



13 May 2022

Stephen Procter  
Strategic Delivery Manager, Sustainability Programs  
Energy, Climate Change and Sustainability  
Office of Energy and Climate Change

Dear Mr Procter

## **RE: Peak Demand Reduction Scheme – consultation paper for Rule 1**

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to respond to the Office of Energy and Climate Change's Peak Demand Reduction Scheme (PDRS) Rule 1 consultation paper.

### **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 Australia<sup>1</sup>, Shell Energy offers integrated solutions and market-leading<sup>2</sup> 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 active as both a liable party and an accredited certificate provider (ACP) under the Energy Savings Scheme (ESS). We have an active demand response portfolio as part of our approach to managing wholesale market price risk and were part of the Australian Energy Market Commission's (AEMC) technical working group on the Wholesale Demand Response Mechanism (WDRM) rule change. As such, we have a strong interest in the development of methodologies to deliver activities in the PDRS.

Given the initial level of compliance targets and the time before the scheme commences, the activities proposed for the first year of the PDRS represent a sensible approach at this stage. Leveraging existing methodologies from the ESS

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<sup>1</sup>By load, based on Shell Energy analysis of publicly available data.

<sup>2</sup> 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.



appears to be a relatively quick and efficient way to bring activities into the PDRS for the first compliance year. We expect that these activities will deliver a sufficient volume of certificates as the scheme begins.

With the small cohort of initial activities, Shell Energy is particularly interested in the development of further methodologies to expand the scope of eligible activities under the PDRS. In particular, we believe that the development of methodologies to allow for battery storage systems and demand response to participate in the scheme should be a priority.

Demand response, in particular for temperature sensitive loads like chillers and air conditioners, represents an activity that could reduce peak demand significantly. Activities such as these, when deployed at scale, have the potential to deliver significant volumes of demand response to help secure reliable electricity supply in NSW following the closures of the Liddell and Eraring power stations in 2023 and 2025 respectively.

As an example, Shell Energy is actively engaged in what we have termed "Smart Energy Hub" projects, which involve optimising the entire energy ecology of office buildings, shopping centres, refrigerated distribution centres and supermarkets for energy efficiency, environmental certificate creation and demand flexibility. One example in operation is an office building where we are delivering battery energy storage, a back-up generator and Shell Energy's LoadFlex product for chilled water plants and supermarket refrigeration systems.

Shell Energy also encourages the NSW Government to bring existing Project Impact Assessment with Measurement and Verification (PIAM&V) projects from the ESS into the PDRS for the 2023-24 compliance period. Given their presence and active contribution to the ESS, we consider that existing projects could be brought into the PDRS in a relatively smooth and simple manner.

Other projects that we consider should be prioritised for entry into the PDRS include advanced automated demand response. These projects may be automated and have controls to switch off loads or start generators in under one minute to respond to wholesale electricity price spikes and deliver frequency control ancillary services (FCAS) to ensure grid stability. Because of their participation in FCAS markets and the need to accurately measure their response, these kinds of projects can deliver robust measurements to underpin the creation of Peak Reduction Certificates (PRC).

Shell Energy also considers there is a need for clarity around the impact of the proposed implementation date of 1 April 2022. The draft rule states that "a Recognised Peak Activity is any activity that... has an Implementation Date on or after 1 April 2022."

If eligibility depends on activities commencing or equipment being installed after 1 April 2022, there is a risk that meaningful volumes of demand response may not be available to reduce peak demand in New South Wales. There are substantial amounts of demand response equipment that may already have been installed at premises in NSW that can respond to market signals. Having been installed prior to 1 April 2022, it appears that these activities would not be eligible to create PRCs. However, these activities may be ineligible for the WDRM or only available for limited periods under existing arrangements. As such, the PDRS offers an opportunity to deliver additional demand response. Excluding these activities from the PDRS based on implementation date alone may not be in the interests of the grid, or NSW consumers. We consider that there is definite scope to incorporate existing activities into the PDRS without compromising the integrity of the scheme.

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

Yours sincerely

[signed]

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