



30 November 2023

Energy Policy WA
Level 1
66 St Georges Terrace
Perth WA 6000

Lodged email: energymarkets@dmirs.wa.gov.au

Dear Energy Policy WA,

RE: Review of the Benchmark Reserve Capacity Price Reference Technology Consultation Paper

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to review and provide feedback to Energy Policy WA (EPWA) on the Review of the Benchmark Reserve Capacity Price (BRCP) Reference Technology Consultation Paper (the Consultation Paper), released on 2 November 2023. We understand that the first review of the BRCP reference technologies is required to set the reference technology prior to the Economic Regulation Authority Western Australia's (ERA WA's) review of the BRCP methodology and to enable the implementation of the Flexible Capacity product, introduced through the review of the Reserve Capacity Mechanism (RCM) earlier this year.

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 has recently acquired a 50% share of Kondinin Energy Pty Ltd (Kondinin) which will be our first West Australian renewables development. The centrepiece of the Kondinin project is the Kondinin Wind Farm, a

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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wind development which would generate approximately 230MWs, across two stages, into the SWIS. Kondinin also holds approvals to develop a 80MWs solar farm and ~60MWs BESS which comprise stages three and four of the Kondinin project.

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 understands that feedback on the proposals outlined in the Consultation Paper will be used to ensure that the reference technologies are set before the ERA WA reviews the BRCP methodology. Additionally, an outcome of the RCM Review introduced a Flexible Capacity product, which will also rely on the reference technology being set.

We acknowledge the need for change as we make our way through the energy transition, and support this review being undertaken to determine the reference technologies for the peak and flexible BRCP. We understand the objectives of this review are to provide efficient investment signals to ensure system security and reliability and, ensure customers do not overpay for the desired system security and reliability by selecting the most efficient new entry technology. Shell Energy notes that the correlation between the Wholesale Electricity Market Investment Committee (WIC) Review and this Review is being considered in parallel and as such, the reference to the Market Advisory Committee (MAC) meeting minutes in the Consultation Paper include the WIC Review meeting minutes for additional context.³

Shell Energy representatives have been involved in discussions regarding this review in the RCM Review working group, along with providing our response to the Consultation Paper for Stage 1 of the RCM Review which sought views on the proposals included in this Consultation Paper. We appreciate the ongoing consultation through this working group, and in the MAC meetings, and appreciate the analysis provided in Parts 2-3 of this Consultation Paper. Our feedback is provided under the subheadings below.

Proposal A – Proposed efficient new entrants for peak/flexible services

Shell Energy are supportive of the lithium Battery Energy Storage System (BESS) as the most efficient cost reference technology for both peak and flexible services. We look forward to subsequent stakeholder engagement with the ERA WA when the BRCP methodology review is undertaken and whilst out of scope for this review, we see assumptions outlined in the Consultation Paper such as connection costs, economic life and variable cost components as highly important inputs to consider in the BRCP calculation.

We see the assumptions included in the analysis provided in the Consultation Paper as premature and Shell Energy are keen to provide input into more detailed and informed data analysis and modelling when the ERA WA reviews the BRCP methodology once the new reference technology has been selected through this process. We note that we are particularly interested in the calculation of cost assumptions in Table 11 of the Consultation Paper⁴, and look forward to working with the ERA WA on understanding the data inputs and reasoning behind the placement of cost elements which will inform the calculation method that will set the BRCP.

Proposal B – Reference technology review frequency

Shell Energy is supportive of reviewing the BRCP reference technology every 3 years and agree that the frequency is reasonable given the dynamic nature of the market and rapid advancements in technology.

³ <https://www.wa.gov.au/media/41935/download?inline>, pg 89.

⁴ https://www.wa.gov.au/system/files/2023-11/epwa-brcp_reference_technology_reviewv2.1.pdf, pg34.



Additionally, this frequency will ensure there is sufficient data available to support the review and timeline to effectively implement in the RCM.

Proposal C – Retain gross Cost of New Entry (CONE)

Shell Energy are supportive of retaining the gross CONE approach and recognise that whilst there is a possibility that there may be lower costs to consumers under the net CONE approach, we agree that this option is highly sensitive to input assumptions, which results in uncertainty and can deter investment in a time where this is essential to the energy transition in the WEM. Shell Energy understand the need to balance consumer costs alongside sending correct investment signals required, to ensure future system security and emission reduction targets.

Conclusion

We welcome the opportunity to discuss our submission further. Please contact Tessa Liddelow at tessa.liddelow@shellenergy.com.au for any queries regarding this submission.

Yours sincerely

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