



30 October 2025

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

RE: GRC0077 - ECGS Supplier of Last Resort Mechanism

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 supports the goal of introducing a more consistent and clearly defined approach to the exercise of AEMO's gas market intervention powers on the east coast. We support the rule change proponent's view that the existing trading function detailed in the rules does not provide clear and objective guidance to AEMO and market participants about how or when the power will be exercised. Implementing appropriate guard rails through this rule change will ensure that consumers are protected from unnecessary costs and that market participants operate in a more predictable and consistent market environment. These outcomes are necessary to ensure that efficiency is delivered through sound commercial incentives and robust risk management. We also support using the supplier of last resort mechanism as an enduring solution to AEMO's powers at the DLNG storage facility.

Policy Options

Shell Energy supports the proposed policy Option 3B on the grounds that it is an integrated solution that will enable trade-offs to be made between supply side and demand side as efficiently as possible. The key to success in this approach will be embedding highly detailed transparency and reporting requirements in the Rules

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.



so that the supplier of last resort (SoLR) powers are appropriately governed. Similarly, the implementation of robust guidance and limitations regarding the exercise of the SoLR powers will be necessary in the Rules to ensure that the policy outcomes identified above are realised.

Principles to Guide AEMO's Use of a SoLR Mechanism

Shell Energy supports greater prescription in the Rules to guide AEMO's use of the SoLR Mechanism. The high level principles identified by the rule change proponent are appropriate, namely; least distortionary actions, maximise effectiveness, and limiting cost to consumer's value of gas reliability. We agree that these principles should be mandatory. Such principles align with the NGO and should be embedded in AEMO's procedures and approach to market interventions.

The governance frameworks in the east coast gas market do not require independent examination of AEMO's compliance with these principles. For this reason we consider that more prescriptive obligations should be included in the rules. These obligations should at least cover:

- the types of reserves to be used,
- the conditions for intervention,
- the timeframes for intervention including maximum duration and time in advance of identified issue,
- the process to be followed when procuring services,
- limitations on quantities to be procured relative to the size of any identified issue, and
- cost limitations.

Alternatively, it may be appropriate for the rules to delegate oversight of compliance with the principles to the gas reliability committee proposed to be set up under the ECGS reliability standard rule change. This may include giving that committee the power to require changes to AEMO procedures and guidelines in response to external review or stakeholder feedback. Given the potential materiality of intervention costs to consumers and market participants this governance overlay, although unlikely to be used often, may be prudent.

It is appropriate that these obligations should be subject to further consultation with stakeholders in the event that the AEMC decides to pursue the implementation of more prescriptive obligations within the rules. We consider that a technical working group may be the most appropriate approach to engagement for detailed design considerations like these.

Constraining SoLR Costs

Implementing a cost constraining mechanism in the SoLR is a sensible approach that will give consumers confidence that appropriate diligence is being exercised when remedying reliability concerns. We support linking to the willingness to pay (WTP) approach that will be developed under the ECGS reliability standard and settings changes. However, we note that limiting the per unit cost may not be sufficient to limit overall costs to consumers. An absolute volume limit per intervention may be appropriate if averaged over an intervention period. This could be set at a level that is appropriate for short term, event driven interventions of the type that are anticipated under the proposed rule change. Larger expected supply shortfalls resulting from structural supply issues are clearly not expected to be addressed by this mechanism and should therefore be explicitly excluded through a volume limitation approach. These factors require further consideration and we recommend convening a technical working group to deliberate various approaches prior to the next stage of consultation.

Prior to the development of the WTP approach, and given the importance of costs to consumers, we do not support the implementation of a "no-metric – AEMO to use its discretion" approach. The proposal to use bi-lateral contract terms for non-delivery is unlikely to be workable and would add significantly to the reporting



burden currently being experienced by market participants. We do not support this approach. Another proposed approach, to limit the per unit cost (\$/GJ) to the market price cap, is unlikely to result in additional supply in circumstances where gas markets are already pricing at the cap. Given this limitation we consider that it should be discounted.

The proposal to link the cost to the willingness to pay of GPG in the electricity markets may be appropriate. However, such a potentially dynamic figure may not provide certainty for decision makers. It could also be incompatible with the ability of some GPG to switch to diesel fuel as this would lower their willingness to pay for gas. It could also result in extreme price limits for gas given the market price cap in the electricity market. A price level aligned to the predominant cap contract strike price in the electricity futures markets may give a clearer signal. We note again that a volume constraint may also be appropriate and that this could be designed as a percentage of daily gas market volume to provide some alignment to prevailing market conditions.

It is important to note that the DWGM incorporates predetermined curtailment ordering. This mechanism and others like it should be retained to limit costs in extreme conditions in the short term. Similarly the ADGSM remains in place to ensure sufficient supply over a more extended period, with other measures anticipated. With these levers in place the AEMC should target the SolR cost measures in such a way that the mechanism can not operate to secure long term supply and is not relied upon to supplant existing emergency responses.

