



Renewing AEMO's Engagement Model

AEMO – Options paper

SHELL ENERGY AUSTRALIA RESPONSE

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Shell has been active in Australia since 1901. In Queensland, Shell is the operator of the onshore QGC coal seam gas project and Joint Venture (JV) partner in the Arrow project. In Western Australia, Shell operates Prelude Floating LNG and is also part of JV projects including North West Shelf and Gorgon. Australia continues to be a priority market for Shell as Shell aims to become a global leader in cleaner power generation and innovative energy solutions for customers.

In 2017, Shell Energy Australia (SEAu) was established as Shell's trading arm to bring increased diversity of supply and integrated energy solutions to the Australian market. In 2019, SEAu acquired ERM Power, a leading commercial and industrial electricity retailer, as a wholly-owned subsidiary. We have also acquired 100% of sonnen- a leader in smart energy storage systems and innovative household solutions and a 49% stake in ESCO, a utility scale solar developer. Further, we are building our first commercial-scale solar project in Queensland. Gangarri is a 120MW solar energy project which will generate enough electricity to power around 50,000 homes. These acquisitions unlock opportunities for SEAu to support Australia's energy markets and customers to deliver the future energy system.

SEAu welcomes the opportunity to provide comment to the Australian Energy Market Operator (AEMO) on proposed reforms to improve AEMO's stakeholder engagement model.

GENERAL COMMENTS

SEAu is encouraged that AEMO is endeavouring to improve its stakeholder engagement process. This is a timely exercise given the significant reform agenda underway to support the energy market transition. While AEMO performs to a high standard in its role as system operator we consider some improvements to undertake collaborative, transparent and effective stakeholder engagement will better deliver optimal outcomes for market participants and all customers.

There are some good aspects to AEMO's consultation process which we would hope is retained and adopted more broadly in the organisation. An example of this is in the gas related space - the day-ahead market- where AEMO sought industry input on reform concepts, aligning industry views to develop outcomes, before going out for consultation.

However, SEAu is concerned that in some instances AEMO's approach to consultation is to target feedback based on AEMO's predetermined solutions. There is a sense, on these occasions, AEMO has already decided the way forward and the scope of options are limited to those identified internally by AEMO. In these instances, consultation has little influence on AEMO's final decision and there is generally inadequate justification on how the decision is reached or how stakeholder feedback was considered. For example, the customer switching consultation automatically discounted alternative options which could have been more efficient, and feedback was only regarded if comments were made on AEMO's presented options.

While we recognise that there are a diverse range of participants with varying views, rather than what is perceived externally as the current tick box and sometimes combative approach to consultation, AEMO should refocus and see working with stakeholders as a collaborate partnership centred around delivering in the long-term interest of small and large customers. A consistent, well-considered engagement process should be in place for all AEMO consultations and include a level of transparency on how stakeholder contributions have influenced an outcome/s.

Given the above, we support AEMO developing an engagement model that provides greater transparency, flexibility, consistency, problem-solving collaboration and a focus on future issues. Effective consultation with stakeholders in the early development of concepts will result in well-considered, efficient and robust solutions over the longer term. In addition, early consultation provides stakeholders with sufficient time to allocate resourcing to respond in an effective manner and would minimise implementation costs or unintended consequences of any associated changes.

NEW MODEL FOR FORMAL ENGAGEMENT

AEMO has identified three design options aiming to:

- Improve transparency, consistency, and collaboration across energy industry forums and
- Work flexibly both on problem-solving and considering future issues as well as delivering immediate functional concerns.

Option 1 is business-as-usual with some rationalisation and refinement of how the working groups function. SEAu does not consider that this would fully address the issue of transparency and collaboration and further changes would be required.

AEMO proposes that **Option 2** would see the working groups consolidated into four core key themes - operations, planning and network, markets, and Western Australia – and group objectives aligned against three tiers:

- Strategic: forward-looking market design, i.e. DER integration, ISP
- Transient: solving current or emerging issues that are time limited, i.e. Primary Frequency Control
- Functional: groups run for compliance purposes i.e. gas wholesale consultative forum

And information update sessions would be introduced for a broader stakeholder group.

