



25 May 2023

Submitted electronically to: istvan.szabo@aemo.com.au

RE: Amendment of automated procedures for determining a manifestly incorrect input (FCAS)

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 supports implementing the Frequency Control Ancillary Services (FCAS) manifestly incorrect inputs (MII) monitoring process. This proposed process was discussed as part of AEMO's Scheduling Error technical working group (TWG) in early 2020 where the TWG members supported and recommended implementation of this proposed monitoring framework. We acknowledge the analysis undertaken by AEMO which notes that correct FCAS enablement of up to 447 MW has occurred under system normal conditions, and 476 MW under non-system normal conditions and that incorrect or true positive input values have exceeded a 690 MW threshold.

The NEM is in a period of transition as it moves towards decarbonisation targets. Schedulable generation is being replaced by un-schedulable variable output generation sometimes connected at common single credible contingency connection points. AEMO is also in the final stages of implementing the very fast contingency FCAS market where actual enablement values remain unclear, particularly under regional islanding conditions where FCAS enablement values may be higher than those historically observed. Given this, it is possible that correct values exceeding the proposed 450 MW threshold may occur, resulting in the automatic declaration of false positive MII reviews.

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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NEM trading interval dispatch outcomes are currently subject to a disproportionate number of false positive MII declarations from the existing automated MII system. It has been rare that true positive MII have been missed. Similarly, following improvements to AEMO systems and processes the rate of true positive MII outcomes has also been rare. In our view, the disproportionate rate of false positive MII declarations places unwarranted stress on participant's trading staff and AEMO operational staff who are required to review each declaration of an MII. We remain concerned that the review of an MII within the 30 minute required period has become routine with the accompanying expectation that the MII is a false positive outcome.

We consider that the proposed 450 MW trigger threshold is too close to the historically observed correct enablement outcomes, particularly in a power system that is transitioning to a new way of operating. We are concerned that the proposed value will further increase the disproportionate level of false positive MII declarations and add additional stress to the market and AEMO staff. Shell Energy therefore recommends that AEMO implement the proposed new MII FCAS trigger with a value of 550 MW. This will provide what we consider a necessary buffer over historically observed values, whilst still capturing incorrect values based on historical occurrences of FCAS MII outcomes.

We note that the last review and report on the effectiveness of AEMO's MII process occurred in October 2021. That report identified that 100% of the trading intervals identified as subject to MII review were false positives. Whilst AEMO implemented some changes to the MII identification calculation post this review we have observed negligible change in the frequency of false positive MII declarations and we look forward to AEMO next annual review and report for the consideration of further improvements.

Whilst not forming part of the consultation process, currently the MII process continues during a period of market suspension where the market suspension pricing schedule pricing applies. We question the value to the market of the continued use of the MII process during a market suspension period where the market suspension pricing schedule pricing applies given that a fixed price nature of the schedule applied. The MII process also has the potential to result in arguably skewed price outcomes where an MII is declared in the first trading interval of a half hour price period, and where the rules would see this price replaced with the price from the proceeding half hour in the schedule. We suggest that this practice of continuing the MII process during a market suspension event should be reviewed to ensure it supports efficient outcomes in the application of the market suspension pricing schedule.

For more detail on this submission please contact Peter Wormald, Regulatory Affairs Policy Advisor (peter.wormald@shellenergy.com.au).

Yours sincerely

[signed]

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