



15 February 2024

Nomiky Panayiotakis  
Australian Energy Market Commission  
Level 15, 60 Castlereagh St  
Sydney NSW 2000

Dear Ms Panayiotakis

## **RE: Resetting Powerlink's System Strength Unit Prices**

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) Resetting Powerlink's system strength unit prices rule change consultation paper.

### **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 Australia<sup>1</sup>, Shell Energy offers integrated solutions and market-leading<sup>2</sup> 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 Powerlink's rule change proposal to reduce the system strength unit prices (SSUP) within the current regulatory period. Powerlink highlights that the SSUP set in the current regulatory period are higher than those in other states. Further, Powerlink notes if SSUP are not reduced, there is a risk that investments in renewable generation projects could be delayed as generators choose to self-remediate rather than pay the SSUP. Shell Energy agrees with this assessment. We believe it would be far more efficient for the SSUP to be reduced and allow developers a more rationale choice between paying the SSUP or self-remediation.

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<sup>1</sup> By load, based on Shell Energy analysis of publicly available data.

<sup>2</sup> 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.



The concept of “system strength” is rapidly evolving due to the experience being gained as new technologies are connected to the network, and as new technical innovations are introduced. Accordingly, it is not possible to accurately estimate the costs required to maintain power system security as the power system transforms with the retirement of synchronous generators and the increased penetration of inverter-based resources.

To ensure the best economic outcome for all market participants it is necessary for the industry to be kept fully informed on the various approaches to system strength. In some cases, a centralised approach coordinated by the transmission network service providers (TNSP) may be the best solution, but in other cases it may be more appropriate for individual project developers to implement solutions, which the current system strength framework allows for.

Accordingly, we agree with Powerlink’s proposal that participants who have already chosen not to pay the system strength charge would be given the opportunity to reverse this decision if they so choose. Similarly, participants who have made the decision to pay the system strength charge should have the opportunity to opt out of this approach and adopt a self-remediation approach if they so choose.

This approach will lead to lower costs for all market participants. This would ultimately deliver benefits to consumers in accordance with the National Electricity Objective.

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

Yours sincerely

[signed]

Libby Hawker  
GM Regulatory Affairs & Compliance