



# **GAS SUPPLY GUARANTEE GUIDELINE AMENDMENTS**

AEMO CONSULTATION

Shell Australia Pty Limited Response

20 March 2020

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Shell Australia Pty Limited (Shell) welcomes the opportunity to comment on the proposed amendment to the Gas Supply Guarantee Guideline (Guideline). Shell has made commitments to the Federal Government to ensure gas is available for domestic customers, including gas-fired generators, through the Heads of Agreement. Shell was actively involved in the development of the Guideline as a short-term measure to ensure that gas will be made available to meet peak demand requirements in the National Electricity Market (NEM).

Shell is committed to supplying gas to domestic customers and is in a strong position to support Australia's energy market transition. With increased investment in renewable generation, access to natural gas will have an important role as a fuel source for gas-fired generators to provide firming and security services.

The creation of our energy trading venture – Shell Energy Australia (SEAu) – has enabled us to further supply gas to the east-coast domestic market. We have been an active member of the Wallumbilla Gas Supply Hub since its introduction and participate in the Short-Term Trading Markets and Day-Ahead Auction. Through our QGC project and SEAu we have supplied:

- 99 PJs to the domestic market- equivalent to around 16% of east coast demand in 2019
- 94.5 PJs to the domestic market- around 16% of total east coast demand in 2018
- 147 PJs to the domestic market- equivalent to around 26% of total east coast demand in 2017

Shell also supplies gas to the east-coast domestic market through our Arrow Joint Venture.

## **General comments**

We recognise that AEMO has been asked by the Federal Government to engage with industry to extend the term of the Guideline beyond its current expiry date at the end of March 2020. We note that the Guideline has not been used since its establishment in 2017.

Shell supports the extension of the Guideline to March 2023 as a short-term measure to facilitate the voluntary commitment by major gas producers to make gas available for power generation during peak demand periods in the NEM. However, we do not see any reason for the Guideline to be continued after 2023 as there should be a sufficient level of confidence in the functionality of the market by this date. We also do not support any other amendments to be made to the Guideline or for additional mechanisms to be adopted.

Continuing with the Guideline over the longer-term may distort market signals, with generators using the Guideline as a quasi-energy security mechanism and not actively contracting physical gas. Shell will continue to make gas available to the domestic market. However, the best way to ensure the east-coast domestic market continues to be well supplied over the longer-term, is for governments and energy market bodies to promote and support future investment and to remove unnecessary bans and restrictions on gas development.

In addition, the continued progress of sound gas market reforms that promote clear short and long-term price signals will further provide certainty and increase the liquidity of the market.

Since 2017, AEMO has introduced several measures to mitigate the risk to reliability and security of the NEM during peak demand periods. This includes the Summer Readiness Plan<sup>1</sup> where, before the summer period begins, AEMO confirms with industry: the availability of fuel resources for individual generators, especially for times of peak demand; optional improvements, including for forecasts; contingency planning and risk-based scenarios; and, communication with industry. The 2019-20 report noted that AEMO had '*not identified any gas availability shortfalls for Australia's eastern and south-eastern gas markets in summer 2019-20 based on the latest producer forecasts*'.<sup>2</sup> Further, gas-fired generation demand was overall lower than expected over the 2019-20 summer and supply was higher, indicating that the market is functioning as it should.<sup>3</sup> We consider that the Summer Readiness Plan is a more appropriate mechanism to ensure that fuel resources, including gas, are available at times of peak demand in the NEM.

Shell also supports the submission put forward by the Australian Petroleum Production and Exploration Association (APPEA).

Shell Australia welcomes the opportunity for further discussion with AEMO on the Guideline.

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<sup>1</sup> AEMO, [Summer readiness plan 2019-20](#), 2019

<sup>2</sup> Ibid, pg 15

<sup>3</sup> Update from AEMO, gas wholesale consultative forum, March 2020