



18 December 2025

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

## RE: ERC0359 – Optimising Contingency Size in Dispatch

### 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 Australia<sup>1</sup>, Shell Energy offers integrated solutions and market-leading<sup>2</sup> 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 is concerned that the consultation paper contains no detailed analysis of the potential benefits and costs of the proposed rule changes. We note that the Commission indicates that benefits from these proposed changes may only occur under specific and infrequent historically observed market conditions. We agree that some level of benefit may have occurred from the proposed rule change during past events. However, as the capacity of battery energy storage systems (BESS) increases across the National Electricity Market (NEM), the costs of contingency frequency control ancillary services (FCAS) will decrease and as such any benefits of the proposed rule changes are forecast to continue to reduce.

We also note the concerns raised in the consultation paper regarding the wholesale financial contracts market impacts of the proposed rule changes. Particularly the impacts on large scheduled generators who provide the bulk underlying quantity of firm financial contracts. We agree that the proposed changes could affect the wholesale contracts market and could have a negative impact on the ability of retailers to source risk management products. This area warrants further consideration and analysis by the Commission.

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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 2011-2021.



Shell Energy notes that whilst the consultation paper refers to work undertaken by the ACCC at the time the FCAS markets were introduced to the NEM, it contains no references to other reviews which have been undertaken into the contingency FCAS costs recovery framework. Valuable analysis was undertaken by NECA in its Review of market ancillary service May 2003 to June 2004 and by NEMMCO in its FCAS Review December 2006 to July 2007<sup>3</sup>. Following detailed analysis for the adoption of a “runway” cost recovery framework, NEMMCO in their final report page 27, determined:

*“NEMMCO was unable to find a compelling case in favour of moving to a runway pricing regime. Consequently, NEMMCO proposed that the runway pricing concept should not be progressed, on the basis that NEMMCO could not foresee any convincing net benefits from the change.”*

The lack of detailed analysis in the consultation paper makes it difficult to support the proposed rule changes. The consultation paper and the rule change proposal provide no additional analysis that adds to the analysis undertaken by NEMMCO during the December 2006 to July 2007 review. We consider NEMMO’s analysis remains relevant today and therefore Shell Energy recommends that the Commission undertake further detailed analysis regarding the benefits and costs of the proposed rule changes.

This detailed analysis should be released in directions paper for consultation prior to proceeding to the draft determination stage. This analysis must consider historical output from larger generating units at times of higher intermittent renewable energy generator and mid-sized BESS output and not simply focus on the relative size of the various generating units on a simple qualitative analysis basis.

Whilst the Commission has decided not to consider FCAS cost recovery from networks due to the impact of network outages, we consider that the Commission must consider the impact that renewable energy zones (REZ’s) will have on the value of contingency FCAS procurement. If a “runway” cost recovery framework for contingency FCAS were to be introduced, it is important to consider how costs recovery would apply to individual resources within a REZ where the REZ was the largest credible contingency.

When assessing the impact of Renewable Energy Zones (REZs) on the power system under current frequency operating standards, it is unclear whether the loss of an entire REZ—potentially causing a greater frequency disturbance than the loss of the largest single generator or load—should be classified as a network event or as a generation/load event. Shell Energy also questions whether applying a looser frequency standard to network events remains justified. We recommend that this matter be referred to the Reliability Panel for further review.

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](mailto:peter.wormald@shellenergy.com.au).

Yours sincerely,

James Ell  
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<sup>3</sup> We note these reports are not available online but we would be happy to provide a copy of each to the Commission if they are otherwise unavailable.