8 February 2024

Shannon Culic
Australian Energy Market Commission
Level 15, 60 Castlereagh St
Sydney NSW 2000

Dear Ms Culic

RE: Enhancing Reserve Information

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) enhancing reserve information 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 Australia[1], Shell Energy offers integrated solutions and market-leading[2] 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

In our submission on the directions paper, published in August 2023, Shell Energy provided qualified support for the AEMC's proposal that information on the state of energy storages be published in the operational timeframe. We indicated that Shell Energy preferred aggregated data in MWh to be provided on a regional and technology basis. Further, this data should be provided at dispatch via SCADA data from individual dispatchable unit identifiers (DUIDs) and also for pre-dispatch where publishing of the information would not lead to the state of storage of an individual DUID. Finally, we also recommended that the 5-minute actual state of charge or storage information in MWh for individual DUIDs be published the day after the Trading Day in the

[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.

same way as individual DUID bids and availability information is published by AEMO. Similarly, AEMO should publish any advised trading day energy limits for thermal plant in the day after Trading Date reports.

In the draft determination, the AEMC proposes that the energy availability of batteries (state of charge in MWh) would be published close to real-time, aggregated by region and the following trading day by dispatchable unit identifier (DUID), to align with existing post-trading day publications. In addition, the energy constraints of other scheduled plant types (hydro, gas and coal) would be aggregated by region and published daily (at the start of each trading day).

Shell Energy considers this to be a reasonable approach, which provides substantial additional information to the market, without imposing a significant compliance burden on participants.

FCAS procurement changes

Following feedback from Powerlink, the AEMC included discussions on sub-regional FCAS procurement and regional FCAS procurement limits in the August 2023 discussion paper. Shell Energy cautiously supported limits to regional FCAS procurement in order to ensure a geographic spread of FCAS supply. We also noted that although regional FCAS procurement is already allowed under the National Electricity Rules (NER), rule changes may be needed for sub-regional FCAS procurement and cost recovery arrangements.

Following feedback from stakeholders, the AEMC has determined that any changes to FCAS procurement should be through a specific rule change request. In part this is due to the materiality of the proposed changes, which the AEMC now considers would be better considered through a separate rule change process.

Shell Energy remains interested in rule changes on this front and will continue to monitor developments and engage with the AEMC as necessary.

Additional comments

In the directions paper, the AEMC asked for options for incremental improvements that could be implemented in the absence of an operating reserve market. Shell Energy's submission recommended that there be a focus on improving operational forecasting accuracy. Specifically, we proposed that AEMO should be required to publish a forecasting accuracy report on a regular basis looking at the highest 4-6 half-hourly demand periods in a trading day at various forecast time horizons. We consider this specific timeframe is important because although high accuracy at times of low demand is good, it is less important for market participants than high accuracy at the most critical (highest demand) times. More accurate short-term forecasts will assist participants to manage their assets over a trading day to ensure they can deliver supply at critical times.

We advocated for this because AEMO's existing annual Forecast Accuracy Report focusses only on forecasts in planning timeframes and not on accuracy in operational timeframes (i.e. pre dispatch forecasts and STPASA). We also made proposals in relation to AEMO's Lack of Reserve (LOR) declarations and reporting.

In response, the AEMC indicates that AEMO already publishes a range of data on operational forecasts which participants could analyse to determine the accuracy of AEMO's forecasts and reports on LOR declarations. Further, the AEMC notes that the Rules do not preclude AEMO from providing additional information to the market on its operational forecasts and the declaration of LORs.

While we acknowledge there is nothing stopping AEMO from providing more transparency on their forecasts and LOR declarations, without a clear requirement to do so, AEMO can choose not to provide more detail. If transparency is important in this regard, which Shell Energy and other stakeholders consider to be the case, we consider it important to require this to be reported on, rather than leaving it to discretion. We urge the AEMC to reconsider its position that this issue can be resolved purely through individual stakeholder engagement. We suggest that through requiring AEMO to transparently report on operational forecasting accuracy as well as

more detailed data on LOR declarations, improvements in these areas will be achieved resulting in more efficient market outcomes and lower costs to consumers. Such benefits will not be achieved if simply left to discretion.

Our rationale for change is that frequent LOR declarations based on inaccurate forecasts heightens concerns over reliability risks in the NEM. The LOR process is important to signal that more resources may be required. Yet, if inaccurate forecasts at critical times create a perception among generators that LOR declarations are unlikely to be necessary, then the supply response may be muted. This risks harming the reputation of all parties involved, with consumers potentially seeing higher costs due to perceptions of higher reliability risks than is truly the case, while governments and AEMO may perceive that generators are not delivering extra supply when needed.

As an example, initial pre-dispatch demand forecasts for NSW on 24 January 2024 issued at 12:30 EST on 24 January indicated a maximum demand forecast of 12,934 MW. The pre-dispatch schedule issued at 13:08 EST then indicated a maximum demand forecast of 12,148 MW for the NSW region. Actual maximum demand peaked at 11,234 MW, or 7.5 per cent lower than the 13:08 forecast and 12.8 per cent lower than the initial pre-dispatch forecasts.[3]

Our point is not to criticise AEMO's forecasts, but rather to highlight the need to include provisions in the rules to transparently identify where improvements can be made to give greater confidence to all stakeholders that AEMO's forecasts provide a clear picture of the reliability risks involved in operational timeframes.

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

Yours sincerely

[signed]

Libby Hawker
GM Regulatory Affairs & Compliance

[3] Shell Energy analysis of AEMO data.