Shell ENERGY

20 November 2025

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

RE: ERC0356 and ERC0374 - Calculating the cumulative price

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[1], Shell Energy offers integrated solutions and market-leading[2] 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 provide comments to the Delta Electricity (Delta) - Amending the cumulative price threshold methodology and Snowy Hydro - CPT calculation during administered scheduled pricing rule change requests consultation paper (the Paper).

Shell Energy supports the objectives of both rule change proposals and would welcome greater clarity in the Rules regarding the prices applied in the cumulative price threshold (CPT) calculation. The CPT is an important risk management feature of the NEM and its application should align with the intent of the reliability standard and settings provisions.

We agree with Delta that the Rules currently lack clarity regarding which price should be used in the CPT calculation for a region not experiencing a declared administered pricing period (APP) when that region is exporting to one where an APP has been declared, causing its regional reference (spot) price to be capped under clause 3.14.2(e). Whilst clauses 3.14.2(c), 3.14.2(d1) and (d2) directly refer to the provisions to be applied to a region in which an APP has been declared, they do not set out the provisions to be applied to a region where an APP has not been declared but is exporting to a region subject to an APP. Delta's proposed rule change seeks to retain the status quo in how the CPT value is generally calculated in all regions in which an

[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.

APP has not been declared by setting out in clear terms the price to be applied in calculating the CPT value in a region where the provisions of clause 3.14.2(e) are applicable.

Whilst both *spot price* and *regional reference price* are separate defined terms in the Rules, the definition of regional reference price simply indicates "*Spot price* at the *regional reference node*". In our view this suggests that both terms have the same meaning and are generally considered interchangeable. In our view this is the common interpretation generally understood by market participants: spot price = RRP. However, in calculating the prices used in the CPT calculation for all regions AEMO define the spot price as the price determined in accordance with clause 3.9.2 of the Rules prior to the application of the APP provisions as set out in clause 3.14.2. This price is often referred to by AEMO as the regional original price (ROP) but it is a non-rules price definition. Importantly, the higher of the ROP or RRP is applied by AEMO to the CPT calculation during a period which is subject to the provisions of Clause 3.9.3 - Pricing in the event of intervention by AEMO.

Shell Energy supports Delta's view that the ROP is the correct price to use in the CPT calculation in a region in which an APP has been declared. However, for consistency with the normal CPT calculation process, the RRP must continue to be used in a region where an APP has not been declared. Delta's proposed rule change achieves this objective.

We also consider that to provide clarity, it would be beneficial for the Commission to include a definition of Regional Original Price as a defined term in the Rules. In addition, the Rules must set out clearly what price is to be used in the CPT calculation during a period where the provisions of clause 3.9.3 are applicable.

We support Snowy Hydro's view that the rules lack clarity regarding which price is to be used in the CPT calculation when the spot market is suspended. This is particularly valid during a period where the market suspension occurs during an APP. Current clause 3.14.5(c) infers that an APP does not cease and is not cancelled simply by suspending the spot market. Shell Energy supports the view that where an APP has been declared the APP should remain in place during any market suspension period until the CPT calculation results in a cumulative price value below the CPT.

This raises the question as to which prices should be used in the CPT calculation during a period when the spot market is suspended. Shell Energy does not support the simple use of prices from the *market suspension pricing schedule* as was done in June 2022 for the reasons set out in Snowy Hydro's rule change request. However, we do not support Snowy Hydro's proposal to suspend the CPT calculation during periods of administered scheduled pricing and to maintain the cumulative price at its pre-suspension level until the market resumes– effectively excluding prices set during the suspension from the CPT calculation.

Shell Energy offers the following alternatives, which we consider are consistent with the current Rules provisions. We note that the input information required for these alternatives already exists and are readily available for use. Their use would not require any additional calculations to be carried out by AEMO.

