4 July 2024

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

Dear Ms Barletta

RE: Retailer Reliability Obligation exemption for scheduled bi-directional units

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) consultation paper on the Retailer Reliability Obligation (RRO) exemption for scheduled bi-directional units (BDU) 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 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

Shell Energy supports the rationale set out by the rule change proponents to exempt scheduled BDUs from the RRO. BDUs can bid to effectively ensure they don't charge during times of high demand when liable entities would have to demonstrate compliance with the RRO. However, this would not stop AEMO directions or the provision of frequency control ancillary services (FCAS) from creating a liability under the RRO.

As correctly noted in the consultation paper, requiring BDUs to comply with the RRO creates a need for BDUs to access financial market contracts to match their expected load and manage compliance. Leaving BDUs liable

[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.

under the RRO creates a situation where either: BDUs procure hedging contracts more than a year in advance at a cost, increasing demand for contracts and reducing availability for 'typical' liable entities such as retailers; or BDUs choose not to participate in FCAS markets, noting that this would still leave BDUs vulnerable to being directed to charge by AEMO and therefore at risk of non-compliance.

Regardless of which option is taken, costs are imposed on the wider market through increased demand for contracts or through less competition in FCAS markets. Leaving BDUs with a compliance obligation would deliver no improvement to reliability in a region during a T-1 period in any case. The BDUs themselves are a potential source of improved reliability. Therefore, Shell Energy sees a strong case to make this rule change and ensure scheduled BDUs are exempted from the RRO.

Exempting BDUs from RRO compliance is unlikely to increase reliability concerns as BDUs will retain incentives to charge at lower prices (and lower demand period) to be available to either discharge at times of high demand or high prices. What the exemption will achieve is to increase the supply of contracts available to other liable entities and to ensure that BDUs can provide FCAS at critical times without being at risk of severe fines for non-compliance.

Overall, we consider that this rule change will meet the National Electricity Objective by improving reliability system security and price outcomes to customers. We recommend the AEMC make this rule change in time to ensure that an exemption is in place in time for the next likely T-1 gap periods, beginning in December 2025.

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

Yours sincerely

[signed]

Libby Hawker
GM Regulatory Affairs & Compliance