



26 October 2023

Graham Mills
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2000

Dear Mr Mills,

RE: Amendment of the MPC, CPT and APC

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) Amendment of the Market Price Cap (MPC), Cumulative Price Threshold (CPT) and Administered Price Cap (APC) rule change draft determination.

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 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 supports the AEMC's draft determination to increase the MPC and CPT in line with the Reliability Panel's recommendations contained in the Reliability Panel's 2022 Reliability Standard and Settings Review Final Report.³ We note the AEMC has changed the base year for the price levels to 2022, compared to 2021 in the rule change request. In our view this has only a minor impact on the Reliability Panel's recommended values and does not materially impact the rule change. We consider that the increases in the MPC and CPT are necessary to ensure that the price settings are appropriate to support investment in a range of supply options to deliver reliable supply in the NEM.

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.

³ Reliability Panel, 2022 Review of the reliability standard and settings, Final report, 1 September 2022



We recognise that the increase in the levels of the MPC and CPT may marginally increase electricity prices in the short term, consistent with both the Reliability Panel and AEMC's modelling. However, the increase in supply options that this rule change is expected to drive should ultimately deliver lower costs than would otherwise be the case absent this rule change over the long term. We consider this to be an important distinction, and one consistent with the national electricity objectives.

Further, we support the AEMC's draft decision to maintain the APC at \$600/MWh in line with the temporary value currently in place. While the Reliability Panel recommended an APC at \$500/MWh, we consider that retaining the value at \$600/MWh provides a strong degree of certainty to market participants, and allows for an improved degree of competition among generators during an administered pricing period (APP). The proposed APC is also consistent with the APC applied in the various regional gas markets. Setting the APC at \$600/MWh is also likely to reduce the number of participating applying for compensation should an APP eventuate.

Shell Energy maintains that a change to the form of the APC may be required in due course. We note that a review of the form of the reliability standard and APC is already underway. We look forward to the next stage in the AEMC's consideration of these issues.

We also consider that the increasing interactions between gas and electricity markets means that it will become important to develop a uniform approach to market price settings across both markets.

We agree with the Commission's rationale that the increasing the levels of the MPC will support flexible technologies to improve reliability at critical times. We also commend the AEMC for commissioning analysis on how jurisdictional schemes to promote generation investment affect the need for increases to the market price settings in the National Electricity Market (NEM). Shell Energy supports the conclusions drawn in the Houston Kemp analysis that jurisdictional schemes complement the market price settings rather than result in a need for lower price settings.

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

Yours sincerely

[signed]

Libby Hawker
General Manager - Regulatory Affairs and Compliance