Shell ENERGY

26 August 2021

Harrison Gibbs
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

Lodged via: https://www.aemc.gov.au/contact-us/lodge-submission

Dear Mr Gibbs

RE: Settlement under low operational demand (ERC0327)

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC's) discussion paper on Infigen Energy's 'settlement under low operational demand' rule change proposal (ERC0327).

About Shell Energy in Australia

Shell Energy is Australia's largest dedicated supplier of business electricity. We deliver business energy solutions and innovation across a portfolio of electricity, gas, environmental products and energy productivity for commercial and industrial customers. The second largest electricity provider to commercial and industrial businesses in Australia[1], we offer integrated solutions and market-leading[2] customer satisfaction, built on industry expertise and personalised relationships. We also operate 662 megawatts of gas-fired peaking power stations in Western Australia and Queensland, supporting the transition to renewables, and are currently developing the 120 megawatt Gangarri solar energy development in Queensland. Shell Energy Australia Pty Ltd and its subsidiaries trade as Shell Energy.

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General comments

Shell Energy appreciates the AEMC's consultative approach to address the recent change in advice from the Australian Energy Market Operator (AEMO) on the feasibility of implementing a flooring mechanism.

In light of AEMO's new advice, we support the proposed change to the definition of 'customer energy' in clauses 3.15.6A(a0) and 3.15.8(a0) of the National Electricity Rules. We agree that the flooring mechanism will prevent some customers from inappropriately receiving a payment for non-energy costs, which would otherwise be paid for by the remaining customers.

For the avoidance of doubt, we believe that the flooring mechanism should be in addition to the 300 MW threshold solution provided by the ERC0326 final determination. We consider that the flooring mechanism and the 300 MW threshold are both important because they address slightly different issues.

[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 2011-2020.

Finally, we encourage the AEMC to consider this feedback alongside our 29 July 2021 submission[3]. I.e., even after incorporating AEMO's proposed change to the definition of customer energy, we believe that:

- Reliability and Emergency Reserve Trader (RERT) costs should be included in the non-energy costs affected by the averaging set out in ERC0326 for intervals with operating demand less than 300 MW.
- The non-energy costs framework outlined in the integrating energy storage (ERC0280) draft determination does not provide a solution to the issue of exposed load being saddled with unreasonably high non-energy costs during low-demand periods. As a result, we believe some version of the ERC0326 and ERC0327 rule changes may need to be enduring. This is contrary to the AEMC's current view that ERC0326 and ERC0327 rule changes need only apply until ERC0280 rule changes are implemented.

If you would like to discuss this submission further, please contact Matthew Ladewig, Policy Adviser at matthew.ladewig@shellenergy.com.au or on 03 9214 9397.

Yours sincerely

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[3] Shell Energy, *RE: Settlement under low operational demand (ERC0327)*, 29 July 2021. Accessed from: https://www.aemc.gov.au/sites/default/files/documents/shell_0.pdf