



13 July 2022

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

Lodged email: publicsubmissions@erawa.com.au

Dear Mr Theseira,

RE: Draft determination report for the Minimum STEM Price Review 2022

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to respond to the Economic Regulation Authority's (ERA) consultation on the Draft Determination Report (the Report) for the Minimum STEM Price Review 2022 (the Review), released on 31 May 2022.

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 is supportive of the ERA's draft determination which concluded the minimum STEM price should remain the same at -\$1000/MWh and agrees that the current minimum STEM price meets the minimum STEM price objectives contained in the Wholesale Electricity Market (WEM) Rules.

Minimum STEM Price Objectives

As discussed in the Report, and contained in the WEM Rules, the ERA is required to consider the criteria at 6.20.14 to determine whether the minimum STEM price is appropriate.

As per the WEM Rules at 6.20.16, to determine whether the minimum STEM price is appropriate, the ERA must consider the objectives of the minimum STEM price, which are to:

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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(a) allow clearance of the Balancing Market without the Balancing Price being equal to the Minimum STEM Price in most circumstances; and

(b) subject to clause 6.20.16(a), limit Market Participants' exposure to Balancing Prices that would threaten the financial viability of a prudent Market Participant.

In addition, 6.20.15 states that the ERA must not revise the value of the Minimum STEM Price if it considers that the current Minimum STEM Price is appropriate in accordance with the following criteria, and whether during the review period of 1 February 2021 to 31 January 2022:

- 1) The market cleared at the Minimum STEM Price because it was too high.
- 2) AEMO reduced facilities' dispatch below the quantities that were forecast to clear at the Minimum STEM Price because the price was too high.
- 3) There were changes in the generation fleet that render the Minimum STEM Price too high or too low.

Conclusion

Shell Energy agrees with the draft determination and believes the Report provided sufficient justification as to why the minimum STEM price should remain the same. The Report contained an analysis of the above criteria which determined:

- That the balancing market did not settle at the minimum STEM price since the last review; and
- There were no trading intervals where AEMO dispatched generators down because the minimum STEM price was too high; and
- There were no changes to relevant generator cycling costs over the review period and there has been no change in the generation fleet that may indicate the current minimum STEM price is too high or too low.

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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