Working groups

SEAu actively participates in a number of AEMO forums and working groups that span across the gas, electricity, wholesale and retail sectors on both the east and west coast. Mostly the working groups have functioned well and the vast amount of expertise in these groups, if utilised correctly, can inject new ideas and innovative solutions. From our experience the working groups that have been successful as those that have functioned with a collaborative approach and been given the remit, and time, to work through the issues arising properly, and in

depth, and deliver an agreed pragmatic solution which is then acted upon by AEMO. The Market Suspension Working Group is prime example of this.

SEAu considers that keeping the high performing forums and working groups and realigning these under the proposed key themes will go some way to improve collaboration and transparency. It is important to recognise that the strength of a working group is in the expertise of the individual members, who may bring different ideas and experience. AEMO proposes that current working groups review their membership to ensure key participants in the appropriate subject area are represented. While we are not opposed to ensuring memberships are up to date, we would not support an AEMO led selection process to determine membership. This process should remain as it currently is run where AEMO advises a working group to work through a particular subject and request nominations for participation.

Information updates

SEAu would support the introduction of regular general information updates of workstreams for all stakeholders. We consider that an information provision layer is essential. With the pipeline of regulatory change occurring across the energy market bodies, keeping across and responding to the operational changes required can be challenging and resource intensive. The information sessions should capture, at a more holistic level, the AEMO change agenda so organisations can better undertake operational planning and allocate resources. We consider that the Regulatory Implementation Roadmap is a good example of how this could be achieved and should be updated regularly and provided as part of these quarterly information updates.

Strategic oversight

AEMO proposes under **Option 3** to establish a CEO Roundtable which would meet 1-2 times a year and provide high-level strategy and industry prioritisation. AEMO also proposes establishing Executive Advisory Panels representing the proposed four key core themes to meet 3-4 times a year to focus on market and system design, operational trends and challenges.

SEAu, in principle, supports Option 3. We support rationalisation of the working groups under a more integrated alignment and a regular information update session as proposed in Option 2. This combined with a strategic layer that sets high level market design priorities will provide better coordination of AEMO's work as part of the energy market reform agenda and transparency around the working groups delivery of this.

Given the senior representation AEMO is seeking and the proposal for limited delegation, for these groups to be successful, AEMO will need to set clear objectives and provide information well in advance to ensure meaningful discussion. We would like to see further details on what the terms of reference and objectives may look like for the CEO Roundtable and Executive Advisory Panels and further details on process such as how information will be bilaterally disseminated. CEO forums have been previously attempted, and it would be useful for AEMO to outline how what is now being proposed differs from previous CEO forums to provide some confidence in the process and to assure continued involvement from senior representation. In addition, we do consider it necessary for clarity around AEMO's role in strategic energy market policy and the interaction with the ESB and AEMC.

AEMO proposes that membership to both the CEO Roundtable and Executive Advisory Panels would be subject to a nomination process. It is vital that membership represents the cross section of market participants, with expertise in energy markets and include representation for both small and large customers. We would support an election process with seats allocated per industry category. This reduces the risk of capture by any one section and enables those that are not part of industry associations to have a level playing field. Our main concern is that at times information is not shared with non-members. Improvements could be made on how information is distributed to stakeholders by AEMO.

Clarification on who holds AEMO to account for compliance with the minimum consultation requirements in the National Electricity Rules would be beneficial. We consider that the CEO Roundtable could be an avenue where AEMO reports on its stakeholder engagement. Similar to what the AEMC does, AEMO could seek independently sourced feedback on its engagement for a selection of consultations completed between a specific period and report the results to the CEO Roundtable. This could assist AEMO to identify what is working well or areas in AEMO's stakeholder consultation and engagement processes that may need further improvement. It would also provide stakeholders with confidence that AEMO is committed to collaborative and transparent engagement.

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