24 October 2023

Department of Climate Change, Energy, the Environment and Water
GPO Box 3090
Canberra ACT 2601

RE: Australia's Guarantee of Origin scheme design

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to respond to the Department of Climate Change, Energy, the Environment and Water (DCCEEW) policy paper on Australia's Renewable Electricity Guarantee of Origin (REGO) scheme design.

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 households and small business customers in Australia.

As the second largest electricity provider to commercial and industrial businesses in Australia[1], Shell Energy offers integrated solutions and market-leading[2] 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 considers the Government has set out a clear and rational approach to establishing a renewable electricity guarantee of origin scheme. The scheme will provide a framework for renewable energy production to be certified beyond 2030.

We agree with the Government's stated policy positions that below-baseline generation will be able to create REGO certificates. We note that the Government intends to differentiate below-baseline certificates until 2030 and may place restrictions on which entities can surrender below baseline REGO certificates prior to 2030. Shell Energy also recognises that schemes to certify businesses' renewable credentials, such as RE100, may place their own restrictions on the kinds of certificates that can be surrendered as part of their processes. Shell Energy would welcome the Australian Government providing guidance about how REGOs will be treated for the purposes of government-led or supported schemes such as Corporate Emissions Reduction Transparency (CERT) or Climate Active.

Shell Energy cautions the DCCEEW that the position to time-stamp certificates to identify the time of renewable production may create more risks than benefits. We recognise that time-stamping would allow consumers to surrender REGOs that align with consumption if they choose to do so, and that it may be a requirement for exports of some products in the future. The challenge is that time-stamped certificates risks fragmenting the market for REGOs as there may potentially be many thousands of different kinds of certificates created each year, depending on the specific design decisions. This could make it far more challenging and costly for consumers to access certificates. Shell Energy recommends that more detail be provided up-front rather than deferring design decisions to future regulations.

We also acknowledge that the decision to time-stamp certificates has a major impact on allowing electricity storage facilities to create certificates in the REGO scheme. As electricity storage would need to surrender an equivalent number of REGO certificates to their electricity consumption there would be little sense in including storage without time-stamping as they would have to surrender more certificates than they could create to account for round-trip

[1] By 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.

losses. On the other hand, including electricity storage systems in the REGO scheme offers an opportunity to effectively 'time-shift' renewables from times of high wind and solar production to times of low production. This creates more opportunities for consumers seeking to time-match their procurement and surrender of REGOs with their consumption. Shell Energy therefore awaits further details contained in the subordinate legislation to ensure there are no unintended consequences.

DCCEEW proposes to allow owners of small-scale systems to create REGO certificates where small-scale technology certificates (STCs) have not previously been created. Shell Energy considers this makes a degree of sense in order to provide a signal for renewable production through virtual power plants (VPPs) or other small-scale aggregation models. We encourage the Department to engage with the Australian Energy Market Operator and the Australian Energy Market Commission in relation to the proposed "Scheduled Lite" rule change which may offer an avenue for market participants to aggregate small-scale battery storage or solar PV load production.

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

Yours sincerely

[signed]

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