



8 May 2025

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

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

Dear Energy Policy WA,

RE: Electricity System and Market Amendment (Tranche 8) Rules – Exposure Draft

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to provide feedback to Energy Policy WA (EPWA) on the proposed Amending Electricity System and Market (ESM) Rules (Tranche 8) (the Amending Rules), outlined in the Exposure Draft provided for consultation, released on 27 March 2025. We understand that following stakeholder consultation and legal review, the proposed Amending Rules in the Exposure Draft, will be submitted to the Minister for Energy for making and gazettal in May 2025.

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 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](#).

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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General Comments

Shell Energy understands that feedback on the Exposure Draft will be used to inform the final drafting of the Amending Rules. We understand that some of the amendments contained in the Exposure Draft have gone through consultation processes, such as the replacement of the Wholesale Electricity Market (WEM) Rules with the ESM Rules, and the incorporation of the State Electricity Objective (SEO) into the ESM Rules; however, the Exposure Draft also contains significant proposed amendments which have not been through an appropriate nor proportionate consultation process. We note that EPWA have advised that these amendments are intended to be submitted for gazettal in May 2025 which leaves little to no time for stakeholder feedback to be considered and addressed given submissions are due 8 May 2025.

Representatives from Shell Energy attended the TDOWG meetings held on 10 April 2025 and 1 May 2025, and we thank EPWA for running these sessions. Shell Energy raised concerns around minimal consultation and would like to reiterate the importance of adequate consultation so that stakeholder feedback can be properly considered, despite the proposed Amending Rules being at a rather progressed stage. We understand that the market is going through a transition and significant period of change and we broadly appreciate the level of engagement with Government that industry has in the WEM however, in this instance we urge EPWA to undertake further consultation for the specific items outlined in our response to the Exposure Draft below.

Implement a new method for calculation of the Availability Duration Gap

Shell Energy are concerned that there has been inadequate consultation on the amendments outlined in Schedule 1 of the Exposure Draft where EPWA undertook a review of the Availability Duration Gap (ADG), deemed it flawed and developed a new method. The proposed method extends the Electric Storage Resource (ESR) Obligation Duration (ESROD) by one Trading Interval until the ADG equals zero in the 1 in 10 Peak Demand scenario which notionally de-rates existing ESR.

Existing ESR facilities have a five-year protection where ESR continues to receive Certified Reserve Capacity (CRC) based on the ESR Duration Requirement (ESRDR) in the Reserve Capacity Cycle (RCC) it was first certified, leading to a gap between the actual capacity available to meet the Reserve Capacity Target (RCT) and the capacity which is assigned Capacity Credits. EPWA is proposing to calculate this gap and add it to the RCT to address potential shortfalls.

Shell Energy believes this method has the following problematic flow on effects and broader impacts to the market:

1. Changes to the ESRDR and subsequently the ESROD will likely lead to a change to the reference technology which sets the Benchmark Reserve Capacity Price (BRCP)³. The BRCP is heavily relied upon by Market Participants (MPs) and new market entrants to provide commercial and investment certainty and is currently set at a 4-hour duration lithium BESS. When this issue was raised in the TDOWG meeting referred to above, EPWA advised that the proposed method was not designed to address investment certainty but was intended to provide reliability and address the shortfall in capacity that has since been realised. EPWA outlined that there would likely be a one-year lag in the BRCP reflecting the correct technology to meet the capacity requirement. EPWA has commented that, as more battery storage joins the WEM, the ESROD will continue to change, leading to a continued lag in the BRCP relative to the required reference technology. We are concerned that this sustained mismatch has not been addressed in the Amending Rules and Shell Energy encourages EPWA to consider and work through alternative options to re-align these mechanisms in consultation with stakeholders.

³ Benchmark Capacity Providers Review



2. The WEM Electricity Statement of Opportunities (ESOO) is due to be published on 24 June 2025 and EPWA confirmed at the TDOWG meeting held on 10 April 2025, that the ESROD will be increasing but no actual figure was provided. EPWA provided indicative numbers at the TDWOG meeting held on 1 May 2025, showing an indicative increase in the ESROD of up to 2.5hrs, totalling 6.5hrs. The uncertainty of the ESROD impacts MPs wanting to participate in the next RCC, with the potential derating of capacity credits being unknown. Given there has also been a two-week delay in the publication of the WEM ESOO⁴, CRC applicants only have two weeks following publication to submit their applications. This does not give applicants adequate time to properly consider the WEM ESOO and incorporate new requirements, commercial information, undertake modelling etc for the purposes of their applications. In addition, the strict RCC application deadlines mean that applicants are required to provide their CRC application two weeks prior to the actual due date if they want to receive feedback. We encourage EPWA to consider the timeframes provided in conjunction with the proposed changes and adjust these accordingly so that applicants are given a fair opportunity to participate. This will ensure that multiple market objectives are also met.
3. Additionally, EPWA have proposed to extend the five-year protection for existing ESR to ten years to "increase investment certainty for ESR proponents". However, this much needed certainty is not provided at a critical phase of a new project, often prior to reaching a Financial Investment Decision (FID). We are supportive of the proposal to fix for ten years however, the uncertainty around pricing under the current Amending Rule proposal could create barriers to entry and lead to rushed CRC applications which may impact participation in the RCC.

Shell Energy considers that further consultation on these issues will result in a method that support an efficient energy transition by supporting investment certainty and limiting consumer impacts.

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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⁴ Current and Deferred 2025 Reserve Capacity Cycle timetable