



12 August 2026

Submitted to: nemreform@aemo.com.au

RE: Effectiveness of Automated Procedures for Identifying Trading Intervals Subject to Review

Shell Energy welcomes the opportunity to provide feedback to Effectiveness of Automated Procedures for Identifying Trading Intervals Subject to Review.

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 Australia¹, Shell Energy offers integrated solutions and market-leading² 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 Rangebank 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](#).

Key points

- Shell Energy supports changes to the MII automated procedure, which is producing excessive false positives and creating market uncertainty.
- AEMO should test whether higher energy price and FCAS thresholds would better reduce false positives while still identifying true MII events.
- AEMO should clarify the regional FCAS calculation and progress a longer-term input-based solution to replace reliance on dispatch output triggers.

General Comments

Shell Energy agrees with AEMO that the current procedure for identifying trading intervals potentially affected by manifestly incorrect inputs (MII) is no longer fit for purpose and should be amended. The procedure produces a high number of false positive MII notifications, creating uncertainty around published energy dispatch and frequency control ancillary service (FCAS) prices and requiring manual review by AEMO operational staff.

¹ By load, based on Shell Energy analysis of publicly available data.

² 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.



AEMO has indicated that, in calendar year 2025, 251 unique trading intervals in the energy dispatch market and a further 72 trading intervals in the FCAS markets were flagged for review. However, each flagged event also triggers further market notices for subsequent trading intervals until AEMO reviews the original interval and either rejects the notice or replaces the original price outcomes. This means the market uncertainty created by the current procedure is materially greater than AEMO's reported figures suggest. This follows 236 energy dispatch trading intervals being identified in calendar year 2024. All these identified events were subsequently found by AEMO to be false positive outcomes.

Whilst we agree with AEMO that changes are needed, it is unclear to Shell Energy that AEMO's proposed changes provide optimal outcomes to the market in this area.

Proposed Changes to the procedure

Energy market interconnector flow thresholds

Shell Energy supports the proposed interconnector flow threshold changes set out in Table 6 of the paper. However, based on the relative capability of the NSW-Qld1 and Vic-NSW1 bidirectional interconnectors, including relevant intra-regional network capability, the proposed NSW-Qld1 threshold appears low compared with the Vic-NSW1 threshold. We recommend that AEMO consider whether the NSW-Qld1 threshold should be set higher, and closer to the Vic-NSW1 threshold, having regard to the relative size of dispatch outcomes on each interconnector.

Shell Energy also supports applying the proposed initial 400 MW threshold in each direction for the new NSW-SA1 bidirectional interconnector once it is operational.

Energy market price outcomes threshold

Shell Energy agrees that the current \$20 X value price threshold should be increased. The threshold has not changed since the MII review process was implemented in June 2006, although the value itself was determined in late 2004.

When the threshold was set, the market operator indicated it would be reviewed annually and adjusted if warranted. The original value was closely aligned with estimated black coal fuel costs, with coal-fired generation then supplying most NEM energy and frequently setting market prices. This created a workable compromise: false positive MII events were higher than desirable, but true positive events were still accurately identified. Since then, black coal fuel costs have increased, but this does not appear to have been considered in reviews of the procedure.

AEMO proposes increasing the X value to \$40, which may reduce false positive MII declarations. Shell Energy welcomes this step, but notes that AEMO's analysis suggests the change would reduce false positives by less than 50%. The paper does not analyse higher thresholds closer to current black coal fuel costs, or the effect those thresholds may have on reducing false positives while still identifying true positive MII events.

Shell Energy recommends that AEMO also test X values of \$60 and \$70 to assess the reduction in false positive MII declarations and any impact on the ability to identify true positive MII events.

Regional FCAS thresholds

AEMO recommends retaining the current 1,000 MW FCAS procurement threshold. This threshold was increased from 500 MW in April 2026 in response to issues with FCAS procurement outcomes during specific network line outages. Shell Energy supported that urgent change because AEMO's procedure was identifying an excessive number of MII events during those outages.



Shell Energy continues to support a threshold above the original 500 MW level. However, for system-normal conditions, the ongoing use of a 1,000 MW threshold may increase the risk that a true positive MII event is not identified. We recommend that AEMO consider applying a threshold set slightly above historical FCAS procurement levels under system-normal conditions. As an initial assessment point, a threshold 10% above historical system-normal FCAS procurement levels may provide a reasonable balance.

AEMO also proposes to allow the FCAS threshold to be adjusted, where warranted, under non-system-normal conditions. Shell Energy supports this enhancement, but recommends a further improvement for network outage conditions. Where a network outage constraint set is expected to result in FCAS procurement above the system-normal threshold, AEMO should determine and apply an FCAS procurement offset value for the duration of the outage. This would improve transparency for market participants ahead of planned outages, provide a clearer framework for unplanned outages, and reduce the need for ad hoc adjustments and additional market notices by AEMO operational staff. Similar offset arrangements for constraint right-hand-side values are already used in a number of network outage constraint sets.

Change in FCAS threshold from a NEM requirement to regional enablement

AEMO proposes changing the FCAS threshold test from a NEM-wide procurement requirement to regional enablement assessed on a per-region, per-market basis. It is unclear whether the system-normal threshold would apply to each region individually, allowing total FCAS procurement to be a multiple of the threshold, or to the sum of regional FCAS enablement across the NEM. The same issue may arise under non-system-normal conditions, where Shell Energy's proposed constraint set offset value could be included in the calculation for the relevant region or regions. Shell Energy recommends that AEMO clarify this calculation before adopting the proposed change.

Longer-term solution to improve the effectiveness of the automated procedures

As AEMO notes in the paper, the current procedure is no longer fit for purpose in a changing NEM. AEMO has proposed investigating a new process that monitors inputs to the dispatch process, rather than outputs from it. Shell Energy supports this longer-term work. While AEMO's proposed short-term changes should reduce the increasing number of false positive MII declarations, AEMO acknowledges they cannot fully address the underlying weakness of using dispatch output trigger thresholds to identify MII events.

We note that AEMO indicates;

The outcomes of this review are expected to require more significant system changes, and possibly a Rule change, compared to the short-term solution and therefore greater consultation with industry. AEMO intends to progress work on the longer-term solution following implementation of the short-term solution and include an update on the longer-term solution in AEMO's 2026 Review of the effectiveness of the automated procedures.

Shell Energy looks forward to a future AEMO reporting and consultation in this area.

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,

Libby Hawker
General Manager – Regulatory Affairs and Compliance