



21 June 2024

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

RE: ERC0381 - Managing ISP project uncertainty through targeted ex post reviews

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 also operates the 60MW Riverina Storage System 1 in NSW. 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 proposed targeted ex-post capital expenditure reviews for Integrated System Plan (ISP) and non-ISP transmission projects. The proposed approach to these reviews will greatly assist the governance of project expenditures and more closely align the incentives on transmission network service providers (TNSPs) with the interests of consumers. We support the conclusion of the draft determination that the proposed approach increases certainty for transmission companies. The proposed changes clarify that any adjustment to a TNSP's regulated asset base (RAB) would be limited to the amount of any over-spend for individual ISP projects or the capex overspend for non-ISP projects. This reduces the potential exposure and uncertainty on RAB adjustments and appropriately targets the costs that are within the control of TNSPs.

Shell Energy supports the approach to review timing and the definition of a reviewable project. For ISP projects we agree that the appropriate timing of a capex review is at the completion of the project rather than in multiple parts with timing dictated by the revenue reset periods. Interim project reviews would impose additional cost and uncertainty on TNSP's and the regulator and would necessarily be based on incomplete information leading to potentially contradictory outcomes at each stage. By defining a reviewable ISP project as an actionable ISP project (or stage) that has been energised and commissioned, we believe the Commission has

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.

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provided sufficient clarity to stakeholders that they will be able to identify how a project would trigger a review and when the AER would undertake a review.

Shell Energy further supports aligning the timing of reviews for ISP projects with those for non-ISP project capex. We agree that this would help limit the cost to consumers by efficiently utilising the resources of the AER. Ensuring that consumers and industry are protected from unnecessary costs and regulatory burden is a positive outcome from the proposed changes.

In addition to standalone, targeted ex-post capex reviews, Shell Energy considers that ISP and non-ISP transmission project governance would benefit from ex-post reviews of the identified benefits. The project benefits are a key part of determining the efficient level of capex for transmission projects and currently there is no public transparency around the provision of these benefits following project completion. Whilst we do not consider that project costs should be reviewed ex-post in light of actual delivered benefits (or reforecast benefits), we do support improved transparency on transmission project benefits to help inform stakeholders. Ex-post benefits reviews would assist in improving the understanding of the relative success and accuracy of benefits assessment methodologies. Any lessons learned would contribute to improved benefits assessment and investment efficiency for future projects. Currently its uncertain that the benefits claimed during the project approval process actually accrue. Such ex post review of benefits achieved is a well-recognised and standard business practice for all medium to large capital investment projects.

For further information or to discuss any points raised in this submission, please contact Peter Wormald (peter.wormald@shellenergy.com.au)

Yours sincerely

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