



2 December 2024

Economic Regulation Authority
Level 4, Albert Facey House
469 Wellington Street
Perth WA 6000

RE: Offer Construction Guideline and Trading Conduct Guideline: Second Draft Report

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 welcomes the change from the first draft to restore the current treatment of FCESS runway costs in energy offers. We also support the clarification of the intent of the use of independent expert advice to be "able to be independently verified by applying good electricity industry practice". These changes are appropriate as they support efficient market operation and limit the burden on market participants.

We recommend that, prior to any future review of FCESS runway costs, greater transparency of the WEMDE is required. Market participants currently only have a black box view of the WEMDE, particularly with regard to FCESS. We consider it necessary to fully understand the calculation methodology to properly assess any impact on business operations from changes in FCESS runway cost recovery.

Shell Energy notes that section 2.1.1 requires that Market Participants must update their price offers before Gate Closure upon receiving revised information that results in changes to a Market Participant's reasonable expectation. This is a potentially impractical requirement that may lead to non-compliance despite best endeavours. We consider a more reasonable requirement would be for Market Participants to update their offers as soon as practicable. We have suggested revised wording for 2.1.1 below:

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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2.1.1 - Where new or revised information becomes available to the Market Participant and that information results in changes to the Market Participant's reasonable expectation, the relevant price offer in the relevant Market Submission must be updated ~~before Gate Closure~~ as soon as practicable.

Shell Energy considers that the examples in the Guidelines could be expanded to provide clearer guidance to participants. This would be most beneficial in Trading Conduct Guideline "Example 6: FCESS market offer calculation" where the example lacks consideration of interactions at an operational plant level. Some of these operational considerations include:

- Technical minimum generation requirements
- Physical plant constraints
- The interaction between maintaining minimum generation and providing FCESS

Expanding the examples to describe how generators should balance these technical requirements with market conduct rules would greatly improve the utility of the examples to Market Participants and could help improve compliance.

Yours sincerely,

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