During a market suspension period where the National Electricity Market Dispatch Engine (NEMDE) process has not failed and the NEMDE can continue to operate for dispatch and pricing purposes, the Regional Original Price (or ROP)[3] should continue to be used in the CPT calculation. This would be consistent with the current provisions of clauses 3.14.5(a), 3.14.2(c) and 3.14.2(d1) and (d2).

We understand that during the June 2022 APP event the NEMDE remained functional, and participant resources were dispatched based on the NEMDE outputs. We also understand that the calculated spot prices, both ROP and RRP, whilst continuing to be calculated were replaced with the *market suspension pricing schedule* prices as

[3] Where ROP has been defined as per our recommendation in this submission

opposed to using the calculated RRP's and ROP's. To promote consistency in the Rules we recommend that the Rules be clarified to prevent such an occurrence in the future.

During a market suspension period where the NEMDE process has failed and the NEMDE is unable to continue to operate for dispatch and pricing purposes, the Regional Original Price inputs into the *market suspension pricing schedule* calculation should be used in the CPT calculation. We note the *market suspension pricing schedule* is a defined term in the Rules.

Currently, AEMO calculates the *market suspension pricing schedule* prices based on the market suspension pricing schedule methodology[4]. In determining the spot price to be applied to a specific *trading interval* under the *market suspension pricing schedule*, the suspension pricing methodology modifies the calculated average of the historical prices used in the calculation to be a value less than the administered price cap or greater than the administered price floor.[5] To be clear, AEMO still calculates the unadjusted average historical price outcome first.

We recommend that to ensure consistency with the provisions of clause 3.14.2(c), the price used in the calculation of the CPT should be the historical average prices determined by AEMO prior to the pre-application of modifying the prices used in the *market suspension pricing scheduled* to be less than the administer price cap or greater than the administered price floor. We consider such an outcome would be fully consistent with the normal framework for the calculation of the CPT value under all market outcomes.

Also, regarding AEMO's ability to suspend the spot market, Shell Energy is concerned that the provisions of clause 3.14.3(b) warrant further consideration to improve their clarity as part of this rule change process. 3.14.3(b)(1A) infer in our view that the market should not be suspended simply because the spot market is experiencing high prices. In addition, 3.14.3(b)(2) sets out that the market should not be suspended simply because a clause 4.8.9 direction(s) has been issued. To maintain the consistency of the original intent of clause 3.14 3(b), we recommend that an additional clause be added to indicate;

(4) an *administered pricing period* has been declared in accordance with clause 3.14.2

We consider that such a change would provide much need clarity and certainty to market participants in this area of the Rules regarding the conditions under which AEMO may declare a market suspension.

Further, Shell Energy also considers that clauses 3.14.5 (a) and (b) require amendment to provide additional clarity regarding what prices should be used by AEMO during a market suspension period. 3.14.5(a) indicates the clear intent that normal market pricing should continue where the NEMDE continues to remain functional for dispatch and pricing. We consider this should be the priority outcome for pricing the market during a market suspension period. Unfortunately, the decision hurdle to instead implement market pricing in accordance with 3.14.5(b) is very low and not subject to defined and transparent criteria or clear reporting requirements. We recommend that the implementation of pricing during a market suspension period under clause 3.14.5(b) should only be allowed when the NEMDE is no longer able to calculate dispatch and pricing outcomes, potentially due to a system failure or other significant event. We also recommend that the Commission consider an amendment to clause 3.14.3(g) to require reporting on the decision making process to implement pricing in accordance with clause 3.14.5(b) during a market suspension period.

Shell Energy would welcome the opportunity to further discuss the issues raised in our submission with the Commission. If you have any questions or would like further details relating to this submission, please contact Peter Wormald at peter.wormald@shellenergy.com.au.

[4] https://www.aemo.com.au/-/media/files/electricity/nem/data/mms/market-suspension-pricing-methodology.pdf

[5] Sections 2.2 (f) and (g) of the Methodology

Yours sincerely,

Libby Hawker
General Manager – Regulatory Affairs and Compliance