



4 March 2022

Jessie Foran
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2000

Dear Ms Foran

RE: Enhancing information on generator availability in MT PASA

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) consultation paper on the enhancing information on generator availability in the Medium-Term Projected Assessment of System Adequacy (MTPASA) rule change.

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 Australia¹, Shell Energy offers integrated solutions and market-leading² 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

Shell Energy is largely supportive of the proposed rule change. The concepts raised in the rule change request were previously suggested in the Australian Energy Market Operator's (AEMO) response to our own rule change on improving transparency and extending the duration of MTPASA.³

At the time, Shell Energy (as ERM Power) indicated our support for AEMO's proposal. We recognise that the AEMC reasoned AEMO's proposal was out of scope and raised late in the consultation process, so could not

¹By 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.

³ AEMO, [Submission on Improving transparency and extending duration of MTPASA draft determination](#), January 2020.



be considered at the time. We are therefore pleased that AEMO has sought to raise this issue again through this rule change request. We firmly believe that the rule change will enhance transparency of the MTPASA and improve its utility to participants.

Shell Energy supports the proposed assessment framework. In particular, we support the assessment criteria for improved transparency in the MTPASA timeframe given the speed of transition in the NEM. Timely updating of information will be a key factor going forward and the impact of changes to generator availability in the short to medium term should be provided on a regular and ongoing basis to the market in a timely manner to facilitate appropriate market responses. The MTPASA fulfills this role as it offers a regular weekly assessment of ongoing reliability in the NEM.

Shell Energy considers that this rule change is necessary given the wider context of the energy transition: the progressive retirement of thermal plants and the continued influx of variable renewable energy such as solar and wind, alongside energy limited plant such as battery energy storage systems (BESS). There is a risk that thermal generators may seek to mothball plant or use seasonal shutdowns to manage the economic and physical risks of operating ageing plants.

By requiring generators to provide reasons for non-availability through the MTPASA, the market can better understand a generator's intentions if it chooses to withdraw from the market for a period and how quickly it may be able to be made available if required. A generator that is shown unavailable due to a Reserve Outage has a different outcomes profile from a reliability and power system security perspective, than a unit that is mothballed or subject to an unplanned outage. This will allow for more supply to be made available, if necessary, for generators to better plan maintenance schedules and manage input energy procurement (e.g. gas, battery or pumped hydro charging) more efficiently. It would also provide improved signals to wholesale demand response (WDR) providers to ensure this resource is integrated in the most efficient manner.

While we see benefits in the proposed changes, Origin Energy's recent announcement that it intends to bring forward the closure date of Eraring Power Station, highlights a weakness in the current MTPASA framework. Despite having three years of generator availability, and AEMO already having and using the other input data requirements in the Electricity Statement of Opportunities, the two-year reliability assessment outlook means that a full reliability assessment incorporating the bulk of the time period associated with the new closure dates will not be available for some time. Although many market participants will have their own forecasts and contracts markets will give a signal of expected reliability, a more formal assessment through MTPASA would provide better, more frequently updated and more timely information for smaller participants and potential new entrants. This is likely to enhance the prospects for new supply, including WDR, to enter the market in a timely manner if necessary.

We consider that the benefits of making this rule change will be similar to those the AEMC outlined for publishing dispatchable unit identification (DUID) level data as part of the improving transparency and extending the duration of MTPASA rule change and the updating Short Term PASA (STPASAs) rule change draft determination. That is, the changes will: improve transparency and quality of information to better inform the market; promote reliability and security of the power system; and minimise direct and indirect costs. A great level of detail around recall times and reasons for outages will allow for the market to more effectively and efficiently allocate resources and schedule planned maintenance, forecast supply shortfalls, and make decisions that can reduce costs to consumers in the long term.

Shell Energy recognises that there would be some costs involved in generators updating systems in order to provide reason codes and recall times to AEMO as part of MTPASA bids. Further, we also acknowledge that there is a large degree of systems work currently underway across the industry that requires significant investment in terms of time and resources. Adding new systems changes can increase complexity and cost to system changes currently underway. That said, we still firmly consider that the costs of making this change will be relatively low compared to the benefits it is likely to provide the wider industry. In particular, having an improved



understanding of the reasons for generator unavailability and recall times will allow more efficient integration of WDR and also distributed energy resources (DER). Where generators plan and indicate seasonal shutdowns or temporary mothballing, potential short-term reliability issues associated with this may be more efficiently resolved by targeted demand response as opposed to additional generating resources.

