



12 March 2026

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

## RE: ERC0356 – Calculating the cumulative price rule change

Shell Energy thanks the Australian Energy Market Commission (AEMC) for the opportunity to provide feedback on the Calculating the cumulative price threshold rule change draft determination.

### 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 Rangelbank 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 decision to implement the Delta Electricity rule change as proposed. We agree that the amending rule will align the cumulative price calculation with the price received by generators. It will also match the original intent of this area of the National Electricity Rules (the Rules). This provides increased certainty for market participants as to how the cumulative price will be calculated within a region when an adjacent region is subject to an administered pricing period.

Whilst supporting both the original Snowy rule change proposal and the intent of the proposed draft rule as set out in the draft determination, Shell Energy is concerned that the current wording of the draft rule is less clear than would be preferable, resulting in uncertainty as to how it could be implemented by AEMO.

We see potential for more frequent June 2022 type events in the future NEM due to the transition from firmer schedulable generation to intermittent renewable generation supported by storage systems and gas plant. For this reason we support improving the framework in the Rules for the cumulative price calculation, and also market suspension and the use of the market suspension pricing schedule. This clarification will deliver benefits in future

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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.



events and we encourage the AEMC to consider forward-looking benefits rather than limiting focus to current or past outcomes when assessing the change. One specific benefit is that improvements in this area of the Rules will reduce the potential for large compensation payouts by consumers in future events.

Shell Energy is disappointed that the AEMC has not properly considered other sections of our submission to the original consultation paper which sought to improve clarity in the rules and provide improved certainty as to when a market suspension may not be declared and when the use of the market suspension pricing schedule pricing is permitted. We consider these additional suggestions complement the proposed Snowy Hydro rule change.

*Delta Electricity Rule Change Proposal*

As indicated above, Shell Energy supports the draft determination to implement the Delta Electricity rule change as proposed. AEMO’s public data indicates that had the proposed Delta Energy rule change rule clarification been in place at the time of the June 2022 events, only the Queensland region would have entered an administered pricing period. There is a strong probability, if this had been the case, AEMO’s action to suspend the market in all mainland regions would not have been required and the administered pricing period in the Queensland region would have rolled off due to natural market forces as opposed to AEMO intervention.

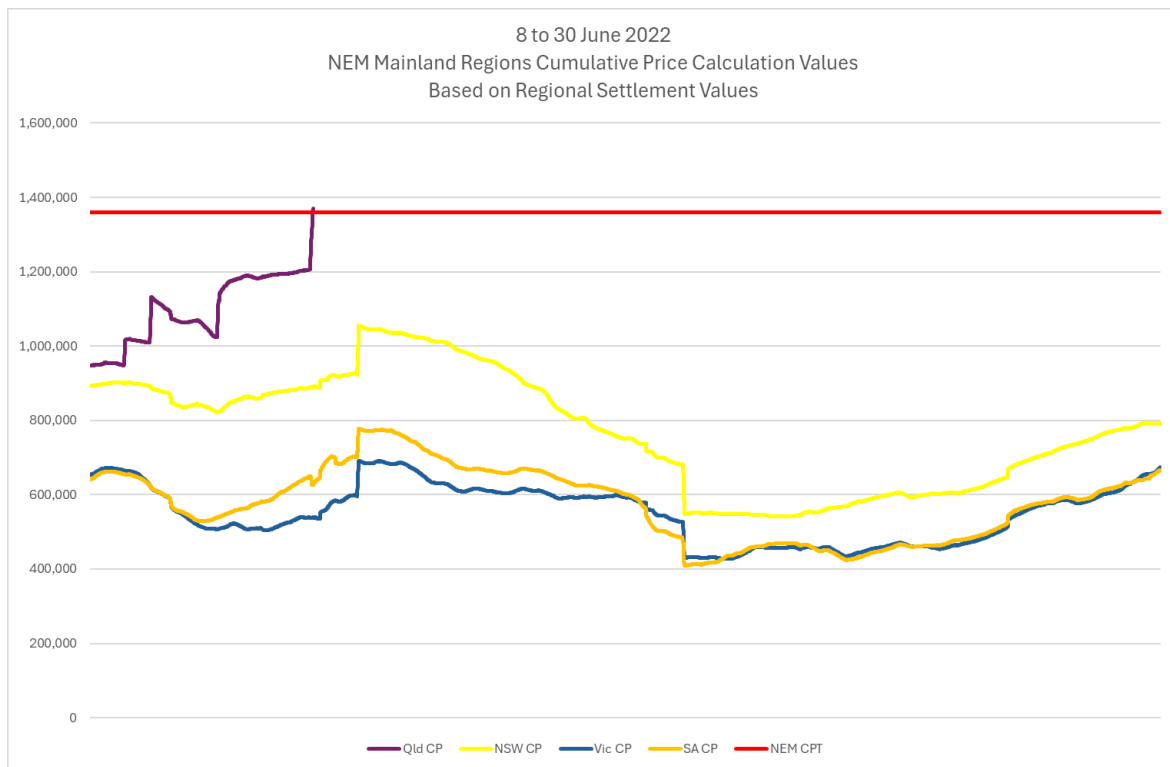


Figure 1: Regional Cumulative Price Levels for June 2022 assuming the Delta Electricity rule was in effect

