



6 January 2022

Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2000

RE: Draft Determination – Enhancing Operational Resilience in Relation to Indistinct Events

Shell Energy Australia welcomes this opportunity to provide input to the consultation on Enhancing Operational Resilience in Relation to Indistinct Events. Shell Energy Australia 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, we offer integrated solutions and market-leading 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.

General Comments

Shell Energy is generally supportive of the proposed rule change as outlined in the draft determination. However, we remain concerned with the proposal being implemented via a change to the existing well defined contingency event reclassification system. Shell Energy considers that AEMC should ensure that the final determination and rule change retains the clear transparency of the existing reclassification system and in doing so improves the accountability of the reclassification framework through improved reporting obligations.

Specific Issues

In this section of the submission Shell Energy will note specific issues by exception.

The definition of "plant" in Chapter 10 of the NER

In the draft rule the new definition for "plant" does not incorporate load, as was proposed in the draft determination. Shell Energy supports the inclusion of load in the definition of plant and suggests the following wording;

"In relation to the power system, includes all equipment involved in the generation, transmission, distribution or consumption of electrical energy".

Shell Energy considers the draft rule wording to be too broad when it refers to "a sudden or unplanned change" in clause 4.2.3(a)(2) and suggests that the wording should be more specific with a minimum threshold. A sudden or unplanned change referenced without specifying a magnitude could occur in each dispatch interval as demand and variable renewable energy (VRE) generation output always changes and could change materially relative to AEMO forecasts due to its nature. We suggest the rule should be worded "a sudden or unplanned change of greater than 2 percent of total power system demand to the loading level of plant".

A sudden or unplanned change greater than 2 percent equates to approximately the loss of the largest unit in the power system which aligns with AEMO operational practice when considering the



materiality of unplanned events. This approach codifies that a 50 or 100 MW change in loading level is a trivial or non-meaningful change and will help avoid inefficient planning by the system operator.

Updates to the reclassification criteria and power system operating procedures

Shell Energy notes that rule 4.2.3B(d)(1) as drafted could be interpreted to allow targeted consultation on the part of AEMO. We view a targeted consultation approach as sub-optimal from a governance perspective as it only engages with specific associations and stakeholders and may exclude impacted stakeholders who are not members of these groups. We support the implementation of rules that ensure all stakeholders who wish to engage are given the opportunity.

Responsibility of AEMO for power system security

The use of contingency analysis or other documented practice or methodology is crucial for market participants to have confidence in the operation of the power system during indistinct events. We therefore consider that the rules should be clearer about the requirement for this process to be carried out. With regards to the draft clause 4.3.1(j1), include the words “AEMO must” to ensure that AEMO carry out the specified functions. The draft rule would then read:

*(j1) to assess the possible impact of the occurrence of a credible contingency event and determine the appropriate response required for the maintenance of power system security and in doing so **AEMO must**:*

- (1) where reasonably practicable use contingency event analysis; or*
- (2) where not reasonably practicable (for example, due to the event involving a large number of multiple power system elements or a class or classes of power system elements) use other reasonable practices or methodologies determined by AEMO;*

Reporting requirements

Whilst Shell Energy supports the intent of the proposed new reporting requirements for indistinct events, we believe that the proposed implementation as part of the market incident reporting framework – Clause 4.8.12, is the wrong place. We recommend instead that the proposed requirements as set out in proposed sub-clause 4.8.15(a)(2A) would be better located as part of sub-clause 4.2.3A(i). This would maintain all reports associated with reclassification events in the one reporting framework and allow easier access to details regarding reclassification of the power system for indistinct events for interested parties. It would also reduce the burden on AEMO to provide a specific report each time AEMO used the indistinct event reclassification framework.

In addition, Shell Energy recommends that the reporting requirements under sub-clause 4.2.3A(i) be amended to require reporting on a 3 monthly basis and the report be published within 30 business days from the end of the 3 month period. We consider this to be a reasonable compromise between AEMO having to report each time it uses the special indistinct event reclassification criteria and the publication of a report that could occur some 9 to 10 months following its use. We consider this change would result in less onerous reporting requirements on AEMO whilst still supplying detailed information to the market regarding AEMO’s action within a reasonable timeframe.

Shell Energy also recommends that, for the sake of transparency, where the indistinct event reclassification criteria is used, AEMO must clearly demonstrate why it was unable to re-classify the specific non-credible contingency events to be credible contingency events under clause 4.2.3A(g). This would most conveniently be reported on in the aforementioned quarterly report proposed under 4.2.3A(i).



Protected events

We support the view of the AEMC that standing indistinct events can be managed as protected events through the existing protected events mechanism. However, we believe this falls short of a requirement for AEMO to consider if it is preferable to manage repeated or standing indistinct events as a protected event.

Shell Energy therefore recommends that the quarterly report, proposed under 4.2.3A(i), should also set out details of how AEMO has reviewed the use of the special indistinct event reclassification criteria to determine its feasibility to be declared as a protected event. This would ensure a positive obligation on AEMO to consider the use of the protected event framework as opposed to the ongoing use of the special indistinct event reclassification criteria.

This would align with the AEMC view that “Allowing for standing indistinct events to be managed in the same manner as any other protected event through the protected events framework would be a transparent and simple solution for managing such events effectively.”

Real time notification

Shell Energy supports the AEMC view that the draft rule would extend existing requirements for market notices to include indistinct events that AEMO reclassifies as credible. We support the Commission’s note that the existing provisions in the NER do not prevent AEMO from improving its reporting to address stakeholder concerns about the timeliness of market notices and the detail that they contain.

General Power System Risk Review

Shell Energy supports the AEMC view that AEMO should review the use of the special indistinct event reclassification criteria as part of the GPSRR as we agree that this would also inform a process of learning and constant improvement for AEMO. Such learnings would feed back into the contingency event framework, enhancing the ability for AEMO to manage future indistinct events.

AEMC Review of the contingency event framework

Shell Energy supports the AEMC recommendation that the AEMC review the contingency event framework within five years to ensure it continues to achieve the NEO.

Reliability Panels Guidelines

Shell Energy is supportive of the AEMC recommendation that the draft rule would amend NER clause 8.8.1(2a) to allow the Reliability Panel to create principles and guidelines for AEMO’s ex-ante management of contingency events (including for indistinct events) alongside the ex-post management of contingency events. However, we question if just enabling this power of the Reliability Panel goes far enough. We recommend that the Reliability Panel be explicitly tasked to create principles and guidelines for AEMO’s ex-ante management of contingency events (including indistinct events).



Conclusion

Shell Energy thanks the AEMC for the opportunity to provide feedback on the Enhancing Operational Resilience in Relation to Indistinct Events draft determination and draft rule. If you would like to discuss this submission further, please contact Peter Wormald at peter.wormald@shellenergy.com.au.

Yours sincerely

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