



30 April 2026

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Submitted via online submission portal: aemc.gov.au/contact-us/lodge-submission

RE: ERC0425 – Improving Compensation Frameworks

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.¹ 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.

General Comments

Shell Energy welcomes the opportunity to contribute to the Commission's consideration of the Improving Compensation Frameworks rule change. Below are our responses to select questions from the consultation paper.

Question 1: How should upfront compensation be calculated

Shell Energy supports the introduction of a historical outcomes-based volume-weighted average price (VWAP). This would provide the basis for initial upfront compensation payments to resources impacted by administered pricing periods, clause 4.8.9 directions, and AEMO's invocation of the market suspension pricing schedule in the NEM. We support calculating the VWAP based on the previous 12 months' historical outcomes. We also acknowledge and support the need for technology-specific VWAP calculations. This would more accurately reflect the underlying dispatch costs of the various technologies operating in the NEM.

We recommend that the methodology for calculating specific VWAP outcomes be set out in the Rules. This methodology should exclude any trading interval where a resource was operating under a clause 4.8.9 direction, where AEMO had invoked the market suspension pricing schedule, or where AEMO had deployed system services contracts. It should also exclude intervals where AEMO used non-network, limit based generic

¹ 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.



constraints to alter the merit based dispatch of any resource. Dispatch pricing outcomes under these conditions would not reflect accurate offer-based dispatch outcomes for resources.

We consider that any amended compensation frameworks must deal adequately with compensation for AEMO's use of non-network, limit based generic constraints to alter the merit based dispatch of a resource (or resources). In our view, the current process (where AEMO invokes these constraints to alter merit based dispatch) does not meet the market design principles set out in clause 3.1.4. This is because it removes consistency between dispatch and pricing outcomes. It can also result in the unnecessary removal from the NEM of dispatchable active energy and frequency control ancillary services capacity. When participants respond to the use of such generic constraints that capacity is not always fully replaced through clause 4.8.9 directions. This can indirectly increase costs to consumers and contribute to additional directions and other forms of market intervention.

Shell Energy supports AEMO's proposal to include fixed costs in upfront compensation payments. This should cover the fixed costs of a resource complying with a clause 4.8.9 direction, being dispatched below cost during an administered pricing period, or being dispatched out of merit order due to AEMO invoking non-network limit based generic constraints to alter merit based dispatch. We consider that including fixed costs in the upfront compensation framework has the potential to reduce the need for claims for additional compensation to cover these costs. We also consider that a guideline for calculating these costs should be set out in the Rules.

It is unclear to Shell Energy why any calculated VWAP should be capped at the administered price cap. The technology-specific VWAP should reflect historical dispatch outcomes. It is also unclear why energy storage systems would require a different calculation methodology to other technologies. The VWAP for energy consumed by different energy storage technologies could be calculated and then compared to the actual costs of energy consumed during any compensable event where an energy storage system resource is dispatched.

Question 3: Should costs of capacity directions be recovered solely from consumers

AEMO has indicated that it would add complexity to calculate compensation cost recovery under clause 3.15.7 where, during a market intervention period, AEMO issues a clause 4.8.9 direction for other compensable services and that direction is for the provision of future capacity (or potentially reliability). We are concerned that there is potential for increasing use—both in frequency and magnitude—of this type of market intervention. It is also unclear to Shell Energy how a clause 4.8.9 direction to store energy, and to maintain a minimum level of stored energy in an energy storage system for later use, would be interpreted as having an unclear purpose. Nevertheless, given that there is a view that these services are difficult to classify for the purposes of compensation, we support the Commission's view (as set out in the Compensation Frameworks review) to implement a definition of a capacity direction in the Rules. These types of directions should be compensable in our view. We also support implementing the cost recovery framework proposed by Tilt Renewables in its rule change request.

Question 4: Should cost recovery calculations apply to all trading intervals in which directions apply

Given that resources can incur costs from any clause 4.8.9 direction, we support AEMO's proposal that cost recovery calculations should be generalised to apply to all trading intervals in which AEMO has issued a direction, not just those with intervention pricing.

Question 5: How should AEMO and the independent expert receive and assess claims

We support increasing the minimum threshold for claims for additional compensation from \$5,000 to \$10,000, provided fixed costs are included in the upfront compensation calculation. If fixed costs are not included, we do not support increasing the minimum threshold.



Shell Energy supports AEMO's proposal to apply a consistent threshold for referring claims to an independent expert. This should apply to claims for additional compensation, administered pricing compensation, and market suspension pricing schedule compensation. We recommend setting the referral threshold for referring claims at \$100,000 (increased from \$50,000), also to reflect the impact of inflation.

Question 6: What improvements can be made to the independent expert process

Shell Energy notes that the Rules currently include no criteria, principles, or guidance on who AEMO or the AEMC may nominate as an independent expert. AEMO maintains a panel of independent experts, which can provide known and suitable options. However, it is unclear how individuals were appointed to this panel, and maintaining such a panel is not a Rules requirement. Shell Energy supports establishing a panel of independent experts in the Rules, including requirements for appointment and maintaining it. Any such framework should provide for market participants to be involved in selecting independent experts for the panel.

On the recovery of independent expert costs, the Commission has noted that the current Rules provision applies only to claims for directions and market suspension compensation. We consider these provisions should also apply to administered pricing compensation and opportunity cost compensation, if the independent expert is to assess those claims.

AEMO has proposed expanding the independent expert's role to consider opportunity cost claims. We support this proposal, provided the Commission develops, in consultation with market participants, a detailed guideline (in accordance with the Rules) on how opportunity costs must be calculated.

Question 9: Should AEMO need to determine eligibility for participants to submit a compensation claim for other compensable services

We support AEMO's proposal to remove the obligations included in clause 3.15.7A(a)-(d) which currently requires AEMO to determine whether a claimant is eligible to submit a claim for other compensable services.

Question 10: Should there be changes to reporting on the breakdown of compensation and RERT costs

Shell Energy does not support the changes proposed by AEMO regarding reporting the breakdown of compensation and RERT costs. Removing the reporting requirements as requested by AEMO would reduce market transparency.

Question 11: Do stakeholders see merits that outweigh costs in consolidating the drafting of the compensation frameworks under a single NEM clause.

AEMO has proposed to consolidate the compensation frameworks within one rule of the NER. The Commission has noted there are potential costs in implementing significant redrafting of existing frameworks in the NER. Significantly redrafting existing compensation frameworks could impose an additional regulatory burden on market participants who are used to the existing legal drafting. We agree with the Commission's assessment and the AEMO proposed change should only proceed where a clear benefit is demonstrated.

Question 12: Do stakeholders see merit in the proposed imposition of a \$0/MWh price floor for the purpose of compensating scheduling errors

Tilt Renewables have proposed a rule change request to impose a \$0/MWh floor to the spot prices for the dispute resolution panel that determines compensation for scheduling errors. We agree with the Commission's assessment that the proposed rule change could result in scheduled bi-directional units not being compensated for errors in scheduling their load when prices are negative. We recommend that the Commission consider if the



intent of the proposed rule change could still be maintained if the use of a \$0/MWh floor to the spot prices would be applied only to the generation of active energy output and not active energy consumption.

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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