Geographic Scope for a SolR Mechanism

Given that a principle behind the design of this SolR Mechanism is to clarify AEMO's approach to market intervention, it is appropriate that the mechanism applies to all markets and throughout the year. The alternative is to leave portions of the ECGS and large parts of the year subject to ad hoc interventions. We do not support that outcome.

Preconditions and Triggers

Shell Energy considers that the SolR mechanism must be linked to the PASA arrangements currently under consideration by the AEMC. This threat signalling framework is being designed to provide transparency for potential market interventions. We consider that the GSOO timeframe provides too long a horizon to serve as a precondition for using the SolR. The proposed gas PASA timeframes are appropriate for the mechanism under consideration which, as previously noted, should not seek to alleviate any potential structural supply shortfalls given the availability of other policy levers.

We consider that the STPASA being developed should be sufficient to provide operational signals to AEMO regarding supply and demand impacts. We see no need to supplement this approach with more directive, specific operational triggers for the SolR. Further, given the scope of operational reporting from market participants we see no need to require further notifications to AEMO about operational issues under this rule change.

Shell Energy supports the arguments that discretion should be given for AEMO to not intervene. However, granting AEMO discretion to intervene would be misaligned with the goals of this rule change proposal.

Consistency of approach across the STTM, DWGM and DLNG facility would be a sensible outcome from this rule change determination. Triggers for intervention in markets should be clear and aligned. STTM contingency gas, AEMO's DWGM intervention obligation and the DLNG facility should be treated similarly under this mechanism.



Operating a SoLR Mechanism

Shell Energy considers that using AEMO's directions powers to acquire and transport gas should be avoided where possible. This approach can result in adverse market and participant impacts and does not align with the principle goals of this rule change request. We support the idea that AEMO could tender for one or more intermediaries to acquire and transport the gas required to fulfil the SoLR requirements. We agree that this could alleviate difficulties that AEMO may face in managing the transport and title transfer of gas.

Shell Energy supports a mandatory relinquishment approach to gas storage under the SoLR. If storage is sought by market participants then there is no need for AEMO to also store gas and thus crowd out market participants. However we do note the potential costs to consumers if AEMO has paid more for the stored gas than market participants are prepared to pay. We therefore consider the alternative relinquishment mechanism to be an appropriate balance between strict relinquishment and placing no obligation on AEMO to relinquish.

Shell Energy supports the proposal that the SoLR mechanism include requirements that AEMO bid to buy and offer to sell gas in the facilitated markets at the relevant market price cap. This is critical to minimise market distortions.

Administered Demand Response Design Options

Shell Energy supports the implementation of option 2, which would see AEMO call for expressions of interest to join a register of potential demand response providers. We consider that this option balances cost and certainty for AEMO. Indicative pricing could be part of the expression of interest process as well as the level of firmness. We do not support availability payments for potential demand response providers as this would add significant cost to consumers and, in our view, provide little additional benefit regarding availability of resources.

Cost Recovery and Proceeds Distribution

Shell Energy supports the removal of the trading fund and replacing it with a cost recovery and proceeds distribution mechanism. This approach would meet the objectives of the rule change and limit consumer impacts.

We support the proposal to trigger the cost recovery and proceeds distribution process when AEMO establishes a SoLR reserve. This should provide transparency to market participants and other stakeholders. Our preferred governance approach is for clear guidance on the cost recovery and proceeds distribution process to be included in the NGR so that the allocation of costs and proceeds is not subject to variation and the market can have confidence in the outcomes of AEMO actions.

The proposed cost recovery approach, to allocate costs to relevant entities based on their share of demand at the locations where the SoLR is in place, is appropriate. We note that the timing of cost allocation should align to normal cash operations for gas market participants at that location to minimise the burden on businesses. Similarly, the proceeds distribution approach proposed in the consultation paper is appropriate. Proceeds distributed to relevant entities based on their share of demand at the locations where SoLR is established balances that cost approach. We consider that proceeds should be distributed on the same schedule as costs rather than "in a timely manner" to limit discretion and ensure that cash flows are predictable.

Providing Transparency and Accountability

The market notification requirements proposed in table 9.3 provide an appropriate amount of detail and transparency to the market. Shell Energy strongly supports the linkage between the SoLR notices and the threat signalling levels from the ECGS reliability and associated settings work.



Transparency around market interventions is critical to understanding potential future interventions and their ramifications for market participants. The proposal for a one-month report following the SoLR is appropriate and we consider that the minimum level of detail to be provided in the report should be included in the rules. A four month report is also likely to be necessary to answer questions not appropriate or when insufficient information is available for the one month report. Shell Energy supports a mandatory four month report on SoLR events, again with minimum detail levels included in the rules to ensure ongoing transparency about market interventions. A similar approach should be taken to aggregate reporting on multiple SoLR events every 6 months to ensure timely transparency on a seasonal basis.

Implementing a SoLR Mechanism

Shell Energy supports replacing the DLNG arrangements with the SoLR mechanism when it is implemented. The concurrent operation of the two arrangements will likely lead to confusion and market distortions, which should be avoided.

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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