered framework to identifying potential supply shortfalls in the gas markets. Incorporating probabilities into this early warning framework should enable a robust assessment of risk to be carried out. The value of a probabilistic approach depends entirely on the methodology used to implement it and therefore we suggest that the Commission define, at a high level at least, the general approach that should be taken to calculating these probabilities. This may require additional consultation with stakeholders as it is not currently clear from the directions paper whether the Commission has a position on a preferred methodology.

Identifying threat level by probabilities implies that AEMO may be required to undertake a robust stochastic modelling assessment of supply and demand in the relevant regions on a daily basis and in response to changes in available information. This is an appropriate approach given the uncertainties inherent in the gas demand outlook over the operational timeframe. However, we consider that additional thought needs to be given to defining what “supply not meeting demand” would mean in the context of such a modelling exercise. Many results with very low supply shortfalls could result in threat notices. We therefore consider an appropriate threshold for what constitutes a supply shortfall would need to be set in the Rules following further consultation.

An important principle that should be included in the rules is that the methodology to be developed by AEMO should require no additional information provision by market participants. We consider the current data being supplied to AEMO to be more than sufficient for implementing a model or assessment over reasonable operational timeframes.

The proposal that threat notices would identify the underlying drivers of any identified supply shortfall risk periods would contribute to transparency and improve confidence for market participants to be able respond. However, we consider that market notices should provide more detailed information about which periods have been identified. The illustrative example notice on page 13 of the directions paper implies that shortfalls could occur over a 14 day window. A more appropriate approach would be to identify the probabilities by day across the gas STPASA period. This would allow market participants to target their response to particular periods and would discourage broad interventions in the market that would create disruption and reduce the efficiency of the markets.

Shell Energy supports the rules setting the number of tiers to be used in the threat signalling framework and we also consider that the rules should provide a link between the tiers and the appropriate actions that may be taken by AEMO. Fixing these parameters in the rules would provide confidence to market participants that the arrangements will endure. This governance arrangement is appropriate and frees AEMOs to focus on the implementation of the underlying analysis and modelling that will deliver robust signals. We support additional consultation from the Commission on this topic to ensure that the Rules implement an approach that meets the expectations of a range of stakeholders.

Investment and Planning

Shell Energy supports the introduction of a Gas Reliability Committee as proposed by the Commission. Delegating the review of market price settings to a committee composed of a range of stakeholders is an appropriate approach from a governance perspective. The success of this approach will depend on the guidance given to the committee through the rules and the principles that should be applied to the decision making process.

We recommend that the Commission consult in more detail on the functions, structure, composition and governance of the Gas Reliability Committee. The directions paper provides limited detail on these issues, only addressing briefly the proposed structure and functions of the committee.

We consider that it would be appropriate to embed some guidance within the Rules. For example, the timing and frequency of reviews should be spelled out in the rules. A list of items that the committee must consider in its



reviews would also be appropriate to set the minimum range of issues that must be examined. This list should include the variables, such as consumer willingness to pay, that the Commission believes are important for aligning the review outcomes with the long term interests of consumer.

One such consideration should be the alignment of market prices between markets to minimise distortionary or perverse outcomes. This is a key consideration that we had hoped would be addressed by the implementation of the reliability standard framework. We encourage the commission to seek to capture all the potential efficiency benefits of the reliability framework approach by providing appropriate frameworks and guidance to the committee in the rules.

GSOO and VGPR Improvements

Shell Energy supports the improvements to the GSOO and VGPR proposed in the directions paper. Additional transparency about the likelihood of shortfall events will be a useful addition. The fundamental principle that risks need to be clearly and transparently and objectively communicated to all stakeholders has been well captured by the Directions Paper.

Greater disaggregation of the reliability forecast will support market participants in their decision making about commercial responses. We support further developments in this area. We note that it would be appropriate to include in the rules a minimum level of disaggregation that AEMO should implement rather than providing no guidance at all. Shell Energy's view is that the minimum level of aggregation is to align with each hub. The level of data published in each reliability assessment could be varied depending on how relevant the confidentiality considerations are to each hub.

Forecasting

Shell Energy remains supportive of the AER being allocated the role of developing a best practice forecasting guideline. The proposed roles for the AER and AEMO were appropriate and analogous to their respective electricity market role which would have ensured sufficient expertise was available within the respective bodies. We recommend that the AER be required to follow a consultative process to ensure that stakeholders have sufficient transparency of and opportunity to contribute to the development of the guideline. We note that an AER guideline is not primarily about developing the forecast approach but to provide appropriate governance of a critical market process.

Experience with the best practice forecasting guidelines in the NEM suggests that the guideline incorporate a feedback loop requirement for the forecasting process. AEMO conducts significant consultation on forecasts and models and receives a lot of stakeholder input. Best practice governance of this process should require tracking of stakeholder inputs and subsequent reporting by AEMO as to decisions made regarding how and why stakeholder input was incorporated or not incorporated into the forecast models. This tracking and reporting process would enable the AER to exercise an oversight role to ensure that the process is robust on an ongoing basis and that improvements continue to be made in line with stakeholder expectations to the benefit of consumers.

Shell Energy welcomes further engagement on this topic. If you have any questions or would like further details relating to this submission, please contact Peter Wormald at peter.wormald@shellenergy.com.au.

Yours sincerely,



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