



13 September 2022

Gavin Fox
Market Performance Branch
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Dear Mr Fox

RE: T-1 reliability instrument for South Australia

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to respond to the Australian Energy Regulator's call for submissions on the T-1 reliability instrument for a forecast reliability gap in South Australia from 8 January to 29 February 2024.

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 more than 185,000 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](#).

General comments

Shell Energy has identified two areas which we consider meet the criteria set out in the Interim Reliability Instrument Guidelines to challenge the issuing of a T-1 reliability instrument. Namely, that AEMO has made inaccurate assumptions that have a material impact on unserved energy outcomes in the reliability forecast.

Our first point is that AEMO classifies the 123 MW Bolivar Power Station as 'Anticipated' rather than 'Committed' or 'Committed*'. We question how for the purposes of the 2022 Electricity Statement of Opportunities (ESOO) reliability assessment it can be defined as 'Anticipated' where the generators are installed and the connection agreement and the application for registration as a scheduled generator have been approved by AEMO. In

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.



addition, the plant is forecast by the market participant to be operational a full 12 months before the reliability gap period.

As part of Iberdrola's application for an exemption from the Notice of Closure requirements to allow the generators to be transported and installed at the new location, Iberdrola indicated the power station would be in operation from 1 November 2022. The AER granted the exemption, citing consultation with AEMO who "advised that it had no security or reliability concerns with the closure and relocation".³ Yet, AEMO's forecasts now do not recognise the seeming certainty that the Bolivar Power Station will be operation well before the 2023-24 gap summer period.

In a public forum relating to the ESOO, AEMO indicated that there are five criteria to be classified as committed and the Bolivar Power Station has yet to meet these criteria. AEMO's Generation Information documentation defines 'Committed' projects as those that satisfy all criteria relating to Land, Contracts, Planning, Finance, and Construction. Progress towards meeting the final criteria is also evidenced where construction or installation has also commenced."⁴ While we do not have full visibility of the project, public statements by Iberdrola strongly indicates that the Bolivar Power Station would meet this classification.

Shell Energy considers that the treatment of Bolivar Power station meets the threshold of an assumption that is inaccurate and has a material impact on unserved energy outcomes in the reliability forecast as set out in the Interim Reliability Instrument Guidelines.

We also believe AEMO has erred in its forecasting of forced outage rates on the Heywood interconnector. In applying the forced outage rates, AEMO prescribes a 0.1% probability of a full forced outage and a 0.2% probability of a reclassification event which were then summed by AEMO to create a total forced outage rate of 0.3%. Under a full forced outage, Heywood's transfer limit is reduced to 50 MW, while in a reclassification event, Heywood's transfer limit is restricted to 250 MW. However, AEMO's modelling derates Heywood to 50 MW for all events. This approach significantly overstates the MW impact of a reclassification event and as such incorrectly increases the forecast volume of unserved energy that may arise.

Shell Energy raised this concern with AEMO as part of the Forecasting Reference Group's (FRG) consultation in June 2022 on Unplanned Transmission and generation forced outage rate forecasts. In response, AEMO indicated that the purpose of the consultation was "to understand whether AEMO applied its consulted-on methodology correctly, rather than revise the methodology" and that "AEMO does not consider there to be a material change of circumstance that would justify a revision" of the approach.⁵ At that time, the methodology in this area was being updated to reflect best forecasting practice and the FRG consultation formed part of developing and finalising the methodology in this area. Shell Energy remains concerned that AEMO's approach overstates the risks and magnitudes of unserved energy in South Australia during Q1 2024. For this reason, we believe that AEMO's approach does not meet the best forecasting practice requirements.

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

Yours sincerely

[signed]

Libby Hawker
GM Regulatory Affairs & Compliance

³ AER, [Generator notice of closure exemption application - Decision notice](#), 9 February 2022.

⁴ AEMO, Generation Information August 2022, Background Information.

⁵ AEMO, FRG Consultation Report - Unplanned transmission and generation forced outage rate projections - August 2022, pp 3-4.