The Commission also asks for alternative options that could also improve the information available around future generator availability to support better reliability and security outcomes as the power system transitions. Shell Energy considers that an additional option – one that we see as complementary to, rather than a replacement for the proposed rule change – is to extend the MTPASA reliability assessment forecast to three years in line with the previously considered improving transparency and extending the duration of MTPASA rule change. Currently, the MTPASA publishes three years of generation availability data but only provides two years of reliability data.

Extending the reliability assessment to three years would impose little to no costs on market participants to that already contemplated under this rule change proposal, as participants would already be required to provide the information but would create costs for AEMO. At the time of the improving transparency and extending the duration of MTPASA rule change, AEMO argued it would result in upfront costs of approximately \$800,000 and annual costs of \$150,000.⁴ We consider that these costs appeared to be relatively high at the time, and we would be interested to understand whether costs have reduced since that time. We consider that improvements in market efficiency associated with this change would more than offset these costs.

Shell Energy also notes that “Reason codes and recall times are not proposed to alter the MT PASA reliability run or MT PASA loss of load probability run.”⁵ We question such an outcome. In our view where a resource could be available within a known timeframe in its MTPASA submission, such as within the STPASA publication time period, then this resource should be considered as “available” for the MTPASA reliability assessment. This in our view would be one of the benefits from receiving enhanced information from scheduled generation or WDR resources. In our view it would be an unnecessary restriction to exclude a generator from the MTPASA reliability assessment on the basis that its recall time is 24 hours and one minute. Allowing resources with a recall time of less than the STPASA reliability assessment period, or other defined timeframe, would recognise the natural handover in the ongoing reliability assessment process between the MT and STPASA. While the blanket 24-hour PASA availability definition was appropriate when it was originally implemented, we question use of such a rigid threshold in the MTPASA reliability assessment process in a changing NEM environment.

What is important in the reliability assessment is that participants provide a degree of certainty to AEMO that a resource can be available to provide a defined resource capability within a defined period, not that the defined period is limited to less than 24 hours.

In considering the level of prescription in the Rules to implement this rule change, we recommend that the Commission consider the definition of PASA Availability in Chapter 10, in particular if one definition should be retained or if this should be amended to allow for STPASA Availability and MTPASA Availability to be separately defined. We believe there could be value from a reliability assessment and compliance perspective if STPASA and MTPASA availability was separately defined.

Conclusion

Shell Energy considers AEMO’s proposed rule to enhance information on generator availability in MTPASA to be a positive move for the market. We believe that requiring generators to provide reasons via codes and a

⁴ AEMO, *Submission on Improving transparency and extending duration of MTPASA draft determination*, January 2020, p4.

⁵ AEMC, *Enhancing information on generator availability in MT PASA*, Consultation paper, 3 February 2022, p12.



recall time for outages will deliver long-term benefits with respect to power system security, reliability and costs in the National Electricity Market (NEM) through:

- improved transparency and quality of information to better inform the market;
- promoting reliability of the power system;
- minimising direct and indirect costs; and
- allowing the market to more effectively and efficiently allocate resources and schedule planned maintenance, forecast supply shortfalls, and make decisions that can reduce costs to consumers in the long term.

We consider that the AEMC should reconsider extending the MTPASA reliability assessment from two to three years in order to provide more frequently updated information to the market in the third-year timeframe. We consider making this change alongside AEMO's proposed rule change would enhance the level of information available on the supply-demand balance as a whole, leading to more efficient investment and market responses.

Lastly, we consider that restricting the use of this enhanced availability information in the MTPASA reliability assessment as proposed by AEMO, would lead to a reduction in the potential efficiency benefits from supply of this information. Where a resource can be made available within the STPASA, or other nominated timeframe, the resource should be considered as available for the MTPASA reliability assessment.

For more information on this submission, please contact Ben Pryor, Regulatory Affairs Policy Adviser (0437 305 547 or ben.pryor@shellenergy.com.au).

Yours sincerely

[signed]

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