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15 October 2021

Subject: Request for expedited amendment to the Gas Supply Hub Exchange Agreement

The Shell Group (“Shell”) is an active market participant in a number of East Coast energy markets including the Declared Wholesale Gas Market, Short Term Trading Markets, National Electricity Market and the Gas Supply Hub (“GSH”).

In May 2021 the Gas Supply Hub Exchange Agreement (“Exchange Agreement”) was amended to include the ability for related bodies corporate to apply for restricted trading. Shell has identified that the Exchange Agreement does not include any guidance on how related parties should seek to cease the restricted trading arrangement, nor does it include any certainty to GSH participants that AEMO will/can cease the restricted trading arrangement should the parties request this. There are a number of scenarios where this need may arise, e.g. where a protocol or other controls are put in place internally to mitigate the compliance risks associated with multiple related parties trading on the GSH and/or there are other commercial changes that necessitate the removal of the arrangement. This was presumably an oversight at the time of drafting the amendments throughout the consultation process with stakeholders and for completeness provision should be provided in the Exchange Agreement to give parties the certainty that the restriction can be unwound if and when required.

Proposal

Shell requests that AEMO amend the Exchange Agreement by:

- establishing steps required by participants to cancel the restricted trading arrangement;
- stating clearly that AEMO will cancel the restricted trading arrangement upon request by either participant within a specified time frame (e.g. within 10 business days); and
- allowing for only one party to request cancellation of the arrangement. We appreciate that an application for restricted trading must be made by both parties, but its removal should not necessitate this requirement. There is a risk that misalignment between participants who have the restricted trading in place may lead to a situation where one participant withholds an application to cancel the restricted trading, even though restricted trading is no longer desired by the other party. This will also reduce the administrative burden on both AEMO and participants.

Shell further requests that AEMO make these amendments pursuant to the expedited process set out in clause 3.4 of the Exchange Agreement. This is on the basis that Shell considers these changes to be minor and administrative in nature (given the initial oversight).

Costs and Benefits

Shell believes this will result in a benefit to the market as it will provide clarification to what is currently a “grey area” in the Exchange Agreement which may discourage parties from utilising this option if they do not have sufficient confidence that there are regulatory structures in place to easily “unwind” the arrangement if circumstances change. Without this change the number of parties trading at the GSH could be less than it otherwise would be, thus potentially reducing the level of liquidity, transparency and the role of the GSH in the East Coast Gas Market.

There should be no material costs associated with cancelling restricted trading between parties, and the proposed amendments should be achievable with minimal changes to the Exchange Agreement.

We look forward to receiving a response from you regarding this proposal and the next steps. If you require any further information, please do not hesitate to contact Kirsten Kenny on (07) 3024 7559.

Yours Sincerely,

A handwritten signature in blue ink, appearing to read 'D. Guiver', with a long horizontal stroke extending to the right.

David Guiver
Vice President Shell Energy Australia Trading