



23 April 2026

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

## RE: GRC0077 - ECGS Supplier of Last Resort Mechanism – Draft Determination

Shell Energy welcomes the opportunity to respond to the Australian Energy Market Commission's Draft Determination on the ECGS Supplier of Last Resort (SoLR) mechanism.

### About Shell Energy in Australia

Shell Energy provides the energy businesses and households need for today and tomorrow.

A generation-backed trader and energy retailer, Shell Energy powers businesses and homes and acts as a catalyst to positively impact Australia's energy future.

We provide electricity, gas, and innovative solutions for our customers, complemented by our portfolio of gas fired peaking power stations and battery storage assets, which support energy security and reliability.

Shell Energy is Australia's largest electricity retailer to commercial and industrial businesses, recognised for our market-leading customer service<sup>1</sup>. We offer business electricity, gas, and smart energy solutions. Our residential business, Powershop, provides greater choice and confidence to households and small businesses to help them take control of their energy through multiple energy plan options and digital tools.

### Key Messages

Shell Energy supports the AEMC's objective of establishing a clearer, more robust framework for the use of SoLR powers in the ECGS. Consistent with our submission to the initial consultation, Shell Energy emphasises that the SoLR mechanism must remain a true mechanism of last resort, tightly bounded in scope, duration and cost, and designed to preserve commercial incentives for contracting, demand response and investment.

To ensure the mechanism remains proportionate, non-distortionary and consistent with efficient market outcomes, Shell Energy urges the AEMC to:

- Introduce an explicit aggregate cost constraint on SoLR interventions, equivalent in scale to the former \$35 million trading fund;
- Strengthen Rules-based guardrails around SoLR procurement design and reporting;
- Implement a SoLR Panel similar to the NEM RERT Panel model to enable contingent procurement and help limit costs to consumers; and
- Maintain a clear separation between ECGS SoLR and broader government supply intervention or investment mechanisms.

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<sup>1</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.



### **Firm Cost Constraints**

A key concern arising from the Draft Determination is the absence of an explicit constraint on the aggregate financial exposure associated with SoLR interventions. While the trading fund is proposed to be removed, this framework was at least subject to a clear \$35 million cap.

Shell Energy does not agree that the proposed \$800/GJ price limit effectively constrains the potential costs of the SoLR. In response to the initial consultation, we argued that a price limit should be coupled with a volume limit proportionate to prevailing demand conditions. We consider it essential that the Rules retain an explicit upper bound on the total value of SoLR interventions undertaken for a given event, or over a defined period, equivalent in scale to the former \$35 million trading fund limit. Without such a constraint, the proposed threat signalling framework which itself is administered by AEMO, could enable AEMO to intervene over extended periods (for example, across an entire winter season), resulting in costs materially exceeding those contemplated under the current regime.

An explicit cost cap would:

- Reinforce that SoLR is an exceptional, temporary tool rather than a standing backstop to the market;
- Limit fiscal and market exposure from prolonged interventions;
- Reduce moral hazard by preserving incentives for prudent contracting and risk management; and
- Enhance confidence for investors that intervention risk remains bounded and foreseeable.

Shell Energy recommends the AEMC include a clear aggregate financial cap in the Rules, or alternatively require that any expenditure beyond a defined threshold be subject to additional approval, oversight or escalation mechanisms.

### **Guardrails and Procurement Design**

Shell Energy supports the AEMC's intent to allow flexibility in AEMO's procurement approach. However, we remain concerned that excessive reliance on AEMO procedures and guidelines for tender and contract design risks diluting key safeguards.

As noted in our initial submission, greater clarity and minimum requirements should be embedded directly in the Rules to define:

- Acceptable procurement duration and contract terms;
- Expected limits on repeat or sequential interventions; and
- Requirements to test and exhaust market-based responses before intervention.

Clear rule-based guardrails will reduce uncertainty for market participants and mitigate risks of intervention crowding out commercial supply or demand-side responses.

Shell Energy supports the establishment of a technical working group to guide further development of the procurement assessment criteria and their implementation within the Rules. We note that the AEMC has put considerable effort into identifying appropriate assessment criteria that could guide AEMO decision-making when procuring SoLR supplies. It is our view that these principles should be further developed through consultation with stakeholders and embedded in the Rules to ensure good governance and regulatory principles are adhered to. Delegating the development of principles to the procedure development process leaves substantial scope for change and would reduce the efficiency of the AEMO procedure development and consultation process.

Whilst supporting the requirement for AEMO to develop and consult on procedures and methodologies in the proposed framework, we are concerned that there is no proposed obligation for regular reviews of these



subordinate documents. Shell Energy considers that, in the context of rapid energy market transition, the absence of a requirement for regular review would lead to sub-optimal outcomes. We recommend that the final rule changes allow for review 2 years after initial implementation and as a minimum, routine 4 yearly reviews of the procedures and methodologies with emphasis placed on addressing issues raised by market participants.

Shell Energy is also concerned that having identified a threat and moved to activating the SoLR provisions, the proposed framework would result in AEMO being locked in to signing a firm contract for the provision of a service even where, at a later point, the provision of the service was not required. Such an outcome would result in unnecessary costs to consumers. Whilst supporting the use of a competitive tender to support service procurement, we question the AEMC's decision to not allow for the establishment of a SoLR Panel in the framework as opposed to only allowing a firm contracting option. The SoLR Panel could be comprised of both supply and demand response providers targeted to mitigate the forecast threat where service delivery contracts are only issued in the event that a threat actually emerges. We highlight the success in the NEM of such a framework in reducing costs to consumers at little cost to AEMO and industry from the reliability and emergency reserve trader (RERT) provisions via the medium and short-notice RERT panel provisions. These allow improved flexibility in service procurement and we recommend that the AEMC reconsider their determination in this area.

### **Distinction from DCCEEW Supplier of Last Resort Gas Reform Powers**

Shell Energy reiterates the importance of maintaining a clear distinction between the ECGS SoLR mechanism and broader intervention powers being considered or implemented by the Commonwealth Government through DCCEEW processes.

In submissions to DCCEEW consultations, Shell Energy highlighted concerns that poorly defined supplier-of-last-resort or backstop mechanisms risk being highly distortionary, costly, and ineffective, and may adversely impact long-term investment incentives by positioning AEMO as a de facto market participant.

The ECGS SoLR framework should not duplicate other policies or evolve into an investment support mechanism. The proposed timeframes, threat thresholds and notice requirements help to limit this risk, and it is important that these constraints are maintained in the Rules and strengthened through explicit limits on cost and duration.

### **Transparency, Reporting and Accountability**

Shell Energy continues to strongly support the enhanced transparency measures proposed by the AEMC, including:

- Market notices linked to threat signalling levels;
- Mandatory post-event reporting at one month and four months; and
- Periodic aggregated reporting on multiple SoLR events.

These measures are critical to maintaining market confidence, enabling scrutiny of intervention decisions, and ensuring lessons from SoLR events inform both future market and policy development, as well as AEMO forecasting and decision criteria.

Shell Energy supports the inclusion of minimum reporting content in the Rules to ensure consistency and accountability. The proposed reporting requirements in draft clause 669M(4) of the NGR contain no clear obligation to compare forecasts to actual outcomes. There is also no obligation to provide reasons where actual outcomes deviate from forecast and what steps will be undertaken to improve forecasting. We recommend that such obligations be transparently included in subclause 669M(4).

Similar concerns apply to the reporting requirements set out in proposed new clause 702A - Publication of post intervention reports for directions. Minimum content standards should be applied within the Rules to ensure that reporting remains consistent over time.



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,

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