



9 December 2022

Australian Energy Market Operator  
45/152 St Georges Terrace  
PERTH WA 6000

Lodged email: [wa.marketdevelopment@aemo.com.au](mailto:wa.marketdevelopment@aemo.com.au)

Dear AEMO,

## **RE: Proposed amendments to the WEM Procedure: Certification of Reserve Capacity for the 2022 and 2023 Reserve Capacity Cycles**

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to respond to the Australian Energy Market Operator's (AEMO's) Draft WEM Procedure for the Certification of Reserve Capacity for the 2022 and 2023 Reserve Capacity Cycles (Draft Procedure), released on 11 November 2022. We understand that the proposed amendments contained in the Draft Procedure are intended to better inform AEMO's assessment of fuel availability for the 2022 Reserve Capacity Cycle Certified Reserve Capacity (CRC) process, noting that the 2022 application process is already underway. By way of background, on 23 September 2022, AEMO called for tenders from potential suppliers of supplementary capacity for the upcoming Hot Season in WA.

### **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 more than 185,000 households and small business customers in Australia.

As the second largest electricity provider 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 relationships. 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 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**

Stakeholders have been asked to provide feedback on a proposal to amend the draft WEM Procedure for certifying reserve capacity. Capacity payments are significant and, in some cases, provide a sole revenue stream for Market Participants (MPs) and we urge AEMO to consider these amendments carefully to ensure this does not lead to perverse outcomes.

Shell Energy encourages AEMO to consider the increased costs to MP's and AEMO from the introduced drafting and questions if these drafting changes would have resulted in any improvement in the current circumstances.

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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.

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Please find Shell Energy's comments on the proposed amendments outlined in the marked-up version of the Draft Procedure (version 2.0):

1. At Clause 5.3.3. we suggest removal of the wording "*at a minimum*".<sup>3</sup> The clause states that the MP **must** provide the listed information, therefore this wording becomes redundant.
2. At Clause 5.3.3.(a)(iii), AEMO requests the following information:

*"the actual fuel quantity delivered for each month in the previous 36 months, with reasons for any difference between the contractual entitlement quantity and the actual fee quantity delivered"*

AEMO's assessment in Clause 5.3.1 centres on the availability of capacity during Peak Trading Intervals on Business Days. Shell Energy consider the supporting information provided by MP's in Clause 5.3.3 should focus on fuel and transport availability for the Peak Trading intervals on Business Days rather than fuel delivery. Shell Energy requests this clause is revised as the use of the word "delivered" in this context is unrelated to AEMO's assessment in Clause 5.3.1 and more appropriate information would be the amount of fuel available for delivery for Peak Trading Intervals on Business Days.

This amendment to drafting would remove impacts of market cycles, commercial arrangements and focus towards the MP's fuel/transportation supplier's capability to supply the amount of fuel required.

In addition, please remove the word "any" from this clause as there could be multiple reasons for "any" differences and there implies there is no limit to the amount of information that AEMO would like MPs to provide in this instance and therefore increases both administrative and regulatory burden.

We consider a request for 36 months of historical data for a 12-month Capacity Cycle to be misaligned and not fit for purpose. Going forward, in practice, based on a 12-month Capacity Cycle where the application is submitted 2 years ahead, there would be a 24 month overlap in data which should already have been provided by a MP and assessed by AEMO for the previous Capacity Cycle. This amounts to considerable administrative and regulatory burden, adding further costs for consumers.

3. At Clause 5.3.3.(b)(i) AEMO requests information in relation to fuel supply:

*"the quantity of usable fuel kept in reserve (e.g. stored or stockpiled), if any, for each month in the previous 36 months"*

For reasons described above, please amend 36 months to 12 months.

In addition, the current drafting includes the use of the words "stored" or "stockpiled" which are not applicable to all MP's. If it is deemed reasonable for this clause to remain in the Draft Procedure, please amend this clause to include "if applicable".

4. At Clause 5.3.5.(b) AEMO assessment of capacity based on information in relation to fuel supply:

*"the actual fuel quantity delivered under the fuel supply or fuel transportation arrangement has been less than the contractual entitlement quantity to an extent that AEMO considers consistent, sustained, or ongoing; or"*

For reasons described above, please amend reflect fuel availability rather than delivery.

5. At Clause 5.3.5.(c) AEMO assessment of capacity based on information in relation to fuel supply:

*"AEMO reasonably considers the actual fuel quantity delivered under the fuel supply or fuel transportation arrangement will be less than the contractual entitlement quantity, AEMO may take the relevant matter in paragraph 5.3.5(a), (b) or (c), as applicable, as indicating a restriction on fuel availability that could prevent the Component or Facility Upgrade from operating at its full capacity for Peak Trading Intervals on Business Days."*

For reasons described above, please amend reflect fuel availability rather than delivery.

6. Clause 5.3.10.(f) – any other information from AEMO:

*"any other information, of which AEMO is aware and considers relevant to the determination."*

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<sup>3</sup> Draft WEM Procedure, Clause 5.3.3. For the purposes of clause 4.10.1(e)(v)(2), and to facilitate AEMO's assessment under paragraph 5.3.1, a Market Participant must provide (at a minimum) the following details and supporting evidence.



Shell Energy considers this clause should be amended to incorporate the principals of procedural fairness and require AEMO to engage in good faith with the affected MP prior to including “other information” into its assessment under Clause 5.3.1.

## Conclusion

Shell Energy appreciates consultation on this Draft Procedure and look forward to continued engagement following stakeholder feedback.

We welcome the opportunity to discuss our submission further. Please contact Tessa Liddelow at [tessa.liddelow@shellenergy.com.au](mailto:tessa.liddelow@shellenergy.com.au) for any queries regarding this submission.

Yours sincerely

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