We note the AEMC’s intention to work with AEMO to implement this relatively minor systems change, so that the draft rule for the Delta Energy rule change can be implemented as soon as practically achievable. We are not aware of any costs which would be incurred by market participants or consumers associated with this proposed change. Given the relatively minor nature of this change, we recommend the AEMC and AEMO work together to implement the change prior to the end of calendar year 2026.



We maintain that the AEMC should define the term “regional original price” in the Rules as highlighted in our submission to the consultation paper. Not doing so, as proposed in this draft determination, will result in ongoing ambiguity in the Rules and uncertainty in the use of the “regional original price” by AEMO.

### *Snowy Hydro Rule Change Proposal*

Shell Energy supports this proposed rule change as it provides certainty to market participants and the market operator regarding how the cumulative price is to be calculated during a market suspension period. Currently there is a clear gap in the rules where no guidance in this area is provided to the market operator. This allows discretion in implementation choice, resulting in uncertainty as to how the cumulative price is calculated when the market has been suspended by AEMO.

Shell Energy welcomes consideration of our suggested change to Snowy Hydro’s rule change proposal to differentiate when prices should or should not be excluded from the cumulative price calculation. We support the AEMC decision that prices should only be excluded from the cumulative price calculation when the market has been suspended for reasons other than the failure of AEMO’s systems and that the market is being priced in accordance with rule 3.14.5(b) - the market suspension pricing schedule. Where AEMO has suspended the market for reasons other than the failure of AEMO’s systems and pricing continues in accordance with rule 3.14.5(a), prices would continue to be included in the cumulative price calculation. We consider this will address the issue that Snowy Hydro sought to address in their rule change request.

In addition, in our submission to the consultation paper, Shell Energy recommended that additional clarity is required in the Rules regarding the choice of market pricing based on 3.14.5(a) or 3.14.5(b) following declaration of a market suspension by AEMO. Rules clause 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 that this should be the priority outcome for pricing the market during a market suspension period. We acknowledge that the use of 3.14.5(a) may result in an increased frequency of trading intervals where over constrained dispatch may occur. We suggest this increase in over constrained dispatch outcomes is due to the use of 4.8.9 *directions* by AEMO. A 4.8.9 *direction* when issued by AEMO is for the injection or consumption of a specific level of active energy or frequency control ancillary service(s) by the directed resource. As such, 4.8.9 *directions* overrule the normal bids submitted by participants. It should be noted that over constrained dispatch can already occur frequently and AEMO has an automated dispatch engine re-run process to rectify pricing and dispatch outcomes for any occurrence of over constrained dispatch. Given this, we don’t consider an increased frequency of over-constrained dispatch re-runs as a reason for not pricing the market during a market suspension period using 3.14.5(a). It also indicates that a framework that promotes normal market functions is preferable to a framework which requires the need for AEMO market intervention.

Shell Energy remains concerned that 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 such as a system black event. We also recommend that the AEMC 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. This would improve transparency and accountability, provide greater clarity to market participants on how pricing outcomes are determined during suspensions, and support confidence that pricing decisions are applied consistently and in accordance with the intent of the Rules.

Whilst supporting the intent of the draft determination regarding the Snowy Hydro rule change request, we are concerned that the draft rule does not provide certainty as to the time period over which the cumulative price is to be calculated when a price is excluded. Currently, the cumulative price is calculated over 2,016 trading



intervals. Excluding prices based on proposed draft rule 3.14.2(c1) could conceivably result in the number of trading intervals in the calculation being reduced or alternatively prices being replaced with a NULL value, which, given the cumulative price calculation is based on the sum of the previous prices, would have the same impact in the calculation as insertion of a \$0 value.

To provide certainty in the application of this proposed rule, we suggest the following addition to the draft rule changes in rule 3.14.2

(C2) where AEMO has excluded a price from the calculation of the sum in clause 3.14.2(c)(1) or (1A), then the calculation must be based on the immediate previous 2,016 trading intervals where no prices had been excluded in accordance with 3.14.2(c1).

The AEMC has requested feedback on potential costs associated with this proposed change. We understand from the draft determination that currently the insertion of the market suspension pricing schedule pricing outcomes in the cumulative price calculation when the provisions of rule 3.14.5(b) is activated is undertaken ex-post. Therefore, it is unclear what additional costs would be incurred to implement the proposed rule change as the same ex-post substitution would continue to occur. We suggest that these proposed rule changes may not require any change to AEMO's systems for calculation of the market suspension pricing schedule which is calculated via a separate process.

We are not aware of any costs which would be incurred by market participants or consumers associated with this proposed change. If a declared administered pricing period is in application, then normal pricing outcomes including application of the administered price cap would prevail and that would manage any participant and consumer tail risk or edge issues. During the June 2022 event, had AEMO priced the market under 3.14.5(a), the administered price cap would have continued to apply as required to a region(s) where the cumulative price value had exceeded and continued to exceed the cumulative price threshold. A key issue we see with the use of the market suspension pricing schedule prices is that it results in a fixed market price as opposed to a cap and floor. This provides inefficient dispatch signals to participants which are not reflective of real time dispatch requirements.

Shell Energy acknowledges and supports the decision of the draft determination to allow a 12-month time period for AEMO to implement these proposed changes to rule 3.14.2.

### *Benefits to consumers from these proposed rule changes*

Improving certainty regarding the application of the Rules delivers benefits to all stakeholders. Implementing the proposed draft rule changes, including the additional clarification outlines in this submission, would reduce compensation costs associated with AEMO's use of the market suspension pricing schedule provisions and limit the application of potentially unnecessary and inconsistent declarations of administered pricing periods. Since compensation claims are ultimately paid by consumers, minimising them would provide substantial benefits. It should also be noted that whilst energy and FCAS costs are "hedged" via retail contracts, compensation costs are unhedgeable and recovered via direct pass through to consumers.

As the NEM transitions to higher levels of intermittent renewable energy generation and storage systems replacing firmer schedulable resources, we see increased potential for another June 2022 outcome. Under a similar scenario, energy storage systems may be issued a 4.8.9 *direction* to both charge and discharge active energy as well as for the provision of frequency control ancillary services. Both of these rely on the same stored energy resource. During periods of low intermittent renewable energy generators output, this active energy for storage may need to be provided from higher cost thermal generation resources. As a result of the potential increase in both the frequency and magnitude of AEMO use of 4.8.9 *directions*, and the 3.14.5(b) market suspension pricing schedule, the associated compensation costs borne by consumers would be significantly



higher than those incurred during the June 2022 events. Notably, during the June 2022 event, whilst AEMO were issuing on average 4 clause 4.8.9 directions per day during the administered pricing period prior to market suspension, this increased to 14 per day during the market suspension period. This resulted in additional compensation payments paid by consumers.

*Suggested improvement to clarify that the declaration of an administered price period is not of itself grounds for market suspension*

We are concerned that Shell Energy's suggested amendment to 3.14.3(b) introducing an additional criterion has been rejected by AEMC staff as potentially out of scope or unnecessary. We maintain that the inclusion of this criterion is important as it would provide clear and objective certainty to all regarding the circumstances in which AEMO should not suspend the market. We consider that the additional criterion aligns with and appropriately complements the Snowy Hydro rule change proposal and therefore should not be considered out of scope in this rule change process. Further, the AEMO statement noted by the AEMC in the draft determination<sup>3</sup> supports the proposed approach. It notes that there is no apparent correlation between high prices, which would trigger APP, and a market suspension. This provides confidence that having a criterion that prevents market suspension simply because an administered pricing period has been declared improves clarity and removes uncertainty in this area of the rules. We agree that market suspension would be warranted when market systems have failed, dispatch via the market dispatch and pricing engine is no longer feasible, or a significant market stress event has occurred. However, we do not consider that declaration of an administered pricing period of itself meets this hurdle for market suspension. For these reasons, we request the AEMC to reconsider its rejection of Shell Energy's proposed additional criterion.

[\(4\) an administered pricing period has been declared in accordance with clause 3.14.2](#)

*Time period allowed to adjust the cumulative price calculation following a market suspension*

The AEMC has requested participant's views regarding the length of time allowed for AEMO to adjust the cumulative price calculation following market suspension. Given that an administered pricing period remains in force until the end of the *trading day* in which the value of the cumulative price falls below the *cumulative price threshold*, it would seem logical that any adjustment to the cumulative price calculation due to a market suspension event should be finalised by the end of each *trading day*. As it is possible for this change to the cumulative price calculation to be implemented by an automated system once triggered by AEMO, we consider this time period should be easily met by AEMO.

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

Yours sincerely,

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<sup>3</sup> Draft determination page 21